

Head 117- Ministry of Transport and Highways - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 117-The audit of the financial statements of the Ministry of Transport and Highways for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Ministry of Transport and Highways was issued to the Chief Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 13 October 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements of the Ministry of Transport and Highways for the year ended 31 December 2024 give a true and fair view of the financial position, financial performance and cash flows, all materiality consistent with the basis for preparing financial statements mentioned in note related to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibility Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of matter - Basis for preparation of Financial Statements

Attention is drawn to Notes to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the needs of the Ministry of Transport and Highways, General Treasury and Parliament in accordance with Financial Regulations 150 and 151 and, Public Accounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Ministry of Transport and Highways, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.5 Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism 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 the internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiency

(a) Capital expenditure

The following deficiencies were observed in the accounting of capital expenditures related to the financial statements.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The allocations for staff salaries and recurrent expenses of the Road Development Authority had been allocated under sub project No. 117-2-08-001-2201 Development Activities-Institutional Support in year prior to 2024 through the annual budget 2024. Allocations had not been made for it by the Appropriation Act No. 34 of 2023 for the year 2024. An expenditure of Rs. 20,749.81 million was incurred as at 31 December 2024 of the allocation of Rs.23,000 million under sub project Nos. 117-2-04-001-2001 and 2104 Development Activities - Road Development Expenditure provided for buildings and structures and out of it a sum of Rs. 9,500 million or 46 per cent was spent on salaries and wages of the Road Development Authority. Accordingly, the Ministry had made allocations for the payment of salaries and wages, which are a recurring expenditure, through capital allocation, contrary to the objectives for which expenditure was approved for the year 2024 by the Appropriation Act No. 34 of 2023. A sum of Rs. 82,318.40 million was accounted as acquisition of assets-buildings and	The allocations had been requested under subject project 117-2-8-4-2201 by letter dated 2023.08.23 to make allocations for the payment of salaries and wages of the Road Development Authority for the year 2024. However, the National Budget Department provided allocations for the year 2024 through subject No. 117-2-04-001-2001 and 2104. The revision of that subject project is indicated in a footnote in the Annual Estimates Book -2024. Further, it was instructed to capitalize the expenses incurred for the payment of salaries of officers involved in road development under subject project 117-2-04-001-2104 on the relevant roads as a capital	Disciplinary action should be taken against officers responsible for allocating funds and incurring expenses without complying with the Financial Regulations and limits imposed by the Parliament.

structures in the year 2024 under the sub expenditure. project No. 117-2-04-001-2104 of Road Development - Development Activities in the Statement of Non-Financial Assets and the recurrent expenses of Rs. 7,600 million paid as salaries and wages of the Road Development Authority had been capitalized in it.

(b) **Deposits**

The following deficiencies were observed in the accounting of payment of deposits and balances related to the financial statements.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although 08 separate deposit accounts were maintained for the Transport Sector and the Highways Sector of the Ministry of Transport and Highways, the financial statements for the year under review had not been presented in a manner that would identify the sector to which those accounts belonged.	It was noted to present general deposit accounts in the financial statements from next year by using a note to be able to identify the main sections.	Disclosures should be made in the financial statements to be able to identify the deposit accounts of each sector of the Ministry separately and the officers who prepare and certify financial statements should introduce internal controls to ensure their completeness and compliance.

(c) **Non-Financial Assets**

The following deficiencies were observed in the accounting of Non-financial Assets related to the financial statements.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Non-financial Assets should be identified and accounted in accordance with the State Accounts Department's Circular No. SA/AS/AA/Circular dated 12 July 2013. However, although the Ministry had incurred a sum of Rs. 235,397.81 million through local and foreign finance sources under expenditure code No. 2101 (Vehicles), 2102	The total value is recorded as purchases when capitalizing work-in progress incurred in previous years. Also, the expenses incurred in the year under review under expenditure code 2506 are not accounted under Non-financial Assets.	Special attention should be paid to the review of the systems under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, and written instructions should be issued to

(Furniture and Office Equipment), 2103 (Plant, Machinery and Equipment), 2104 (Buildings and Structures), 2105 (Land and Land Improvements), 2106 (Software Development) and 2506 (Infrastructure Development) during the year under review, only a sum of Rs. 226,748.99 million was accounted as transfer in and purchases of Non-financial Assets in the year 2024. Accordingly, Non-financial Assets related to Rs. 8,648.82 million incurred as capital expenditure in the year 2024 had not been identified and accounted.

The rural roads introduced internal controls to ensure that assets are identified and accounted in accordance with the circulars.

The rural roads constructed by allocating funds to District Secretariats in the year 2024 have not been included in the Non-financial Assets Register for the year 2024 due to the delay in submitting information at the end of the year and those are included as additions to the opening balance of 2025.

- (ii) According to the letter No. MOH/HWY/ACC29/2022/07 dated 16 May 2024 of the Chief Financial Officer of the Ministry of Transport and Highways regarding “Accounting of Work- in Progress - Year 2023”, it was stated that the expenses related to all ongoing projects as at 31 December 2023 had been included under Non-financial Assets. However, in the Non-Financial Assets Statement - 2024 (ACA-6) prepared and presented for the financial statements for the year under review, a sum of Rs. 1,494.21 million was included as addition to opening balance under Work-in Progress - Buildings and Structure - Ledger Account No. 9160-1-4. Accordingly, the accounting of capital expenditure incurred in previous years for road development projects under the expenditure code 2506- Infrastructure Development had not been completed even as at the end of the year under review and inaccurate and misleading information had been submitted for
- The expenses identified from final computer reports in December 2023 were included in the year 2024 as additions to the opening balance as it was not possible to account under the 2023 Non-financial Assets at the date of issue. However, once it is identified that fixed assets have been purchased from IPC in certain projects, they are removed from the accounts as they were previously recorded under work-in progress and corrected by including them under additions to the opening balance of the relevant assets. It is only a transfer of the recorded asset code.
- Special attention should be paid to preventing these situations during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls for timely inclusion of relevant expenses under Non-financial Assets.

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| <p>(iii) The information about 10 vehicles including 7 cars, a lorry and 2 motorcycles registered under the name of the Ministry of Transport in the Department of Motor Traffic couldn't be able to find and it was also observed that those vehicles are not physically in the custody of the Ministry and the values of these vehicles were not included in the asset accounts of the Ministry.</p> | <p>A complaint had been filed at the Thalangama Police Station on 24.06.2024 regarding the misplacement of 13 vehicles and the registrations of 03 vehicles out of those vehicles were cancelled.</p> | <p>An investigation should be conducted regarding misplacement of vehicles and disciplinary action should be taken against officers who had neglected their responsibilities in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
| <p>(iv) Although it was stated that the Ministry has vehicles bearing registration numbers KX-5322, CAQ-1764, PH-0991, PC-7214 and PB-9827 in its possession as per the letter No. MOH/HWY/ADM-19/AUDIT/2020(III) dated 23 April 2025 was submitted in connection with the query made relating to vehicles of the Highways Sector of the Ministry of Transport, Highways, Ports and Civil Aviation, those vehicles had not been included in the Asset Register.</p> | <p>These vehicles, which belonged to the Ministry, were the vehicles of the Ministry of Rural Roads and there has been a delay in including it in the Asset Register of the Highways Sector after it was attached to the Ministry of Highways. Necessary actions are being taken to include the relevant vehicles in the Asset Register as required.</p> | <p>Special attention should be paid to preventing these situations during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and internal controls for vehicle controls should be introduced and written instructions should be issued.</p> |
| <p>(v) Since the Ministry had conducted the Annual Board of Survey without using the asset and code number lists including in the asset records of the CIGAS program, vehicles, other machineries and equipment amounting to Rs. 4,850.79 million indicated in the ACA-6- Statement of Non-Financial Assets as at 31</p> | <p>Lists of asset code numbers were provided to all board of survey committees and instructions were also given to affix the code numbers to all items those do not have them. Further, all divisions have</p> | <p>Special attention should be paid to preventing these situations during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and</p> |

<p>December 2024 had not been accurately surveyed.</p>	<p>been informed to use this CIGAS code number in future.</p>	<p>written instructions should be issued on how to conduct the board of surveys accurately.</p>
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(vi) **Kurunegala - Habarana Railway Project**

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| <p>I. Although the Ministry accepted 338 assets consisting of various items in the asset list handed over to the Ministry by the project, the locations of 26 of those could not be confirmed. Also, although some of the assets taken over by the Ministry were transferred to institutions outside the Ministry in 2023, action had not been taken to remove those transferred assets from the asset register and accounts of the Ministry.</p> | <p>The assets included under this project had been physically transferred to the Railway Department and by now, it was informed that those assets are to be included in the assets of the Railway Department. After confirming the values of those assets have been included in those accounts, steps will be taken to remove them from the accounts of this Ministry.</p> | <p>Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls regarding the handover of assets.</p> |
| <p>II. Although the inventory items those had been handed over by the project to the Ministry are used by various divisions of the Ministry, the arrangements were not made to formally hand over and accept all those assets to the respective divisions and to properly inventory it, and to include them in the asset accounts.</p> | <p>All assets are included in the Main Inventory of the Ministry and we are currently identifying the assets assigned to each division separately and transferring them to the corresponding sub-inventories.</p> | <p>Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls regarding the proper delivery and receipt of inventories.</p> |

(vii) A difference of Rs. 5,652.68 million was observed between 5 expenditure codes as per the schedule prepared to document the imprest release to the Road Development Authority from the Line Ministry for the year under review and the schedule prepared to inform to the Ministry of the manner in which funds are spent by the Road Development Authority at the end of 2024.	Comments were not given.	Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls over financial reporting.
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(d) Non-maintenance of Registers and Books

The following documents are not maintained by the Ministry and it was observed during sample audits test that some documents were not maintained properly and up-to-date.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Entering into dispute resolution procedures Although the Chief Accounting Officers and Accounting Officers should maintain formal records regarding liabilities that may arise when resolving disputes between the employer and the contractor in contract agreements, it was not possible to identify the extent and nature of the liabilities that may arise from them due to the failure to maintain such formal records regarding the settlement of disputes in road development projects implemented by the Highways Sector during the period 2005-2024. The disclosures required to be made in the annual financial statements regarding liabilities that may arise from those matters had not been made. Due to this, it was observed that the internal controls related to this field in the Highways Sector are at a weak level.	Comments were not given.	Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls by prescribing the records to be maintained for dispute resolution.

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| <p>(ii) As per Minute No. 03 (iii) of the Audit Management Committee meeting held by the Line Ministry on 04 April 2025, although it was stated that the Legal Division of the Authority would take necessary action for the Mobilization Advance amounting to Rs. 340.20 million to be recovered for 34 contracts of the 100,000 km project, the Deputy Director General (Legal) had informed to the Audit by letter No. RDA/LD/LBF&RRP dated 30 April 2025 that no such legal action had been taken as the Legal Division did not have the necessary information even as at 02 May 2025. Accordingly, it was observed that there is an uncertainty in the recovery of Mobilization Advances.</p> | <p>It was informed to the Legal Division of the Road Development Authority on 26.08.2024 to provide legal advice on remaining contracts with outstanding Mobilization Advances in 100,000 km project and the details requested by the Legal Division for this purpose was forwarded to the Legal Division on 27.11.2024. The details were collected due to information requested by the Legal Division had to be obtained through the provincial offices.</p> | <p>An investigation should be conducted regarding the irregularities in contract administration activities such as advance payments, recoveries, and extensions of time of the bonds and disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
| <p>(iii) All deposits received and paid must be posted daily under the appropriate accounts in the ledger as per Financial Regulation 565(2). The ledger must be kept carefully indexed to facilitate easy reference to an account at any time. However, two deposit accounts for rural roads and bridges have been maintained by the Ministry under the Retention Account for contract 6000-0-0-016-0-153-0 and during the test check, those books of account had not been balanced monthly in a systematic manner.</p> | <p>A monthly general deposit account balance is compared with the CIGAS printout and the CIGAS printout is also pasted in the deposit ledger. Since the number of deposits is large, a separate note for account is also maintained to verify the balance.</p> | <p>-do-</p> |

(e) Lack of Audit Evidence

Audit evidences were not furnished regarding the following transactions.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) According to the Non-financial Assets Statement, it was reported that the assets valued at Rs. 153,998.53 million were disposed under each asset category including work-in progress - buildings and structures, highways, bridges and passenger vehicles during the year under review. The schedules required identifying and confirming the disposed assets, and a schedule for disposed assets showing each asset separately was not submitted to the audit. As a result, the accuracy of the assets accounted under it could not be verified.	The schedule for accumulated disposed assets amounting to Rs. 153,998.53 million under each class of assets in ACA 6 is submitted. It is difficult to identify those values under each item since the changes in the CIGAS Non-financial Asset Model were corrected by visiting the Department of Public Accounts several times.	Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls regarding the correct accounting of assets.
(ii) Accordance to the instructions issued by the Department of Public Accounts Circular No. SA/AS/AA dated 12 July 2013 regarding the accounting of fixed assets, although office buildings amounting to Rs. 15,953.95 million under code No. 611201 and computer software amounting to Rs. 200.52 million under code No. 6113301 had been accounted in the Statement of Non-financial Assets as at 31 December of the year under review, the documents that could confirm those values were not submitted to the audit. Therefore, the accuracy of the assets accounted under it couldn't be verified.	The office buildings amounting to Rs. 15,953.95 million were accounted under code No. 611201 and computer software amounting to Rs. 52,200 million were accounted under code No. 6113301 in the Non-financial Asset Statement in ACA 6 form and the supporting documents of the recorded assets were submitted through annexure 08.	Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued to strengthen internal controls regarding the correct accounting of assets.

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| <p>(iii) Although asset items amounting to Rs. 151,827.9 million were accounted as disposals under asset categories 1.3-Other Construction, 1.4-Work-in Progress-Buildings and Structures and 4.1-Land in the Non-Financial Assets Statement as at 31 December 2024, the formal schedule was not submitted to the audit stating that these assets were handed over to the Road Development Authority and those were accepted by the Road Development Authority.</p> | <p>After the expenses of development projects are accounted under the Non-financial Assets of the Ministry, the transfer of those assets to the Road Development Authority at the completion of the projects is carried out in a formal manner and the assets of Phase 2 of the Central Expressway Development Project had been handed over.</p> | <p>Special attention should be made on assets management during the review of systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued by determine the procedures to be followed when handing over assets to the Road Development Authority.</p> |
| <p>(iv) Some contractors involved in road development projects implemented by the Highways Sector during the period 2005-2024 had resorted to arbitrations and the following points were observed during the examination of the measures taken by each project and the Ministry of Highways to resolve such disputes and the costs incurred by those projects in arbitrations.</p> | | |
| <p>I. The information called for by the audit in the letter No. RAH/A/MOH/INF/2024/02 dated 04 December 2024 relating to the above matters had been submitted to the audit by the letter No. MOH/ACC/13/2024/04 dated 10 January 2025 of the Secretary to the Ministry of Transport, Highways, Ports and Civil Aviation. According to the above letter, although the reports submitted by each of the Project Directors in relation to 12 projects were submitted as annexures,</p> | <p>Comments were not given.</p> | <p>Special attention should be paid to Sections 7(1)(a), 38(1)(b),(e), 42(a),(c) of the same Act during the review of systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018 and written instructions should be issued introducing internal</p> |

it was observed that the information regarding all projects implemented during the period 2005 – 2024 under the Ministry of Highways was not included in it.

controls to ensure accurate information is presented for audit purposes.

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| <p>II. It was further observed that the details had been completed with shortcomings when examining the schedules related under mention each project and although it was stated that details on the Integrated Road Investment Program would be provided in the future, the relevant details had not been submitted up to now.</p> | <p>Comments were not given.</p> | <p>-do-</p> |
| <p>(v) Maga Neguma Road Construction Equipment (Pvt) Ltd. had recruited Provincial, District and Zonal Coordinators to evaluate the progress of road construction of the 100,000 km Road Project in the year 2020 and a sum of Rs. 16 million had been paid to the coordinators during the year 2022. However, details related to the recruitment of coordinators and the progress reports provided by the coordinators were not submitted to the audit. Therefore, it couldn't be able to confirmed in audit whether qualified personnel were recruited in a formal and transparent manner, and whether payments were made to coordinators after evaluating the progress of the work done.</p> | <p>Comments were not given.</p> | <p>An investigation should be conducted whether qualified personnel were recruited in a formal and transparent manner and whether payments were made to coordinators after evaluating the progress of the work done, and disciplinary action should be taken against officers who have neglected their responsibilities in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |

2. Report on Other Legal Requirements

I express the following matters in terms of Section 6(1)(d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The Ministry had released imprests from time to time to the Project Management Units and the Road Development Authority for each road development project implemented under the annual allocations of the Ministry of Transport and Highways and a summary schedule had been submitted to the Ministry regarding how the advances were spent by the Projects and the Road Development Authority which were obtained imprest when settling the imprest released under the annual allocations. The relevant expenditure related to each expenditure code had been accounted through an advance settlement voucher by the Ministry based on that document. However, the details of the matters to be considered by the Ministry when approving expenditure in terms of F.R. 137 and certifying expenditure in terms of F.R. 138 were not included in these summary documents. Accordingly, payments for these expenses had been made without considering the contract number related to the construction	The financial management of road development projects implemented under the Ministry of Transport and Highways is carried out by the Project Director and Accountant appointed by me and they are responsible and experienced officers. Therefore, the Ministry has released imprests for bills held by road development projects and the Road Development Authority which are operating as sub-offices since the beginning and expenses are accounted through the monthly expense report submitted. All accounting units call allocation status and monthly expenditure reports with all the details regarding how the allocations provided so far have been spent, imprest	Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act and actions should be taken to strengthen internal controls to ensure that expenditure approvals and certifications are made in accordance with Financial Regulations.

contracts for which the expenses were incurred, the payment documents for the contracts, the certified value of the works, the period within which the parts of the contract are to be completed and whether the expenses had exceeded the allocations provided for the project. Further, file reference including the documents related to these payments were not included to the imprest settlement vouchers and it was observed that payments had been made and expenses recorded without maintaining formal records regarding capital expenditures made under the annual allocations of the Ministry.

reconciliation reports, bills in hand reports, and reports related to imprest requirements for the coming month and imprests are issued by monitoring the remaining allocations of the expenditure codes by checking those reports.

Also, necessary instructions are issued from time to time after examining monthly reports and the bank balances are also monitored weekly by obtaining balances of the relevant bank accounts from the Bank of Ceylon regarding the realization of the imprest issued.

3.2 Expenditure Management

The following audit observations are made regarding the preparation of annual budget estimates, transfer of allocations, obtain and utilization of allocations through supplementary budget estimates, and savings.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The total net allocation of Rs. 59,994.90 million allocated for 15 capital expenditure codes including the Central Expressway Section 01-Kadawata to Mirigama Project (Buildings and Structures), the Project for the Purchase of 600 Buses for SLTB under the Indian Credit Line of USD 318 million (Vehicles), the Project for the Widening and Improvement of Roads and Bridges in the Central and Uva Provinces (Buildings and Structures), the Project	The total net allocation of Rs. 59,994.90 million allocated for 15 capital expenditure codes under the Ministry Head remained unutilized.	Cost estimates should be prepared with accurate forecasts and updated on a timely manner.

for the Reconstruction of 25 Bridges on National Highways (Buildings and Structures) and the Project for the Design and Construction of Two Flyovers at Kohuwala and Gatambe (Buildings and Structures) remained unutilized.

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| (ii) | <p>The savings from the allocation made for 16 capital expenditure codes including the Rehabilitation Project of the Badulla to Chenkaladi Section of the Peradeniya-Badulla-Chenkaladi Road (Buildings and Structures) under the Development Programme (117-02), Integrated Road Investment Programme - Phase 1 (Buildings and Structures), Road Widening and Upgrading - Kilinochchi District (Buildings and Structures), Construction of Flyovers near the Slave Island Railway Station and over the Railway Line on Uttarananda Mawatha - Land Improvement and Rehabilitation of Dilapidated Bridges on the National Road Network (Buildings and Structures) ranged from 50 per cent to 99 per cent.</p> | <p>The allocations were saved due to impossibility to pay the imprest as planned, the suspension of work on project 117-2-3-15-2104-0/11, the delay in the project due to bad weather and the failure to pay the final bills (SAC) at completion as expected, the delay in submitting the bills, the delay in awarding the contract for the reconstruction of 1/9 of the OA road, the minimization of overhead expenses and more time consume than expected in the land acquisition process.</p> | -do- |
| (iii) | <p>The initial expenditure estimate for 55 expenditure codes was Rs. 12,738.10 million and the revised expenditure estimate was Rs. 10,616.34 million. Accordingly, there was a difference of Rs. 12,118.20 million between the initial cost estimate and the revised cost estimate and it had taken a range of 50 per cent to 12,071 per cent as a percentage of the initial cost estimate.</p> | <p>The allocations for essential expenses had to be managed through F.R. 66 due to instructions were received from the Department of National Budget to manage the allocations within the approved overall allocations according to priority.</p> | -do- |

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| (iv) The savings from allocation in 03 expenditure codes exceeded the value of the transferred allocation amount under F.R. 66. Accordingly, it was observed that the transfer of allocations under F.R. 66 had been made without proper evaluation. | The allocations were saved due to the fact that expenses were not generated as expected and bills were not received as predicted by 31.12.2024. | Action should be taken to minimize transfers in accordance with Financial Regulation 66 through the preparation of expenditure estimates with accurate forecasts. |
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3.3 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Although the Chief Accounting Officer is general responsible for any expenditure or commitment incurred, falls within the scope and limits of his Votes or other authorized financial provision and also confirmed it was covered by adequate authority as per F.R. 128(1)(j), the imprest had been released without calling a summary report containing information on the contracted value of contracts, costs incurred to date, value paid, value of certified works and commitment and liabilities incurred in accordance with Section 94 of the Act when issuance and settlement of funds for projects implemented under the Ministry. As a result, it was not possible to identify the figures for the liabilities and commitments of the projects according to the documents of the Ministry. The comparative information for the figures included in the Statement of Liabilities (i) in Annexure (iv) to the financial statements could not be identified from the records and books of the Ministry.	All these matters are monitored by the Project Steering Committee. It had been emphasized through the annual delegation of authority that commitments and liabilities cannot be incurred beyond the provisions. The Accounts Division of the Ministry also maintains records regarding projects based on the monthly receive expenditure reports and imprests released and imprests will be released only for outstanding bills requested by projects after checking the funding status. All projects have been advised to maintain separate records regarding liabilities and commitments.	Special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act and commitments and liabilities should be specifically identified and action should be taken to strengthen internal controls to control expenses within it.

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| (ii) | Although the total liabilities and commitments under each expenditure code in the financial statement should be shown, only the liability value was shown without considering the commitment value under certain expenditure codes. | It is observed that this difference has arisen due to the delayed receipt of bills and the inclusion of subsequently identified commitments and liabilities in the financial statements of the project. | All liabilities and commitments should be properly reported in the financial statements. |
| (iii) | The Commitments as at 31 December 2024 were Rs. 175,785.48 million as per the Statement of Commitment entered in terms of Section 94(2) and (3) of the Annexure-(iv) as at 31 December 2024. However, according to the audit test check, the financial statements of 07 road development projects among the projects implemented by the Ministry had shown liabilities amounting to Rs. 41,372.69 million as at 31 December 2024 and the liabilities and commitments identified by the Ministry in the financial statements of the Ministry (Annexure-(iv)) relating to those projects were Rs. 17,646.35 million. Accordingly, the liabilities were understated by Rs. 23,726.34 million as at 31 December 2024. | This difference was observed due to the delay in the receipt of bills and it was noted to inform all officers and provide the necessary instructions to prevent these things in the next years. | -do- |
| (iv) | Information regarding the submission of financial statements for the year 2024 had to be called from all projects and institutions belonging to the Ministry through the letter No. MOH&P/HWY/ACC/12 dated 23 December 2024 of the Secretary to the Ministry. According to the information furnished by 24 projects, the value of the statement of liabilities and commitments in Annexure-(iii) of the financial statements was overstated by Rs. 576.92 million and the value of the statement of liabilities (i) Annexure-(iv) was overstated by Rs. 8,368.47 million. | This difference was observed due to the delay in the receipt of bills and it was noted to inform all officers and provide the necessary instructions to prevent these things in the next years. | -do- |

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| <p>(v) A net allocation of Rs. 77,025 million had been made to the Ministry of Transport and Highways to cover the financial gap in the commitments of the Road Development Authority under expenditure code 117-2-04-051-2506. These provisions were made for the payment of interest and installments on loans obtained by the Authority from local banks for road development projects implemented by the Road Development Authority and the Ministry of Highways had released the funds under the above expenditure code and incurred an expenditure of Rs. 77,024.22 million as at 31 December 2024. Accordingly, the provision amounting to Rs. 0.82 million was saved and the Ministry had engaged commitments and liabilities amounting to Rs. 28,501.90 million in excess of the provisions as at 31 December 2024.</p> | <p>The installments to be paid before January 15 for loans obtained from local banks by the Road Development Authority for road development projects are mentioned here and incurred the said liability in 2025 in according to F.R.94(2) under the provisions approved in the year. However, mistakenly the maximum provision limit under 94(2) of Annexure (iv) of the financial statement has not been stated. Steps will be taken to instruct officers to rectify these shortcomings in the future.</p> | <p>Steps will be taken to avoid incurring commitments and liabilities beyond the provisions and special attention should be paid during the review of systems under Section 38(1)(c) of the National Audit Act and commitments and liabilities should be specifically identified and action should be taken to strengthen internal controls.</p> |
| <p>(vi) A sum of Rs. 215,981 million had been allocated from the annual budget for the 100,000 km road project between 2020 and 2024 and estimates had been sanctioned for 17,847 km of roads and incurred to commitments amounting to Rs. 394,508 million with the contractors during that period. Accordingly, commitments amounting to Rs. 178,527 million had been incurred in excess of the provision limits set by Parliament contrary to F.R.94. Treasury bonds amounting to Rs. 40,691.79 million were issued on 31 December 2022 and 20 February 2023 at interest rates of 22.5 and 20 per cent with maturity in 04 years and obtained loans under high commercial rates to settle commitments incurred informally by</p> | <p>Payments were not made beyond the allocation limits provided during the year and similarly, treasury bonds were issued in December 2022 and February 2023 to settle outstanding bills from 2021. The government has decided to issue treasury bonds in late 2022, as the amount of provisions approved by the General Treasury in 2021 and 2022 was not sufficient to make payments due to prevailed economic crisis.</p> | <p>Disciplinary action should be taken against responsible officers regarding incurring commitment and liabilities without complying with the Financial Regulations and limits imposed by the Parliament.</p> |

the Secretary of the Ministry of Highways without fulfill the responsibility as Chief Accounting Officer who is the responsible officer to deeply investigate considerable differences in between provision and expenditure according to F.R.127.

3.4 Certifications to be made by the Chief Accounting Officer

According to Section 38 of the National Audit Act No.19 of 2018, although the Chief Accounting Officer was required to certify the following matters, it was not act accordingly.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The Chief Accounting Officer and the Accounting Officer must ensure that an effective internal control system is developed and maintained for the financial control of the Ministry and the effectiveness of the system should be reviewed periodically and necessary changes should be made accordingly to continue the system effectively. Although those reviews should be done in writing and a copy should be submitted to the Auditor General, statements regarding such reviews had been conducted were not submitted to the audit.	The internal control system will be reviewed in the future, and the provisions of public administration circulars, treasury circulars and various guidelines, as well as the observations and recommendations made in audit inquiries and reports, will be studied, and a written review of the internal control system will be conducted with a copy to you as well.	System reviews should be conducted in accordance with Section 38 of the National Audit Act, No. 19 of 2018, and a copy thereof must be submitted to the Auditor General in accordance with Section 38(2).

3.5 Non-compliance with Laws, Rules and Regulations

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

	Reference to Laws, Rules and Regulations	Audit Observation		Comment of the Chief Accounting Officer	Recommendation
		Value Rs.million	Non-compliance		
(i)	National Audit Act, No. 19 of 2018				
(1)	Sections 16(1)(2) and 38(1)(d)	-	The financial statements and annual performance reports for 2023 and 2024 of the state companies named Maga Neguma Road Construction Equipment (Pvt) Ltd. and Maga Neguma Emulsion Products (Pvt) Ltd. and such reports for the period from 2016 to 2024 of the Expressway Transport Company Limited had not been submitted for audit even as at 30 May 2025.	Comments were not given.	An investigation should be conducted to identify possible fraud, corruption and misappropriation could be happened due to the non-preparation of financial statements, and disciplinary action should be taken against the responsible officers.
(2)	Section 38(1)(e)	-	During the year under review, 08 instances were observed where replies were not submitted within one month to audit queries furnished by the Auditor General. Although 7 audit queries were answered out of its, replies had been provided with a delay of 04 days to 94 days, after one month from the audit inquiry was issued.	Comments were not given.	Action should be taken to act in accordance with the provisions of the Act and to timely submit replies to audit inquiries.

(ii) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(1) Financial Regulation 104(3) and (4)

- (i) Vehicles NB-1425 and KW-5411 owned by the Highways Section were met with accidents on 02 February 2024 and 05 March 2024 respectively and any Preliminary Report and Full Report had not been submitted to the audit as per the Financial Regulations even as at 30 April 2025.

The reports had been prepared accordingly and will be submitted to the office of the Audit Superintendents.

The investigations regarding accidents should be carried out immediately as per Financial Regulations.

6.15 (ii) Although the Ministry had repaired the motor vehicle bearing CAU 0786 belonging to the Rural Roads Section that had been met with an accident, actions had not been taken to reimburse that expense from the insurance company. Any Preliminary Report and Full Report had not been submitted to the audit in this connection.

A committee was appointed to prepare a Preliminary report with the approval of the Secretary and the Preliminary Report had been submitted on 17.04.2025. A Full Report will be prepared and necessary further action will be taken based on that report.

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(2) Financial Regulations 127 and 128	-	<p>Although letter No. MOR&H/SEC/GEN/2021 dated 27 April 2021 of the Secretary of the Ministry was issued to the Director General of the Road Development Authority instructing the Director General of the Road Development Authority to revise all engineering estimates prepared at that time for the 100,000 km road project to prepare engineering estimates using revised rates in future and to amend all contracts signed based on the revised rates, the Accounting Officer and the Chief Accounting Officer had not been act accordingly regarding a formal committee appoint to review the identified irregularities and analyze how to correct the identified errors in accordance with the provisions of the contract agreement and contract administration practices, conduct a formal assessment of the financial and technical impact prepare a specific procedure in accordance with the Financial Regulations and issue written instructions.</p>	<p>A discount of Rs. 7200 million was given to the engineering estimate value in entering into contract agreements during the awarding of contracts for the 100,000 km project.</p>	<p>Action should be taken to provide the necessary amendments in writing required for contract administration and to implement those instructions.</p>
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(3)	Financial Regulation 149	84.60 and 14.65	Although all other revenues and receipts of the Republic not allocated for the specific purpose should be paid to the Consolidated Fund, the value of Rs. 84.8 million in client deposits collected for completed client works using the allocations received from the Line Ministry and Rs. 14.65 million in performance bonds collected from the relevant contractors due to the suspension of client works had been recognized as income of the Road Development Authority instead of being credited to the Line Ministry.	Comments were not given.	All receipts not allocated for the specified purpose should be credited to the Consolidated Fund and special attention should be paid to strengthening internal controls regarding the accurate accounting of revenue receipts and other receipts during the review of systems under Section 38(1)(c) of the National Audit Act, No. 19 of 2018.
(iii)	Procurement Guidelines				
(1)	Section 5.4.4	-	Although an advance payment of a maximum of 20 per cent of the contract value can be paid upon submission of an acceptable advance bond, bank guarantees had not been obtained for 1,678 work orders out of a total of 1,753 work orders of the Maga Neguma Road Construction Equipment (Pvt) Ltd. without complying with this.	Approval has been given to exempt the company from the requirement to submit bank guarantees when providing advance payments based on the decision of the Cabinet held on 21 December 2020.	Disciplinary action should be taken in accordance with Section 08 of Chapter XLVII, Part II of the Establishments Code against officers who have neglected their responsibilities regarding bank guarantees and immediate action should be taken to recover the losses incurred.

(2) Section 5.4.8	125,730	Although the company should obtained a Performance Bond of 5 percent of the estimated contract value, Performance Bonds had not been obtained for 1,608 out of 1,753 work orders of the Maga Neguma Road Construction Equipment (Pvt) Ltd.	Performance Bonds had not been obtained as this company is a subsidiary of the Road Development Authority.	Disciplinary action should be taken against officers who had neglected their responsibilities related to Performance Bonds and immediate action should be taken to recover the losses incurred in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.
(iv) Asset Management Circular No. 02/2017 dated 21 December 2017	5.85	Although the Sri Lanka Transport Board is using 6 vehicles, including 5 vehicles with an estimated value of Rs. 5.85 million and one vehicle that had not been estimated yet, the Ministry of Transport had not taken steps to formally hand over the vehicles by obtaining their estimated values up to now. Further, actions had not been taken during the year under review to estimate and formally hand over 4 jeeps, 4 cabs and a car that had been provided to 7 other institutions at various times.	Out of the 06 vehicles provided to the Board, two vehicles had been included in the list of vehicles of the Ministry proposed for disposal and had been returned to the Ministry for disposal. The Sri Lanka Transport Board had paid the Ministry the full estimated value of the remaining 4 vehicles amounting to Rs. 4.6 million.	Immediate action should be taken to transfer legal ownership of vehicles those usable right had already been transferred.

(v)	Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016.	-	Although a fuel test should be performed after 12 months from the last fuel check, after 25,000 km of running, or after a major engine repair, whichever comes first, the fuel consumption of 21 vehicles owned by the Transport Sector since 2018 and 38 vehicles owned by the Highways Sector in the year under review had not been checked.	Agreed. Fuel consumption for vehicles fleet in the Highways Sector is planned to be conducted for the year 2025.	Fuel tests should be carried out periodically as per the circular provisions.
(vi)	Sections 8.3 and 9.2 of Trade and Investment Policy Circular No. 01/2018 dated 15 February 2018.	-	The responsibility of the Accounting Officer and Chief Accounting Officer is to issue tax-free motor vehicle permits on a concessional basis only to eligible officers. However, the Road Development Authority had issued a motor vehicle permit to an officer whose service was confirmed without verifying the educational qualifications as per Section 11:7 of Chapter II of the Establishments Code as indicated in the audit inquiry RAH/A/MOH/2024/C/A. Q./06 dated 19 March 2025.	It couldn't be able to respond as there is no reference to the relevant officer in the audit inquiry.	An investigation should be conducted and disciplinary action should be taken against officers who had neglected their responsibilities in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.
(vii)	Section 9.2 of Public Enterprises Circular No. PED 12 dated 02 June 2003	-	Every institution should have an organizational chart with an approved cadre and, the organization chart and approved cadre should be registered in the	Comments were not given.	The necessary actions should be taken to obtain approval for the cadre and recruitment

Department of Public Enterprises of the Treasury. The Maga Neguma Road Construction Equipment (Pvt) Ltd. employed 912 employees in the year 2022 and 24 of them were senior management officers. The approval of the Department of Public Enterprises of the Treasury had not been obtained for the recruitment procedure and accordingly salaries and wages had been paid without the approval of the Treasury.

procedures of the institutions under the Ministry without delay.

3.6 Irregular Transactions

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to the observations made by the Minister of Finance, Economic and Policy Development on the Cabinet Memorandum submitted by the Minister of Roads and Highways on 25 November 2019 with a heading of "Implementing an Interconnected Modern Road Network in Sri Lanka", "it was stated that every project proposal should be forwarded to the Department of National Planning for evaluation and recommendation, along with a proper feasibility study report." Although it was decided at the Cabinet meeting held on 18 December 2019 to grant policy approval for it subject to that observation, without acting accordingly, the contracts had been signed with the contractors contrary to the policy	The Ministry of Roads and Highways had submitted Cabinet Memorandum No. 20/0142/221/005 dated 14.01.2020 for the implementation of the said program and approval was given for this at the Cabinet meeting held on 05.02.2020. Accordingly, the 100,000 km project was initiated in 2020 and 13,160 roads covering 17,847 km with a value of Rs. 394.5 million contracts were awarded during the period 2020-2022 implementing under a five-year plan. Payments	Losses incurred in the implementation of projects without following the procedures prescribed by the Cabinet of Ministers should be identified and disciplinary action should be taken against the responsible officers.

decision of the Cabinet by approving estimates amounting to Rs. 394,508.09 million for 13,160 roads with a length of 17,847 km during 2020-2022 without considering responsibilities under F.R. 136,137,138 and 139. The Secretary of the Ministry and the Road Development Authority had taken steps to spend Rs. 190,516.15 million on road development contracts as at 30 September 2024.

were made within the approved annual budget provisions and Rs. 178,975.93 million had been incurred as at 30 September 2024.

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| <p>(b) As per sub-paragraph 4.1 of paragraph 4.0 of the Cabinet Memorandum presented with a heading of "Rehabilitation and Implementation of 100,000 km of Alternative Roads, Bypasses and Rural Roads" relating to Cabinet Paper No. 23/2542/608/010-1 dated 11 December 2023 submitted by the Minister of Transport and Highways, it was recommended that the Authority should not be constructed roads which were not belonging to the Authority had been approved by the Cabinet of Ministers on its meeting conducted on 08.01.2024. Contrary to that policy approval, the Road Development Authority had entered into contracts valued at Rs. 562.48 million for 28 roads during the first two quarters of 2024, which did not belong to the Road Development Authority. Further, the relevant contract work had not been completed by the end of the year under review.</p> | <p>The Road Development Authority commenced the constructions of the roads only which were approved by the Ministry and sent by the Additional Secretary (Engineering) of the Ministry of Transport and Highways to the Director General Road Development Authority on 29.07.2024.</p> | <p>-do-</p> |
| <p>(c) Establishment and liquidation of companies under the Road Development Authority</p> | | |
| <p>(i) Approval was given by the Cabinet Decision No: AMA/04/0053/104/004 dated 21 January 2004 to completely close the Road Construction and Development</p> | <p>Comments were not given.</p> | <p>A proper investigation should be conducted due to the reasons for non-compliance with Cabinet Decisions and</p> |

Private Company (RC&DC) and for the Ministry and the Treasury to examine the possibility of establishing a private/public company which operated as a company owned by the Road Development Authority. However, contrary to this, although approval had been given by the Cabinet Decision No. 04/0848/004/013-I dated 27 August 2004 to establish the company by entering into a partnership with the Construction Industry Association and the National Contractors Association, prior to the approval of the said Cabinet, the Maga Neguma Emulsion Manufacturing (Pvt) Ltd. and the Maga Neguma Road Construction Equipment (Pvt) Ltd. were established on 10 June 2004 and 11 June 2004 respectively based on the decision No. 795/2004 of the Board of Directors. The Ministry had not carried out supervision in this regard.

suitable action should be taken against the companies.

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| <p>(ii) Although it had been decided by the Cabinet Decision No. 13/0134/505/004 dated 18 February 2013 to amend the Articles of Association of the Company so as to the transfer of majority ownership of the Company to the Treasury by transferring the remaining share to the Road Development Authority, According to the said Cabinet decision, the Articles of Association of the Maga Neguma Emulsion Manufacturing (Pvt) Ltd. and the Maga Neguma Road Construction Equipment (Pvt) Ltd. had not been amended. The Ministry had not followed up and taken an</p> | <p>Comments were not given.</p> | <p>-do-</p> |
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appropriate decision regarding non-compliance with Cabinet decisions.

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| <p>(iii) The company had not issued any shares for the Rs. 1 million received from the Road Development Authority in 2004 as a capital contribution to Maga Neguma Emulsion Products (Pvt) Ltd. Although the share capital contribution of the company was maintained at 2 shares of Rs. 100 each to the Road Development Authority and B. R. Perera, the private individual and the Road Development Authority had not paid for those shares. The Ministry had not supervised to rectification of those transactions.</p> | <p>Comments were not given.</p> | <p>Necessary actions should be taken immediately to ensure the rights of the Authority relating to the company.</p> |
| <p>(iv) Although it was decided by Cabinet Decision No. 23/0394/608/033 dated 28 March 2023 to merge the three companies including Maga Neguma Road Construction Equipment (Pvt) Ltd. and establish a single company, it had not been completed yet. The Ministry had not supervised regarding non-compliance with Cabinet decisions.</p> | <p>Comments were not given.</p> | <p>The policy decisions of the Cabinet of Ministers should be implemented properly. The Cabinet should be informed when long-term delays occur due to various reasons.</p> |
| <p>(d) The Road Development Authority had awarded 2,481 work orders valued at Rs. 193,518 million to Maganeguma Road Construction and Equipment Private Limited for the constructions of the 100,000 kilometer road project in the years 2020, 2021 and 2022. Out of it, 351 work orders valued at Rs. 32,736 million had been cancelled and construction works on 306 work orders valued at Rs. 29,130 million had not commenced. The company had taken over the direct execution of 71 contract</p> | <p>Comments were not given.</p> | <p>Officers who have failed to follow the procurement process in selecting service providers should be identified and disciplinary action should be taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code. Further, written</p> |

works valued at Rs. 5,920 million and it represented 03 per cent of the total work orders. Although subcontracts were awarded for 1,753 work orders valued at Rs. 125,730 million representing 97 percent of the value of total work orders contrary to the decision taken by the Board of Directors of the Road Development Authority on 01 August 2008, the Ministry had not carried out any supervision regarding these activities.

instructions should be issued regarding the award of contracts and subcontracts by paying special attention during the review of systems under Section 38(1)(c) of the National Audit Act.

3.7 Government Officers' Advance Account

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The Ministry had failed to recover the outstanding balance of Rs. 1.52 million receivable as at 31 December 2024 from 09 officers who had transferred between Ministries, Departments and Provincial Councils, died, retired, interdicted and vacated of posts during the period 2013 to 2024.	The outstanding balance of 09 employees was Rs. 1.52 million.	Immediate actions should be taken to recover the relevant loan balances from the guarantors or the officers responsible for the delay. An investigation should be conducted and disciplinary action should be taken against officers who have neglected their responsibilities in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.

3.8 Transactions of Fraudulent Nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Southern Transport Development Project - First Package from Kottawa to Dodangoda		
The contract for the first package of the Southern Expressway from Kottawa to Dodangoda was awarded to China Harbour Engineering Company (Group) on 08 September 2005 for a sum of Rs. 9,585.87 million. The initial contract		

period was scheduled to end on 18 September 2009. The following observations were made in this connection.

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| <p>(i) The contract value was revised to Rs. 20,000 million in September 2009 due to the decision to develop the entire road as 04 lanes during the contract period. The scope was not clearly identified at the initial stage due to weaknesses in project planning, resulted in the loss of economic benefits that could have been achieved by following formal procurement procedures in selecting contractors.</p> | <p>Comments were not given.</p> | <p>Disciplinary action should be taken after investigation in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code for officers who had failed to fulfill their responsibilities in changing the scope of the contract and violation of the procurement guidelines.</p> |
| <p>(ii) The Certificate of Substantial Completion was issued on 23 November 2011 after several extensions of time (EOT) and changes to the contract scope. The contractor had submitted bills amounting to Rs. 15,221.24 million in his Statement at Completion (SAC). The contractor had informed on 24 October 2023 that it agreed to the final bill value of Rs. 4,646.23 million which was recommended by the Project Committee appointed in this regard. However, the payment value had increased by Rs. 3,265.81 million to Rs. 7,912.06 million as per the recommendation of the Standing Technical Evaluation Committee appointed on 20 September 2023. The validity of the recommendations for these payments by the Project and Procurement Committees was not confirmed during the audit.</p> | <p>Comments were not given.</p> | <p>The liability for payment to the contractor should be determined after an investigation on the bill values and a complaint should be made to a law enforcement agency under Section 38(1)(g) of the National Audit Act regarding the misconduct.</p> |

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| <p>(iii) According to the Cabinet approval dated 30 July 2024 for Cabinet Memorandum No. 31/2024 submitted by the Ministry on 30 July 2024, Although approval had been given to revise the total project cost from Rs. 21,978.07 million to Rs. 29,890.13 million following the due procedure to pay the value of Rs. 7,912.06 million recommended to be paid to the contractor as per the recommendation of the Standing Technical Evaluation Committee, contrary to this, a Supplementary Budget had been submitted during the year under review to make payments.</p> | <p>Comments were not given.</p> | <p>The responsibility for payment to the contractor should be determined after an investigation regarding the payments and a complaint should be made to a law enforcement agency under Section 38(1)(g) of the National Audit Act regarding the misconduct.</p> |
| <p>(iv) According to the report submitted in December 2024 by the committee appointed to investigate the outstanding payments of the contractor, the settlement agreement signed with the contractor on 06 September 2024 to make additional payments was determined to be a violation of due process and a negligence of duties.</p> | <p>Comments were not given.</p> | <p>Disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code against officers who have neglected their responsibilities in violation of due process.</p> |
| <p>(v) According to the observations of the Standing Procurement Committee, it was stated that the available information in this regard was limited. Formal steps had not been taken to protect the documents until the relevant liabilities were settled in the projects where such debts were not settled.</p> | <p>Comments were not given.</p> | <p>Disciplinary action should be taken against officers who have failed to take suitable procedures to secure documents until their responsibilities are settled in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |

(b) **Maga Neguma Road Construction Equipment (Pvt) Ltd.**

The bank had debited Rs. 21,846,432.10 to the current account number 313-1-001-7-3657044 maintained at the Katubedda branch of the People's Bank for the cheque number - 089989 valued at Rs. 464,348.79 issued by the company to a supplier for a payment in relation to a road construction project. The internal auditor of this authority had conducted a preliminary investigation and according to the investigation report, it has been stated that a financial irregularity had been committed by fraudulently changing the value of the cheque. Further, it was stated that it cannot be ruled out that the company's Chairman, General Manager, Finance Officer, and officers working in the finance department are suspected of being involved in this financial irregularity. Disciplinary action had not been initiated against the officers responsible for the aforementioned financial fraud. Action had not been taken to recover the value of Rs. 21,382,083.31 that had been paid fraudulently through this financial fraud and the Ministry had not supervised this matter.

Comments were not given.

Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code by investigating the value of the cheque. A complaint should be made to the law enforcement agencies in accordance with Section 38(1)(h) of the National Audit Act.

(c) **Restoration of unauthorized occupants of the Kelani Valley Railway Reservation through compensation payments**

The following observations are made regarding the payment totalling Rs. 2.47 million as Rs. 1.24 million and Rs. 1.23 million as entitlement of two houses restored by paying compensation during a sample inspection of 20 out of 66 housing units restored by paying compensation under the project.

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| <p>(i) Verification was conducted based on a statement made by an individual stating that there was a Ready-made Garment factory in a house that had been identified as a housing construction in the 2017 social survey of residents of the Railway Reservation where residence was not confirmed according to the Electoral Register after 2015. Accordingly, it was observed from written documents that the occupants stated are living in this house do not reside in that house and that they have permanent residence in a two-story house adjoining it. However, the valuation of the government of this house amounting to Rs. 1.24 million was paid to the claimant in 2023.</p> | <p>During the inspection carried out on 04.06.2019, it was observed that the relevant resident and his family members are not residing at this location as per the information provided during the initial survey and their permanent residence is at No. 30/41 on the adjoining private land outside the railway reservation. This had also been confirmed during the document verification process to verify residency and it was identified that construction in the railway reservation is being used without residing there.</p> | <p>Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code by investigating regarding the wrongful payments.</p> |
| <p>(ii) A small unoccupied construction site without electricity or water facility on land owned by the Railway Department had been identified in a social survey conducted in 2017 and it was confirmed in a substantive test. However, according to the Claims Assessment Committee report dated 09 June 2023, a sum of Rs. 1.23 million had been paid as compensation to a person who has a permanent residency adjoining this premise without confirming the permanent residency through a formal lease transfer, lease payment, voting register etc.</p> | <p>Although the occupant was using the building in that location at the time of the fact-finding survey on 05.04.2023, it was not identified whether he is permanently residing there. Further, although he stated that he was residing in the railway reservation on a rent basis at the time of the basic survey, that was also an incorrect statement.</p> | <p>-do-</p> |

(d) **Port Access Elevated Highway Project**

- (i) As per condition number 14.5 under Part A of the Special Conditions of the Project Agreement, 8 pay items were identified for materials in the warehouse and a sum of Rs. 3,986.68 million had been paid as at 30 April 2024 for materials at site as per interim payment No.37. However, the physical progress of the project as at 30 November 2024 was 98 per cent and five categories of reinforcements had also not been used at that time. However, there were 1,230 tons of reinforcements for the remaining 2 per cent of the works and its value was Rs. 547.35 million. It was also confirmed that the stock included 503 tons of reinforcements that was not needed for future works. Accordingly, a sum of Rs. 179.07 million had been paid to the contractor since April 2024 for materials that were not required. The contractor had gained undue financial benefit from it. The above payment was made due to the consultant not fulfilling its responsibility when recommending the interim payments. Accordingly, it was observed that a sum of Rs. 2,452.77 million paid for consultancy services in the year 2024 was not effective.
- According to the calculations of the engineering consultant, 903 tons of reinforcements remained at the end of November 2024. Out of this amount, 336 tons are required for the remaining works in the original scope of works and the contractor had kept the remaining 567 tons in place for future works and the engineering consulting firm had also confirmed that it will be used under VO-60 for the Ramp 3 and Ramp 4 connecting roads and related structures. The requirement to issue a variation order for the Ramp 3 and Ramp 4 connecting roads and related structures was identified before June 2024. The approval process for the variation is ongoing and the amount of scrap has been accepted as Material at Site due to the urgency of the work and the requirement to retain the remaining quantity of material until the completion of the new works.
- The Project Director should ensure that all interim payment certificates comply with the conditions of the contract agreement and action should be taken to prevent contractors from receiving undue financial benefits. An investigation should be conducted in this matter and action should be taken to ensure the employer's rights when making payments for the remaining raw materials at the work site.

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| (ii) | The contractor had imported 363 sets of roadway steel street light poles (lighting towers). A sum of Rs. 14.69 million had been paid for it under 53 interim payments as the remaining materials at site and it was revealed that the materials representing those were estimated for short ramps 3 and 4 on the main road which contracts had not been awarded up to now. | The contractor imported 363 lighting towers for use in the original scope of the project. The original scope included a significant length of 3 ramps (about 70% of the total length). | -do- |
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4. Operating Review

4.1 Non- performances of Functions

The following observations are made.

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a)	A Road System Development Advisory Council should be established under Section 6 (1) of the National Thoroughfare Act, No. 40 of 2008 to advise the Minister in charge of the subject and this committee should advise the Minister on the formulation of an advanced highway policy, improvement of road conditions, research on roads, road planning, road development technology and safety measures. However, the relevant role had not been fulfilled due to members had not been appointed to this Advisory Council.	15 members should be appointed ex officio to the Advisory Council. Further, the Minister in charge of the subject should nominate 05 members among qualified and experienced persons in the fields of economics, infrastructure development, banking, power and energy, telecommunications and law. Out of these, 04 members had been appointed.	The necessary advice should be given to the Minister in accordance with the provisions of the Act by establishing "Road System Development Advisory Council" without delay, according to the Act relating to the functions performed under Section 6(2) of the Act from the implementation date of the Act.
(b)	District Road System Coordination Committees should be appointed for each District of the island under Section 7(1) of the National Thoroughfare Act No. 40 of 2008 and tasks such as preparing an action plan for the development and	All the appointments mentioned and related activities had been carried out on the instructions of the Minister in charge of Highways and currently, the relevant advisory	Immediate actions should be taken to activate the District Road System Coordination Committees and performing relevant

maintenance of road systems, coordinating and maintaining development and maintenance activities, handing over and monitoring projects to a certain party, and recommending the implementation of road development projects etc. should be performed. However, the relevant tasks had not been fulfilled due to members had not been appointed to these committees.

- (c) The functions of the Land Division of the Ministry include monitoring future actions in accordance with the Land Acquisition Act regarding lands to be acquired for road rehabilitation projects implemented under the supervision of the Road Development Authority, conducting discussions with the Land Acquisition and Resettlement Committees, taking necessary measures to acquire lands for resettlement and taking measures related to divest. However, it was observed that the expected role of this division is not being effectively achieved due to the failure to maintain an updated data base regarding the lands acquired through projects.
- The Road Development Authority is trying to develop a data base system based on the urgent need to update and maintain an information system for land acquired for the Road Development Authority and projects and the Ministry will also be connected to that information system.
- Special attention should be paid to the review of the systems under Section 38(1)(c) of the National Audit Act and steps should be taken to introduce and implement internal controls regarding the maintenance of a systematic data base regarding acquired lands.

4.2 Activities contrary to Key Functions

The following observations are made.

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a)	Maga Neguma Road Construction Equipment (Pvt) Ltd. earned a profit of Rs.1,386 million during the year under	Comments were not given.	An investigation should be conducted regarding the awarding of subcontracts and identify superseding

review without directly intervening in project activities by acquiring road construction projects from the Road Development Authority and awarding those contracts to subcontractors by adding a profit margin to their cost estimates.

the authority limits. Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

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| <p>(b) According to the Public Expenditure Review Committee (PERC) report for the Ministry of Transport and Highways released on 13 July 2023, it was recommended that in the coming period, only essential works be carried out up to the motorable condition where the roads for which renovations have already begun under the Second Integrated Road Investment Program and hand over to the respective government institutions that those were owned. However, contrarily, it was revealed during the sample test check that plans had been made to start work on 5 untouched rural roads which works had not previously commenced.</p> | <p>Comments were not given.</p> | <p>Immediate actions should be taken to implement the recommendations of the committee.</p> |
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4.3 Non-Achievement of Expected Output

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The Central Expressway project planned to be constructed from Kadawatha to Dambulla was planned to be constructed in four phases. The second phase of the project construction from	Comments were not given.	An investigation should be conducted with an analysis of the economic disadvantages and losses resulting from the delay in planning the first 500

Mirigama to Kurunegala only had been completed and opened on 15 January 2022. The construction of the first phase of this project from Kadawatha to Meerigama had not been completed. The section (Ch 0 + 000 to Ch 0 + 500) which is the beginning of this expressway connecting to the Outer Circular Expressway from Kadawatha was not planned in the initial stage of the project and procurement for civil works of it had not been commenced even as at 31 December 2024. Therefore, it was observed that the Central Expressway still remains underutilized.

meters of the expressway and further actions should be taken by reporting to the Cabinet of Ministers.

- (b) The emulsion production of the emulsion plant from 2020 to 2023 owned by Maga Neguma Emulsion Manufacturing (Pvt) Ltd. was only 4.77 million liters. Accordingly, although it is predicted that this plant with a production capacity of 10,000 liters per hour can produce 12 million liters of emulsion annually by operating the production process for a minimum of 5 hours per day for 20 days, even 10 per cent of its capacity had not been maintained. Further, although the plant was taken over by the Road Development Authority on 20 October 2023 due to the closure of the company, the plant was currently completely underutilized due to production had been discontinued so far.

Comments were not given.

The desired output should be achieved efficiently and an investigation with an analysis of underutilization and economic disadvantages should be conducted and reported, and further actions should be taken accordingly.

4.4 Non-Achievement of Expected Outcome

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>Colombo Suburban Railway Project - Transport Project Preparatory Facility</p>	<p>The feasibility studies and preparation of the detailed plans had been done by this project under the Transport Project Preparatory Facility (TPPF) for the Colombo suburbs area. However, it was difficult to implement this project due to the Covid pandemic situation in the country and the economic crisis. However, the necessary initial discussions to implement the project are commenced now.</p>	<p>Action should be taken to utilize project funds efficiently and effectively through including projects which feasibility studies had been conducted into the public investment program and implementing them according to priority.</p>
<p>Development of the Colombo Suburban Area of the Sri Lanka Railways to contribute to the national transport system for the next 20 years is the main objective of this project which was implemented under Loan Agreement No. 3425 signed with the Asian Development Bank at an estimated cost of US\$ 11.36 million. The main tasks were to conduct the necessary pre-feasibility studies, feasibility studies, prepare detailed plans, resettle residents on both sides of the railway corridor and plan environmental protection. Accordingly, the Asian Development Bank had provided US\$ 8.52 million equivalent to Rs. 1,551.35 million for the project and 93 per cent or Rs. 1,446.95 million of that amount was spent on consultancy services for feasibility studies and detailed plans and the reports were submitted to the Line Ministry in March 2021. Although more than 4 years had passed since it handover, those reports had not been used for further actions to develop the railway system.</p>		

4.5 Projects Abandoned without being Completed

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Construction of 04 road development projects planned, implemented and contracted under the Ministry of Transport and Highways had been abandoned without completion by 31 December 2023. Winding up accounts for 2 of these projects were prepared and submitted in 2023 and according to those accounts, a sum of Rs.7,225.11 million for the Colombo-Ratnapura-Pelmadulla Expressway project and a sum of Rs.1,236.83 million for the Elevated Highway from the New Kelani Bridge to Athurugiriya expressway project were incurred from local funds. A sum of Rs. 90.05 million had also been incurred on the Kandy Tunnel Construction Project. The construction of Section 04 of the Central Expressway Project had also been abandoned and a sum of Rs. 3,615.29 million was incurred from local funds for these projects during the year under review.	The payments for the land acquisition in the Ruwanpura Expressway Project and the Central Expressway Project (Phase-4) only have been in progress. The installment payments are made for the houses acquired to resettle 1,100 families displaced due to land acquisition in the Elevated Highway from the New Kelani Bridge to Athurugiriya expressway project and the compensation payments for land acquisitions are being made. It had been decided to cancel the Kandy Tunnel construction project.	An analysis of the economic impact of abandoning projects due to discontinuation should be conducted and further steps should be taken to prevent considerable misuse and misconduct without delay.
(b) Two projects out of the projects implemented by the Transport Division to achieve various development goals in the transport sector amounting to Rs. 1,578.65 million were abandoned without achieving their objectives. The following observations were made in this connection.		

I. Sahasara Bus Reforms Project

This project, which was commenced in 2018 and planned to be completed in 2023 with an estimated cost of Rs. 26,860 million based on the pilot project carried out by the Strategic Enterprise Management Agency (SEMA) in 2016 to increase passenger attraction for public transport was abandoned after incurring a cost of Rs.259.59 million.

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| (i) The project had been closed by the Cabinet Decision No. C.P. 23/0487/608/039 dated 28 March 2023 on the reasons that the project had made low physical progress, the project concept was not practical, the risk of the requirement of additional allocations, since the activities for the objectives expected to be achieved under the project are already being carried out by the National Transport Commission, the Sri Lanka Transport Board and the Road Passenger Transport Authority under the Ministry of Transport and Highways, the objectives will be achieved through those institutions, and the operational functions carried out using GSP technology under the Sahasara Project are already being established through the Transport Commission with the assistance of the United Nations Development Fund, and therefore there is no need for another institution to operate and reforms buses. | Agree with the points stated by the audit. | Need assessment should be done in initiating projects and due to without doing so, action should be taken to recover unnecessary costs incurred from the responsible officers after investigation. |
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- (ii) Several institutions within the Ministry itself had implemented various projects for the same purpose and functions while implementing new project proposals under the Ministry of Transport. It was not possible to use the funds more economically due to the implementation of business proposals without paying attention to this at the initiations of the project. It was also observed that 183 GSP technical devices were purchased at Rs. 259.59 million and provided only to private buses under this project.

1465 GPS devices had been purchased and these machines had been distributed as 1279 to the National Transport Commission, 18 to the Greater Colombo Urban Transport Network Project and 03 to the Western Province Road Passenger Transport Authority.

Action should be taken to increase economic benefits and to prevent misuse by using funds more economically.

II. Kurunegala - Habarana Railway Project

This project which was planned to commence in 2016 with an estimated cost of Rs. 7,500 million and USD 949 million, and supposed to be completed within five years to construct the railway line from Kurunegala to Habarana as a double line had been abandoned after incurring a cost of Rs. 1,319.07 million. Under the project, it was planned to acquire 4,400 land units from 09 Divisional Secretariat Divisions at a cost of Rs. 7,000 million as compensation and the relevant acquisition activities were ongoing, and a sum of Rs. 282.22 million was paid as compensation for 149 land lots. However, further actions were not taken regarding the compensated lands to formally taken over to the government due to the suspension of project activities in 2023, and those lands are still being used by those who received compensation.

The activities of the railway project had been suspended as at 28.02.2023 as per Cabinet decision No. CP/23/0482/608/037 dated 20.03.2023. Accordingly, the draft Joint Cabinet Memorandum which includes the methodologies for dealing with compensated lands and divesting all land plots acquired by the government but not used for development purposes had been forwarded to the Ministry of Agriculture, Land, Livestock, Irrigation and Water Resources.

Action should be taken to increase economic benefits and to prevent misuse by using funds more economically.

(III) Kandy Suburban Railway Project

A sum of US\$ 5.3 million was allocated to obtain relevant consultancy services for the feasibility study and preparation of detailed engineering plans for the improvement of the Kandy suburban railway service under this project which was implemented as a sub-project using an Asian Development Bank loan under the Colombo Suburban Railway Efficiency Improvement Project.

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| <p>(i) Although the contract was awarded for a value of US\$ 2.64 million, Rs. 194.13 million and Euro 1.39 million to be completed within 18 months from 28 November 2019 by selecting a foreign joint venture as a supplier on the approval of the Cabinet to obtain the consultancy service, the project activities had not been completed even 42 months had passed beyond the scheduled time. Although a sum of Rs. 694.35 million had been incurred on these activities as at 31 December 2024, the expected benefits had not been achieved.</p> | <p>The contract agreement was signed on 10.12.2019 and its work had commenced from 20.01.2020 as per the agreement. However, Sri Lanka Railway Service requested changes to the basic terms of the contract in August 2021. Subsequently, 03 extensions had been granted until 06.01.2024. But the contract could not be completed within the stipulated time.</p> | <p>It should be ensured that the costs incurred will provide economic benefits and the authorities should follow the prescribed procedures and act in accordance with the terms of the contract before the expiry of the contract period. An investigation should be conducted in this regard and disciplinary action should be taken against the officers who had neglected their responsibilities in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
| <p>(ii) Although it took more than 5 years, which was expected to complete the task in 18 months, the preparation of the basic experimental plans related to the project had only been completed within that period. The contractor had suspended the implementation of the contract</p> | <p>The contract was unilaterally terminated by the main consulting company on 30.11.2023. It was planned to immediately sign the contract variations and commence the</p> | <p>An investigation should be conducted to ensure economic benefits to the costs incurred and disciplinary action should be taken against officers who had failed to fulfill their responsibilities in accordance with Section 29</p> |

since 2023 without providing consultation reports including preliminary experimental designs. Accordingly, benefits had not been received for the expenditure of Rs. 694.35 million incurred under the project. Further, action had not been taken to compensate the losses incurred by the government due to further delays in project activities as per the agreement, and take action in accordance with the agreement regarding the suspension of the contract by the contractor.

remaining work during the discussion with the partner of the main consulting firm.

of Chapter XLVIII of Part II of the Establishments Code.

4.6 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Colombo Suburban Railway Project</p> <p>According to the agreement for the Transport Projects Preparatory Facility Project implemented for the Sri Lanka Railway Department by the Ministry of Transport and Civil Aviation as the implementing agency, the estimated total cost is Rs. 1,654.54 million equivalent to US\$ 11.36 million. Although the project was scheduled to start on 28 October 2016 and to be completed by 31 December 2022, the project had not been completed up to now, even more than 2 years had passed since that date.</p>		

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| <p>(i) The Urban Development Authority and the Ministry of Transport had entered into Memorandum of Understandings in 2017 and 2018 to purchase 1,244 housing units for Rs. 5,412 million to resettle families residing on the Kelani Valley Railway Right of Way (RoW). Although the houses should be handed over to the project within two years from the date of signing the contract, 550 housing units including 406 houses from the Nawala Phase 01 housing complex and 144 houses from the Nawala Phase 02 housing complex had not been handed over up to now as per the agreement due to the construction not being completed at that time.</p> | <p>In order to obtain housing units for the resettlement of families evacuated from the railway reservation, the Urban Development Authority had taken actions to acquire 1244 housing units from housing complexes that had been constructed and are being constructed near the Kelani Valley railway line.</p> | <p>Written instructions should be issued and supervision should be carried out to strengthen internal controls by paying special attention in the review of the systems under Section 38(1)(c) of the National Audit Act regarding completion of project activities within the planned period for obtaining houses and if not, actions to be taken therein as per the agreements.</p> |
| <p>(ii) According to information from the Ministry of Urban Development and Housing, although the physical progress of the construction of housing units in the Nawala Phase 02 complex is only 89 per cent, the project had paid a sum of Rs. 512.64 million for housing as at 31 December 2024. The construction progress was 97 per cent and a sum of Rs. 63.36 million remained to be paid upon completion of the construction works.</p> | <p>The total amount to be paid according to the agreement for the 144 housing units purchased from the Nawala Colombage Mawatha Phase II apartment complex is Rs. 576 million. Out of that, a sum of Rs. 512.64 million had been paid by the end of 2024.</p> | <p>Special attention should be paid to the review of the systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued and monitored regarding the completion of planned activities within the project period.</p> |
| <p>(iii) The physical progress of the construction of the Nawala Phase 01 housing complex is 39 per cent and it was also observed that there is a risk that the contracted price of Rs. 5 million per housing unit will double after starting the constructions due to the temporary halt of construction work in the housing complex for more than 02 years. However, the Ministry had not taken any action regarding the adverse impact caused</p> | <p>Construction works had been temporarily halted due to a legal issue with the relevant contracting company. If those housing units are provided later, the price of each housing unit will be Rs. 10 million. Accordingly, a decision was received on 17 March 2025 for the Cabinet Memorandum submitted to enter into a Memorandum of Understanding to obtain 100 housing units.</p> | <p>-do-</p> |

due to the failure of the Urban Development Authority to act in accordance with the agreements.

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| <p>(iv) According to the preliminary Memorandum of Understanding, the construction of the housing complexes should be completed and handed over to the housing project within 02 years from the agreed date. Although it had been entered into new Memorandum of Understandings by extending the completion date on numerous occasions since 2018 due to construction delay, the objectives of developing the Kelani Valley Line under the Colombo Suburban Railway Project (CSRP) could not be achieved due to the delay in resettling families within the Kelani Valley Line Rights of Way (RoW) even by the end of 2024.</p> | <p>The development of the Kelani Valley Railway had been removed from the ADB project list as per the letter dated 27 September 2020. The work has been continued in accordance with the Cabinet approval No.CP/21/1097/312/021-1 for continue the resettlement activities to obtain the necessary land to develop the Right of Way using a financial source will be obtained in the future.</p> | <p>-do-</p> |
| <p>(v) The main task of the CSRP Project Management Unit is to release the railway lines affected by the project for the purposes of Kelani Valley Railway development. According to the resettlement plan, although the land acquisition activities should be completed by 2020, evacuations had not been completed due to legal actions taken by 14 house holders who did not agree to the proposed entitlement benefits provided by the project and disagreements over the land acquisitions of 74 house holders.</p> | <p>The 938 housing units for resettlement will be obtained from the Urban Development Authority and 120 housing units were constructed under the Railway Efficiency Improvement Project. Resettlement activities will commence as soon as housing units are provided to the project. Further, Cabinet approvals had been obtained for that.</p> | <p>-do-</p> |
- (b) **Colombo Suburban Railway Efficiency Improvement Project**
Procurement of a smart ticketing and seat reservation system for the Sri Lanka Railway.
The Cabinet of Ministers had granted approval on 09 May 2018 for the

Cabinet Memorandum No. 18/08158709/028 presented for procurement and establishment of an island-wide smart ticketing and seat reservation system for the railway service by using Asian Development Bank funds with the aim such as further enhancing the efficiency of the Sri Lanka Railways, reducing the loss of revenue to the railway service, and providing greater convenience to the public and attracting passengers to the railway service. Accordingly, the procurement process was initiated in 2018 and international competitive bids were invited and response to that out of five bidders, the Technical Evaluation Committee had also recommended that the contract be awarded to a foreign joint venture that submitted a bid amounting to USD 19.31 million with a warranty period of 03 years and a maintenance period of 5 years. Considering the decisions on the appeals submitted for that purpose after receiving the approval of the Standing Procurement Committee appointed by the Cabinet, a contract agreement was entered into between the Ministry of Transport and the foreign joint venture on 31 May 2021. The procurement of the system was expected to commence under three phases with 16 tasks on 6 May 2021 and be completed on 7 May 2024, and an advance of USD 1.60 million had been paid to the joint venture contractor. The following observations are made regarding the financial and physical progress of the project which establishes the said system.

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| <p>(I) Although the relevant works such as plan the requirements of the system, prepare detailed plans and bidding documents, plan capacity development and training activities and obtain overall consultancy services related to the system were to be completed in accordance with the agreements signed by the Ministry with a private party on 15 January 2018, it had not been completed up to now. A sum of Rs. 6.61 million had been paid as consultancy fees as at 31 December 2024.</p> | <p>A foreign consultant and a local consultant were hired through a competitive bidding to prepare detailed plans for the purchase of the smart ticketing and seating reservation system. The smart ticketing and seat reservation system has been completed and is now operating.</p> | <p>Special attention should be paid to the review of systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued and monitored regarding the completion of planned activities within the project period.</p> |
| <p>(II) Although specific dates were set for the completion of the project, the project period was extended on 03 occasions from 17 September 2021 to 10 December 2024 by stating that the reasons such as non-completion of work by the contractor, the impact of Covid-19 and the fuel crisis etc. However, the project activities had not been completed even within the extended time frame and although action should have been taken to assess and recover the loss incurred by the government by imposing late fees for the relevant delay, action had not been taken by the relevant parties to recover those losses up to now.</p> | <p>The contract agreement was signed on 31 May 2021 and the activities of it were commenced on 17 September 2021. Only one extension had been granted so far until 10 December 2024. Decisions have been taken to charge late fees as per the contract agreement when the factors affecting the granting of time extensions are not beyond the control of the contractor.</p> | <p>Action should be taken to charge late fees as per the agreement and planned activities should be completed as per the agreement. Special attention should be paid to the procedures to be followed in extending the contract period, and written instructions should be issued and monitored during the review of the systems under Section 38(1)(c) of the National Audit Act.</p> |
| <p>(III) Although the project activities were planned in three phases with specific deadlines for each activity, there are activities that do not have any physical or financial progress in the project, and it was observed that the physical progress of other planned activities is very low, between 10 per cent and 20 per cent, and also there is no financial progress in those activities.</p> | <p>900 portable ticket inspection devices had already been imported. 533 platform-mounted devices that perform self-validation of tickets and 100 specialized devices that check tickets inside the trains had already been imported to the country.</p> | <p>An investigation should be conducted and disciplinary action should be taken against officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code, who had failed to complete the planned activities during the</p> |

project period as per the agreement.

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| <p>(IV) The 03 year defect notification period with USD 1.43 million of the project had expired on 31 May 2024, while the project activities had not been completed as per the contract, and almost one year of the five years post maintenance period of the project, with a cost of US\$ 1.83 million had already been completed.</p> | <p>The cost of 3-year warranty period is US\$ 1.43 million. Under Special Conditions 29.3 of the contract, the warranty period will commence after all the work under the contract has been completed and the entire system has been confirmed to be functioning properly and handed over to the Railways Department.</p> | <p>-do-</p> |
| <p>(V) Although a training program was planned to train 818 officers in the Railway Department in 07 Districts by 31 July 2024 using provisions of US\$ 0.65 million under the project, only 582 officers were trained by incurring an actual cost of US\$ 0.12 million. It was observed that the poor progress in training on the use of new technical devices had a direct negative impact on the correct and efficient use of this system during its implementation.</p> | <p>Although the training program was planned to train 841 officers and employees, it was participated only 606 peoples. The above participation is positive as per the nature of the duties of railway employees. The project team tried their best to get all employees to participate in the training, and the Railway Department authorities will have the prime responsibility for ensuring that employees participate to the training.</p> | <p>-do-</p> |
| <p>(VI) The Railway Communication System Modernization Project was implemented to meet the need to establish a fast and effective railway communication system to maintain a more efficient railway transport service. For this purpose, a sum of Rs. 1,951.23 million equivalents to US\$ 7.18 million had been incurred by executing a contract of US\$ 7.49 million between the Ministry of Transport and a local joint venture on 16 November 2020, and the physical progress of it was 83 per cent. An agreement was signed effective from</p> | | |

1 August 2022 between the Department of Railway, the Ministry of Transport and the contractor for the operation, maintenance and service requirements of the system for a period of 9 years. The agreement is in effect until 31 July 2025 with a 3-year warranty period and for that, it was agreed to pay Rs. 376.38 million to the contractor at a monthly rate of Rs.3.49 million as per clause 7.1 of the agreement.

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| <p>i. According to the said agreement, the contractor should provide a monthly report on the operational and performance status of the system, and monthly payments are made based on the maintenance and service expense invoice submitted with this report. The reports required to be provided by the service provider for the monthly performance of operation and maintenance of the system from June to December 2024 had not been furnished, and according to the reports submitted monthly from January to May and as observations made during the sample tests check, it was observed that most users of the railway communication system use this system to a minimal extent, some users do not use it at all, and those who use it only use it to fulfill the function of a regular landline telephone. Accordingly, the cost of Rs. 1,951.23 million equivalents to US\$ 7.18 million incurred for that system had become an idle expenditure. This was due to operational inefficiencies such as voice disturbances, slow speed, log in disturbances, signal and technical errors, and as well as user</p> | <p>The Sri Lanka Railway Service had provided the operational performance status reports from May 2024 to November 2024 to the project which was given by the contractor on 22 April 2025. It is the responsibility of the railway administration to take action if drivers, conductors or others do not use this communication system. Ensuring the safety of the relevant devices and if there are errors or breakdowns in the operation of the system will be able to restored from the contractor as per the agreement.</p> | <p>An investigation should be conducted regarding effective use of the system and the reasons for non-use should be identified and rectified, and disciplinary action should be taken against the officers responsible in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
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dissatisfaction when operating the system.

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| ii. The contractor had submitted payment invoices amounting to Rs. 73.19 million only up to April 2024 for the maintenance and operation of the system. However, according to the agreement, although the evaluation reports on technical issues and service conditions of the service system should be provided to the Railway Department before the monthly system operation meetings are conducted, it was observed that maintenance and continuous evaluations had not been done as per the agreements on maintenance and services of this system due to failure to furnish those reports after April 2024. | Comments were not given. | An investigation should be conducted regarding the failure to carry out the planned activities during the project period as per the agreement, and disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code against the responsible officers. |
| iii. Although there are further 8 years out of the contracted 9 year maintenance and service period for this system, disruptions occurred to the system operations, maintenance and service activities due to failure to inform the contractor about technical errors in the system, and a sum of Rs. 73.19 million was incurred on operations, maintenance and service activities during the system was being used at a minimum level. Further, attention had not been paid to the requirement to revise the operation and maintenance and service agreements considering the current performance level of the overall system, and the collective responsibility of all parties to utilize the entire system efficiently had not been fulfilled. | Comments were not given. | An investigation should be conducted on failure to take the necessary actions to amend the operation, maintenance and service agreements and action should be taken without delay to identify the responsible officers and necessary measures should be taken to use the system efficiently. |

<p>(VII) Although the project activities were planned under 31 major activities at a cost of Rs. 31,708.70 million with specific deadlines for each activity, 23 activities amounting to Rs. 23,973.14 million had not been completed by the due date for completion of the entire project, and the increase in the commitment charges of the project was due to their physical progress was in the range of 11 to 99 per cent, and although the physical progress of 06 activities with an estimated value of Rs. 2,057.10 million was more than 80 per cent, their financial progress was in the range of 0 to 52 per cent.</p>	<p>Although 9 activities had been completed and handed over to the Railway Department, 90 per cent progress had been achieved on 9 other activities. Similarly, 8 other activities were achieving 80 percent progress. 15 activities had been completed and handed over to the Railway Department up to now and although the progress of the machinery procured by the project for the Railway Department is in the range of 80 to 90 per cent, payment for this will be made after the machines arrive to the country.</p>	<p>Disciplinary actions should be taken by investigating in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code to the officers who had neglected the responsibilities relating to completing the planned activities during the project period.</p>
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(c) **New Bridge Construction Project over Kelani River**

This project which was scheduled to commence on 01 July 2014 and to be completed on 01 July 2023 consisted of 02 Components as Packages 01 and 02 and a consultancy contract. Construction works on Package 01 and Package 02 commenced on 18 October 2017, 3 years after the loan agreement was signed, and although it was scheduled to be completed on 18 December 2020 and 25 October 2020, construction of these two Components was completed on 25 November 2021 and 25 October 2021. It was handed over without identifying construction defects when this project was handed over to the Road Development Authority in 2021, and JICA had restricted releasing loans in 2022. The release of debt had been restarted from August 2024. A sum of Rs. 4,105.16 million had been provided to settle the bills of this project as at 31 December 2024,

Comments were not given.

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and a sum of Rs. 204.67 million had been paid as delay interest due to late payment of bills. Further, a sum of Rs. 20.09 million delay interest bills had been submitted. The Completion Certificate for Package 02 had not been issued even by the end of 31 December 2024, and although the loan agreement which was extended up to 01 July 2025 is scheduled to be terminated, the value to be paid had not been identified.

4.7 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Colombo Suburban Railway Efficiency Improvement Project		
(i) As part of the first step in the process of issuing smart ticketing, the Railways Department had planned to provide passengers with the facility to purchase non-reserved tickets through the website from 30 September 2021, and a sum of Rs. 488.94 million was incurred for it. The commencement of the works was delayed by 2 years and 11 months as at 22 August 2024.	The preparation of specifications for the services was finalized with the Railways Department and the system design was carried out accordingly since this contract is also a design and build contract. The time consumed for that was essential for those activities.	An investigation should be conducted regarding the failure to achieve the expected goals of the project within the specified time frame and the delay and disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.
(ii) Although 5 months had passed up to 21 January 2025 since the launch of ticket purchasing facilities through the website, the revenue collected through this system was only 1 per cent of the total ticket sales of the	There have been various reasons for the decrease in the number of tickets purchased through the website since August 2024. The lack of adequate publicity to the public and the reluctance of	Necessary changes should be made immediately to the established system and used effectively.

Department revenue during that period and so the use of this system by passengers remained at a very low level. Also, although it has been over 6 months since the facilities were provided, there was no sufficient progress in ticket sales. Although some of the tickets issued had been requested to be refunded, it was observed that such refund facilities had not been provided through the system so far.

inspectors to use the devices provided to validate tickets are mainly affected for this. Although Sri Lanka Railways has requested that when a refund request is approved in the system, it should be handled automatically through IPG, the bank agreed to provide this facility, but had failed to do so up to now.

4.8 Foreign Funded Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Performance of foreign funded projects		
1. Instances were observed where funds provided from time to time by lending agencies for foreign aid projects implemented under the Ministry were not utilized within the time agreed with those agencies. The poor performances of the projects were directly affected for this, and commitment charges had to be paid to the relevant lending agencies due to these delays. Accordingly, the Integrated Road Investment Program, the Second Integrated Road Investment Program, the Colombo Suburban Railway Efficiency Improvement Project and the Port Access Elevated Highway Project had paid Commitment fees amounting to Rs. 1005.27 million by the end of the year under review.	Agreed	Written instructions should be issued and monitored to strengthen internal controls regarding the minimization of Commitment charges by special attention paid during the review of the systems under Section 38(1)(c) of the National Audit Act.

II. Colombo Suburban Railway Efficiency Improvement Project

This project is a project implemented by the Ministry of Transport and Civil Aviation for the Sri Lanka Railway Department as the implementing agency. The main objectives of this project are to improve operational efficiency to improve the efficiency, sustainability and safety of the railway network, strengthen maintenance capacity, improve railway safety, upgrade the technical training center and strengthen project implementation capacity and readiness for future railway projects. The estimated total cost of this project was Rs. 47,215.8 million, equivalent to US\$ 147.66 million, and the project was scheduled to commence on 6 September 2019 under 31 major tasks and to be completed by 31 December 2024. The following matters were observed regarding the utilization of the interest provision of US\$ 8.75 million and the Commitment fee provision of US\$ 0.35 million provided by the Asian Development Bank to cover the financial costs related to the project loan.

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| i. Although USD 0.69 million was allocated for project interest expenditure in the year under review, the annual interest expense was Rs. 828.26 million equivalent to US\$ 2.68 million according to the financial statements for the year 2024. Accordingly, an interest cost of US\$ 1.99 million was incurred for the project exceeding the estimated interest value in 2024. | Agree with the audit observation. It was informed to the bank to revise the loan interest component of the Project Administration Manual based on actual expenditures incurred and remaining expected disbursements. | Written instructions should be issued and monitored to strengthen internal controls regarding the minimization of interest charges by paying special attention during the review of the systems under Section 38(1)(c) of the National Audit Act. |
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| <p>ii. All activities of the Colombo Suburban Railway Efficiency Improvement Project (CSREIP) were scheduled to be completed by the end of the year under review. The Asian Development Bank (ADB) had allocated US\$ 0.35 million as budgeted Commitment Charges for the entire project, and the actual Commitment Charges were US\$ 0.92 million as at 31 December 2024 resulting in an excess Commitment Charges of US\$ 0.57 million for the entire project. This adverse situation had arisen due to the slow progress in the physical and financial performance of the overall project.</p> | <p>Agree with the audit observation. It had to be paid Commitment Charges for unused loan funds in accordance with the loan agreement due to the inability to incur project expenses as planned at the beginning of the project.</p> | <p>Written instructions should be issued and monitored to strengthen internal controls regarding the minimization of Commitment Charges by paying special attention during the review of the systems under Section 38(1)(c) of the National Audit Act.</p> |
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(b) Project not starting on scheduled date

Inclusive Connectivity Development Project

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| <p>(i) It was recommended to develop an integrated methodology with the Ministry of Agriculture to develop and establish a mechanism to implement a program to improve the supply chain and access for farmers under the second component of the project, and a sum of US\$ 50 million had been allocated for that component. The allocation was reduced to US\$ 15 million during the restructuring of the project on 9 May 2023. However, any activity had not been commenced under that component up to now.</p> | <p>Comments were not given.</p> | <p>A proper plan should be prepared and implemented to achieve the desired objectives in accordance with the contractual criterias.</p> |
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(ii) According to the Project Appraisals Document, a sum of US\$ 5 million had been allocated to improve the institutional and policy framework of the road sector under Sub-Component 1.2. However, even though 3 years had passed since the commencement of the project, the recruitment of experts and purchases required to update road sector policies and carry out road safety-related activities remained at the procurement stage.

Comments were not given.

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(c) Underutilization/idle of project assets

900 sets of Smart Ticket Checking Devices (HH Bar Code Reader) had been distributed to 344 railway stations at a cost of Rs. 151.67 million (US\$ 521,100) to check the validity of tickets purchased through the Smart Ticket Issuance and Checking System under the Colombo Suburban Railway Efficiency Improvement Project, and the following observations are made regarding the active use of the equipment.

i. Only 878 out of the 900 testing equipment purchased had been registered, and the remaining 22 were not registered and therefore, those were not ready to use up to now. It was observed that, only 2,586 tickets or 0.6 percent out of the total number of smart tickets sold so far had been checked using the said checking equipment.

900 ticket inspection hand machines had been distributed to cover all railway stations. Additionally, 606 employees covering all railway stations had been trained to operate the machines.

Written instructions should be issued and monitored to strengthen internal controls regarding the utilization of assets with maximum efficiency by special attention paid during the review of the systems under Section 38(1)(c) of the National Audit Act.

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| <p>(ii) During the physical inspection conducted regarding the use of 128 pieces of equipment provided to 31 railway stations, it was observed that the equipment remained idle. The low number of passengers using the equipment, technical faults, station entrances and exits not being properly closed, difficulty in using it when there are a large number of passengers, lack of training, frequent disconnections of internet connections, equipment not being used due to oversupply, and difficulty in keeping the equipment safe were the reasons for the non-use of this equipment.</p> | <p>Ticket inspection machines are simple to operate. Those can be operated like a normal mobile phone, and new tickets can be easily scanned. One-day training had been provided to 606 officers and employees for this purpose.</p> | <p>An investigation should be conducted regarding the inability to utilize assets at maximum efficiency and disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code. Action should be taken to make maximum use of the purchased equipment.</p> |
| <p>(iii) Although 10 months had passed since the ticket validation devices were distributed under the smart ticketing and seat reservation system at a cost of Rs. 151.67 million, the intended objectives of those activities had not been achieved.</p> | <p>One-day training had been provided to 606 officers and employees.</p> | <p>-do-</p> |

4.9 Projects Implemented with Domestic Funds

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Construction of 02 flyovers over the railway line at Uttarananda Mawatha and Justice Akbar Mawatha in Slave Island.</p>		
<p>(i) A contract for the construction of flyovers had been awarded to Maga Engineering Company at a contract value of Rs. 5,278.08 million (excluding VAT). The contractor had</p>		

suspended work on the contract on 12 May 2022 in terms of 16.1 of the General Conditions of Contract due to the delay in payment of Interim Payments Certificates by the employer. Works on the project restarted on 01 March 2023 after the arrears were paid, and the works were completed by 31 December 2024. Actions had been taken to extend the contract period on 4 occasions during the contract period. The contractor had requested a work suspension cost claim of Rs. 614.87 million for the suspended period from 12 May 2022 to 27 December 2022, and the Technical Evaluation Committee appointed to evaluate the claims had recommended the payment of Rs. 427.65 million in its report on July 2024. Further, in accordance with the Cabinet approval obtained to compensate for the price escalations of construction materials, it was proposed to pay the contractor an amount of Rs. 1,055.62 million out of the Rs. 1,858.93 million claimed by the contractor for this contract. The contract value had increased by 27.04 per cent due to various additional costs. The following observations were made.

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| <p>(i) Three time extensions beyond the initial contract period had been approved, and its third extension expired on 17 May 2024. Although the contractor had requested a further time extension on 02 May 2024 until 28 July 2024, the approval for that had been delayed until 27 November 2024.</p> | <p>Approval for the extension of the contract period until 28 July 2024 was obtained on 27 November 2024. Taking Over Certificate had been issued by the employer after completing the works as at the approved completion date of the contract of 28 July 2024.</p> | <p>Special attention should be paid to the review of systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued and monitored to strengthen internal controls regarding the extension of time beyond the contract period.</p> |
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| <p>(ii) The contractor had submitted Rs. 1,055.62 million under Interim Payment Certificate No. 30 on 25 July 2024 for price variations. Although it was proposed to obtain the recommendation of a Technical Evaluation Committee before making these payments as per the letter No. RDA/MFAP/SI/FO/01/GEN dated 26 July 2024 addressed to the Additional Secretary (Engineering) of the Ministry by the Project Director of Miscellaneous Foreign Aid Projects, a sum totalling Rs. 833 million had been paid in two occasions without considering it. Further, it was stated that compensation for price variations should be managed within the provisions allocated for the years 2021 and 2022 as per the Cabinet approval No. CP/21/2084/306/094 dated 14 December 2021. However, the above payments were made using the provisions of the year 2024 contrary to the decision of the Cabinet of Ministers.</p> | <p>It was not practical to make this payment through the budget provisions for the years 2021 and 2022 since the relevant Cabinet paper was approved on 14.12.2021 and the contract was suspended from 02 May 2022 to 22 December 2022, the contractor had submitted the request for this price variation under Interim Payment Certificate No. 30 on 25.07.2024. Therefore, the provisions for the year 2024 had been used for these payments.</p> | <p>An investigation should be conducted in this regard and disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
| <p>(iii) Accordance to the decision of the Cabinet of Ministers dated 10 September 2024 in response to the Cabinet Memorandum No. 39/2024 dated 28 August 2024 submitted to seek approval for the increase in contract value due to the payments made for price variations, although it was requested to obtain the recommendations of the relevant Technical Evaluation Committee and the Standing Procurement Committee appointed by the</p> | <p>The recommendations of the Technical Committee appointed for this purpose were approved at the Procurement Committee meeting held on 16.12.2024 (Procurement Meeting No. SCAPC/6/2024) and the decision was approved at the Cabinet meeting held on 07.05.2025 (CP/25/0703/809/015-1).</p> | <p>-do-</p> |

Cabinet regarding the revision of the contract value and to submit those recommendations again to the Cabinet for approval, a sum of Rs. 296 million had been paid for price variations on 22 September 2024 without implementing those orders.

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| <p>(iv) The flyover project is a project being carried out under Miscellaneous Foreign Aid Projects, and a Project Director had been appointed for that purpose according to the approved staff. However, contrary to that approval, the Secretary to the Ministry appointed an Acting Director for this project on 14 August 2024. This Acting Director had approved the above payments of Rs. 833 million to the contractor, and accordingly, those payments had been made contrary to the delegation of authority made in accordance with the Financial Regulations. This Acting Director had also served as a Project Engineer, and accordingly, it was observed that internal control regarding the segregation of duties in the project was very poor.</p> | <p>The Acting Director had approved the payment mentioned in the query accordance to the post of Acting Project Director for the said project granted by the Secretary to the Ministry letters No.MPH/HWY/ADM04(iii)/11/P F/MFAP/DPD/02 dated 2021.10.12 and 2024.08.18, and according to the delegation of authority and according to the authority wasted to a Project Director.</p> | <p>-do-</p> |
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4.10 Procurement

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Inclusive Connectivity Development Project		
(i) Road rehabilitation contracts for 7 rural road lots in the Eastern Province with a contract value of Rs. 3,451.99	In terms of the contract agreement, the selected contractor is required to provide a	Action should be taken to obtain adequate performance guarantees

million had been awarded by the project in the year 2024. The bid prices of the selected contractors were between 19.91 per cent and 30.16 per cent lower than the Engineering Estimate. Accordance to the Section 7.9.2 of the Procurement Manual, if the bid prices are significantly lower than the Engineering Estimate, in such cases, steps should be taken to obtain performance guarantees of higher value or the bids should be rejected. However, the relevant procurement committees had not decided to increase the value of that guarantee during the evaluation of the bids in addition to obtaining a performance guarantee of 10 per cent of the contract value specified in the special conditions of the contract. The physical progress of these road rehabilitation works was at a very low level compared to the original contract period and it was observed that there is an uncertainty regarding the completion of contract works on time.

- (ii) Although accordance to the Evaluation and Eligibility Criteria (Section III) of the Bidding Procedures (Part 1) included in the Bidding Documents, bidders are required to submit information on contract terminations, pending litigation and past litigation related to previous contracts with the bidding documents, the relevant procurement committees had not evaluated the above documents submitted by the bidders in this regard during the bid evaluation. Accordingly, it was observed that these contracts had been awarded to contractors who had not successfully completed road rehabilitation works in the past.

performance guarantee of 10 per cent of the contract amount. During tender evaluation, it was observed that some of the submitted bid values were 19 per cent to 30 per cent lower than the engineering estimates. However, the Ministry Procurement Committee had decided not to increase this obligation, considering it sufficient, as the selected contractor must provide a 10 per cent performance guarantee as per the conditions.

At the time of the commencement of the bid evaluation process, it was obtained all performance information related to previous contracts, past litigation and ongoing litigation by sending a form to all Divisions and Project Directors through the Director General of the Road Development Authority, and evaluated it. Further, Information regarding the poor performance of the contractors in the past, past litigations, and ongoing litigations should be provided with the bid and the forms for this are also included in the bidding documents.

to minimize the risk of the employer in performing contract works. Special attention should be paid in this regard in the review of systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued and monitored to strengthen internal controls over the execution of contractual activities.

Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code regarding failure to include the decisions of the Technical Evaluation Committee in the committee recommendations after conducting an investigation.

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| <p>(iii) The project had invited bids for the purchase of office equipment under the Shopping Method on 13 December 2023 and paid a sum of Rs. 101,118 for the relevant stationeries. It was observed during the audit that out of the three bidding documents submitted for that purpose, two bidding documents had been forged due to that the telephone numbers of the suppliers in two of them were the same. Further, the actions taken in this regard were not disclosed to the audit.</p> | <p>Bids were invited from randomly selected qualified suppliers. However, during the opening and evaluation of the bids, it was not observed that the telephone numbers mentioned in the bidding documents of the suppliers were the same. The project purchased the stationery from the lowest bidder and it has been confirmed that the prices were reasonable when compared with market prices.</p> | <p>A formal investigation should be conducted regarding bids invitation and bids evaluation, and disciplinary action should be taken against the responsible officers regarding forged bidding documents in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
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(b) **Port Access Elevated Highway Project**

The approval was granted to increase the estimated cost of the Port Access Elevated Highway Project from Rs. 28,002.22 million to Rs. 68,337.22 million as per Cabinet approval No. 24/2008/713/009 dated 28 October 2024. The total value of the variations included therein is Rs. 5.91 billion, and out of this, a sum of Rs. 5.26 billion had been allocated under variance order No. 60 for the works of Lotus Roundabout, Port Access Highway, Toll Plaza Service Building, Ramp 04, Ramp 03, etc. However, it was observed that, a scope that should have been identified initially at the commencement of the project was not done according to the Technical Evaluation Committee report and the contract documents.

Two main assumptions were raised during the feasibility studies of the project:

1. The 4th ramp will be connected to a tunnel being constructed under the Galle Face area to connect to the Marine Drive.
 2. The final section of Ramp 3 is being constructed by the Sri Lanka Ports Authority under their port development projects.
- However, the tunnel project was not initiated due to Covid and the economic crisis.

A formal investigation should be conducted, and disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code against the responsible officers for failure to clearly identify the initial scope at the commencement of the project.

(c) **Integrated Road Investment Program**

The Balangoda-Bowatta-Kaltota road in the RMC-04 package was rehabilitated in 2022 as a variation of the Pelmadulla-Embilipitiya-Nonagama road. The total length of this road is 16 km and the contract

Comments were not given.

An investigation should be conducted and disciplinary action should be taken against the responsible officers who had failed to comply with

work was awarded to the same 04 contractors who had been awarded the rehabilitation contract for the Pelmadulla - Embilipitiya - Nonagama road without following any procurement procedures. The amount paid to the contractors in relation to this construction and the approvals for payments were not disclosed to the audit, and the Ministry conducted a preliminary investigation and the relevant report was submitted by the Director General (Engineering) on 30 November 2023. However, the follow-up actions taken after this investigation were not revealed to the audit.

the procurement guidelines in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.

4.11 Assets Management

The following observations are made.

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	The NISSAN car bearing KD-9204 belonged to the Ministry had been given to the Sri Lanka Transport Board was returned to the Ministry of Transport as it was not economical to use due to the shortage of spare parts in the market, the high cost of the available spare parts and the low fuel efficiency, and although it was decided to auction the vehicle by valued it on several occasions by the committee since 2022, and although it was valued at Rs.2.4 million on 26 August 2024, this vehicle had not been auctioned up to now.	Actions had been taken to dispose this vehicle bearing No.KD-9204 by auctioning under the procedure for disposing of luxury vehicles those are heavy burden on the government.	Disposal should be done in accordance with the circular provisions.
(ii)	The vehicle bearing number KQ-0690 included in the asset register of the Highways Division was not included in the vehicle details submitted for	The vehicle bearing No. KQ-0690 is a vehicle temporarily attached to the Presidential Secretariat, and arrangements are being made to	Special attention should be paid to the review of systems under Section 38(1)(c) of the National

audit by the Ministry on 25 April 2025. It was also not confirmed to the audit that the vehicle was physically in the possession of the Ministry as at 31 December 2024.

formally hand over the vehicle to the Presidential Office.

Audit Act and written instructions should be issued and monitored to strengthen internal controls regarding the maintenance of proper records related to vehicles.

(iii) **Maga Neguma Road Construction Equipment (Pvt) Ltd.**

(I) After withholding the operations of the company from March 2023 for the liquidation of the company, 248 asset items that had been leased to the company by the Road Development Authority were parked in the company premises and sites without being handed over to the Road Development Authority. Out of these fixed assets, 83 items had a book value of Rs. 71.84 million on the date of transfer to the company, and although it was observed that there were 165 fixed asset items that were not valued, the Ministry had not carried out proper supervision in this regard.

Comments were not given.

A formal procedure should be implemented to repossess the assets that were leased to the company by the Road Development Authority and special attention should be paid to the review of systems under Section 38(1)(c) of the National Audit Act and written instructions should be issued and monitored to strengthen internal controls in this connection.

(II) The motor vehicles, machinery and equipment valued at Rs. 591.22 million as at 03 October 2024 were parked in the company premises and work sites at the date of the audit, and these assets had been underutilized since March 2023, when the company withheld the operations. Although the company had not taken actions to formally transfer these fixed assets to the Road Development Authority up to now, the Ministry had not supervised those activities.

Comments were not given.

Special attention should be paid to the review of the systems under Section 38(1)(c) of the National Audit Act and a program should be implemented to repossess the relevant assets to the Road Development Authority, and written instructions should be issued and monitored to strengthen internal controls in this regard.

(iv) **Matara Kataragama New Railway Project (Upgrading the South Coast Railway)**

Actions had been taken to complete the activities and close the works on 31 December 2020 on the Matara-Kataragama new railway project. Six Toyota Hilux double cabs purchased for project works had been imported and registered in the name of the Secretary to the Ministry of Transport and Highways, and the Ministry had paid Rs. 23.33 million to Sri Lanka Customs as import duties and fees for these vehicles. However, it was observed that the physical use of these vehicles, which were imported for the project and registered in the name of the Secretary to the Ministry of Transport and Highways is currently being used by the contractor, as the Ministry of Transport did not have the necessary evidence to verify whether the procurement costs of these vehicles were borne by the Ministry of Transport.

Since the 6 vehicles mentioned here were imported on the basis of re-export after the completion of the project period, the Director General of Fiscal Policy had been informed by letters dated 20/01/2025, 07/03, 22/04 and 22/07 with copies to the Director General of Customs to re-export the said vehicles to China National Machinery Import and Export Corporation and informed the Secretary of the Ministry. But the answer had not been given up to now.

An investigation should be conducted regarding the importation and registration of vehicles and immediate action should be taken regarding the relevant vehicles and the import duties paid, and disciplinary action should be taken in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code against officers who had neglected their responsibilities.

4.13 Losses and damages

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The balance amounting to Rs. 13.01 million carried forward without write-off as at 31 December 2024 was represented losses incurred in previous years, and following observations are made in this connection.		
(i) Investigations were conducted in accordance with Financial Regulations 104(4) of the	After the case concluded on 03.05.2023 in the Magistrate Court in Mount Lavinia regarding	Action should be taken immediately to recover the loss from the

Democratic Socialist Republic of Sri Lanka regarding the accident of the cab bearing number PF - 6319 belonging to the Transport Division with a car that occurred in Kollupitiya on 11 July 2022. According to the investigation, it was revealed that the accident that occurred in the cab was caused by the fault of the car driver. A sum of Rs. 1.11 million had been incurred on repair the cab, and a sum of Rs. 0.74 million had been received as insurance claim. Accordingly, the loss of Rs. 0.37 million had not been recovered from the responsible parties up to now.

this accident, a civil case was filed and referred to the Attorney General's Department on 09.05.2023 to recover the loss of Rs. 0.37 million incurred by the government from the non-government party, and further actions related to this recovery are being handled by the Attorney General's Department.

responsible parties.

- (ii) The vehicle bearing registration number KR 5447 owned by the Rural Road Development Division was met with an accident on 03 April 2023, and the loss was identified as Rs. 6.2 million. The loss had not been recovered by the end of the year under review, and the physical existence of it was not confirmed as at 31 December 2024.

Actions are being taken to obtain the relevant claim through the insurance company, and it was kept at the Angulana vehicle yard to be handed over to the insurance company to obtain claim as the agency informed that the vehicle could not be repaired.

Investigations should be conducted regarding vehicle accidents and recovery of losses and action should be taken to recover the loss. Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

- (iii) Although the motor vehicle bearing CAU 0786 owned by the Rural Roads Division was reported to have met with an accident after running only 75129 km and it was repaired by the Ministry by incurred a sum of Rs. 6.15 million, action had not been taken to reimburse those expense from the insurance company. This vehicle was not reported in any of the documents such as the Asset Register of the

Further investigation was necessary as the inquiry conducted on the CAU 0786 vehicle did not reveal sufficient information to properly identify the responsible parties. Accordingly, a committee was appointed with the approval of the Secretary to prepare a preliminary report, and the preliminary report had been submitted on 17.04.2025. This

An investigation should be conducted relating to the accident, repair and condition of the vehicle, and actions should be taken to recover the loss, and disciplinary actions should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the

Highways Division as at 31 December 2024, the Letter No. MOH/HWY/ADM-19/AUDIT/2020(III) dated 23 April 2025 from the Secretary to the Ministry of Transport, Highways, Ports and Civil Aviation in response to a request for information regarding vehicles related to the Highways Sector and the Board of Survey Report of the year 2024. Also, the physical existence of this vehicle was not confirmed and information about its loss was not reported in the financial statements.

vehicle is a vehicle temporarily assigned to the Presidential Secretariat. The Presidential Secretariat had informed that arrangements have been made to return the vehicle to this Ministry, and a suitable officer had also been appointed to take over it. Arrangements will be made to formally take over the vehicle in the future.

Establishments Code.

- (b) The double cab which had been purchased at a cost of Rs. 7.47 million under the KL-01 contract package in the Integrated Road Investment Program - Phase I had met with an accident on 07 December 2019 before the road rehabilitation of the relevant package was completed and handed over to the Road Development Authority. Although a sum of Rs. 6.93 million had been incurred on vehicle repairs, a sum of Rs. 4.00 million had only been reimbursed under the insurance coverage. Actions had not been taken to recover the loss of Rs. 2.93 million incurred to the government. The investigation regarding this accident had not been completed in accordance with Financial Regulation No. 104.

Comments were not given.

Investigations should be conducted and action taken to recover losses in connection with vehicle accidents, repairs, and insurance claims. Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

4.14 Failure to reply Audit Queries

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the audit inquiry No. RAH/A/iRoad/4/24/B/AQ/07 dated 27 March 2025 regarding Performance Report on Improving Road Accessibility between Rural Communities and Socio-Economic Centers under the Integrated Road Investment Program had been issued to the Ministry, the reply was received on 22 September 2025 with a delay of 163 days.	Comments were not given.	The Chief Accounting Officer should ensure that the replies for audit inquiries are given within the specified time period under Section 38(1)(e) of the National Audit Act, No. 19 of 2018.

4.15 Management Inefficiencies

Following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(a) Engaging in dispute resolution procedures</p> <p>Some contractors involved in road development projects implemented by the Highways Sector during the period 2005-2024 had engaged to dispute resolution and the following observations were made during the examination of the measures taken by each project and the Ministry of Highways to resolve such disputes and the costs incurred by those projects to resolve such disputes.</p>		
<p>(i) According to the information submitted to the audit by letter No. MOH/ACC/13/2024/04 dated 10 January 2025 from the Secretary to the Ministry of Transport, Highways, Ports and Civil Aviation under the heading of the projects which are in the process of dispute resolution, 04 projects had been referred to dispute resolution process out of 05 projects closed as at 31</p>	Comments were not given.	Disputes should be resolved in accordance with the conditions of the contract and employers should take actions to ensure their rights.

October 2024, and Dispute Adjudication Board decisions had been given for 3 of those 4 projects. Further, these 03 projects had referred further actions, and accordingly, the dispute was resolved through mutual agreement or arbitration. 04 projects out of 07 ongoing projects are referred to disputes resolution. Those projects had been referred to the Dispute Adjudication Board on 06 occasions and, in 2 instances, the dispute was resolved directly by mutual agreement between the parties. Disclosures were not made in this regard in the financial statements.

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| <p>(ii) In 02 instances of projects that had been referred to dispute resolution procedures, the Dispute Arbitration decisions had not been rendered by 31 December 2024, and it was observed that in 08 instances, the decisions given by the Dispute Arbitration Board and Amicable settlements were unfavorable to the employer. Accordingly, the project had paid Rs. 482.01 million to the contractors for dispute resolution procedures as at 31 December 2024, and a sum of Rs. 425.49 million was to be paid. Further, time extensions were granted to contractors on 02 occasions.</p> | <p>Comments were not given.</p> | <p>Disputes should be resolved in accordance with the conditions of the contract, and disciplinary action should be taken against responsible officers for failure to take actions to ensure the rights of the employer in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
| <p>(iii) The contractor for the Ruwanpura Expressway project had terminated the contract on 10 October 2022, and it had been referred to the Dispute Resolution Board on 24 December 2022 to resolve the dispute over the bills were not paid on time. Although the decision of the Dispute Arbitration Board should be rendered within 84 days in accordance with Section 20.4 of the FIDIC Conditions of Contract, the decision of</p> | <p>Comments were not given.</p> | <p>Disputes should be resolved in accordance with the conditions of the contract, and disciplinary action should be taken against the officers responsible for delays in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |

the Dispute Arbitration Board had not been rendered even after 759 days as at 10 January 2025.

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| <p>(iv) Although the decision of the Dispute Arbitration should be rendered within 84 days of the submission of a claim related to a dispute in accordance with Section 20.4 of the FIDIC Conditions, 03 instances were observed during the audit test checks related to the i-Road program where decisions were given after exceeding the time limit, and the delay ranged from 205 to 384 days.</p> | <p>Comments were not given.</p> | <p>Disputes should be resolved in accordance with the conditions of the contract, and disciplinary action should be taken against the officers responsible for delays in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.</p> |
| <p>(v) According to the audit test checks related to the i-Road project, in all 5 instances where disputes have been referred for resolution, decisions had been issued in favor of the contractor, and it was observed that in all 4 instances, the employer had issued a notice/notice of dissatisfaction. The disciplinary action had not been taken by identifying the responsible parties for those unfavorable decisions.</p> | <p>Comments were not given.</p> | <p>Disciplinary action should be taken against the responsible officers in accordance with Section 29 of Chapter XLVIII, Part II of the Establishments Code by identifying the responsible parties for unfavorable decisions.</p> |
| <p>(vi) According to the information furnished to the audit, a sum of Rs. 25.07 million had been incurred by each project as at 31 October 2024 for its dispute resolution mechanisms i.e. dispute arbitration.</p> | <p>Comments were not given.</p> | <p>Immediate action should be taken to minimize disputes and thereby minimize additional costs through proper contract management.</p> |
| <p>(b) Suspension of operations of Maga Neguma Emulsion Manufacturing (Pvt) Ltd.
Actions had not been taken as per Cabinet Decision No.23/0394/608/033 dated 28 March 2023 establishing a single company by merging the three Maga Neguma companies after the reduction of staff through the</p> | <p>Comments were not given.</p> | <p>Disciplinary action should be taken against officers responsible for failure to implement the Cabinet decision in accordance with Section</p> |

introduction of a voluntary retirement scheme. Accordingly, the operations of the company had been ceased as at 31 July 2023, and the Company Secretary had submitted a report of the Extraordinary General Meeting of the Company held on 07 August 2023 stating that a special resolution to voluntarily liquidate the Company under Section 319(1) of the Companies Act, No. 07 of 2007 had been unanimously passed. The Board of Directors of the Authority had not approved to hold such an extraordinary general meeting and for the said officer to participate in that meeting representing the Road Development Authority and to reach a consensus for such a decision. Accordingly, the above Cabinet decision to liquidate this company had not been implemented and the Ministry had not supervised those activities.

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

(c) **100,000 km of Roads Program**

Although the Cabinet Memorandum dated 14 January 2020 submitted by the Minister of Roads and Highways stated that in addition to a main Project Steering Committee, a separate Provincial Steering Committee would be established to monitor the progress of provincial roads under the monitoring of the 100,000 km Road Programme, it was observed that the project had not taken actions to establish the relevant committees in accordance with that memorandum.

Awareness workshops were conducted at the provincial level covering all provinces for contractors and officers of the Road Development Authority. Regular visits were made to the provincial office and progress review meetings were conducted. In addition, progress review meetings have also been organized at the Maga Neguma head office.

Disciplinary action should be taken against officers responsible for failure to implement the Cabinet decision in accordance with Section 29 of Chapter XLVIII of Part II of the Establishments Code.

(d) The recovery of the Mobilization Advances totalling Rs. 10,647.88 million of the Integrated Road Investment Program and the Second Integrated Road Investment Program as

Comments were not given.

An investigation should be conducted regarding the scope limitation and selection of contracts under it, and immediate

at 31 December 2024 remained uncertain due to the delay in contract payments and the limitation of the scope of the remaining road rehabilitation works.

actions should be taken to encash advance bonds.

(e) The Mobilization Advances amounting to Rs.3,528.98 million and Performance Guarantees amounting to Rs.2,290.29 million were due from the contract packages terminated by the employer and contractor of the Integrated Road Investment Program and the Second Integrated Road Investment Program as at 31 December 2024 had not been recovered even as at end of the year under review. The contractors had taken legal actions regarding these contracts, and injunction orders had been obtained against the encashment of bonds.	Comments were not given.	Necessary legal actions should be taken immediately to encashment of the advance bonds, and action should also be taken to recover losses after a formal investigation.
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5. Human Resources Management

The following observations are made

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The following observations are made regarding the cadre position of the Ministry as at the end of the year under review.		
(i) When observing the approved cadre and actual cadre of the Ministry as at 31 December 2024, 115 vacancies in 33 posts and an excess in one post were observed. According to that information, it was observed that there are 19 vacancies in 16 senior level posts, 04 vacancies in 04 tertiary level posts, 67 vacancies in 09 secondary level posts, 26 vacancies in 05 primary level posts and there is an excess in one post. The necessity of vacant posts had not been evaluated and actions had not been taken to freeze the posts that were no longer required.	Comments were not given.	Officers who had been assigned excessively should be released. The necessity of vacant posts should be evaluated and actions should be taken to freeze the posts that are no longer required.

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| <p>(ii) Although it has been proposed to conduct appropriate capacity development programs to achieve unique competency goals for each level of the institutional hierarchy as per paragraph 6.3 of Public Administration Circular No. 02/2018 dated 24.01.2018 issued by the Ministry of Public Administration, training programs for senior level positions related to strategic management, fiscal policy and financial management, information technology, change management, development administration, economic policies of Sri Lanka and productivity enhancement had not been included in the annual training plan by the Ministry as analyzed in the said circular.</p> | <p>Those programs had not been included in the training plan due to requests provide for training programs in the areas of strategic management, fiscal policy and financial management, and information technology were not included in the training needs analysis. It was informed to the Ministry of Public Administration to appoint to vacancies in all island services.</p> | <p>Actions should be taken to conduct suitable capacity development programs to achieve the competency targets as per the circular.</p> |
| <p>(iii) 18 officers had been employed under the Ministry whose salaries are paid by the Road Development Authority. Further, one officer who receives salaries from the Ministry had been attached to the Mahara Divisional Secretariat.</p> | <p>Officers from the Road Development Authority have been attached as there are not enough government officers for the Ministry.</p> | <p>The physical and human resources of statutory institutions should not be used for the activities of the Ministry, and actions should be taken to ensure effective attachment by conducting a formal study regarding the number of employees in the Ministry and institutions under it.</p> |
| <p>(iv) Although the Ministry has a Human Resources Development Plan with 15 selected training programs for the year ending 31 December 2024, 08 training programs were only implemented during the year. Accordingly, the progress of the Human Resources Development Plan for the year 2024 was 53 per cent.</p> | <p>16 hours of training time had been provided through training workshops. In addition, individual training workshops had been conducted. Action will be taken to act according to the training program plan in the future.</p> | <p>Actions should be taken to implement the training programs included in the human resources development plan in a timely manner.</p> |
| <p>(v) Although the Transport Division had planned 06 training programs for senior level positions and 11 training programs</p> | <p>Comments were not given.</p> | <p>Necessary actions should be taken to utilize the annual training plan of</p> |

for secondary and primary level positions for the year 2024, it was observed that training courses had not been conducted as analyzed in the Human Resources Plan. Accordingly, it was observed that the annual training plan had not been used as an effective control mechanism for the development of the basic and technical skills had with the human resources of the institution in a systematic manner.

the institute as an effective control mechanism.

(vi) **Inclusive Connectivity Development Project**

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| <p>(a) According to the 2007 Guidelines for the Selection of Consultants and the World Bank Borrowers' Guidelines in July 2014, consulting services are services of an intellectual and advisory nature. The project had recruited 03 Management Assistants as Individual Consultants in addition to the approved project cadre on 22 October 2021 and it was paid a sum of Rs. 13.68 million as salaries up to 31 December 2024.</p> | <p>It was requested 19 Management Assistant posts. However, only two posts had been approved and it was instructed to recruit the remaining staff from the approved cadre of the 100,000 km road program. Accordingly, in view of the need to continue the project without delay, it has been decided to recruit 7 Management Assistant posts through individual consultancy services subject to the approval of the Ministry after discussing the above employee vacancy with the World Bank.</p> | <p>Recruitment should be made only within the approved cadre, and necessary amendments should only be made with formal prior approval.</p> |
| <p>(b) The project had recruited 10 employees outside the approved cadre for primary level positions such as office assistant, security officer and laborer, and a sum of Rs. 6.02 million had been incurred under Incremental Operating Cost as at 31 December 2024.</p> | <p>Approval had been given for 21 employees. It had been informed that the minor staff should be obtained through the Multi-Functional Development Task Force (MDTF). Although action had been taken to recruit the necessary staff for the project through the above mechanism, it was not possible.</p> | <p>-do-</p> |