

## **Head 117- Ministry of Higher Education & Highways**

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### **1. Financial Statements**

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#### **1.1 Qualified Audit Opinion**

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Audit of financial position of the Ministry of Higher Education & Highways as at 31 December 2018, comprising Financial Performance statement and cash flow statement for the year ended 31 December 2018 was carried out under my directions in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with National Audit Act No 19 of 2018. A summary report containing my comments and observations on the financial statements of the Ministry of Higher Education and Highways was issued to the Chief Accounting Officer on 31st May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. Annual Detailed Management Audit Report relevant to the Ministry in terms of Section 11 (2) of the Audit Act was issued to the Chief Accounting Officer on 12 June 2019. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in the Section 1.6 of this report, accompanying financial statements give a true and fair view of the financial position of the Ministry of Higher Education & Highways as at 31 December 2018 and its financial performance and cash flow for the year ended 31 December 2018 then ended in accordance with Generally Accepted Accounting principles.

#### **1.2 Basis for Qualified Audit Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibility of the Chief Accounting Officer on the Financial Statement**

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Chief Accounting officer is responsible for the preparation and fair presentation of these financial statement in accordance with Sri Lanka generally accepted accounting principles and provisions of the Section 38 of National Audit Act No. 19 of 2018 and for such internal control as determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In terms of Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry shall maintain proper books and records of its income, expenses, assets and liabilities in order to prepare annual and periodic financial statements.

In terms of Sub section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial

control of the Ministry and shall periodically review the effectiveness of the system and make any necessary changes to keep the system running effectively.

#### **1.4 Auditor's Responsibility in Audit of Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor General summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Ministry
  
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
  
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### **1.5 Report on other legal requirements**

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I declare the following, in terms of Section 6 (d) of the National Audit Act No 19 of 2018.

Since the Ministry of Higher Education and Highways did not need to prepare financial statements for the previous year, it cannot be stated that the financial statements are consistent with the previous year. As such, this report does not make recommendations on financial statements.

## 1.6 Comments on Financial Statements

### 1.6.1 Non-compliance with Financial Statement Circular Provisions

The following observations are made.

Audit Observations	Recommendations	Comments of the Chief Accounting Officer
(a) In reporting the non-financial assets of the Ministry, individual asset values were not checked against the principal ledger balance of those assets.	Reconciliation of individual balances with the principal ledger balances relating to the assets should be done in terms of the Public Accounts Circular No. 267/2018 of 21 November 2018.	Information has been reported to the Controller General's Office per the Asset Circular No. 01/2017 issued by the Ministry of Finance and Mass Media. Although Individual balances of land and buildings and vehicle were included in the CIGAS system it had not been included in the fixed assets Register of the Ministry when the audit was carried out.
(b) A sum of Rs. 1,710,000 had been paid in the year 2017 for the building in Rajagiriya which has been rented out for the carrying out the non-governmental higher education section. That amount had not been shown in the Rent and Work Advance Account and the Rent Work Advance Reserve Account.	In terms of the Public Accounts Circular No. 267/2018 dated 21 November 2018 rent advance payments made to outside parties should be included in the relevant forms	Agree with the audit observation. Measures will be taken to record the cash deposit paid to the building owner in the future in accordance with the Public Accounts Circular 267/2018.

### 1.6.2 Property plant & equipment

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) Only the value of property, plant and equipment included in the CIGAS Computer System amounting to	The carrying value or revaluation value of all property, Plant and equipment owned or undertaken by the Ministry	Assessed value of Rs. 130,600,000 of 12 vehicles taken over by the Ministry of Highways during the year 2018 had not been

Rs. 8,279.20 million had been included in the financial statement and the assets which are own by the Ministry not included in the computerized system assets were not correctly represented in the financial statements.

must be included in the financial statement in accordance with generally accepted accounting principles

included in the CIGAS computerized system. Although Ministry is using the office equipment belonging to the Road Development Authority, so far ownership had not been taken over by the Ministry. Once the assignment is completed, it will be processed into the CIGAS computer system.

(b) As a sum of Rs. 671.34 million difference was reflected in the opening balance of the property plant and equipment account and balance of previous year audited financial statements, property plant and equipment had been understated by such amount.

Corrections should be made in the General Ledger and the disclosures should be made in a financial statement.

Although, in preparing the 2017 financial statements assets of the CIGAS program had not been compared with the assets, the assets value of the 2018 financial report is correct.

### 1.6.3 Capital expenditure

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
<p>A sum of Rs 10,291.2 million loan obtained from 2 private commercial banks on the basis of repaying by 06 years for Development and replacement project of technical institution of the University of Moratuwa by the Ministry of Higher Education had not been disclosed as a note in the financial statements.</p>	<p>In preparing the financial statements, all the obligations and responsibilities of the Ministry should be disclosed by such financial statements.</p>	<p>Accept the audit observation and action will be taken to disclose as a note of financial statements in preparing future financial statements.</p>

#### 1.6.4 Statement of reconciliation of Advance account to Public Officers

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The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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There was an outstanding balance of Rs. 683,637, which was not recovered from the officers transferred, resigned and retired as at 31 December 2018. The arrears ranged from 3 months to 28 years.	Action should be taken to recover the outstanding balances according to the relevant circular instructions.	It is impossible to find accurate information on the three outstanding loan balances that were not yet settled. Legal action is being taken to recover the balance of the officers who have left the service. Instructions have been received to take further action to recover the Rs. 175,594 under the Department of Technical Education and Training.

#### 1.6.5 Not maintaining documents and books

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It was observed that the following documents were not maintained by the Ministry and some of the documents were not kept up to date.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Security Register		
----- Security register had not been prepared including information about the officers required to give security and detail of employees.	List of officers required to furnish security should be maintained including the information as mentioned in the Financial Regulation No 891(1).	Agree with the audit observation.

(b) Register of Electrical Fittings

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Register of electrical fittings had not been maintained. Inventories of all electrical fittings and apparatus in Government buildings should be maintained as per the financial regulation 454(2). I have taken notes to advise to maintain a list of electrical equipment in future.

(c) Register of losses

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A register of losses had not been updated. The losses register should be updated in accordance with the provisions of the Financial Regulation 110. It is maintained. Advice had been given to update.

(d) A Register of Liabilities

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A Register of Liabilities had not been maintained. The liabilities should be recorded in a liability register which can be regularly checked for liabilities in terms of Financial Regulation 214. Instruction had already been given to the all divisions to maintain a liability register and noted to ensure that documents are kept up to date.

**1.6.6 Certification to be made by the Chief Accounting Officer**

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The following observations are made.

Observation	Recommendation	Comments of the Ministry
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The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Ministry and	Provision of Section 38 of the National Audit Act No. 19 of 2018 should be complied with.	Agree with the audit observation. Steps will be taken to review at the Audit and Management Committee meeting quarterly and report to the Auditor General on a

periodic review of the effectiveness of the system should be carried out and the necessary modifications are made to maintain the system effectively. Although copy of such review in writing should be presented to the Auditor General, such review had not been carried out.

quarterly basis to ensure that there is an effective internal system for financial control of the Ministry in terms of the National Audit Act.

### 1.6.7 Non-compliance with laws, rules and regulations

Following instances of non-compliance with the provisions of the laws, rules and regulations were observed.

Observation -----	Non-compliance -----	Recommendation -----	Comments of the Chief Accounting Officer -----
References to Laws, Rules and Regulations -----			
(a) Financial Regulations 104 (4)	A complete report of vehicle accidents should be submitted within three months of the accident, but the reports of two accidents occurred during the year had not been submitted even by 12 June 2019.	Should comply with Financial Regulations.	Action will be taken to avoid this situation in the future.
(b) Paragraph 02 (ii) of the Asset Management Circular No. 02/2017 dated 21 December 2017	Circular instructions had not been followed in relation to nine vehicles not assigned to the Ministry and a vehicle given to another Ministry.	Should act in accordance with the provision of the circular.	There are only nine vehicles that have been taken over or to be taken over by this Ministry from other Ministries.
(c) Public Finance Circular No. 05/2016 dated 31 March 2016	In accordance with the circular instructions, action had not been taken regarding the deficiencies of 171 items of goods and the excesses of the 137 items of goods which were revealed according to the board of survey reports.	Should act in accordance with the provision of the circular.	Deficiencies and excess were not arisen from a fraud, malpractice or misuse. Deficiencies and excess had been arisen due to the omission of recording in books. Arrangements had been made to adjust them in

the books.

## 2. Financial review

### 2.1 Expenditure management

The following observations are made.

Audit Observations	Recommendation	Comments of the Chief Accounting Officer
(a) Out of the Provision of Rs.212,471.29 million made to the Ministry for the year under review a sum of Rs.33,950.13 million or 16 percent had been saved. When taken in to account provisions made to the Ministry relevant to the last 5 years and its utilizations, the highest savings from the provision were recorded during the year.	Action should be taken to prepare estimates with proper evaluation and systematic study in terms of financial regulation 50.	Agree with audit observation.
(b) The entire provisional value of Rs. 744 million allocated for 12 objects of the Ministry had been saved without utilizing any amount from total allocation.	-do-	This provision could not be utilized due to non-completion of preliminary work relating to the objects and the non-availability of imprest for other projects.
(c) An aggregating Rs. 503.8 million had been saved totally from the provision which have been approved relevant to the six objects by supplementary estimates.	-do-	Although the budget proposals have been submitted, the preliminary works of those have not been fulfilled, due to the Changing the scope of the Ministry on four occasions, appointment of various ministers and change of secretaries Opportunity had not been received to utilize these provisions.
(d) A sum of Rs 3,174.5 million	Budget estimates	Agree with the audit



provision allocated on behalf of 15 votes had been completely transferred to other objects. should be prepared only for correctly identified spending requirements. observation and action will be taken to mitigate these situations in future.

(e) A sum of Rs. 21,924.5 million provision had been saved from the aggregating Rs. 63,699.1 million provision allocated for 57 objects and that had been ranged from 25 per cent to 99 per cent from the total provision. Cost estimates should be prepared with proper forecasting. Agree with the audit observation and action will be taken to mitigate these situations in future.

(f) Difference between preliminary expenditure estimates and revised expenditure estimates for 14 objects was Rs 1,743 million and that was ranged from 25 per cent to 253 per cent. Preliminary expenditure estimates should be prepared accurately and realistically. Activities of the Ministry was difficult to managed within the estimated provisions for the year 2018. Expenditure estimates were revised for only when essential expenditure is incurred.

## 2.2 Entering into Liabilities and Commitments

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) The total outstanding liabilities as at 31 December 2018 was amounting to Rs. 87,172.35 million as a result of not regularly inspecting and settle the liability documents.	Should comply with Financial Regulations 214.	Action will be taken to inspect and settle the liability register.
(b) Although, there should be no obligations beyond the annual budget limits Ministry had made commitments on behalf of 65 objects amounting to	Action should be taken to cover the expenditure within the provision limits as per Public Account Circular No. 255/2017 dated 21 April	Expected target completion of the project cannot be limited due to the limitation of annual estimate of the Highway Ministry. Also local or foreign interest will have to be paid as a

Rs.59,667 million 2017.  
 exceeding the total  
 provision.

result of delaying of  
 contractor's bills. Cost of the  
 project have been increased  
 from it. The total liability of the  
 Highway Ministry amounting to  
 Rs. 216 million is due to the  
 bills had been submitted by the  
 contractors of construction of  
 the accelerated hostel project  
 and provision had been expired.

### 2.3 Deposit Balances

The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>The deposit money charged when registering Non-governmental higher education institutes under the Ministry should be utilized to regulate those higher education institutions. However, deposits charged from 42 institutions aggregating Rs. 24,720,487 in relation to the year 2015, 2016 and 2017 had not been utilized for any regulatory activity.</p>	<p>Charged deposit money should be utilized for the regulatory authority of the course without delays.</p>	<p>Establishment of a pool of subject matter experts who are willing to participate in the review work of the Non-governmental Higher Education Sector, conducting awareness programs for 57 experts in various field of subject, conducting a workshop for Heads of the institutions which are recognized and applied institutions for offering degree, appoint committees to set minimum standards for institutional review and preparation of a general policy for granting visas to foreign students had been fulfilled for the year 2018/2019.</p>

### 3. Operational review

#### 3.1 Planning

The following observations are made.

Audit observations	Recommendation	Comments of the Chief Accounting Officer
Activities planned to be implemented within the next two years or three years, which were included in the 2017 Action Plan of the Ministry of Higher Education, had not been included in the 2018 Action Plan.	Action should be taken to include the activities into the action plan to achieve the targets set out in the relevant years.	The goals for the forthcoming year, which were outlined in the Strategic Plan for 2017, were different from the 2017 Plan. The reason for this was that discussions held in the entire university system and through reviews made, it was felt that certain sections should be revised based on those ideas and suggestions.

#### 3.2 Failure to Carryout Activities

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) According to the annual action plan prepared for the year 2018, sum of Rs. 11,662.1 million had been allocated for 25 projects by the Ministry to achieve activities pertaining to the 07 objectives under 03 targets. Following observations are made in this regards.		
(i) Under the first target, it was planned to construct a building complex of faculty of health science for the Eastern University which was commenced from the year 2016 and to be completed in the Year	Action must be taken to achieve the targets set out in the action plan within the relevant time frame.	To achieve the performance as required was hindered as the matters of spending 156 days longer than planned due to changes in the consultancy firm selection method, extra time spent on changing the plans of Eastern University in

2019. However, amounting to Rs. 288.5 million had been allocated during the year under review actually, a sum of Rs. 31.3 million had only been spent. The project's financial progress was at 10 per cent and the physical progress was at 14 per cent at such a low level by the end of the year under review.

various circumstances, delays in awarding the contract, delays in approving the carder and lack of sufficient funds to pay advance payments.

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| <p>(ii) Under the second stage, it was intended to bring at least 3 state universities and non-governmental universities are among the top 1,000 and six universities to the top 2,000 and the rest of the universities to the top 5,000 as per the World Rankings of Universities based on improving the quality of courses. However, not a single state university had reached the top 1,000 and only one university had reached the top 2,000. Further, 08 universities were in the range of 2,000 - 5,000 while 10 remaining universities were ranked above 5,000 limit.</p> | <p>Attention should be focused on improving the quality of the courses so that the Sri Lankan Universities can be upgraded to the World Rankings.</p>                             | <p>Due to heavy cost for an index which can be used action been taken with the foresight of bring the Sri Lanka as the center of higher education in area and it was decided to use "Webometric" index which was no cost but have at least a minimum international acceptance. Benefits were received such as making completion among universities within a few years from the introduction and Motivation to use the necessary strategies to elevate their position, effectively changing the places during the first period, no cost has to be incurred to use index, being able to identify the ranking patterns and gaps of Universities of Sri Lanka.</p> |
| <p>(iii) Although plans had been prepared to increase the graduate employability from 59 per cent in 2014 up to 70 per cent in the year 2020 the Ministry or the University Grants</p>   | <p>Action should be taken to introduce strategies to increase employability of graduates who leave the universities and to establish the criteria for measure the performance</p> | <p>Graduate employability calculation was designed and funded by the HETC project and carried out by each university by providing provisions. However, that methodology did not</p>  |

Commission had not set criteria for identifying performance levels that are relevant to those goals.

of that employability.

implemented based on the matters such as once the project is completed, the process should be done separately by each university, not making provision in time, lack of mechanisms, at least most of the universities do not have a statistician.

(b) Amounting to Rs.500 million had been allocated during the year for the eight storied building of the University of Ruhuna which is scheduled to commence in 2017 and to be completed by 2020. Out of that Rs. 269.3 million had been utilized, physical progress was 19 per cent. This was due to the action taken without evaluate the construction capabilities of the contractor.

Action should be taken to manage the financial position in compliance with the time frame from the commencement to completion of the project.

Rs. 300 million only had been allocated for this project from the initial estimates. However, Rs. 200 million additional provision was made to pay the unpaid bills, as a result of lack of imprest at the end of the year 2017. Accordingly, by using that Rs.500 million provision a sum of Rs. 200 million mobilization advance and Rs. 69.3 million in interim certificates had been paid. Delays were observed and instruction in this regard had been given to the University and the construction company to expedite the construction works.

(c) A student loan scheme had been launched to provide credit facilities to 38 undergraduate courses in eight Non-governmental Universities with the approval of the Cabinet of Ministers of the year 2017 to follow courses for 5,000 undergraduate students who are not eligible to enter state universities. Under this scheme 1382 applicants had been registered during the year under review and that was a reduction of 27 per cent of the target students.

The action should be taken to increase the participation of the students by increasing the public awareness of the student loan scheme.

The number of students registered for the first phase of the program was 268 and due to the matters such as be a Higher Education Scheme designed according to a new system introduced to Sri Lanka, the uncertainty of students and parents in obtaining loans and the distrust of debt payments, lack of confidence in the stability and longevity of the loan scheme, unexpected fear of quality assurance and acceptance when studying in private institutions, the slowdown in

the pace of people. The number of students enrolled in 2018 was 1289.

### 3.3 Not Achieving Expected Outcome

The following observation is made.

Audit observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
Amounting to Rs. 91.23 million incurred for the project had become an unproductive expenditure as core concept and scope changes of the Transport connectivity and Asset Management Project.	Adequate attention should be given to the impediments to sustaining the projects before the expenditure make on project planning and management.	Agree with the observations.

### 3.4 Abandoning Projects without Completion

The following observation is made.

Audit observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
Although, Rs. 250 million had been provided by a Supplementary Estimates in accordance with the 2017 Budget proposal with the objective of establishing the Postgraduate Institute of Ayurvedic Medicine, out of that provision Rs. 247 million had not been utilized. Despite this, Rs. 92 million had been got allocated under the annual estimates and supplementary estimates during the year under review but the project had been abandoned without utilizing any funds.	Proper feasibility study should be carried out before commencement of projects. Supplementary allocations should be made by utilizing the provisions made in the annual estimates and taking into consideration the further provisions.	A Director and Staff to the institution for the implementation of the project should have been appointed and carder approval was requested from the Department of Management Services on 16 May 2017 and after getting approval on 26 September 2018 a Director was appointed on 05 February 2019 by the University Grants Commission. From that date onwards, allocated funds were begun to utilize systematically.

### 3.5 Projects that Started Work after a Delay

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The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The work of the Project agreement of the Swamy Vipulananda Aesthetic Institute of Batticaloe which was scheduled to be implemented on an estimated allocation during the year under review amounting to Rs. 218 million under the funds of Sri Lanka Government and Indian Government could not be started during the year under review due to the delay in signing the construction agreement and change the Project proposal.</p>	<p>Action should be taken to identify the project proposal, study the feasibility and prepare the project plans and allocate the funds accordingly and work within the project timeline.</p>	<p>Approval of the Department of National Planning on 23 April 2018 and the Cabinet decision on 1 August 2018 to change the scope of the project were received by the Swami Vipulananda Institute of Aesthetic Studies. Although, according to the Cabinet decision a Memorandum of Understanding was signed to obtain financial grants of Rs. 275 million it was not happened due to the lack of agreement. There were delays in signing the agreements due to change in the Ministry structure. At present, necessary arrangements are being made to appoint a construction contractor.</p>

### 3.6 Foreign Funded Projects

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The following observations are made.

Audit observation	Recommendation	Comments of Chief Accounting Officer
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<p>(a) Under the World Bank-aids Higher Education Expansion and Improvement Acceleration Project was commenced in 2017 and to be completed by 2023. However, although during the year under review Rs. 714.21 million had been allocated for this project, the physical progress of the project was very low 5 per cent by the end of</p>	<p>Action should be taken to commence and complete the project which are implemented under the foreign loans, aids or donation within the time frame without a delay.</p>	<p>Although the project was commenced in the year 2017, Project Director was appointed on December 2017 the approval of the Cabinet of Ministers. Since then, the project was extended up to mid-year as appointments were made for key positions and selection of</p>

the year.

building on hired basis throughout the first quarter of 2018. This had resulted in delays in planned expenditure during the year. However, the preliminary work of selecting the research activities and postgraduate work could be able to complete as planned.

- (b) The Project of Urban Development of North Western University implemented under Government of Sri Lanka and the Government of Saudi Arabia aids of amounting to Rs. 280 million estimated provision, and the establishment of the Technology Resource Development Program for the Universities of Kelaniya, Sabaragamuwa, Rajarata and Colombo and commencement of Faculty of Engineering of the University of Sri Jayewardenepura with the Rs. 1,450 million estimated provision funded by the government of Sri Lanka and Asian Development Bank was remained at low level of 2 per cent.
- Action should be taken to commence and complete the project which are implemented under the foreign loans, aids or donation within the time frame without a delay.
- A Project Director was appointed for the Urban Development Project of the University of Wayamba, the appointment of other essential staff and establishment of the Project office were made in the year 2018. The process of appointing consultants for the project had been commenced by the Ministry and the Project Staff in 2018 and has reached the final stage by 2019 with the approval of the Saudi Fund.
- (c) Financial and physical progress of NARAD-funded Water Supply and Climate Change Adaptation Project of Rs. 39.22 million which was commenced in 2014 and is scheduled to be completed by the end of the year under review was 70 per cent and 73 per cent respectively.
- Action should be taken to commence and complete the project which are implemented under the foreign loans, aids or donation within the time frame without a delay.
- This project is a research project of the Peradeniya University funded under the foreign aids. Allocated amount of Rs. 39.22 million in the year 2018 had been utilized for project activities as at 31 December 2018. Financial progress is 100 per cent. Advise will be given to inquire about the progress and take immediate action as this project is under the supervision of the academic staff of the University of Peradeniya.



- (d) A sum of Rs 27.9 million had been allocated for the project of Adolescent Risk Reduction in Heart Metabolism through the good health and nutrition of the young children funded by the government of Sri Lanka and the Government of Austria which was commenced in the year 2016 and schedule to be completed in the year 2018. Nevertheless, at the end of the year under review, physical progress was as low as 25 per cent
- Action should be taken to commence and complete the project which are implemented under the foreign loans, aids or donation within the time frame without a delay.
- The total estimated cost of this project is Rs. 27.9 million. The total allocation for the project in the year 2018 is Rs.5.08 million. A sum of Rs. 4.21 million had been spent as at 31 December 2018 for purchasing of Laboratory equipment and field studies. Next steps are to be taken discuss with the relevant parties regarding the low physical progress.
- (e) Although preliminary estimates had been prepared for the development of 250 km of national and provincial roads under the Southern Road Connectivity Project, only 24 km of relevant to the 03 roads had been selected.
- Feasibility studies should be carried out in preparation of preliminary plans and attention should be given to preparation of realistic plans.
- All the roads chosen were narrow lanes as well as required to acquire the land and therefore implementation was delayed. Further, progress was slow due to the lack of adequate provisions for land acquisition.
- (f) Despite a sum of Rs. 1,759 million had been paid for an Australian company in order to carry out the feasibility study of the Central Expressway, without getting done that task from that company agreements for a sum of Rs. 97 million had been entered into with several local institutions.
- Attention should be focused that the feasibility study reports obtained at the commencement of the project reveal all the required matters.
- The total amount paid to SMFC as at 31 December 2014 was Rs. 1,600 million. The SMFC had already completed the feasibility study and had submitted the reports to the project office. Since the government decided to change the first 10 km section of the site and the lane of the Northern Expressway again in 2015, the SMFC had to make some amendments to the feasibility study. Accordingly, agreement was signed with University of Moratuwa to revise and update the Economic Feasibility Study and agreements was signed with the Professor K. Karunatilake to update the Restorative Action Plan.

- (g) Although contractor and the consultancy company had been selected in the year 2017 for Central expressway project section from Pothuhera to Galagedra action had not been taken either to sign the agreements or commence the construction. But expenditure made locally for land acquisition and project management were Rs. 3,200 million and Rs. 1,931 million respectively. Management had incurred expenses for the recruitment, maintenance and use of vehicles without the commencement of the project.
- Need to ensure the availability of financial provision before commencing a project.
- A contract company and a consultancy company were selected in the year 2017 and Cabinet of Ministers approval was received for that. However, contract had not been awarded to the above selected contract company and the consultancy company since the loan agreement had not been signed up to now.
- (h) Funds received under the Asian Development Bank loan and the Government of Sri Lanka had been stated as Rs. 12,419.59 million and Rs. 92.65 million respectively in the financial statements of the Integrated Road Investment Program. However, there was a Rs.1,597.27 million difference between the receipt amounted to Rs. 10,823.16 million and Rs. 91.80 million respectively financial statement and receipt of Treasury notes.
- Should be timely reconciled the relevant balances of the financial statements and the balance of the Treasury Reports.
- Since the amount of Rs. 1,596.43 million disbursed in December of 2018 under the above loan account by Asian Development Bank has been reported to the Department of External Resources after the last date of the submission of account report, that money had not been accounted in the year 2018 by the Treasury and accounted for the year 2019 by the Treasury. Project had accounted a sum of Rs. 92.65 million as a local fund and amount of income paid back had been accounted by reducing Rs. 0.85 million under the approval of the General treasury.
- (i) When paying advance to the contractors, advance guarantee should be taken similar to the amount of advance. Nevertheless, the government fund had been put at risk as advance security had been taken only for sum of Rs. 304.23 million for the given Rs. 334.49
- Action should be taken to obtain the guarantee to cover the advance completely.
- A sum of Rs. 30.25 million had been over reduced by mistake when the reduction of the value of the securities by reducing the money so far recovered from the advance securities from the Road development contractor of

million to the contractor of Road Development of Kegall District by the integrated Road Investment Program.

Kegalle District and action is being taken to recover that amount.

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| <p>(j) Eight consultants had been appointed for Integrated Road Investment Program under the monthly allowance of Rs. 65,000 without the approval of the Department of Management Services and allowance of Rs. 4,715,395 had been paid on the contribution received from the Government of Sri Lanka to the Project.</p> | <p>Should be recruited with proper authority.</p> | <p>These consultants had been appointed with the concurrence of the management of Road Development Authority and at present the service of these officers had been terminated.</p> |
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### 3.7 Asset Management

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 The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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<p>Fixed assets records and computer asset schedules had not been maintained for the property, plant and equipment owned by the Ministry and asset code given by the system for property plant and equipment which was included in the CIGAS computer system had not been properly encoded in the physically in the asset.</p>	<p>Action should be taken to strengthen the internal control system on property, plant and equipment.</p>	<p>It has been stated that it is not mandatory to maintain a fixed asset register since an asset module has been set up in the CIGAS program, but the fixed asset register is being updated as detailed information can be included. It is accepted that asset code provided by the system for property plant and equipment which was included in the CIGAS computer system had not been encoded physically in the asset of the Ministry and arrangements have now been made to physically paste the code in the assets.</p>

### 3.8 Uneconomic Transactions

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The following observations are made

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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<p>A sum of Rs. 34,695 million had been spent in the year 2014 to set up the Geographical Information System (GIS) for supervision of the maganeguma project which is not a activity included in the approved expenditure head by the Ministry.</p> <p>The project had been abandoned in 2015 due to commencing the project without a proper feasibility study. Further, Rs.20.29 million had been spent and Rs.14.4 million had to be paid as at 31 December 2018. Reasons for agreeing to pay on the recommendation of the five-person committee when the relevant contract had not been effectively completed was not clear to the audit.</p>	<p>In accordance with Section 136 (1) of the Financial Regulations, payment should be made only if the anticipated use or expected outcome of a contracted work has been achieved.</p>	<p>Since it had legally entered into an agreement with Green Tech Consultancy Pvt Ltd in 2014, the committee appointed regarding bills has recommended the payment for the above data system, considering the legal status of these agreements and the requirements of this GIS database.</p>

### 3.9 Weaknesses of the Management

The following observations are made

Audit observation	Recommendation	Comments of the Chief Accounting Officer
Although Insurance expenses amounting to Rs. 2,011,307, Rs.2,313,440 and Rs. 1,747,283 had been incurred in the years 2017, 2018 and 2019 respectively for full insurance of the vehicles of the Ministry, the Management was failed to reimburse the accident repairs and cover the damage through the insurance coverage.	If the accident repair is to be done in relation to the cost of insurance, management should take action to carry out the repairs at the relevant time cost incur and its insurance coverage.	Please note that the money spent on vehicle insurance for the years 2017, 2018 and 2019 was not a frivolous expense and vehicle insurance is a compulsory requirement.

## 4. Good Governance

### 4.1 Internal Audit

The following observations are made.

Audit observation	Recommendation	Comments of Chief Accounting Officer
(a) In accordance with Sub section 4.3 of Paragraph 40 of the National Audit Act No. 19 of 2018, copies of all audit reports submitted by the Internal Auditor should be submitted to the Department of Management Audit but the Ministry had not complied with the provisions of the above Act.	Internal audit reports had to be submitted as per the National Audit Act.	Out of the audit reports submitted after the issuance of the National Audit Act, copies of all reports, except two, had been submitted to the Director General of Management.
(b) Although number of audit assignments included in the Audit Plan prepared for the year 2018 were 27, number of completed audit assignment during the year were 11.	Taking action to implement the Internal Audit Plan to the Ministry in an effective manner.	Although 27 number of audit assignments had been included in the 2018 annual audit plan but only 11 of them had been completed. The Project Internal Auditors had been appointed for

Accordingly, the Internal Audit Division failed to achieve the planned level of performance.

11 projects in the year 2018 and they had been instructed to carry out the Internal Audit activities of their projects.

## 5. Human Resource Management

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The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<b>(a) Highway Sector</b>		
<p>(i) Although it had been stated that 51 secondary level vacancies exist, secondary level Development Officers recruited to the Ministry were 158. Nevertheless, these officers had been released for the duties of the Road Development Authority without paying any direct involvement with the Ministry and had been paid salaries and allowances by the Ministry. Accordingly, action had been taken to increase the staff requirements that there were not real vacancies in the approved level of the secondary and without proper evaluation and adjustment of service requirements.</p>	<p>Action should be taken to revise the approved cadre and fill the relevant vacancies in order to reflect the real need of the staff of the Ministry.</p>	<p>Graduates had been recruited to this Ministry on a policy decision of the Government and the need for staff of the Ministry had not been over-revised and officials were excess due to the timely changes in the implementation of government policy decisions.</p>
<p>(ii) Although the number of vacancies in the primary level is 12, 14 persons from the primary level of the Road Development Authority had been released for duties of the Ministry. As a result, it was observed that there were no real vacancies at the tertiary level.</p>	<p>Action should be taken to revise the approved cadre and fill the relevant vacancies in order to reflect the real need of the staff of Ministry.</p>	<p>Requests have been made from the Director General of Combined Services to recruit employees for the vacancies of these posts. Action has been taken to release the employees to the Authority in proportion to the assignment of such vacancies.</p>

(b) **Higher Education Sector**

There were 79 vacancies in the staff at the end of the year under review and the Ministry of Public Administration and Disaster Management had been briefed by the Ministry on several occasions to fill the vacancies, but action had not been taken to fill such vacancies even by the end of April 2019.

Action should be taken to carry out the activities of the Ministry efficiently and timely by filling the staff vacancies.

The total number of vacancies of the Ministry was 79 by the end of the year under review and steps have been taken by the Ministry to fill these vacancies.