

Head 162 – Report of Auditor General of the Ministry of Megapolis and Western Development – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Account Act No.24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the Ministry of Megapolis and Western Development. The financial and Physical performance reflected from the account and the reconciliation statement were audited in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Finance Regulation 124 (2). This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Head 162 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review will be issued to the Secretary to the Ministry in due course. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to audit and tests of samples of transactions. The scope and extent of such review and rests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The material and significant audit observations out of the audit observations of the Ministry of Megapolis and Western Development for the year ended 31 December 2017 appear in Paragraph 2.1 to 2.13 of this report. The audit observations revealed in the execution of accountability as the Accounting Officer in accordance with provisions of the Financial Regulation 127 of the Democratic Socialist Republic of Sri Lanka, to ensure the adequacy of the financial administration are summarized and shown in the under mentioned table.

The Accountability the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliances with that Regulation by the Chief Accounting Officer	Reference to the paragraphs that observations are included
Financial Regulation		
127(1)(a)	Planning the financial functions in order to carry out the transactions correctly and formal manner.	1. Not description of the activities through the vision and mission statements. 2.1 2. Deficiencies in the Action Plan 2.2.1
127(1)(b)	A system should be introduced in order to provide adequate control over expenditure and collection of revenues	1. Uneconomic Transactions 2.8 2. Management Weakness 2.10 3. Non – compliances 2.12 4. Weakness in human resource management 2.13
127(2)	The existing items of expenditure, as well as proposals for new or increased expenditure in the Departments under the control of the Ministry should be closely examined by the Ministry from the point of view of economy and efficiency.	1. Not achieving of expected production levels 2.2.2 2. Not achieving of expected results 3. Delays in implementing of projects 2.2.3 4. The funds had been released no progress was achieved by projects 2.2.4 5. The projects implemented after being delayed 2.2.5 6. Progress of the foreign funded projects 2.2.6 7. The funds of the foreign funded projects had been kept in the Deposit Accounts without being utilized 2.3(a) 8. Not implementing to foreign funded projects on due dates 2.3(b) 9. Liquidation of foreign funded projects 2.3(c)

		10. Deficiencies in procuring of goods and service from the procurement procedure	2.3(d)
			2.4
127(3)	All the cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgment to bear on them	1. Deficiencies in the utilization of motor vehicles 2. Idle and under utilization of assets 3. Deficiencies in conducting the annual Board of Survey 4. The assets released to the external parties 5. Unresolved audit paras	2.5.1 2.5.2 2.5.3 2.5.4 2.9
127(4)	The Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them, and important differences in the Estimates and the Actual expenditure are critically investigated by him.	Incurring of commitments exceeding the provisions	2.6
127(5)	The important variations between departmental estimates and expenditure incurred are critically examined at the Ministry .	1. Non - utilization of allocated provisions 2. Allocation of over provisions	2.11(a) 2.11(b)
127(7)	The procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to the Government by the delays, negligence, fault or fraud on the part of officers/ employees and surcharges are imposed on the officers/ employees responsible for such losses, in terms of Financial Regulation 156(1) It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist is along with his Accounting Officer in explaining and justifying the accounts of the Department for which he is responsible.	Losses and damages	2.7

2. Material and Important Audit observations

2.1 Vision and Mission of the Ministry

The functions of the Ministry had not been described through the vision and mission of the Ministry.

2.2 Performance

2.2.1 Planning

The Action Plan for the year 2017 had been prepared in terms of the Public Finance Circular No.01/2014 dated 17 February 2014. Accordingly, 28 main functions had been scheduled to be performed by the Ministry during the year under review and the following deficiencies were observed in the Action Plans prepared by 02 Statutory Institutions and 04 Foreign Funded Projects in order to achieve their expected objectives, that come under the preview of the Ministry.

- (a) Activity Plan which had been prepared based on the annual budgetary estimates and the priority lists, time lines of the activities and expected output/ outcome had not been estimated and shown therein.
- (b) Without having a formal plan, a sum of Rs.335 million equivalent to US\$ 2.17 million had been allocated under the Strategic Cities Development Project for the acquisition of lands and resettlement activities during the year under review. Due to the lack of a formal plan, a sum of Rs.44.72 million equivalent to US\$ 0.29 million had only been utilized up to end of the year under review.
- (c) The cost estimates amounting to Rs.9,779.95 million equivalent to Euro 62.4 million had been prepared to enhance a balances development between the historical and developed areas of the City of Anuradhapura whill conserving the cultural and natural heritage, under the Anuradhapura Intergrated City Development Project. Out of that estimated cost, a sum of Rs.8,150 million equivalent to Euro 52 million had been agreed to provide by he France Agency for Development. The Project had been started in the year 2016 and a sum of Rs.52.01 million equivalent Euro 0.33 million had been incurred during the year under review. However, a budget had not been prepared according to the Action Plan and covering the entire projects period. As well, preparing of a detailed Civil works plan that scheduled to be carried out under the project had not been delayed and as a result, Procurement Plan for the year under review had not been prepared.
- (d) According to the Action Plan of the year under review, sums of Rs.1,750 million, Rs.2,350 million and Rs.1,000 million totaling Rs.5,100 million had been utilized for the phase one and two of the Sukhithapurawara Project and for new projects respectively. One hundred and twenty two projects in total, i.e. 64 and 47 projects in the first and second phase of the Sukhithapurawara project respectively and 11 new projects scheduled to be completed under the urban component and the solid waste

management component. However, it had been failed to complete 81 projects up to end of the year under review.

2.2.2 Not Achieving of Expected Production Levels

The following observations are made.

- (a) Two hundred and forty three Urban Development Zones had been identified to developed during the year under review. The development plans had been prepared only for 08 Municipal Council areas, 12 Urban Council areas and 20 Pradehsiya Sabha areas in total for 40 zones.
- (b) An action plan had been prepared by an international consultancy firm to mitigate the flood risk of the Grater Colombo Urban area under the Metro Colombo Flood Resilient Urban Environment Trust Fund. The actions had been taken to train the officers of the relevant institutes of Sri Lanka in order to prepare that action plan. However, due to not providing of training to the officers in formal and systematic manner, the expenditure incurred thereon had been become fruitless expenditure. As a result, it had to be obtained the support from the foreign consultancy firms continuously to prepare the action plans.
- (c) The project excuting time frame had not been prepared for the Western Regional Urban Planning Project. Similar functions that had been implemented by the National Physical Planning Department had also been conducted by that Project. Being drafted the Act for the establishment of Western Regional Megapolis Authority and amendment of the affecting Local Authorities Acts, resolving of Problems that could be arrived between the Local Government Authorities and preparation of prior plans relating to the structure of the Western Regional Megapolis Authority were the main objectives of the Project. However, the Project had performed the activities deviating from the objectives.
- (d) The construction works of the Buddagana Bio – diversity Park had not been carried out according to the relevant standards. A sum of Rs.92.07 million had been over paid to the a contractor by way of making the payments for non – performed works included in the Bills of Quantities and making the payment for the works that had been carried out deviating the specifications.
- (e) An agreement had been signed with the Contractor by the Metro Colombo Urban Development Project to construct the Beach Park at Mattakkuliya for an estimated cost of Rs.275.78 million and agreed to complete the construction works within 10 months. But, over 1 ½ years had been taken to complete the Project. Some items of the Project had not been carried out as per the Engineer’s plan and due to deviating from the standards, 47 deficiencies were observed. Without being considered above deficiencies the Park had been taken over and a sum of Rs.129.14 million had been paid to the Contractor.

- (f) The provisions amounting to Rs.607.98 million had been obtained from the supplementary provisions for the year under review for the construction of Iconic Building, Urubokka Urban Development Project and construction of the commercial and Beach Park at Hambantota Siribopura. However, neither the physical or financial progress had not been achieved as at end of the year under review.
- (g) A Proposal had been made to develop the cities of Malabe, Homagama, Kaduwela and Athurugiriya under the Technical Cities Development Project. Accordingly, it had been expected to develop the cities by dividing to 5 zones such as Tertiary Education Zone, Scientific Research and Development Zone, Technical Entrepreneurship Zone, Nano Technology and Bio Technology Showrooms Zone. That Project scheduled to be commenced on 01 March 2017 and to be completed on 01 March 2023. In order to implement the project, an agreement had been signed between the Ministry and the Ministry of Land Infrastructure and Transport of the Korean Government on 24 May 2016. Accordingly, preparation of the main Technology cities plan and conducting of feasibility study thereon had been handed over to the relevant Ministry of the Korean Government. A sum of Rs.25.49 million including salaries and allowances amounting to Rs.16.64 million had been paid up to end of the year under review to the staff of the Project's management unit that had been established for the Technology Cities Project. However, it was also observed that the Project's activities had been carried out in very slow manner.

2.2.3 Not Achieving the Expected Outcome

The following observations are made.

- (a) The supplementary provisions amounting to Rs.200 million had been provided to the Ministry for the Development of the Public Bus Transport Service Project. A sum of Rs.104.04 million had been incurred up to end of the year under review. Further, the liabilities amounting to Rs.131.33 million had been incurred up to end of the year. Accordingly, the works valued at Rs.235.37 million in total had been performed up to end of the year. In order to enhance the public transport facilities, the programme for the introducing of bus priority lanes had been implemented by the project during the year under review. The above expenditure had been incurred during the year under review, under this project, for the acknowledgement of general public, development of roads and demarkation of bus lanes. Due to the reasons of unavailability of minimum 3 lanes for the allocation of priority bus lanes, unavailability of 3 lanes in many of the roads, and entering of motor cycles, lorries and motor cars to the priority bus lanes, the priority bus lanes had not been functioned and therefore, the expenditure incurred thereon had been become fruitless expenditure.
- (b) The Project for the Development of Mage Cities planning in the Western Region had been commenced in May 2015 and it had been operated over 2 years up to end of September 2017. However, that project had been implemented with the participation of the Board of Investment and the Ministry of Finance and Planning during the years of 2003, 2004 and 2005. The Project had incurred a sum of Rs.79.85 million over that 2 years. After being implemented the Project, a sum of Rs.250.37 million had been

incurred during the period of May 2015 to September 2017. Thus, an accumulated expenditure of Rs.330.23 million had been incurred for the Project. At present, without being mentioned a Project completion time period, the Project had continuously executed by changing the Project's name.

- (c) In order to beautify the Greater Colombo City and to create environment – friendly city, a sum of Rs.1,552.07 million had been incurred for the development of Beire Lake and other various functions, by the Greater Colombo Urban Development Project. Further, another sum of Rs.470 million had also been incurred from the Treasury Funds. However, due to not taking of proper actions to control the releasing of waste items to the Beire Lake from the surrounding houses and hotels, bad smell was spread – out in the surrounding area. Hence, the development works of the Beire Lake had not been influenced to the tourism industry and had not been created suitable environment to the Sri Lankans seas as well.
- (d) The construction works had been started in 4 selected temples at an estimated cost of Rs.64.22 million with a view to improvement of good human beings and to support for the spiritual programme conducted in the Western Province by the Ministry under the theme of Good Governance and the stable country. Without obtaining a performance bound, a sum of Rs.7.76 million had been paid as a mobilization advance. However, action had not been taken to start the construction work at a site even after elapse of several month since the scheduled date for commencement of the works. Therefore, actions had to be taken to recover the mobilization advances amounting to Rs.1,238,109 from other 02 construction bills. As well, in order to enhance the facilities in the Temples under the Meth Sith Arana Project, the provisions had been provided by the Ministry of Western Development and Megapolis under the Sukhitha Purawara Project. It was observed that the activities of the Project had been implemented inefficient manner.

2.2.4 Implementing Delays of Projects

The following observations are made.

- (a) Without being considered the ability and the performances of the contractor, the mobilization advance amounting to Rs.58.82 million had been paid in two instalments for the Kandy Tomlin Park development contract under the Strategic Cities Development Project. Further, due to the deficiencies in the main structural plans, an additional amount of Rs.27 million had to be incurred and the contract period had also been extended by further 3 1/2 months.
- (b) In order to promote the agriculture, powers and the tourism industry in the Trincomalee District, preparation of a Mega City Plan had been initiated by the Ministry of Western Development and Megapolis. Without being followed the procurement procedure, the Singaporean consultancy company had been selected. An agreement had been signed to provide the service for US\$ 982,000 in the year under review and according the agreement the Mega City Plan should be submitted within 09 months. Although it had been paid a sum of Rs.90.29 million equivalent to US\$ 589,200 in 03 instances, the

Trincomalee District Mega Plan had not been submitted after being finalized up to June 2018. Due to the failure of preparation of the plan within 9 months, the relevant completion period had been extended by further 8 months in time to time after being obtained the Cabinet approval. However, the Singaporean Company had failed to complete the preparation of the plan even in that time period. Hence, although it had been planned to complete the project by 30 November 2017, the project had been continued even up to 31 July 2018 by paying salaries to the project's staff.

- (c) The provisions amounting to Rs.20 million had been obtained in the year under review to establishment of Kottawa Makumbura Multy Purpose Transport Centre by installing of a GPRS System in all buses in order to control the bus running system. The establishment of the Bus controlling centre and installation of the GPRS system had not been conducted up to end of the year under review.
- (d) According to the decision made by the Cabinet on 16 August 2016, the activities of the Mega Cities Planning Project should have to be completed by end of July 2017. However, contrary to the Cabinet decision the Project had been carried out in the months of August and September 2017 by incurring the salaries of the staff and other expenses. The Treasury Provisions amounting to Rs.13.08 million had been utilized during that 2 months period and action had been taken to continue the Project by Performing remaining works through the implementing of new Project namely Western Regional Planning Project, as per the Cabinet decision made on 11 July 2017.
- (e) The Grater Colombo Urban Development Project had been implemented with a view to minimize the flood water in the reservation area of the Colombo Water basin, strengthening the capacity of the Local Government Institutions in the Grater Colombo area and commencement of Projects in the area of Grater Colombo Region in order to beautify the City of Colombo. The estimated cost of the Project amounted Rs.42,031.44 million equivalent to US\$ 213 million. Out of that a sum of US\$ 321 million or 66.35 per cent had scheduled to be provided by International Bank for Rehabilitation and Development and the remaining balance scheduled to be incurred by the Government of Sri Lanka. Subject to the receiving of funds, the project scheduled to be commenced on 10 July 2012 and to be completed 30 June 2017. Nevertheless, the project period had been extended up to 30 June 2020. However, sums of Rs.12,198 million equivalent US\$ 87.7 million received under the World Bank Loan and Rs.3,691 million equivalent to US\$ 25.7 million of the Sri Lanka Government had been incurred up to end of the year 2017. Thus, after the lapse of 5 ½ years, only about 41 per cent of the funds had been utilized.
- (f) Even though a sum of Rs.202.02 million had been provided for the implementation of development projects in the area of Matara, Wanathawilluwa, Rathnapura, Puwakpitiya, Waragoda and Gongitota, such projects had not been implemented up to end of the year under review.
- (g) According to the Action Plan, a sum of Rs.53.24 million had been allocated in the year 2017 for 03 construction works, i.e Padukka sport gorund, Galawaththa land

development activities and the construction of Bulathsinghala weekly fair. Those construction works had been significantly delayed and the completion dates of the constructions had also been expired. Hence, the benefits that should have been provided to the general public in the area were delayed by 2 years.

2.2.5 Non – Progress Project though fund had been release

The Engineer estimate of two construction works which had been conducted by the Strategic Cities Development Project under the Kandy City Development Project, Hospital Darmashoka Mawatha and Katugasthota – Madawala Digana Road, amounted to Rs.911 million and Rs.2,156 million respectively. However, those contracts had been awarded for lower value of Rs.727 million and Rs.1,615 million respectively. Although the significant differences were observed between the estimated costs of the contracts and contract awarded values, the information in that regard had not been furnished to audit. Further, the mobilization advances totalling Rs.351 million had been released to two contractors. However, due to slow progress of the construction works, less than 30 per cent, it was unable to recover the advances given.

2.2.6 Commencement Projects after being delayed

Before signing the contract agreement and handing over the contract awarding letter of the development of Kandy Vehicle Park under the Strategic Urban Development Project, the mobilization advance amounting to Rs.49 million had been paid. The construction works had not been started up to 30 April 2018.

2.3 Foreign Funded Projects

A sum of Rs.8,044.1 million had been provided by the Ministry for 05 foreign funded projects during the year under review. Out of that amount, a sum of Rs.6,044.0 million had been utilized up to end of the year under review. Accordingly, a sum of Rs.2000.1 million had been saved, out of the provision. The following observations are made in this regard.

(a) Performance of the Foreign Funded Project

A sum of Rs.27,507 million equivalent to US\$ 202 million had been provided by the Lending Agency for the Strategic Cities Development Project. Even though it had been lapsed 3 ½ years after being implemented the Project, only a sum of Rs.3,431.72 million or 12 per cent of the funds had been utilized up to end of the year under review. Thus, the performance of the project was at a very low level. The Action Plans of the Project had not been prepared according to monthly, quarterly and bi-annually targets and activities had not been carried out accordingly. That situation had been affected to save the allocated funds.

(b) Keeping the Funds in Deposits Accounts without being utilized

Due to the poor forecast made relating to the project progress and the fund requirement for the Strategic Cities Development Project, a sum of Rs.634.5 million equivalent to US\$ 4.26 million had been kept for over 6 months without being utilized for the project activities.

(c) Not Commencement of Project on due date

An aggregate amount of Rs.19,623 million equivalent to US\$ 131 million had been estimated for 87 rehabilitation contracts for the year under review, in the cities of Kandy, Gall and Jaffna under the Strategic Cities Development Project. Those 87 Contracts had been plan to awarded based on the estimated cost. However, only 34 contracts valued at Rs.8,289 million equivalent to US\$ 55.34 million had been awarded up to end of the year under review. Further, although activities of 25 sub – projects had been awarded for Rs.1,065 million, those activities had not been commenced on due dates.

(d) Liquidation of Foreign Funded Projects

Kottawa, Kaduwela and Kadawatha Cities Development Project (3K Project) had been commenced by the Grater Colombo Transport Network Development Project under the Township Development Component. According to the loan agreement, the project scheduled to be completed by 31 May 2015. However, due to failure to complete the works according the planned time period, the project had been implemented during the year under review using the Treasury funds, without being obtained the loan. Thus the project was not completed scheduled time period and as a result, a sum of Rs.1.4 million had to be incurred as administration expenses (salaries and other expenses) per month. Hence, the administration expenses amounting to Rs.43.4 million incurred up to end of the year under review had been become fruitless expenditure.

2.4 Procuring of goods and services following the Procurement procedure

The provisions allocated through the Annual Budget Estimate amounting to Rs.13.16 million to the Ministry should have been utilized following the Government Procurement. Out of the allocation, a sum of Rs.11.4 million had been utilized. The following observations are made in this regard.

- (a) According to paragraph 8.1 of the Management Services Circular No.01/2016 dated 24 March 2016, the consultants should have been recruited following the conditions in the Finance Agreement and Guidelines in the Government Procurement Guidelines. Without being followed those requirements, 11 consultants have been recruited to the Strategic Cities Development Project and a sum of Rs.36 million had been paid to them as salaries and allowances during the year under review.

- (b) A procurement Plan had not been prepared for the Strategic Cities Development Project. Hence, the project had failed to implement 105 Procurement activities estimated cost of US\$ 44.33 million, during the year under review.

- (c) The contract for rehabilitation of the Gatabe Water Purification Plant had been awarded for Rs.899 million and subsequently, the procurement apparel committee had decided to recall the bids due to the issues arised relating to the qualifications of the contractor. As a result, The financing facilities had been completely stopped by the Loan Providing Agency. Therefore, the activities of the Gatabe Water Purification Plant had been stopped.

- (d) The Procurement activities of the Contractor for the construction of the strom water drainage system of Kandy, had not been commenced at a estimated cost of Rs.950 million in the year 2015. As Procurement activities had been completed up to end of the year under review, none of the activity had not been performed.

- (e) The consultancy contract for recommendation of flood controlling strategies and preparation of the Action Plan thereon, under the Flood Resilient Trust Fund in Metro Colombo area, had been awarded and it had been taken 02 years and 04 months for the procurement. Further, for awarding of consultancy contract for the testing of water quality in internal Canals and Tanks in the Grater Colombo Urban area and preparation of plans for wetlands management had been taken over one year.

- (f) The bids had been called for the selection of a consultancy firm for making of flood risk assessment and preparation of flood risk mitigation Action Plan for the Metro Colombo area under the Flood Resilient Urban Environment Trust Fund. According the evaluation of the bids, the qualified international consultancy firm which had the ISO 9002 stander certificate and highly qualified staff had not been selected. Thus due to selecting of the second highest bider instead of the 1st bidder, a sum of Rs.9.72 million had to be over paid. The report submitting period had been extended for selected bidder in 3 times during the period from 21 July 2015 to 18 January 2016. This reason had affected to delay the achievement of objectives of the Fund.

2.5 Assets Management

2.5.1 Utilization of Motor Vehicles

Thirty five motor vehicles were available to the Ministry as at end of the year under review, and 535,729 Kilometers had been run those motor vehicles. An aggregate amount of Rs.9.39 million had been incurred comprising of fuel and lubrication amounting to Rs.1.16 million, servicing of motor vehicles amounting to Rs.3.11 million, repairing cost amounting to Rs.2.45 million and insurance of motor vehicles amounting to Rs.2.67 million. Accordingly, a sum of Rs.17.53 had been incurred per kilometers except the salaries and allowances to the Drivers. The following observations are made in this regard.

- (a) The motor vehicles had been obtained by the Strategic Cities Development Project on rental basis on the basis of running the motor vehicles in maximum distance of 2,500 kilometers per month. While running of 75,249 Kilometers, below the agreed distance, a sum of Rs.7.15 million had been paid for running of 133,841 kilometers in excess.
- (b) Seven motor vehicles had been allocated to the Metro Colombo Urban Development Project. Another 5 motor vehicles had been obtained on rental basis for the use of project activities and a sum of Rs.5.58 million had been incurred for those rented motor vehicles during the year under review. Due to the allocation of motor vehicles for the officers of the project, adequate number of motor vehicles had not been made available for the use of project's functions. As a result, the motor vehicles had to be obtained on rental basis. Due to the obtaining of motor vehicles on rental basis, running distance of motor vehicles during the year under review ranging from 785 kilometers to 1,362 kilometers per month. Further, the running distances per day was ranging as low as 32 kilometers to 57 kilometers.

2.5.2 Idle and under utilized Assets

The machines and Equipment had been handed over to the Kandy and Galle Municipal Councils and the Department of Irrigation incurring Rs.195 million during the year under review under the Strategic Cities Development Project. Due to the lack of utilization plan of those assets, the assets had been kept in idle at the premises of the assets handed over Institutions, without being used for the desired purpose up to 30 April 2018. Further, a stock of water pipes and assessreies which had been purchased at a cost of Rs.120 million in the preceding year had been kept in idle at the premises of the Water Supply and Drainage Board up to April 2018.

2.5.3 Annual Board of Survey

The Office Equipment valued at Rs.8.75 million had been purchased for the Western Regional Mega Cities Planning Project by utilizing the funds received to the Ministry from the Treasury and Urban Development Authority's Fund. However, those assets had not been taken to the Registers and the Board of Survey had not been conducted relating to those assets during the year under review and inthe preceding year as well.

2.5.4 The Assets Released to the External Parties

The instances that releasing of assets to the external parties in irregular manner were observed. The details are as follows.

- (a) A computer monitor, a Canon Printer, a UPS and a Canon Fax machine belonging to the Western Regional Mega Cities Planning Project office, had been taken by the Project Director after the completion of the project without obtaining the approval. The Ministry had not taken any action in that regard according to the Financial Regulations.
- (b) According to the expenditure report of the Western Regional Mega Cities Planning Project, the office equipment valued at Rs.8.75 million had been purchased for the project. According to the Fixed Assets schedule that had been maintained by the project, the value of those assets had been indicated as Rs.6.03 million. Accordingly, the assets purchased by the project had been understated by Rs.2.72 million in the detailed schedule of the fixed assets.

2.6 Commitments and Liabilities

Expenditure incurred exceeding the annual budget limits

Contrary to paragraph 02(a) of the Public Accounts Circular No.255/2017 dated 27 April 2017, out of the allocation made on 09 Objects amounting to Rs.6,131.87 million, the commitments had been incurred for Rs.2,349.24 million exceeding the savings after being utilized the allocation, of Rs.450.88 million.

2.7 Losses and Damages

The following losses and damages were observed at the audit test check.

- (a) A donation amounting to US\$ 900,000 equivalent to Rs.118.8 million had been given to the Metro Colombo Flood Resilient Urban Environment Trust Fund according to the agreement signed with the World Bank. That Fund had been initiated in the year 2012 and scheduled to be completed by 21 July 2014. After that date, the duration of the Fund had been extended by 2 ½ years in 02 instances up to 31 January 2017. However, due to the failure of utilization funds even during that period, a sum of US\$ 172,926.58 equivalent to Rs.26.55 million had been remitted to the World Bank. As a result, a foreign exchange loss had been sustained by the Sri Lankan Government.
- (b) An excess salaries amounting to Rs.1.90 million had been paid to the staff of Kottawa, Kaduwela, Kadawatha Township Development component (3K Project) by erroneously computing the salaries. Due to not taking of actions to recover the excessive payments from the staff members, a financial loss had been incurred by the Government.

- (c) A Driver of a affiliated public institute had been recruited as the Driver of Secretary to the Ministry and a sum of Rs.423,583 had been paid during the year under review as allowances, in addition to the salary, without having a formal approval.

2.8 Uneconomic Transactions

The following observations are made.

- (a) Without being conducted a primary investigation and an evaluation on environment effect, a report had been prepared by the consultants for the conducting of rehabilitation activities of the Gall Fort Rampert under the Strategic Cities Development Project. Due to that reason, the rehabilitation and development activities could not be able to carried out base on said report. However, a fruitless expenditure amounting to Rs.60 million had been incurred for the preparation of that report.
- (b) The Coordinator of the Project for the preparation of Trincomalee District mega plan had used a Helicopter to participate to a field meeting held in Trincomalee. The cost on air travel, lodging, food and liquir expenses of the officer amounting to Rs.101,622 had been paid from the Treasury funds.

2.9 Unresolved Audit Paragraphs

The following deficiencies shown in the audit paragraphs included in the Auditor General's reports that issued relating to the Ministry had not been corrected up to end of the year under review and reference to the paragraphs are shown below.

Reference to audit report		Related Subject
Year	Para No.	
2016	3.5 (b)	The staff members who released to Project duties on full and part time basis are not allowed to obtain special allowance between of 5 per cent to 15 per cent, according to the Circular instructions. However, an aggregate amount of Rs.10.83 million had been erroneously paid to the staff members released to the Metro Colombo Urban Development Project. Action had not been taken to recover the erroneous payment.
2016	3.9 (a)	Without obtaining a formal approval and contrary to the circular instructions, 10,812 fuel litres valued at Rs.1,243,380 had been obtained by the Project Director of the Metro Colombo Urban Development Project, while obtaining the fuel allowance with the salary paid for the Additional Secretary, then the Additional Secretary (Technical) of the Ministry. Even though the fuel bills had been reimbursed by the project, action had not been taken to recover the said

payment.

2.10 Management Weakness

Without being discussed with the officers of the Disaster Management Centre and Department of the Metrology in formal manner, to carry out the functions similar to those two Institutions, actions had been taken to construct a 12 stories building at Kirimandala Mawatha for the Centre for Flood Control and Water Resource Management. However, despite the disagreements with the Disaster Management Centre and the Metrological Department, the contract agreement had been signed with Central Engineering Consultancy Bureau for the construction of the pillars at a cost of Rs.1,892.68 million. Nevertheless, it was observed that without having necessity to construction of the Centre for Flood Control and Water Resource Management construction works had been started without considering the above situation. Hence, the opportunity to use the building for another purposes and use the funds for other needed requirement had been lossed.

2.11 Utilization allocated funds by parliament for conducting of functions

The details relating to the provisions made to the Ministry, utilization and saving during the last 3 years are shown below.

Year	Expenditure Category	Net provision	Utilization	Savings	Saving as a percentage of the allocation
		(Rs.million)	(Rs.million)	(Rs.million)	(Rs.million)
2015	Recurrent	478	459	19	3.97
	Capital	17,538	6,979	10,559	60.21
	Total	18,016	7,438	10,578	58.71
2016	Recurrent	1,066	750	316	29.64
	Capital	29,094	12,401	16,693	57.38
	Total	30,160	13,151	17,009	56.40
2017	Recurrent	2,553	2,257	26	1.02
	Capital	37,289	27,254	10,035	26.91
	Total	39,842	29,781	10,061	25.25

The following observations are made relating to the allocations provided and utilization for the year under review.

(a) Non – utilization allocated provisions

The following observations are made in this regard.

- (i) Without being utilized the net provision made on 09 Objects amounting to Rs.1,991.5 million, the entire provisions had been saved.

(ii) The provisions amounting to Rs.202.02 million had been allocated for the year under review for 06 miscellaneous projects implemented under Ministry namely Sukitha Purawara Project and 09 Urban Development Projects, However, none of the projects had been implemented.

(iii) The provisions amounting to Rs.1,000 million had been provided for the Urban Development and Urban Solid Waste Management during the year under review and another sum of Rs.7,895.9 million had also been obtained through the supplementary provisions for the same purpose. Out of the total provision obtained amounting to Rs.8,895.9 million, a sum of Rs.3,040.56 million had been saved without being utilized.

(iv) A total net provisions of Rs.12,226.7 million had ben obtained through the supplementary provisions during the preceding, year amounting to Rs.3,330.8 million and Rs.8,895.9 million in the year under review for Urban Development and Urban Solid Waste Management. However, a total sum of Rs.9,186.14 million had only been utilized for the above purpose during the year under review and the preceding year. A project for Solid Waste Management in the Western Province had not been commenced considering it as priority requirement.

(b) Providing of over provisions

Due to the providing of over provisions totalling Rs.3,326.8 million on 7 Objects, the total amount of Rs.840.4 million had only been utilized relating to those Objects. Hence, the savings from the net provisions were ranging form 52 per cent to 98 per cent.

2.12 Non – Compliance with Laws, Rules and Regulations

The non – Compliances observed during course of audit test check were analyzed below.

Reference to Laws, Rules and Regulation -----	Value ----- (Rs.)	Non Compliance -----
(a) <u>Statutory Requirement</u> Paragraph 3 of schedule (b) of Secretaries Administrative Code	2,306,255	Without considering provisions in the Secretarie’s Administrative Code and without obtaining the Cabinet approval salaries had been paid to the Chief Accounting Officer of the Ministry, based on the lower salary scale than the salary scale to the Secretary of the Ministry. The paid salaries to the Secretary had been based on an Engineer’s salary scale and other allowances that only being paid to the employees of the Central Engineering Consultancy Bureau. Those

salaries and allowances had been paid informal manner, since September 2015.

**(b) Public Administration
Circular**

- | | | |
|---|---------|--|
| (i) Paragraphs 04 and 05 of the Circular No.13/2008 dated 26 June 2008 | 190,000 | The transport allowance of Rs.50,000 per month had been paid to the Additional Secretary (Urban Development) according to the Circular for the use of private motor vehicle for the official duties. In the meantime motor vehicles belonging to the Metro Colombo Urban Development Project had been used in full time for his official duties and private purposes since October 2015 to May 2016. By accepting above irregular motor vehicle utilization, a sum of Rs.150,000 had been re-paid out of the total payment of Rs.340,000 made to him during the above period. The remaining balance of Rs.190,000 had not been repaid. |
| (ii) Paragraphs 2 (iii) (iv) of the Circular No.05/2016 dated 09 March 2016 | 406,580 | While obtaining the allowed official fuel allowance as the Additional Secretary (Urban Development), an additional 2,885 fuel litres valued at Rs.317,350 had been obtained from the Metro Colombo Urban Development Project and 1,343 fuel litres valued at Rs.147,730 had been obtained from the Strategic Cities Development Project. |
| (iii) Circular No.09/2009 - dated 16 April 2009 | | Every Public Officer should denote report to the duties and departure in finger print machine. However, the finger print machine had not been used by the Ex – Additional Secretary (Urban Development) to denote his attendance to the duty and departure during his service period. |

2.13 Human Resource Management

Approval Cadre, Actual Cadre and expenditure on personal remunerations

Particulars relating to the approved cadre, actual cadre as at 31 December 2017 are as follows (the cadre of the projects come under the preview of the Ministry had not been included). A sum of Rs.77.09 million had been paid for personal remunerations during the year under review. Accordingly, expenditure per employee was Rs.720,477.

	Category of Employees	Approval Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	36	31	05
(ii)	Tertiary Level	06	02	04
(iii)	Secondary Level	95	37	58
(iv)	Primary Level	44	37	07
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		181	107	74
		=====	=====	=====

The following observations are made in this regard.

- (a) Without being followed a formal recruitment procedure, the employees had been recruited to the various Projects come under the preview of the Ministry.
- (b) Five Additions Project Directors and 02 Assistant Project Directors had been recruited to the staff of the Financial Cities Project (Ports Cities Projects) that carried out under the Chinese investments. The formal recruitment procedure had not been applied for those recruitment. Further, without being considered the possibility to made the recruitment, a permanent officer of the Sri Lanka Ports Authority, the post of Habar Master, had been recruited as the Deputy Project Director. Although an Additional Secretary of the Ministry and another two officers had been recruited as the Deputy Project Director and Assistant Project Directors respectively, they that not performed any official duty of the project.
- (c) A very short period of time 5 working days, had only been given to submit the applications when recruitment of the Project Director for the project of Light Rail Transit Project implement under the Ministry. However, as the feasibility study was being carried out by the JAICA, there was no any immediate requirement to recruit for the posts. Further, the applications for the recruitment of experienced Engineers in the fields of transport and mechanical with the postgraduate degree qualifications had not been called.