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**Triennial Report of the Auditor General presented in
parliament in terms of Section 14 of
the National Audit Act, No. 19 of 2018**

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வெளிநாட்டு நிதியளிக்கப்பட்ட செயற்திட்டங்கள்
Foreign Funded Projects

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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Tri - Annual Report of the Foreign Funded Project

1. Back ground of the Foreign Funded Project in Sri Lanka

- 1.1** Sri Lanka hasn't strong export earnings and there is no inflexible demand in the world market for most of its exports, due to lack of mineral resources and quality products produced by local industries, in Sri Lanka itself and also many consumers in Sri Lanka are habituated to a luxury lifestyle. Therefore, it has to import many goods and services for day to day needs of the country.
- 1.2** Sri Lanka's main export earnings are from exports of products such as tea, apparel, spices and the supplying of various services. However, for many years this income was not sufficient to import consumer goods and services to the country. Therefore, Sri Lanka is experience a deficiency in trade accounts for many years. Therefore, export earnings of the country were not sufficient even for the importation of consumer goods and services.
- 1.3** However, the capital expenditure is an essential component for the development of a country's infrastructure because the development of the country's infrastructure such as electricity, water, highways, health, education, etc. is important to improve the living standards of the people of the country. Also, the infrastructure for the country's investors must be developed in order to the products and contribute to the country's GDP to run freely. Therefore, the government has to obtain the necessary capital as foreign loans and grant to develop the country's infrastructure. These foreign investment projects are being executed under the name of Foreign Projects through the relevant Ministry and its nearest implementing institutions. The foreign loans and grants obtained for the capital expenditure of the country through these projects should be properly planned and implemented in order to achieve the desired results through the relevant projects.

1.4 However, it was often highlighted that the country's foreign debt was rising sharply without achieving the desired objectives of these projects. This is due to the weaknesses of the executing agencies or the relevant ministries and its implementation institutes, as well as the project monitoring units set up for the implementation of these projects.

1.5 This was mainly due to the following reasons that occur in the implementation of the relevant projects by the above institutions.

- i. Lack of proper plans for the project.
- ii. Failure to complete the preliminary work required for the implementation of the project prior to obtaining the loan or grant.
- iii. Lack of contact with government agencies involved in the construction activities or installation of projects.
- iv. Delay in awarding construction to contractors due to delays in land acquisition etc.
- v. Failure to appoint qualified employees for projects
- vi. Improper forecasting of climatic and climatic conditions makes it difficult to carry out the project activities.
- vii. Delay in replenishment of foreign funds due to untimely receipt of government contributions for projects.

1.6 Due to the above reasons, the foreign investment projects cannot be completed on the expected dates and for that reason the funds of foreign investment projects are fruitless. Accordingly,

- i. Having to pay extra interest and commitment charges due to non-disbursement of foreign funds as expected.
- ii. Increased project costs due to rising cost of inputs used to complete construction due to inability to complete on expected dates.
- iii. Failure to achieve the intended objectives of the project in a timely manner and the needs of the people who are expected to get the benefit from the project will not be achieved.
- iv. Failure to achieve the objectives expected by the government through the relevant projects.

- v. Disruption of products or supplies or services due to untimely completion of relevant projects.
- vi. Increased impact on the environment due to project delays.
- vii. Having to pay extra money to maintain project monitoring units due to project delays
- viii. Extra money has to be paid for contractors.
- ix. Large increase in project cost due to change in foreign exchange rates
Foreign lending agencies may be withdraw from investing in the country due to lack of confidence

1.7 Foreign loan amounting to Rs. 209,889 million, Rs. 152,704 million and Rs. 507,388 million had been given by 173 Foreign Funding Agencies for the years 2018, 2019 and 2020 respectively. These foreign funds were allocated as follows for projects established in Sri Lanka.(Table No.01)

1.8 The above projects are being implemented under 8 major Sectors in the country and the name of the funding agency, the amount of foreign funds provided, the main objectives of the projects and the unsettled audit observations during the last 3 years under those sectors are as follows.

2. Water Supply and Sanitation Sector

2.1 Greater Colombo Wastewater Management Project (CMC) 2557/2558

- (i) The Greater Colombo Wastewater Management Project is implemented for improve the urban environment and public health condition of 1.5 million urban and sub urban residents in Greater Colombo area through improved marine and inland water quality and resulting improvement in hygiene and sanitary condition.
- (ii) The estimated cost of the Project is US\$ 110.24 million equivalent to Rs.12,597.11 million and out of that US\$ 94.37 million equivalent to Rs.10,783.65 million was agreed to be financed by Asian Development Bank.

- (iii) The Project had commenced its activities on 09 April 2010 and scheduled to be completed by 31 December 2014. However, due to slow progress of the activities of the project the project period had been extended up to 31 December 2021.
- (iv) As a result, the objective of the Project to improve the hygiene and sanitation of the people living in the area could not be achieved.
- (v) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are the some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a) The Project was scheduled to be commence on 09 April 2010 and scheduled to be completed on 30 June 2015. However, the closing date of the Project had been extended 04 times until 31 December 2021. According to this situation, Project have been recorded slow physical performance of construction of 08 Pumping Stations, Force Main activities of Wanathamulla and Vystwyke and upgrading of Wanathamulla Gravity Sewer Network in the Project.	Expedite action is required to be taken to complete the activities of the project before expiration of the project period.	Agree with the progress data. Planned to be completed before the end 2021.	<ul style="list-style-type: none"> • 3 pumping stations (Bambalapitiya, Slave Island,CS3) handed over to Colombo Municipal Council and under operation. • Still awaiting for permission for balance pipeline works. • Balance work of 240Mtr had been transferred to ongoing Gravity

sewer contractor and nearly 197Mtr pipe laying completed as at 31st December 2021.

- (b) Seven officers of the policy supporting group had been paid Rs.5.01 million during the year 2020 and two meetings had only been held on two occasions. Although 66 months had elapsed since the completion of the project by 31 December 2020, an amount of Rs.38.73 million had been paid to the policy supporting groups from the inception of the Project to 31 December 2020. the contribution of policy supporting group to the project was unable to evaluate.
- It is required to be contributed for the achievement of objectives of the Project and evaluate their performance.
- It is not possible to apply the method of evaluation of performance.
- In the year 2021 seven officers of the policy supporting group were paid Rs.2.5 million and one meeting was held.
- (c) The amount to paid consultancy services as at 31 December 2020 was Rs.1,066.14 million. However, as per the Loan Agreement, the amount allocated for consultancy services was Rs.935.87 million.
- Expedite action is required to be taken to complete the activities of the project before expiration of the project period.
- It is accepted that substantial cost had been incurred for the consultancy services.
- The amount to be paid for consultancy services as at 31 December 2021 was Rs.1,108 million

2.2 Greater Colombo Water and Wastewater Management Improvement Investment Programme Tranche-02 (3029/3030)

- (i) The Greater Colombo Water and Wastewater Management Improvement Investment Programme Tranche-02 is implemented for improve efficiency and financial sustainability of water supply and wastewater services in the Greater Colombo area.
- (ii) As per the Loan Agreement, the estimated total cost of the Project amounted to US\$ 118 million equivalent to Rs.15,340 million. Out of the estimated total cost of the Project, allocation of US\$ 107.05 million equivalent to Rs. 13,917 million had been made for the activities expected to be carried out by the National Water Supply and Drainage Board whilst US\$ 9.44 million equivalent to Rs. 1,230.60 million had been allocated for the activities expected to be carried out by the Colombo Municipal Council.

2.2.1 *Activities carried out by the Colombo Municipal Council*

- (i) The estimated cost of the Project is US\$ 9.44 million equivalent to Rs. 1,230.60 million out of that US\$ 8.00 million equivalent to Rs. 1,042.88 million was agreed to be financed by the Asian Development Bank.
- (ii) The Project had commenced its activities on 23 September 2014 and scheduled to be completed by 30 June 2019. However, the Project period had been extended up to 31 December 2022.
- (iii) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a)	<p>Design Supervision Institutional Development Consultant contract was awarded at a cost of Rs.482.43 million on 25 April 2016 to complete within 4 years. However, the physical progress of the contract was 55 percent against the expected progress of 100 percent as at 31 December 2020.</p>	<p>Expedite action is required to be taken to complete the activities of the project before expiration of the extended project period.</p>	<p>Planned to be completed before the extended contract period.</p>	<p>Extension from 25 April 2020 to 24 October 2022 has been signed on 05 April 2021.</p>
(b)	<p>The bidding process of the Conditional Assessment of 97.2Km of Sewers CCTV –contract commenced in the year 2016. However, it had not been awarded up to 31 December 2020.</p>	<p>Expedite action is required to be taken to award the contract.</p>	<p>Procurement process of the 3rd bidding has been completed and the approval of Cabinet of Ministers is awaited to award the contract.</p>	<p>Contract had not been awarded up to 31 December 2021.</p>

2.2.2 Activities carried out by the National Water Supply and Drainage Board

- (i) The estimated cost of the Project is US\$ 107.05 million equivalent to Rs. 13,917 million and out of that US\$ 79.95 million equivalent to Rs. 10,394 million was agreed to be financed by the Asian Development Bank.

- (ii) The Project had commenced its activities on 03 September 2014 and scheduled to be completed by 30 June 2019. However, the project period had been extended up to 15 October 2022.
- (iii) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

No	Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
(a)	Out of 318,722 meters of pipe laying works, only 66.74 percent and 41,484 planned house connection transfers only 16.65 percent had been completed as at 31 December 2020 after a lapse of 6 years from the date of commencement of the activities of the Project.	Instructions should be given to expedite the works and monitor the progress of the contractor closely.	Time to time awareness programme and meetings were conducted to expedite approval from other agencies such as Police, CMC, SLT and etc.	The project had not been completed and the expected benefits of the project had not been adequately received by the people
(b)	Eventhough 06 years lapsed from the date of commencement of the activities of the Project as at 31 December 2020, construction of Area Engineer Office at	Action should be taken to expedite the acquiring process of land and commence the construction without delaying.	Acquiring process for a new land from Millco company is in progress. Design works completed. Documents	Waiting for ERD approval

- Pamankada was not evaluated.
 commenced, due to the
 unavailability of the land for
 construction.
- (c) The Project director had not Action should be Action will be Since the Project
 been fully engaged in taken to obtain full taken by the was completed
 activities of the Project in time services of the Management. 82 per cent of
 order to ensure effective Project Director to the works.
 Project Management as per expedite the
 the Section 2.3.2 of activities of the
 Management Service Project.
 Circular No.01/2019 dated
 15 March 2019.
- (d) The interest charges The respective cost CMC and Not yet resolved
 aggregating Rs.79.64 million recovered directly NWSDB together
 equivalent to US\$ 513,119 by the Lending with the ADB will
 charged by Lending Agency Agency should be develop a proper
 for the Loan No. 3030 brought to the mechanism to
 implemented by the National accounts enable to segregate the
 Water Supply and Drainage show the amount of interest and
 Board and Colombo loan utilized at the commitment
 Municipal Council had not end of the year. charges and will
 been segregated and be accounted in
 apportioned among the two the books of the
 implementing Agencies and accounts from the
 brought to the financial year 2021.
 statements up to 31
 December 2020. As a result,
 the proceeds of the Loan had
 been understated by
 unallocated amount.

- (e) Refundable security deposit amounting to Rs.60.53 million relating to Road permission had been paid to the Colombo Municipal Council (CMC) under the System rehabilitation and NRW reduction in west of Colombo city contract (ICB 03) up to 31 December 2020 out of that Rs.3.78 million had been received during the year under review and handed over to the NWSDB instead of transferred to the General Treasury.
- Refundable deposits should not be made through the loan proceeds. If there are such deposits at the end of the Project the balance should be transferred to the Treasury as unutilized loan amount.
- Since project cannot keep or utilize any funds received except the loan funds and GOSL proceeds, these refunds are sent to NWSDB. Project will communicate the auditors' concerns to the NWSDB management and will update the auditors.
- (f) Eventhough the mobilization advance amounting to Rs.577.67 million under local component and US\$ 4.15 million under the foreign component had been paid to the ICB 04 contract on 22 February 2017, no any amount had been recovered after lapse of 42 months out of the Project period of 48 months, due to the poor physical and financial progress of the contractor.
- Immediate actions should be taken to implement the new recovery plan.
- A new recovery plan with a new amortization rate for recovery of the advance payment was received.
- As per the contract conditions, both parties agreed to recover the advance payment with a new amortization rate from the works including the saving utilization.

- (g) As per the Loan Agreement, Actions should be NPD approval All arrangements scheduled completion date taken to complete was received for have been made of the Project was 30 June the Project within utilization of to complete the 2019. As a result of poor extended period package 4 savings project within performance of the project, and to monitor the for the “1200mm the extended out of total allocation of progress of the Jubilee line” and period. US\$ 79.95 million made by contractors closely. actions were already taken to do it. the Lending Agency, only a sum of US\$ 44.38 million equivalent to Rs. 7,413.25 million represented 55.5 percent had only been utilized as at 31 December 2020.
- (h) Laying works of 15 Roads Immediate actions There is a Delays are under the ICB-03 contract should be taken to considerable delay continuing had been completed and get refund the in CMC when settling the refund. Continuous coordination is happening with CMC to expedite the refund process over a period ranging from 01 to 18 months by 31 December 2020. However, action had not been taken to request to refund the deposit aggregating to Rs.5.42 million from CMC even up to 31 March 2021 .
- (i) Laying works of 32 Roads Immediate actions Every action had The arrangement under ICB -04 contract, had should be taken to been taken to will be made to been completed and handed expedite the refund obtain the deposit. send a letter to over to CMC up to 30 process the Hon. Mayor August 2020, action had not from the

been taken to obtain the deposit even up to 31 March 2021 was observed.

Chairman,
NWSDB in this regard.

2.3 Greater Colombo Water and Wastewater Management Improvement Investment Programme Tranche-03 (3348/3349)

- (i) The objective of the Programme- Project 03 is to improve system efficiency and financial sustainability of water supply and wastewater services in the Greater Colombo area.
- (ii) The activities of the Project are implemented under 03 components namely, Project development assistance consultancy contract, additional finance for Project -01 and additional finance for Project -02.
- (iii) As per the Loan Agreements, the estimated total cost of the Programme - Project 03 amounted to US\$ 228.02 million equivalent to Rs. 29,642.60 million and out of that US\$ 123 million equivalent to Rs.15, 990 million was agreed to be financed by the Ordinary Capital Resources of the Asian Development Bank whilst US\$ 5 million equivalent to Rs. 650 million was agreed to be financed by Special Funds Resources of Asian Development Fund. In addition, US\$ 59.56 million equivalent to Rs. 7,742.80 million was agreed to be financed by the European Investment Bank (EIB). The balance amount of US\$ 40.46 million equivalent to Rs. 5,259.80 million was expected to be contributed by the Government of Sri Lanka.
- (iv) Out of the estimated total cost of the Programme – Project 03, a sum of US\$ 55.63 million equivalent to Rs. 7,231.90 million had been allocated to implement the activities to be carried out by the National Water Supply and Drainage Board.

2.4 Activities carried out by the Colombo Municipal Council

- (i) The Greater Colombo Water and Wastewater Management Improvement Investment Programme Tranche-03 is implemented for the rehabilitate and expand wastewater treatment plant in south catchment area including laying 29.4 km Sewer network and constructing three pump stations and to strengthen Institutional Structure and capacity building of Service provider.
- (ii) The estimated cost of the Project is US\$ 112.83 million equivalent to Rs. 16,401.76 million and out of that US\$ 92.67 million equivalent to Rs. 13,471.16 million was agreed to be financed by the Asian Development Bank.
- (iii) The Project had commenced its activities on 03 November 2016 and scheduled to be completed by 24 October 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a)	Although contract completion date of the new gravity sewers, Force mains and Pump stations for Kirulapone catchment area was on 04 May 2020, the contract had not been completed as at 31 December 2020. The	Expedite action is required to be taken to complete the activities of the project before the expiration of the project period.	Eventhough this has been informed to Contractor's higher management several times, there was no much progress of work has been observed.	Contract had not been completed as at 31st December 2021.

expected physical performance was 100 percent and performance achieved was 54 percent as at 31 December 2021.

- (b) According to the overall Project Implementation Plan, the construction of Wellawatta Wastewater Treatment Plant contract scheduled to be awarded on 02 quarter of 2017. However, it was awarded after delaying three years. Expedite action is required to be taken to complete the activities of the project before expiration of the project period. The Contractor has commenced the works on 22 February 2021. Two design meetings were held on 27th April 2021 and approval for preliminary design was given.
- (c) According to the overall Project Implementation Plan, construction of Sewerage Facilities to Kirula – Narahenpita Area should be completed on 2018. However, European Investment Bank concurrence for the bidding documents received on 18 November 2020. Expedite action is required to be taken to complete the activities of the project before expiration of the project period. Entire procurement process had been delayed due to design changers and non-availability of lands. Finalization of technical bid evaluation is being done as at end of 2021.

2.5 Activities carried out by the National Water Supply and Drainage Board

- (i) Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 03 is implemented for the improve system efficiency and financial sustainability of water supply and wastewater services in the Greater Colombo area.
- (ii) The estimated cost of the Project is US\$ 55.63 million equivalent to Rs. 7,231.90 million and out of that US\$ 38 million equivalent to Rs. 4,940 million was agreed to be financed by the Asian Development Bank.
- (iii) The Project had commenced its activities on 03 November 2016 and scheduled to be completed by 30 June 2020. However, the project period had been extended up to 24 October 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However the following are some of the issues relating to the performance of the project that have not been settled so far.

No.	Audit observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present position
(a)	According to the Loan Agreement, US\$ 35 million, out of the total allocation of US\$ 38 million equivalent to 4,550 million had been allocated for additional financing requirement to the similar projects of program Project	Additional funds should be requested after reviewing the actual future requirement of the Project.	We have identified a significant amount of saving under the tranche 1 & 2, due to depreciation of Sri Lanka rupee	The issue is not resolved yet

01 and program Project 02 in 2016 without considering the actual additional financing requirement. As a result, no any funds had been utilized as at 31 December 2020 even after a lapse of 4 years and 4 months from the commencement date of the Project. However, 116.6 million of loan repayment had been made in month of May 2021.

against
US Dollars.

- (b) The interest and commitment charges aggregating to US\$ 1.42 million equivalent to Rs.249.67 million relating to the two projects namely programme project 03 implemented by the National Water Supply and Drainage Board and Colombo Municipal Council had been charged from the proceeds of this loan by Lending Agency. However, it had not been segregated and apportioned among the two implementing agencies and brought to the financial
- The respective cost recovered directly by the Lending Agency should be brought to the accounts by segregated among the project properly as enable to show the amount of loan utilized at the end of the year.
- CMC and NWSDB together with the ADB will develop a proper methodology for segregating the interest and commitment charges and account in the books of the accounts accordingly from the year 2021.
- Not resolved yet

statements up to 31 December 2020. As a result, proceeds of the loan had been understated by similar amount.

- | | | | | |
|-----|--|---|---|------------------|
| (c) | The Project Director had not been fully engaged in activities of the Project in order to ensure effective Project Management as per the Section 2.3.2 of the Management Service Circular No.01/2019 dated 15 March 2019. | Action should be taken to appoint Project Director in full time services basis. | Action will be taken by the Management. | Not yet resolved |
|-----|--|---|---|------------------|

2.6 Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 01 (2947/2948)

- (i) The Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 01 is implemented to improve urban environment and quality of life for the residents of Greater Colombo area. The estimated cost of the Project is US\$ 112 million equivalent to Rs. 14,784 million and out of that US\$ 84 million equivalent to Rs. 11,088 million was agreed to be financed by the Asian Development Bank.
- (ii) The Project had commenced its activities on 25 September 2013 and scheduled to be completed by 31 December 2016. However, due to change the open trench method instead of proposed bursting method for pipe laying, delays in receiving approvals from the Colombo Municipal Council and Road Development Authority for road works, use of manual labor instead of machineries, unexpected of ground utilities, decommissioning work and poor progress of contractors etc., the project period had been extended four times up to 24 October 2022. As a result, improving the urban environment and living standards of the residents of

the Greater Colombo area which was the main objective of the project was delayed.

- (iii) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project and the following are some of the issues relating to the performance of the project that have not been settled so far.

No.	Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
(a)	Project had planned to pipe laying works of 450,508.26 meters and provides connection transfers to 60,463 households in 36 district metering areas out of that, 426,482 meters of pipe laying works and 37,786 house hold connections had been completed as at 31 December 2020. However, only 10 district metering areas out of 36 equivalent to 89,566 meters of pipe laying works and 15,732 numbers of house connection transfers had been fully completed and handed over to the NWSDB.	Need to be closely monitored the works regularly in order to complete within the revised Project period.	Several meetings were arranged and conducted with the contractor to expedite progress.	System Rehabilitation for NRW Reduction in East Part of Colombo City and North Part of Colombo City has achieved 93.4 per cent and 99.7 physical progress respectively.

- (b) Refundable deposit amounting to Rs 75.28 million had been paid through the proceeds of loan up to 31 December 2020. Out of that a sum of Rs.544, 275 had been recovered and handed over to the NWSDB instead of being refunded to the General Treasury. Hence, the total amount of refundable deposits end of the project which equivalent to proceeds of loan amounts had been handed over to the NWSDB as unutilized loan proceeds instead of being refund to the General Treasury.
- Payment for We have Not yet resolved refundable deposits Discussed the should not be matter with ADB included as a BOQ and evaluating the item and loan mechanism to proceeds should reimburse the not be used for ADB portion such payments. before the Loan closure.
- (c) As per the BOQ the provision for price escalation was Rs.600 million and a sum of Rs.1,060.75 million had been paid in respect of ICB 01 and ICB 02 contracts, due to the time extensions. However, price escalation had been paid for the all-interim payments from the commencement date of the contact instead of extended contract period. Further, out of that a sum of Rs.360.81 million had been
- Need to be closely monitored the works regularly in order to complete within the contract period.
- In accordance with Contract Document volume I of IV, Section 8 - Price Escalation Particular Conditions of Contract - Part A (Contract Data) Item No. 13.8 & Part B (Specific Provision) Adjustment for Changes in Cost,
- The approval was taken to Variation Order No. 235 & 238 (EWO for Price Escalation for ICB 01 and subsequent to VOC approval for Variation Order No. 175 (Omission Order - OMI-8), it was enabled to proceed with Variation Order

paid without obtaining required approval even up to 30 May 2021. In addition to that a sum of Rs 146 million had been incurred by the Project under the general expenses including maintenance of the PMU office and its staff due to time extension.

the contractor is No.176 (EWO for entitled to claim Price Escalation) price fluctuations for ICB 02. along with the monthly interim payment applications often.

- (d) A sum of Rs 75.28 million had been paid to the Colombo Municipal Council (CMC) as refundable deposit for pipe laying works up to 31 December 2020 and 90 percent of laying works and 75 percent of permanent road reinstatement works of the Project had been completed by 31 December 2020. However, only Rs.544,275 had been recovered from the deposit even up to 31 December 2020.
- An efficient Refund mechanism should be established by both parties for roads and refund deposits without delaying.
- Refund requests to CMC for the handed over roads are already submitted. However, there is a considerable delay in CMC refunding process which has been addressed by the project.
- Not yet resolved.

2.7 Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 02 (Ambathale Water Supply System Improvement and Energy Saving Project)

- (i) The Greater Colombo Water and Wastewater Management Improvement Investment Programme – Project 02 (Ambathale Water Supply System

Improvement and Energy Saving Project) is implemented for the extending water supply access and fostering the water system sustainability for Greater Colombo.

- (ii) The estimated cost of the Project is US\$ 100 million equivalent to Rs. 13,000 million and out of that US\$ 70 million equivalent to Rs. 9,100 million was agreed to be financed by the Agence Francaise De Development. The Project had commenced its activities on 29 September 2014 and scheduled to be completed by 31 December 2019. However, Project period up to 31 May 2022. As a result, the process of expanding access to water supply to Greater Colombo and fostering the sustainability of the water system had been delayed.
- (iii) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project and the following are some issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
(a)	The NWSDB had planned to rehabilitate and replacing pumps with low efficiencies and constructing of ground reservoir and laying of new larger diameter transmission mains to reduce friction losses etc. to reduce the high energy cost of the Ambathale Water Treatment Plant under the Project by 31 December 2019. Nevertheless, no any contracts under the Project had been	Maximum effort should be taken to complete the Project within revised time frame.	Frequent site meetings are being conducted for close monitoring of the progress and improvement is observed.	Contractor has delivered 10 No. of Pumps and 03 No of Maligakanda pump testing had been completed out of total 17 numbers.

completed even up to 31 December 2020. As a result, monthly average electricity charges of the Water Treatment Plant at Ambathale had remained Rs.67.52 million and high electricity charges as above could not be reduced as planned by end of the year 2020.

- (b) Eventhough the US\$ 70 million equivalent to Rs.9,100 million agreed to be financed by the Lending Agency, only a sum of US\$ 16.68 million equivalent to Rs.2,792 million representing 24 percent of the funds had been utilized as at 31 December 2020 even after lapse of 6 years and 3 months from the commencement date of the activities of the Project. As a result, commitment charges aggregating US\$ 1,93 million equivalent to Rs.308.27 million had been paid by the Government on behalf of the undisbursed balance up to 31 December 2020.
- Maximum effort should be taken to complete all activities of the Project within extended time frame.
- All the physical activities of contract packages have been planned to complete by end of December 2022.
- The project loan has been extended up to 30 June 2023. The overall actual financial progress of the project is 43.89% against the target of 78.25%.

- (c) The new contract for Remedial actions The contractor has The final construction of ground should be taken to already opened LC completion reservoir and booster pump expedite the on 30th September date of the ICB station with supply and laying works and need to 2021 and pipes will 03 Contract is had commenced its activities be closely be delivered by the 20th on 07 October 2020 and monitoring the end of February September scheduled to be completed by contractor's work 2022. Frequent 2022 approved 06 June 2022. As per the regularly. site meetings are with EOT. ICB progress report of the being conducted 03 Contract contract, the overall physical for close cumulative progress had shown 3 per cent monitoring of the physical progress against the targeted progress of 8 percent as at 31 December 2020 and it was remained at 16.58 percent as at 30 June 2021 was observed. improvement is 31 January 2022 is 30.50 per cent with the physical target of 37.33 per cent.
- (d) As per the progress report of Remedial actions Slight ICB 05 the reliability enhancement should be taken to improvement of Contractor has and energy saving of expedite the contractor's requested an Ambathale production works and need to performance can EOT up to end facilities for saving energy be closely be observed with of December through installation of monitoring the the arrival of new 2022 and it is efficient pumps contract, the contractor's work project manager in under overall physical progress had regularly. October 2021 evaluation. shown slow progress of 33.22 ICB 05 percent as at 31 December Contract 2020 against the expected package overall physical progress of 100 percent. progress as at

- 31 January
2022 is 47.09
per cent
- (e) The overall progress of the supply and laying of 9 km DI pipes (1200 mm Dia) from Ambathale to Elli house (ICB-04) contract had shown slow progress of 53.20 percent as at 31 December 2020 against the targeted progress of 88.98 percent as at that date even after a lapse of 4 years and 5 months from the commencement date of the contract. Further, 2,450 meters of road section out of the pipe laid area under the contract had been handed over to the RDA after fully completion of the pipe laying works. Nevertheless, 360 meters of pipes which were laid in year 2018 had not been completed even up to 30 June 2021, due to delay of pipe bends repair work and pressure testing work was observed.
- Remedial actions should be taken to expedite the works and need to be closely monitored the contractor's work regularly.
- Sedawatta road cannot be closed during the day time and Police department has permitted to close the road only from 9.00pm to 4.00am during a day. Therefore, it is planned to coordinate with Police & RDA to increase the number of working hours per day. Also discussions are held with the Container yard owners to maximize the working hours.
- ICB 04 Contract cumulative physical progress as at 31 January 2022 is 84.50% with the physical target of 85.86%. The total length of road section from total pipe laid length (7682 m) has been handed over to the RDA as at 31 January 2022.
- (f) According to the physical audit test carried out in civil construction works regarding
- Further instructions should be given
- The balance work in the Staff Accommodation
- ICB 05 Contract package

the staff accommodation to increase the Building (SAB) overall building and central control labour force and and Control physical buildings of the ICB-05 speed up the Building has been progress as at contract on 27 July 2021, civil works, as well as listed out and time 31 January works of the staff action should be targets were given 2022 is accommodation building and taken to closely for those activities 47.09%. wiring works, installation of monitor the and close equipment, testing and contractor's work monitoring has commissioning of the system regularly. been carryout.

relating to the central control building had not been completed even up to 27 July 2021. In addition to that, even pilling works of the ground reservoir had not been completed up to the date of field inspection. However, lower labor force deployed to these sites was observed.

2.8 Anuradhapura North Water Supply Project-Phase 1

- (i) The Anuradhapura North Water Supply Project-Phase 1 is implemented for the provide safe drinking water and increase water supply coverage by constructing a water supply system in Anuradhapura North area, thereby contributing to improving hygienic status and health condition in the area.
- (ii) The estimated cost of the Project is JPY 6,817 million equivalent to Rs. 11,515 million and out of that JPY 5,166 million equivalent to Rs. 8,726 million was agreed to be financed by the Japan International Cooperation Agency.

- (iii) The Project had commenced its activities in February 2013 and scheduled to be completed by February 2018. However, the project period had been extended two times up to 05 July 2022.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project and following are some of issues relating to the performance of the project that have not been settled so far.

No	Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
(a)	<p>The distribution main, Transmission main and sub main pipe laying contract of the Project which weightage 35.13 percent of the total Project scheduled to be completed on 11 December 2019. However, the contract period was extended by six times until 31 January 2022. According to the physical audit inspection conducted on 10 November 2021, the remaining 5,080.28 metres of pipe laying works, 72,048.15 meters of pressure testing works, 50 culvert crossings and installation of 103 valve chambers are required to be completed. However, it is</p>	<p>Immediate actions should be taken to complete Lot B contract.</p>	<p>Due to justifiable reasons such as non-payment bills, Contractor adverse weather etc. Extension of the time were granted to Contractor on split basis for selected reasons. Presently Time extensions by Higher Management of NWSDB granted for contractors up to 31st March 2022 based on valid reasons.</p>	<p>96.31% of overall works completed on 98.70% of the planned progress as at 31st January 202. Contractors' balance work programs are closely monitored with necessary instructions time on sufficient resource allocation</p>

doubtful whether the above remaining works can be completed within three months by 31 January 2022.

- (b) Distribution pipes laying contracts for 115 km length of UPVC, DI and GI pipes laying at Issinbessagala zone (Lot C-1 contract) and 119.6 km length of UPVC, DI and GI pipes laying at Rabewa, East Rabewa and Ethakanda zone (LOT C-3 contract) had been completed on 29 February 2020 and 15 July 2019 respectively. Eventhough the pipe laying works completed under these contracts, flushing and disinfection works of the pipe lines have been suspended by the contractors until the completion of distribution main and transmission main under the Lot B contract. Nevertheless, Project had issued the substantial completion certificates to these
- Under the zone wise plan to complete the balance work of Lot B, flushing and disinfection of these networks could be achieved after flushing and disinfection of Lot B. Final bill of Lot C1/C3 shall be submitted by the contractor after the completion of flushing and disinfection.
- All the balance works have been listed out and monitored closely to complete zone by zone as soon as possible.
- Now the WTP is under the process of Testing of equipment's by Lot A and already started flushing pipe network by Lot B. Already first transmission zone has been flushed. Other areas have been scheduled to be flushed and PMU is strictly following up the Contractor's wok programme

contractors on 12 March 2021 subject to carrying out flushing and disinfection works.

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| (c) | Eventhough the loan utilization was Japanese Yen, 3,214.81 million equivalent to 62.23 per cent of the agreed loan amount as at 31 December 2020, loan repayment was made amounting to Rs.994.38 million equivalent to Japanese Yen 558.51 million to the Lending Agency from March 2020 to 17 September 2021 before the completion of the Project and fully amount of loan utilization. | Immediate action should be taken to complete the Project and request from JICA to change the loan repayment terms | The loan agreement has been signed between JICA and Finance Ministry. Repayment of loan goes as per the original agreement. | Loan repayment initiated by the Ministry of Finance as per the original agreement. Ministry of Finance is also continuously monitoring the progress of the project. |
| (d) | Value of contract bill payments amounting to Rs.868.74 million and USD 927,547 in respect of Lot A contract and Rs. 595.62 million and Japan Yen 892.522 million in respect of Lot B contract had been delayed from January 2018 to July 2020, due to insufficient foreign fund | Actions should be taken to pay eligible expenses through loan proceeds. | The delay charges were paid through a variation order which was approved by GM. Since 98 per cent bills and all the VOs are being paid through the Loan. This VO also paid through the same | We assure that this point/fact will be highlighted in VO Committee for any future similar variations. |

allocation for bill payments. Eventhough these outstanding bill payments had been settled in year 2020, financial charges amounting to Rs. 21.39 million, USD 10,429 and Japan Yen 1.32 million respectively had been charged by contractors as per the conditions of contract. Nevertheless, it was observed that the contrary to the loan agreement, 98 percent out of financial charges were erroneously paid through the loan proceeds instead of being paid under the GOSL proceeds in year 2021.

procedure

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| (e) | As per the project memorandum of the phase-01, Scheduled completion date of the Project was February 2018. Subsequently, it was extended up to month of July 2022, due to delaying the awarding and poor performance of the Lot-A and Lot-B contracts. As a | Need to take action to complete the Project without further delaying. | Loan extension was granted by JICA until July 2022 considering mainly the delay of more than 2 years during procurement stage and same other justifiable delays. However all the necessary measures | Out of the 7 contract packages, 5 were completed and other two contract packages are almost reached approximately 95% of the progress. |
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result, Project had incurred Rs.132.7 million as additional overhead cost for maintaining the PMU and other site offices.

have been taken to complete the project within the one time extended period for the project

2.9 Anuradhapura North Water Supply Project-Phase 2

- (i) The Anuradhapura North Water Supply Project-Phase 2 is implemented for the provide safe drinking water and increase water supply coverage by constructing a water supply system in Anuradhapura District, thereby contributing to improvement of health condition and living environment in the project area.
- (ii) The estimated cost of the Project is JPY 27,301 million equivalent to Rs. 31,598 million and out of that JPY 23,137 million equivalent to Rs. 26,779 million was agreed to be financed by the Japan International Cooperation Agency.
- (iii) The Project had commenced its activities in June 2017 and scheduled to be completed by June 2024.
- (iv) The Auditor General had given unqualified audit opinions for the year 2018, qualified for the year 2019 and 2020 for financial statements submitted for regarding the project and following are some of issues relating to the performance of the project that have not been settled so far.

No	Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
(a)	Eventhough the period of the consultancy contract for detail design and procurement assistance of	Instructions should be given to expedite and complete the consultancy work	Took all possible action to obtain approval for bid documents from	Five out of Six Major packages of the project is in the bid

the Project was expired on 31 August 2021, 10 nos of contracts out of 12 had not been awarded even up to expired date on 31 August 2021. within revised TECs, SCAPC, evaluation stage contract period. CPCC and final and expected concurrences by award within the JICA through 2nd Quarter of ERD by continues 2022 getting working during approval from covid-19, travel the cabinet. restriction periods.

- (b) Although a sum of Rs. 4 million had been allocated under the consultancy contract for conducting the public awareness campaign, such public awareness campaign and seminars had not been conducted. Action should be taken to conduct the public awareness programs before the awarding of contracts and commencement of the constructions. Senior Public Relation Officer and Assistant Public Relation Officer were appointed on 10th and 25th January 2022 respectively. Meeting with Senior Public Relation Officer and the PMU held on 27th January to expedite the PAC. Public awareness programs are activities are commenced on 10 January 2022 and planned to conduct 05 main awareness workshops including sub awareness programs.
- (c) The Project Phase II covers Kebithigollewa, Padaviya, Horowpothana, and Kahatagasdigiliya Divisional Secretary areas which are the areas where people depend on unsafe contaminated ground water and spreading chronic kidney diseases. Hence, the Government has given priority to implement these water Special attention should be drawn to complete the project within scheduled period and to monitor the Project works closely. Changed the water source from the Wahalkada tank to Yan Oya due to farmers and public protest and obtained approval for Yan Oya as a new Water Source. Five out of Six Major packages of the project is in the bid evaluation stage and expected award within the 2nd Quarter of 2022.

supply Projects. However, procurement process of the project contracts was not in accordance with the procurement plan. As a result, it was observed that the completion of the Project within revised Project period is doubtful.

2.10 Jaffna and Kilinochchi Water Supply and Sanitation Project

- (i) The Jaffna and Kilinochchi Water Supply and Sanitation Project is implemented for the improve water supply and sanitation infrastructure for residents living in the areas of the Project and to protect and manage the water resources of the Jaffna Peninsula.
- (ii) The estimated cost of the Project is US\$ 147.45 million equivalent to Rs. 16,474.59 million. Out of that US\$ 76.45 million equivalent to Rs.8,541.76 million was agreed to provide by the Asian Development Bank and US\$ 48 million equivalent to Rs.5,363.04 million was agreed to provide by the Agence Francaise De Development. However, Loan from Agence Francaise De Development had been cancelled on 06 October 2015, due to some activities of the Project had been suspended, because of the restructuring the Project scope as water source from Irranamadu tank to a Desalination Plant. Therefore, additional loan agreement had been entered by Government of Sri Lanka with Asian Development Bank on 15 December 2017.
- (iii) As per the Additional Loan Agreements, the total estimated cost for activity of the Project amounted to US\$ 153 million equivalent to Rs. 23,256 million. Out of that US\$ 120 million equivalent to Rs.18,240 million was agreed to provide by the Asian Development Bank.

- (iv) The Project had commenced its activities on 11 February 2011 and scheduled to be completed by 14 August 2017. However, due to changes in water sources the project period had been extended up to 30 June 2026. As a result, providing drinking water to the Jaffna Peninsula was delayed.
- (v) The Auditor General had given qualified opinion for the year 2018,2019 and 2020 for financial statements submitted for regarding the project and following are some of issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
<p>According to the revised scope, it was scheduled to install a sea water reverse osmosis plant in order to provide water supply facilities for Jaffna Kilinochchi Region and expected to complete by 2023. Eventhough the works under the contract awarded to construction 15 water towers at an estimated cost of Rs.1,140 million and laying of treated water transmission pipe at an estimated cost of Rs.5,536 million had completed as at 31 December 2018, all these completed construction works under the Project had remained idle over three years, due to lack of proper water source.</p>	<p>The expected outcome of the Project should be given to the relevant people as planned.</p>	<p>The contract for the construction of the Seawater Absorption Plant has been awarded and plans are ongoing to implement the project as planned.</p>	<p>Contracts for the construction of a seawater extraction plant are being worked out to implement the water supply scheme as planned.</p>

2.11 Global Partnership on Output-Based Aid Project

- (i) The Global Partnership on Output-Based Aid Project is implemented for the improve sanitation services to low-income households in the Greater Colombo by increasing the number of sewerage house connections to existing and new sewerage networks and improving on site sanitation services at household level.
- (ii) The estimated cost of the Project is US\$ 13.10 million equivalent to Rs. 1,559 million and out of that US\$ 5.08 million equivalent to Rs. 583.66 million was agreed to be financed by the International Bank for Reconstruction and Development and International Development Association.
- (iii) The Project had commenced its activities in December 2011 and scheduled to be completed by 31 December 2015. However, the Project period had been extended three times up to 31 March 2019. The activities of the Project had been completed in March 2019.
- (iv) The Auditor General had given qualified audit opinions for the year 2018, 2019 and the winding up financial statements for the year 2020 had not been submitted up to now and following are some of issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
The Project had initially planned to achieve 13,107 Sewer Connections and installation of 2,300 Sewer Treatment Units under the sanitation services by 31 December 2015. Subsequently it had been revised up to 5,015	Immediate action should be taken to capitalize the asset and prepare the winding up accounts without delay.	Capitalized project fully in financial year 202.0	The assets are not capitalized.

Sewer Connections and 3,785 numbers of Sewer Treatment Units, due to Project cost increased. Eventhough the Project had been completed and achieved target of 4,793 Sewer Connections and 3,554 of Sewer Treatment Units in March 2019, action had not been taken to prepare the winding up accounts even up to 30 June 2020.

2.12 Kandy City Wastewater Management Project

- (i) The Kandy City Wastewater Management Project is implemented for the improve the living environment and water quality of Mahaweli River through better sanitation facilities by constructing a proper system for collection, treatment and disposal of waste water in Kandy City, including rehabilitation of sanitation facilities in densely populated areas and thereby enhance the standard of living, health and well-being of the people in the area.
- (ii) The estimated cost of the Project is JPY 17,278 million equivalents to Rs. 21,982 million and out of that JPY 14,087 million equivalents to Rs. 17,922 million was agreed to be financed by the Japan International Cooperation Agency.
- (iii) The Project had commenced its activities on 03 February 2010 and scheduled to be completed by September 2017. However, due to non-completion of the activities by the contractors, the project period had been extended up to 31 December 2022. As a result, delay in disposal of wastewater in Kandy City in proper manner.

- (iv) The Auditor General had given qualified audit opinions for the year 2018 and 2020 and unqualified audit opinion for the year 2019 for financial statements submitted for regarding the project and following are some of issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present position
Eventhough the activities of the Project scheduled to be completed on 31 December 2022, the ownership of the additional land at the Aloka Hospital premises where the Main Pumping Station is located, the land where the Manubil Pumping Station premises is located close to the Mahamaya Primary College and the land situated in Deiyawela Manubil Pumping Station.	The project should be completed on time to avoid increasing extra expenses	Not mentioned.	

2.13 Water Supply and Sanitation Improvement Project

- (i) The Water Supply and Sanitation Improvement Project is implemented for the increase access to piped water services and improved sanitation in selected districts and to strengthen the capacity of associated institutions.
- (ii) The estimated cost of the Project is US\$ 183.90 million equivalent to Rs.27,590 million and out of that US\$ 165 million equivalent to Rs.24,750 million was agreed to be financed by International Development Association.

- (iii) The Project had commenced its activities on 07 December 2015 and scheduled to be completed by 31 December 2020. However, the Project period had been extended up to 31 March 2022. As a result, the increase access to piped water services and improved sanitation in selected districts and to strengthen the capacity of associated institutions could not be achieved.
- (iv) The Auditor General had given qualified audit opinions for the year 2018, 2019 and 2020 for financial statements submitted for regarding the project and following are some of issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Auditor General's Recommendation	Preventive Measures taken by the Project	Present Position
(a)	As per the Section 38 of the Project Appraisal Document, community contribution of Rs.189.87 million for the rural and estate water supply schemes and Rs.250.6 million for the rural water supply rehabilitation schemes on completed project works had not been recognized and brought to the financial statements, As a result, balance of the community contribution had been understated by Rs.440.47 million in the financial position.	Community contribution should be identified for the completed projects.	Projects' community contribution has been recognized and brought to 2021 financial statements.	

- (b) As per the records maintained by the Department of External Resources, US\$ 116 million equivalent to Rs.21,623 million had been disbursed by the Lending Agency as at 31 December 2020. However, the corresponding amount had been shown as Rs.19,179 million in the financial statements. As a result, proceed of the Loan had been understated in the financial statements. Action should be taken to rectify the balance of the loan. It is shown in the 2021 financial statement.
- (c) Liquidated damages amounting to Rs.16.87 million deducted from four contractors during the year under review had not been credited to consolidated fund even as at 30 April 2021. It is required to adhere with the provisions of the Financial Regulations. We have sent it to the Ministry during the year.
- (d) It was observed that extension of time had been given to the contractors who engage in eleven water supply projects ranging from two to five instances for the same project even exceeding the original contract period and allowing District Manager should monitor the progress of the project in order to complete them within scheduled time period. Action has been taken to review the project time to time.

to keep the mobilization advances amounting to Rs.512.12 million with the contractors for more than one year without being utilized for activities of the project.

- (e) The contract awarded for Performance bond Mutually Issue was the water supply scheme of and Advance terminated, due to resolved Udubaddana in Badulla Guarantees required water sources issues legally in district at a cost of Rs.98.6 to be encashed as and re-awarded new court million is scheduled to be soon as possible as contract. subsequently. completed by 13 February per the terms of the 2019. Subsequently, the contract agreement. contract had been terminated after completing 52 percent of the works, due to poor performance of the contractor. However, a contract to complete the balance works had not been awarded even by 30 April 2021.

- (f) The civil works contract -Do- -Do- -Do- awarded for the Water Supply Project at Ponnagar Pathipuram at Kilinochchi district at a cost of Rs.216.93 million is scheduled to be completed on 20 October 2018. Subsequently, the contract

had been terminated, due to poor performance. However, the contractor had failed to complete the activities of the project even by 30 April 2021.

- (g) Generators imported at a cost of Rs.7 million for the Pabahinna Urban Water Supply Project had remained idle at the warehouse, due to failure of construction of Generator house at Mannawatta Ground Reservoir site. Action should be taken to utilized generator involved in generator assets efficiently and room. Generator hiring is completed and room. room.
- (h) Seven vehicles had been released to National Water Supply & Drainage Board, Plantation Human Development Trust and Department of National Community and Water Supply during the year under review and Rs.1.22 million had been incurred thereon. Follow-up action should be taken to obtain the vehicles from the respective institutions. Therefore resources are allocated under the component two to develop capacity of stake holder institutions.
- (i) A mobile laboratory procured by the project at a cost of Rs.27,238,510 Proper monitoring mechanism should be in place in order Ownership is transferred now and currently mobile laboratory is used for sample collection and checking.

during the year 2019 had to ensure effective utilization of Department of National project's funds. Community & Water Supply on 10 April 2019 without transferring the ownership of the vehicle. However, it had been used for only in 24 days as at the end of the year under review for the sample collection.

2.14 Sanitation and Hygiene Initiative for Towns Project

- (i) The Sanitation and Hygiene Initiative for Towns Project is implemented for the (a) extend wastewater collection and treatment systems and improve access to sanitation services for 73,000 people in Negambo municipal council area (b) Clarify and enhance the water and sanitation sector frame work (c) facilitate access to the service for disadvantaged households through the development of pro-poor policies designed to fight poverty (d) strategies and preserve the coastal and marine ecosystems and maintain bio-diversity.
- (ii) The estimated cost of the Project is Euro 107.70 million equivalent to Rs. 18,739.81 million and out of that Euro 76 million equivalent to Rs. 13,224 million was agreed to be financed by the Agence Francaise de Development as a Loan and Euro 5.70 million equivalent to Rs. 991.81 million as a Grant.
- (iii) The Project had commenced its activities on 01 June 2016 and scheduled to be completed by 30 June 2022.
- (iv) The Auditor General had given qualified opinion for the year 2018 and 2019 and unqualified opinion for the year 2020 for financial statements submitted

for regarding the project and following are some of issues relating to the performance of the project that have not been settled so far.

Audit Observations	Auditor General's Recommendation	Preventive Measures taken by the Project	Present Position
<p>The National Water Supply and Drainage Board had scheduled to construct a waste water treatment plant in Galle district and designing part of the treatment plant had been completed by the Project. Further, the National Water Supply and Drainage Board had selected a land for that purpose and commenced the acquisition process at the end of year 2014 and it had completed on 17 June 2019. However, the National Water Supply and Drainage Board had not been transferred legal ownership of the land even up to 30 June 2021, due to delay in judgment on case filed by the National Water Supply and Drainage Board to recover the advance already paid for the purchase of the land.</p>	<p>Land acquisitions should be carried out in an effective, economical and efficient manner.</p>	<p>Steps had been taken on behalf of the projects to expedite the ownership investigation.</p>	<p>The above lands have been handed over to the Government and the ownership of the land had been handed over by the owners.</p>

3. Road Construction and Transport Sector

3.1 Major Bridges Construction Project of the National Road Network (37 Major Bridges Construction Project)

- (i) The Major Bridges Construction Project of the National Road Network (37 Major Bridges Construction Project) is implemented to improve the national road network by constructing major bridges on the national roads, there by contributing to economic development.
- (ii) The estimated cost of the Project is JPY 16,132 million equivalent to Rs.27,250 million and out of that JPY 12,381 million equivalent to Rs.20,914 million was agreed to be provided by the Japan International Corporation Agency.
- (iii) The Project had commenced its activities on 14 March 2013 and scheduled to be completed by 2019. The loan disbursement expiration is scheduled to be closed on 5 June 2021.
- (iv) The Auditor General had expressed qualified audit opinions for the year 2018 and 2019 on the financial statements submitted by the project and unqualified audit opinion for the year 2020. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a)	Contrary to the provision of the Section 3.2.2 of the Management Services Circular No.01/2016 dated	Salaries of the Project staffs should be paid based	Action have been taken to correct the salaries of those	Awaiting the clarifications from the Department of

- 24 March 2016 and No. Management officers with Management 01/2019 dated 15 March Services Circular. effect from Services. 2019, an amounting to 01.02.2022 as Rs.1.41 million had been suggested by over paid to 2 officers as at Auditor July 2021, due to incorrect General's salary steps were given by Triennial Report the Project. 2020.
- (b) Contrary to the provision, the Salaries for the Action have Awaiting the Management Services posts of the Project been taken to clarifications Circular and Public staffs which are correct the from the Administrative Circular, the not mentioned in salaries of those Department of Project had over paid Rs.1.9 the Table 01 officers with Management million to the 3 project staffs should be based on effect from Services. of the SPMU including 50 the initial step of 01.02.2022 as per cent allowances, EPF and salary scales at the suggested by ETF etc. as at 31 July 2021. recruitment level Auditor of similar post in General's the Public Triennial Report Administration 2020. Circular.
- (c) Although the loan had been Need to plan the It is proposed to Steps have been in effect since 5 June 2013, construction works complete Land taken to due to delays in construction of the bridges Acquisition and complete Land of the bridges only Japan properly in order Shifting of Acquisition and Yen 4,586 million to complete scope Services before Shifting of representing 37 per cent out of works within commencing the Services. of the Japanese Yen 12,381 the period of Project in future. million had been utilized as loan. at 31 December 2020. Further, It was observed that, Yen 5,378 million and Yen 4,587 million representing 43

per cent and 37 per cent respectively of the loan allocation as at end of the year 2018 and 2019 could not be utilized by the Project due to above reasons.

- (d) Consultancy services for bridge design and supervision was started in 2013 and design of 37 bridges had been completed by the Consultant as at 2015. However, out of total designs, 18 bridge designs had only been used by the Project for the construction of new 18 bridges under 2 contract package as at end of the loan period. As a result, approximately cost of Rs.275 million incurred by the Project to designing of 19 bridges had become fruitless to the Project.
- Action need to be taken to use the balance designs in future bridges construction works to reduce the loss.
- It was decided to use balance designs for bridge constructions using other sources of funds.
- Construction of 3 bridges are in progress using the designs done by Consultant of Major Bridges Construction Project.

3.2 Elevated Highway from New Kelani Bridge to Athurugiriya Project

- (i) The Elevated Highway from New Kelani Bridge to Athurugiriya Project is implemented for the ease of heavy traffic congestions in the financial and administrative capital cities of the country and enhance the connectivity of the expressway network by link Colombo core to the existing expressway network including Port City, Colombo harbor, Malabe education hub and Battaramulla administrative hub in order to enhance the service delivery.

- (ii) The estimated cost of the Project is Rs. 193 billion. The proposed Project is to be implemented on Design-Build-Finance-Maintain and Transfer (DBFOMT) basis as a Public Private Partnership (PPP).
- (iii) The initial activities of the Project had commenced in 2016 and scheduled to be completed within 03 years in 2025.
- (iv) The Auditor General had given unqualified audit opinions on the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit observations	Recommendation of the Auditor General	Preventive measures taken by the Project	Present situation
(a) Although the activities of the Project had commenced in 2016, the civil construction work of the Project could not be commenced even after laps of 6 years as at 31 December 2021, due to delay in selection of investor for the Project. Further, the Environmental Impact Assessment (EIA) Report for the Phase II (10.4 km from Rajagiriya to Athurugirya) had not been approved by the Central Environmental Authority (CEA) even as at 30 September 2021, due to highway trace is going through Environmental	Action need to be taken to select investor for the Project without delay to complete activities on targeted date.	A Cabinet Negotiation Committee and Project Committee to evaluate and structure the proposal and submit recommendation to the Cabinet of Ministers.	Appointed

Protected Area.

- (b) Out of 821 plots of land to be acquired on Rajagiriya to Athurugiriya Section, only 03 per cent physical progress had been achieved by the Project as at end of the year 2020. Action should be taken to maintain proper coordination with the Divisional Secretaries, Survey Department and Valuation Department to complete the land acquisition activities on targeted dates. Action had been taken to expedite acquisition of lands.

3.3 OPEC Funded Western Province Road Development Project

- (i) The OPEC Funded Western Province Road Development Project is implemented for the upgrading, improvement and widening of 27 Km of pre- selected national highways in the Western Province of Sri Lanka.
- (ii) The estimated cost of the Project is US\$ 24.87 million equivalent to Rs.3,232.5 million and out of that US\$ 17 million equivalent to Rs.2,209.84 million was agreed to be provided by the OPEC Fund for International Development.
- (iii) The Project had commenced its activities on 05 October 2017 and scheduled to be completed by 28 June 2019. However, the Project period had been extended up to 30 September 2021, due to delay in land acquisition activities and poor performance of the contractors. As a result, upgrading, improvement and widening of 27 Km of pre- selected national highways in the Western Province of Sri Lanka had been delayed.
- (iv) The Auditor General had given qualified audit opinions for the year 2018 and 2019 and 2020 of the financial statements submitted for the project.

However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit observation	Recommendation of the Auditor General	Preventive measures taken by the Project	Present situation
<p>Compensation amounting to Rs.1,600 million including interest Rs.286 million due to delays in settlement of compensations had been paid thereon for 1716 plots of land as at 31 December 2020. However, only 22 plots of land had been registered under Section 44 of the Land Acquisition Act.</p>	<p>Action need to be taken to accelerate the land acquisition activities and register the lands under section 44 of the land acquisition Act.</p>	<p>Action is being taken to register the land under section 44.</p>	

3.4 OPEC Funded Rehabilitation and Improvement of Colombo National Highways Project

- (i) The OPEC Funded Rehabilitation and Improvement of Colombo National Highways Project is implemented for the upgrading 65.45 kilometers of 13 key national roads in Colombo suburbs and reconstructing of Narahenpita - Nugegoda Bridge.
- (ii) The estimated cost of the Project is US\$ 94.99 million equivalent to Rs.12,347.37 million and out of that US\$ 50 million equivalent to Rs.6,499.57 million was agreed to be provided by the OPEC Fund for International Development.
- (iii) The Project had commenced its activities on 11 December 2013 and scheduled to be completed by 31 December 2017. However, the Project period had been extended up to 31 December 2022, due to delay in land acquisition activities and poor performance of the contractors. As a result,

upgrading the rehabilitation of the roads was delayed and the road users were delayed to get the benefits of the road upgrade.

- (iv) The Auditor General had given unqualified audit opinions for the year 2018 and qualified audit opinion for the year 2019 and 2020 of the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observation	Recommendation of the Auditor General	Preventive measures taken by the Project	Present situation
<p>Out of total 5,493 plot of lands including 911 plots of crown land, only 05 plots of land had been registered under Section 44 of the Land Acquisition Act as at 31 December 2020. Further, the interest amounting to Rs.1,175 million had been incurred by the Project, due to delays in settlement of compensations.</p>	<p>Action need to be taken to accelerate the land acquisition activities and register the lands under section 44 of the land acquisition Act</p>	<p>Action is being taken to register the land under Section 44.</p>	

3.5 Port Access Elevated Highway Project

- (i) The Port Access Elevated Highway Project is implemented for the construction of 04 lane 5.3 km long Elevated Highway from New Kelani Bridge to Galle Face with access to the Port and proposed Multimodal Transport Hub.

- (ii) The estimated cost of the Project is US\$ 360 million equivalent to Rs.56,815.2 million and out of that US\$ 300 million equivalent to Rs.47,346 million was agreed to be provided by the Asian Development Bank.
- (iii) The Project had commenced its activities on February 2016 and the approval of the Cabinet of Ministers for the implementation of the project was received in March 2016 and scheduled to be completed by 30 June 2025.
- (iv) The Auditor General had given qualified audit opinions for the year 2018 and unqualified audit opinion for the year 2019 and qualified audit Opinion for the year 2020 of the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendation s of the Auditor General	Preventive measures taken by the Project	Present situation
(a)	The physical performance of the Construction works of the Port Access Elevated Highway and 8 activities value at Rs.10,382 million included in the procurement plan of the Project for the year 2020 was behind the target. Further, it was observed that, physical performance of the activities of the Project in year 2018 and 2019 also was behind the target.	Action need to be taken to expedite the construction activities to complete on targeted dates.	Agreed and corrective action has already been taken.	Current Physical Progress of construction is 29.4 per cent
(b)	The overall plan, action plan, procurement plan and the progress	Action plan, Procurement plan	Agreed. Necessary	All relevant units are

report of the Project for the year 2020 were not matched each other and aligned with the objectives of the Project. and progress actions have coordinated reports of the Project should be properly prepared and use for achieving objectives of the Project. been taken to when implement the preparing AG's Action plan and other reports for the year 2022.

- (c) The allocation amounting to 6,508 million and Rs. 5,858 million had been provided by the General Treasury for the year 2019 and 2020 for the utilization of foreign loan. However, out of the total allocation an amount of Rs. 2,182 million and Rs. 4,302 million representing 33 per cent and 73 per cent of the allocations for the year 2019 and 2020 had not been utilized by the Project, due to delay in contract awarding and slow progress works of the contractor. Action need to be taken to use allocated funds within the financial plan to utilize the total loan facilities before expiration. Accepted

3.6 Ruwanpura Expressway Project

- (i) The Ruwanpura Expressway Project is implemented for the construct a new expressway between the Southern Expressway and the Central Expressway to improve the strategic and socio economic condition of the country.
- (ii) The estimated cost of the Project is Rs.286,000 million and had been decided to finance by local banking system under supervision of Secretary to the Treasury. The Project had commenced its activities in the phase 1 of the

Project from Kahatuduwa to Ingiriya section with the length of 24.3 km on 03 May 2021 and expected to be completed within 2 ½ years. However, the construction work of 2 km in the Kahatuduwa interchange and the 47.6 Km road length from Ingiriya to Pelmadulla section had not still been commenced.

- (iii) The Auditor General had given unqualified audit opinions for the year 2018 and 2019 and 2020 for the financial statements submitted to the Project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
<p>Although the activities of the Project commenced in 2016, out of 76.40 km only 24.3 km had been awarded for construction. Accordingly, 2.km in the Kahatuduwa interchange and the 47.6 Km road length from Ingiriya to Pelmadulla section could not be commenced even as at 31 December 2021 after laps of 6 years from the commencement of the Project. Further, the Environmental Impact Assessment (EIA) Report for the Phase II (47.6km from Ingiriya to Pelmadulla) had not been approved by the Central Environmental Authority (CEA) even as at 30 December 2021.</p>	<p>Action need to be taken to obtain Environment Impact Assessment Report (EIA) for the balance road section of 47.6 km from Ingiriya to Pelmadulla before commencement of the land acquisition activities.</p>	<p>Accepted</p>	

3.7 Southern Road Connectivity Project

- (i) The Southern Road Connectivity Project is implemented to improve the National transport efficiency by upgrading and rehabilitating 33 km of the roads linked to the Southern Highway.
- (ii) The estimated cost of the Project is US\$ 95 million equivalent to Rs.12,248 million and out of that US\$ 70 million equivalent to Rs.9,025 million was agreed to be provided by the Asian Development Bank.
- (iii) The Project had commenced its activities on 27 May 2014 and scheduled to be completed by 30 December 2018. However, the Project period had been extended up to 31 December 2021, due to delay in land acquisition, shifting utility and scope changes. As a result, receiving benefit of the project had delayed.
- (iv) The Auditor General had given qualified audit opinions for the year 2018 and unqualified audit opinion for the year 2019 and qualified audit opinion for the year 2020 for the financial statements submitted to the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a) The total cost estimate of the relevant contract should be prepared in accuracy manner and assigned to the contractor. However, 626 work items included in the Bill of Quantity of the 3	Need to conduct detailed Engineering studies and identify the correct scope of works before preparation of Bill	Agreed and noted to follow in future contracts.	Contract packages CP 01, CP 02, & CP 03 have been successfully completed.

Contract Packages which of Quantities. completed during the year 2018-2020 valued aggregated Rs.1,110 million were not fully attended by the contractor. As a result, mobilization advance amounting to Rs. 191 million had been overpaid for non-attended works.

- (b) The expected physical performance of the selected road sections in Ambatale -CINEC Junction and Kirulapana-Godagama for the year 2020 had not been achieved by the contractors.
- Action need to be taken to expedite works to complete them on target dates.
- Action had been taken to expedite works despite COVID-pandemic situation.
- CP – 04 had been successfully completed.
- (c) The Contractor final Certificate amounting Rs.248.6 million had not been settled by the Project and had remained as outstanding liability for about 1 ½ years even as at 31 December 2020, due to delay in approval from the Lending Agency for the additional cost of the contract. The delay in settlement of contractor payments will be affected to increase the cost to the Project.
- Action need to be taken to settle the contractors' liability as per contract agreement without being delayed to mitigate the additional claims.
- Action had been taken to settle outstanding payment within the revised contract sum (Rs. 2,488 million) approved by MPC.
- Discussions are in progress with ADB to settle from the loan savings of SRCP loan (ADB).

- (d) According to the information made available, it was scheduled to acquire 3,558 plots of land including 548 plots of land owned to the Government. A sum Rs.9,500 million had been incurred by the Project for the Land Acquisition cost up to 31 December 2020 and out of that, Rs.5,243 million had been made thereon under the decisions of the Land Acquisition and Re-settlement Committees. In addition, a sum of Rs.289 million had been paid as interest on delays in settlement of compensation up to 31 December 2020. However, no any plot of land had been registered under Section 44 of the Land Acquisition Act.
- Action need to be taken to accelerate the land acquisition activities and transfer the ownership of the lands to the Road Development Authority.
- Action had been taken to register sec. 44 of all compensation & interest settled lots and relevant Divisional Secretary have been instructed accordingly.
- A steady progress could be seen in issuing of Sec 44.
- (e) The total cost of the Contract Package-02 was Rs.3,064 million and out that amounting to Rs.510 million representing 20 per cent had been provided as contingency provision for subsequent changes. However, the Project had made variations
- Action should be taken to follow the Procurement Guidelines and get the required approvals from the relevant authorities before payment release.
- Required approvals have been taken.
- Project had been successfully completed.

aggregating to Rs.1,573 million representing 51 per cent of the total cost of the contract, due to subsequent scope changes in the construction without obtaining the approval required as per the Section 8.13.4 of the Government Procurement Guidelines 2006.

3.8 Transport Connectivity and Asset Management Project

- (i) The Transport Connectivity and Asset Management Project is implemented for the strengthen the Road Development Authority's capacity for asset management and to implement a Design- Build-Maintenance (DBM) contract using an Output and Performance Based Road Contract (OPBRC) format to pilot management principles, on the selected road section from Ja-Ela to end of Chilaw town on Peliyagoda – Puttalam Road approximately 58 Km.
- (ii) The estimated cost of the Project is US\$ 125 million equivalent to Rs. 18,125 million and the entire amount was agreed to be financed by the International Development Association. However, according to the Cabinet decision No 18/1682/805/051 dated 15 August 2018, the road construction work of the Ja-Ela to end of Chilaw town on Peliyagoda – Puttalam Road had been removed from the scope of works of the Project and the total loan allocation for the Project had been reduced to US\$ 9 million equivalent Rs.1,305 million.
- (iii) The Project had commenced its activities on 30 June 2016 and restructured on 15 August 2018 and scheduled to be completed by 30 June 2023.

- (iv) The Auditor General had given qualified audit opinions for the year 2018 and unqualified audit opinion for the year 2019 and qualified audit opinion for the year 2020 of the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a) Out of the total work-in-progress of Rs.233.35 million shown as at 31 December 2020, a sum of Rs.90.57 million was spent on the initial projects activities for the Peliyagoda – Puttalam road from Chilaw in Ja – Ela section. As per the decision of the Government in March 2018, above road section had been dropped from the implementation plan. and therefore those expenditures were become fruitless.	Action should be taken to mitigate the loss.	The highlighted losses resulted due to major scope change done to the original Project, after preparation of Designs, drawings and bidding documents. Therefore, action has been taken to prevent any such drastic scope changes in the restructured project.	The bidding documents prepared for the OPBRC contract format by the TCAMP, have been used for the Road Management Contracts of the i-Road project.
(b) The physical performance of the Operationalizing Asset Management Support and Unit related capacity building and Capacity Building, Training and Consultancies, Road Safety	Action should be taken to expedite the activities of the project.	05 Nos Major Contracts have been awarded in the year 2021 at Total Cost Approximately Rs.450Mn.	The Project scope can be completed and the targets can be achieved before the expiry date of the WB Loan.

activities and equipment of the Project as at 31 December 2020 was 8.22 percent, 3.2 percent and 1.7 percent respectively behind the target of 13.05 percent, 7.76 percent and 3.23 percent.

- (c) Although a sum of US\$ 1.5 million equivalent to Rs.236.12 million received in to the Special Account in 2018, amounting to Rs.195 million representing 82.63 and Rs.137.4 million representing 58.19 per cent had not been utilized by the Project and was remain unspent in the Special (Dollar) Account as at 31 December 2019 and 2020 respectively.
- The activities of the Project should properly planned and should be expedited to complete them before expiration of loan.
- Balance amount of rge amount of the Rs.98.7 million foreign funds (Excluding revaluation gain) was planned and fully spent at the end of the third quarter 2021, and the advances were made to the Special (Dollar) Account again.
- Actions have been taken to expedite the activities.
- utilization is planned to disburse on following areas Project.
- Equipment purchasing
 - Consultancy & Service Contract with in-house and overseas

3.9 Transport Connectivity and Asset Management Project – Component (Provincial Road Development)

- (i) The Transport Connectivity and Asset management Project – Component (Provincial Road Development) is implemented for the Strengthen the capacity of the Road Development Authority of asset management and improve access and management frame work for provincial road.

- (ii) The estimated cost of the Project is US\$ 125 million equivalent to Rs. 21,875 million. As per amendment to the Financing Agreement of the project, the estimated total cost of the revised Component 02 was US\$ 109 million equivalent to Rs. 19,075 million and entire amount was agreed to be provided by the International Development Association.
- (iii) The Project had commenced its activities on 02 May 2019 and scheduled to be completed by 31 March 2023.
- (iv) The Auditor General had given qualified audit opinions to the financial statements submitted for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of the Auditor General	Preventive measures taken by the Project	Present situation
(a)	In order to award contracts costing Rs. 7,769.86 million during the year under review, it is necessary to identify the routes to be developed and prepare detailed project reports. However, no progress was observed during the year.	Actions to be taken to achieve adequate performance.	Not answered	Issue is not resolved.
(b)	Fifteen individual consultants were recruited on time basis for the project through a non-transparent procurement process and there was no proper internal control system in place to get adequate service from them.	Procurement Guidelines should be applied to procure consultancy	This project is a project received by this Ministry from the Ministry of Road Development and there was no	The issue is not resolved.

consulting firm or
pre-planned
project
framework like
other projects

3.10 Transport Project Preparatory Facility Project

The Transport Project Preparatory facility Project is implemented for the improve the startup efficiency of priority transport projects in road, railway and port sub sectors by preparing the feasibility study, detailed design and procurement documents and providing implementation support during the inception stage of the Projects. `

3.10.1 Activities carried out by the Road Development Authority

- (i) The estimated cost of the RDA component is US\$ 11.34 million equivalent to Rs 1,697.48 million and out of that US\$ 10 million equivalent to Rs.1,496.90 million was agreed to be financed by Asian Development Bank.
- (ii) The Project had commenced its activities on 28 January 2017 and scheduled to be completed by 31 December 2022.
- (iii) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a) According to the Sri Lanka Public Sector Accounting Standard No.4, total interest borne by the Project should be identified and accounted. However, only interest of USD 40,434 equivalent to Rs. 6 million had been accounted as work-in-progress.	Interests which are being generated within the construction period with related to the project should be capitalized as per Sri Lanka Public Sector Accounting Standard No.4 borrowing costs.	The matter had been referred to ADB to get acceptable solution.	The fact in the observation is still remains.
(b) As per the Project Administration Manual of the project, the estimated cost of the Road component was US\$ 11.34 million of which US\$ 10 million are provided by the ADB. According to the above information provided approximately US\$ 7.41 million should have been utilized by the project as at 31 December 2020. However, only US\$ 2.58 million had been utilized as at the same date.	The Project should be used the funds on intended purpose and the projects should be planned properly to gain the expected return on time from the project.	Not answered	The fact in the observation is still remains.
(c) Out of work items which were identified to be completed by the Project so far, two work items namely consultancy	Expected activities required to be completed within the project period	Cabinet Appointed Negotiation Committee (CANC)	The fact in the observation is still remains by the date of this

(individual) – International PPP Procurement Advisor and Expressway development project at an estimated cost of RS.338 million had not been completed as at 31 December 2020.

continuously report. conducting negotiations to finalize the PPP contract.

3.10.2 *Activities carried out by the Sri Lanka Railway (Colombo Suburban Railway Project)*

- (i) The estimated cost of the Sri Lanka Railway component is US\$ 11.36 million equivalent to Rs. 1,654 million and out of that US\$ 10 million equivalent to Rs.1,456.50 million was agreed to be financed by the Asian Development Bank.
- (ii) The Project had commenced its activities on 28 October 2016 and scheduled to be completed by 31 December 2022.
- (iii) The Auditor General had given qualified audit opinion for the financial statements submitted for the year 2018, 2019 and unqualified audit opinion for the year 2020 regarding the Project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	The salary scales of the staff of the Project required to be decided under first category of the	Need to be adhere to the Circular instructions.	The placing of the salaries in relevant salary steps had been	No action have been taken to recover the over payment.

the Circular No 1/2016 of 24 March 2016 (revised on 15 March 2019) of the Department of Management Services as the initial investment of the Project from foreign sources was remained below US\$ 15 million . Even though, there was no arrangement to explore foreign funds to launch over US\$ 100 million , the over payment of Rs.12.89 Million had been made by the payment of salaries of to the 38 Project staff members during the years 2018 and 2019 under review contrary to the above circular instruction.

done as per Management Service Circular.

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|-----|---|---|---|--------------------------------|
| (b) | The estimated cost of the Project Management Unit of the Colombo Suburban Railway Project for the period of 5 years is US\$ 0.50 million. However, Project Management Unit had spent US\$ 665,351 which had exceeded the estimated amount for the | Expenditure should be made in accordance with budget allocation made in Project Administration Manual | It has been approved retroactive finance facility under REIP project so it was immediately stop the exceeding PMU cost when we identified that PMU cost was | No action have been taken yet. |
|-----|---|---|---|--------------------------------|

period by US\$ 165,351 equivalent to Rs. 30,822,782 during the two years.

exceeding the forecast amount of 0.5 US\$.

- (c) Eventhough, the Resettlement Activities and Smart Ticketing and Seat Reservation System were not come under the preview of the project objectives, a sum of Rs.4.83 million had been paid to the individual consultants to rendering consultancy service for those purposes. Further, a sum of Rs.77.14 million paid to the UN-Habitat to prepare a resettlement plan and conduct social survey thereon.
- Need to be review the scope of the activities of the Project and to apply the Circular instructions accordingly.
- In order to obtain the consultancy services for preparation of design and bid documents for railway smart ticketing and seat reservation system, which is to be implemented under REIP and expenditure Rs. 4.92 million has been incurred.
- (d) As per the Cabinet Decision, an amounted to Rs. 9,600 million have been allocated in the Annual Budgets during the period of 2018-2020 to resettle the number of 2036 unauthorized occupants at both side of
- In accordance with the Cabinet Decision constructions should be accelerated.
- As per the requirement as mention above Rs. 9,600 million be allocated by Cabinet Decision to facilitate the resettlement of families living in
- Only 534 housing units had been distributed to families living in railway along the K.V line to date.

the Kelani Valley Railway Line, within three years period. However, only 386 housing units have been handed over for them as at 31 December 2020. Accordingly, constructions have not been implemented to achieve the expected targets.

railway ROW along the KV line.

3.10.3 Activities carried out by the Sri Lanka Port Authority

- (i) The estimated cost of the Sri Lanka Port Authority component is US\$ 5 million equivalent to Rs. 729.65 million and out of that US\$ 4.42 million equivalent to Rs. 645.01 million was agreed to be financed by the Asian Development Bank.
- (ii) The Project had commenced its activities in 2018 and scheduled to be completed by 31 December 2022. However, financial statements are submitted from the year 2020.
- (iii) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

No	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	The loan agreement was signed in October 2016, activities of the Project	Comprehensive plan to complete the activities of the	The consultancy service for feasibility study for Colombo North Port	According to the project

were begun in 2018. Project by fixing the Development project was management Accordingly, the responsibilities identified and after unit comment, consultancy service for the should be prepared following a comprehensive feasibility study of the by project comprehensive ADB and plan was project was scheduled to be management unit. international bidding prepared and completed by the 2nd procedure, it was awarded activities were quarter of 2020. However, to AECOM. monitored the contract for the consultancy service was awarded on 24 February 2020. As a result, there was a delay in implementation of the activities of the Project. along with the program. However, comprehensive plan was not forwarded for the audit.

- (b) A provision of Rs.180 million had been allocated to carry out the activities of the Project under Annual Budget Estimate of the Ministry of Ports and Shipping for year under review. However, only Rs.21.9 million had been utilized during the year 2020. Annual estimate should be prepared by considering the activities that can be done actually in the year. The project was kept in pause situation from June 2020 to November 2020 and the expected payments were not disbursed as per the schedule. The total disbursement is US\$ 1.3 million by 31 December 2021.

3.11 Light Rail Transit Project

- (i) The Light Rail Transit Project is implemented for the enhance the efficient transportation capacity and improve the service of the public transportation by introducing the Light Rail Transit in the Colombo Metropolitan area where serve traffic congestion, due to the sharp increase in traffic demand is a major

challenge, there by contributing to improvement of urban environment through reduction of traffic problem.

- (ii) The estimated cost of the Project is JPY 246,641 million and out of that JPY 200,215 million equivalent to Rs. 286,839 million through six (06) tranches scheduled during 2019- 2024 was agreed to be provided by the Japan International Corporation Agency.
- (iii) The Project had commenced its activities on 25 March 2019 and scheduled to be completed by 31 December 2024.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	As a long term solution for the heavy traffic congestion in Colombo, the Light Rail Transit Project had been commenced on 01 May 2017 under financial assistance of Japan. Accordingly, a sum Rs.5,545.63 million comprising a sum of Rs.4,622.45 million from JICA funds and a sum of Rs. 923.18 million from Treasury provision had been incurred on that project by the end of the year 2020. As per the Cabinet Decision,	Proper Feasibility study should be conducted before implementing the project.	Action had not been taken.	been

No.20/1450/312/002 dated 06 October 2020 that the project had been terminated and all the assets of the project to be handed over to the Ministry of Transport and Ministry of Urban Development and Housing. As such, the expenses incurred became fruitless.

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|-----|---|--|----------------------------|
| (b) | Due to terminating of project activities during the year 2020, the consultancy firm had claimed US\$ 31.36 million including the receivable amount to them US\$ 23.65 million. In order to negotiate that matter, a committee had been appointed by the Cabinet of Ministers on 23 February 2021. | Appointed Committee should negotiate the matter immediately. | Action had not been taken. |
| (c) | Due to the decision made to suspend the project in the year 2020, a sum of Rs.102.73 million equivalent to Japan Yen 60.08 million which had being paid as a Front End Fee according to the loan agreement signed on 23 May 2019 on 0.2 per cent of total loan amount had been become fruitless expenditure. As well, in order to repay the loan amounting to Rs.4,622.45 million equivalent to Yen 2,703.18 to the Lending Agency (JICA) an agreement had not been signed with Leading Agency. | Action should be taken to avoid unnecessary expenses. | Action had not been taken. |
| (d) | The end of the year 2020 the project | Sound and effective | Action had not been |

- had paid Rs.26.13 million to the project management taken. consulting firm for the preparation and system should be submission of bidding documents implemented to before the 30 June 2020. However, the complete the project bidding documents had not been activities as per the prepared till the end of the year 2020. scheduled time period.
- (e) Eventhough the project had been Corrective action Action had not been suspended at the end of the year 2020, should be taken to taken, the mobilization advances amounting recover the advance to Rs. 36 million given to the Ceylon immediately. Electricity Board for initiating material processing for the utility line shifting from Malabe to Battaramulla and underground utility line shifting and underground cable tacking within Colombo city amounting to Rs. 8 million had not been recovered even up to July 2021.
- (f) It had been proposed to continue the Sound and effective Action had not been project as a Public Private project management taken to effectively Participation (PPP) Project by system should be manage the project . applying the consultancy reports given implemented in order to achieve the by the consultancy firm. However, a order to achieve the new project had not been commenced, project objectives. eventhough one and half years had been lapsed up to the end of December 2021.
- (g) Eventhough a sum of Rs. 21.43 million All the information Information had not had been paid to 4 individual should be submitted been submitted. consultants, the report submitted by to the audit.

them and review reports had not been furnished to audit.

- (h) The journal vouchers and supporting documents relating to 114 journal entries valued at Rs. 3,419.52 million had not been furnished to audit. All the information should be submitted to the audit. Information had not been submitted.
- (i) Out of 16 consultancy report that scheduled to be handover up to end of the year 2020, only 11 reports had been furnished by the consultants and only 7 reports had been reviewed by the project out of the received reports. Actions had not been taken to recover the delay charges from the delayed 5 reports according to the consultancy agreements, the provisions were not included to recover the damages. Corrective actions should be taken to expedite the remaining consultancy work and provisions should be included to the consultancy agreements in order to recover the damage. Action had not been taken to recover the damages.

3.12 Colombo Suburban Railway Efficiency Improvement Project

- (i) The Colombo Suburban Railway Efficiency improvement project is implemented for the develop Sri Lanka Railway in the Colombo Suburban Region to ensure its contribution to the National Transport System for next 20 years.
- (ii) The estimated cost of the Project is US\$ 192 million equivalent to Rs.33,878 million and out of that US\$ 160 million equivalent to Rs.28,232 million was agreed to be provided by the Asian Development Bank.
- (iii) The Project had commenced its activities on 06 September 2019 and scheduled to be completed by 31 December 2024.

- (iv) The Auditor General had given qualified audit opinion for the financial statements submitted for the year 2019 and unqualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a) The project has incurred a commitment charge of Rs. 34 million for the underutilization of fund allocated for the period.	The administration controls should be strengthened.	Commitment charges had to be incurred due to objections raised by the trade union, changes in ministerial portfolios and delay in achieving the expected procurement target.	Rs. 46 million has been paid in 2021 as well.
(b) Contract for the preparation of detail plan for Kandy Suburban Railway Project and carryout a feasibility study with a foreign consultancy firm had been signed valued at EURO 1,385,208,US\$ 2,642,014 and Rs. 194 million and an amount of Rs. 49	Cabinet decision is to be considered when implementing whole the proposals.	The consultancy for this component was procured and agreement was signed on 10.12.2019 according to Cabinet decision dated 09.05.2018. mobilization advance paid in according to Cabinet decision, and project was suspended and after evaluation by ERD project activities recommenced from	Still Project component progress is slow.

million had been paid as mobilization advance. However, this project component had been temporary halt as at 31 December 2020.

30.04.2021.

- (c) Cabinet of Ministers had been granted an approved four (4) proposals of the Cabinet Memorandum dated 16 May 2018. However, contrary to the above approval of the Secretary to the Ministry of Transport had been signed an agreement with the ADB for another 13 sub proposal by allocating US\$ 62.79 million.
- Cabinet Decision need to be considered on allocation of finance for work proposals.
- The list of Development Interventions to be included in REIP has already been discussed at ADB mission meeting with SLR, MOT, ERD etc. In addition, the list of items under REIP are included in the agreement signed between ADB and GOSL.
- Another 3 proposals already been added in 2021.
- (d) According to the Project Administration Manual Part C of Table 4, separate Management Unit should be established from the Department of Separate Management Unit should be established and obtain approval from the Department of All staff of the project have been recruited and paid in accordance with approval of MSD. Colombo Suburban Railway Project PMU have been attached to the new project CSRIEP in 2019.

and to be obtain Management approval from the Services. Department of Management Services. However, a sum of Rs. 25.4 million had been paid as salary to staff relating to another project Management Unit from the ADB Loan No 3425 called Colombo Suburban Railway Project without being obtained the relevant approval from the Department of Management Services.

3.13 Northern Road Connectivity Project Central (RDA) Component

- (i) The Northern Road Connectivity Project is implemented for the rehabilitate and improve 170 kilometers of national roads in the Northern and North Central Provinces.
- (ii) As per Loan Agreement, the initial estimated total cost of the Project amounted to US\$ 146 million equivalent to Rs. 16,790 million and out of that US\$ 130 million equivalent to Rs. 14,950 million was agreed to be financed by the Asian Development Bank.

- (iii) Further, the Asian Development Bank had agreed to provide US\$ 68 million equivalent to Rs. 8,840 million under the additional financing Loan Agreement No. 2890 SRI (SF) of 12 November 2012, out of which US\$ 34 million equivalent to Rs. 4,420 million had been allocated to Provincial Road Development Authorities of the Northern Province and North Central Provinces. In addition, US\$ 30 million equivalent to Rs. 3,900 million had also been allocated by the Asian Development Bank under the Loan Agreement No.2891 SRI of 12 November 2012 to national roads highways in the Northern and North Central Provinces.
- (iv) The Project commenced its activities under the initial Loan Agreement on 22 October 2010 and had been completed by 31 December 2016. The activities of the Project under additional financing arrangements were commenced on 13 May 2013 and scheduled to be completed by 31 December 2018 then extended up to 31 December 2020.
- (v) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project.

According to the information received, the rehabilitation works of 170 kilometers of sections of 06 national roads in Northern and North Central Province awarded under 10 packages including 03 years performance based maintenance works of 03 rehabilitated national roads had been completed as at 31 December 2015. Further, the contracts for rehabilitation of other 02 national roads awarded in 2015 and completed in the year 2016, by utilizing the savings on rehabilitation of roads under the initial Implementing Plan. In addition, the rehabilitation works of 122 kilometers of other sections of 07 national roads in Northern and North Central Provinces awarded under the additional financing arrangements had been completed as at 31 December 2016. Out of the savings of the Loans, a new contract had been awarded on 28 April 2017 to rehabilitate A 009 Kandy Jaffna road section from Rambewa to Medawachchiya of 9.64 kilometers had been completed as at 31 October 2018. further, Project had obtained the approval from of Cabinet of Ministers

and Asian Development bank to rehabilitate Madawachchiya. Horowpathana road (B238) section from and awarded two contracts thereon. However, rehabilitation works had been completed in year 2020.

3.14 Northern Road Connectivity Project (Additional Financing) Provincial Component

- (i) The Northern Road Connectivity Project (Additional Financing) Provincial Component is implemented for the improve the road connectivity within the Northern Province and between Northern Region and the Southern Region.
- (ii) The estimated cost of the Project is US\$ 34 million equivalent to Rs. 4,600 million and out of that US\$ 30 million equivalent to Rs 4,058 million was agreed to be financed by Asian Development Bank.
- (iii) The Project had commenced its activities on 31 May 2013 and scheduled to be completed on 30 December 2017. However, the Project period had been extended up to 30 June 2020, due to extension Central (RDA) Component.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
It was observed that the action had not been taken by the Project to allocate the cost incurred by the Project for each road which were developed and hand over to	Action to be taken to allocate total costs to each road and hand over to relevant councils.	After reviewed the Audit Report on Financial Statement-2020 action will take to	The issues are not resolved.

relevant councils, even though the Project had completed development activities of the provincial roads.

handover.

3.15 Integrated Road Investment Program (i Road)

- (i) The Integrated Road Investment Program (i Road) is implemented for the enhance the road accessibility between rural communities and socio economic centres. The long term impact is to increase transport efficiency of national and provincial roads.
- (ii) The estimated cost of the Project is US\$ 906 million equivalent to Rs. 117,780 million and out of that US\$ 800 million equivalent to Rs 104,000 million was agreed to be financed by the Asian Development Bank.
- (iii) The Project had commenced its activities on 01 June 2014 and scheduled to be completed by 30 September 2024.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

No	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	Evenhough the Performance Securities should be provided by the contactors at their own cost as per Sub clause 4.2 of the	The review of Bill of Quantities needed to be done by the Procurement	The pay item in the BOQ was removed.	Contractor provides Performance Guarantee at his own cost.

General Condition of the Contract, it was observed that a separate pay item had been made in the Bill of Quantities under Preliminary and General Items to be able to claim to the contractors. Accordingly, cumulative amount of Rs.564.45 million up to 2020 had been paid additionally to the contractors.

Specialist and the Technical Evaluation Committee, before issuing the bidding documents.

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|-----|--|--|--|---|
| (b) | Although the road rehabilitation works of 218.19 km of national roads and 3,106.10 km of rural roads were expected to be rehabilitated during the period of the Program according to the initial plan, only 104.13 km of national roads had been awarded as at 31 December 2020. | Necessary actions should be taken to comply with the initial plan of the program and achieve the target with the period. | The period of i- road program is 2014 to 2024. During initial period, the highest priority is given for rural roads, as their conditions were very poor, compared to national roads. | Now the plan has been changed to rehabilitate 350 km national roads, including the balance 104.13km awarded as on 10 Feb 2022. 38 kms are under bidding process. Bids to be invited for 112 km. |
| (c) | The rehabilitation works of 2,203.87 km of rural roads had been completed and handed over to the Road Development Authority as at 31 December 2020. | All effort should be taken to achieve intended targets of the program. | In ADB contracts new clauses included in the bidding document to exclude poor performing | About 520 km of roads already awarded and under construction in iRoad Program. 391 km roads have |

Further, 1,000.43 km length of rural roads relevant to 12 contract packages had been abandoned as at 31 December 2020.

Contractors been excluded during evaluation. from iRoad Contracts were Program and 326 awarded to km out of which complete the handed over to balance works of Local Bank terminated funded Program. contracts, which Action to be taken do not have any for 154 km length court injunction of which there are for re-bidding. court injunctions Roads in certain preventing re-contracts, which bidding. have court injunction for re-bidding, have been handed over to Local Bank funded Program after signing Settlement Agreement with the Contractor.

- (d) Even though out of 12 All effort should 6 contracts, which Discussion is abandoned contract be taken to achieve do not have being held to packages, 03 contract intended targets of injunction order solve the issue. packages had been the program. have been awarded for completion of balance works. terminated in the year 2019, no action had been taken to continue the

balance works even by 31 December 2020.

4 contracts handed over to Local Bank funded Program. Action to be taken on 2 contracts which have injunction for re-bidding.

- (e) Out of 12 abandoned contract packages, balance works of 05 contract packages had been re awarded to carrying out through this project during the year under review and the value of the re awarded contracts had been increased by Rs.5,007 million when compared with the original contract price.
- Necessary actions should be taken to complete the construction without further delay.
- Increased amount due to termination and re awarding the balance works of the 5 Contracts to be corrected as Rs. 3,886.6 millions. Unrecovered advance payment to be not included in the calculations. Actions to be taken to recover the amount through the Employer's Claim.
- Progress of re-awarded contracts are satisfactory. New clauses have been included in the bidding document to prevent poor performing/ terminated contractors getting selected for new ADB contracts.
- (f) A settlement agreement had been signed to complete the balance works of 04 abandoned contracts with
- Necessary actions should be taken to complete the construction
- Increase value Rs.580.14 is being used. Amended clause is misunderstanding of auditors. The

the same failed contractor through the 100,000 km Rural Road Development Program during the year under review and the value of such contracts had been increased by Rs.580.14 million when compared with the original contract price.

without further delay and additional costs.

total work was calculated adding the total payment made to the Contractors and the Contract Sum of the new contracts. But, the payment made to Contractors, used in this calculation, included unrecovered advance payment, which should have been deducted. The Correct additional cost Rs. 108 Millions and such increases are to be expected in all measure and pay type contracts. As per the current clause of the bidding document, terminated Contractors will not get awarded any contracts for

five years from
the date of
termination.

- (g) The action had not been taken by the program to encash the performance bonds with the value of Rs.2,668.47 million relevant to 12 abandoned contract packages even by the end of the year under review.
- Action should be taken promptly by the Program to recover the outstanding balances.
- Legal proceeding is in progress to vacate the injunction order and encash the guarantees.
- Injunction order vacated for one contract (G1) by the Commercial High Court. Encashment letter submitted to the Bank of Ceylon. However, Contractor made an appeal and order given to maintain status quo.
- (h) Eventhough the lending agency had instructed to recover mobilization advances and refund to the lending agency related to the terminated contracts, the project had failed to recover the outstanding mobilization advances for the years 2018, 2019 and 2020 amounted to Rs.1,830 million related to 8 terminated contract packages. Accordingly, the
- Action should be taken promptly by the Program to recover the outstanding balances.
- Legal proceeding is in progress to vacate the injunction order and encash the guarantees.
- Injunction order vacated for one contract (G1) by the Commercial High Court. Encashment letter submitted to the Bank of Ceylon. However, Contractor made an appeal and order given to maintain status quo.

total unrecovered mobilization advances as at 31 December 2020 was Rs.2,793 million relevant to 12 packages including 04 abandoned packages.

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|-----|---|--|---|--|
| (i) | Rs. 158.2 million had been incurred up to 31 December 2020 by the other two active contractors for the completion of the emergency works and to get the roads up to motorable condition related to abandoned 05 contract packages in North Western province in the year 2019. | Necessary action should be taken to recover the additional expenditure incurred from the respective contractors. | This amount will be claimed under Employers Claim through Performance Security. However, Contractors obtained injunction order. Legal proceeding is in progress to vacate the injunction order and encash the guarantees. | Under legal proceeding. |
| (j) | KL2 and KL3 contract packages in Kalutara District were only completed 35.15 per cent and 51.83 per cent and those had been abandoned in the year 2019. Further, without construction of shoulders and other | Necessary actions should be taken to complete the task without further delay. | 03 new contracts were awarded to complete the balance works of KL3 Contract. The Contractor of KL2 obtained injunction for re-bidding. | Construction works of KL3 are in progress. Legal proceeding for KL2. |

structures it had only been asphalted several intervals of the roads and Rs. 772.84 million and Rs.747.47 million had been paid for those two packages respectively.

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|-----|---|--|---|
| (k) | <p>Eventhough prevailed culvert located at the chainage 3+700 of the Akkara 500 to Sagara Palansooriya road (ID 30) had been demolished for construction of a new culvert, it had not been even started up to the inspection date of 10 March 2021 due to abandonment of KL 03 contract package. It was observed that, users of the road had been faced inconvenience and had to accommodate a temporary solution by using a private land beside the road to link the road.</p> | <p>Necessary actions should be taken to complete the task without further delay.</p> | <p>The Contract is awarded for completion of balance works. Works on-going.</p> |
| (l) | <p>It was observed that rehabilitation of some roads were abandoned only after laying the ABC layer.</p> | <p>Necessary actions should be taken to complete the task without further delay.</p> | <p>Legal proceeding is in progress. Not rectified.</p> |

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|-----|---|---|--|---------------------------------|
| (m) | A cumulative amount of Rs.1,471.26 million had been paid uneconomically as commitment charges to the Lending Agency as at 31 December 2020 on undisbursed proceeds of the loan, due to slow progress and termination of some contractors. | Action should be taken to minimize the unnecessary costs. | As per the clause Section 2.03 of the loan agreement of iRoad Program “The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on full amount of the loan (less amounts withdrawn from time to time), commencing 60 days after the date of this loan agreement.” | Not rectified. |
| (n) | According to the first component of the Program, the rural access roads have to be rehabilitated to meet all weather standards and to be maintained for a period of three years. However, on the physical inspection made on 27 November 2019, it was observed that | Necessary action should be taken to rectify the construction issues and certify the quality of the roads. | Legal proceeding is in progress to encash Advance & Performance guarantees. As per the Condition of Contract all such additional cost shall be recovered | Legal procedure is in progress. |

some cracks on the asphalted surface of the roads, washed away and submerged some of the locations of the roads slightly from Kasikotte Junction to Peella via Meeoya Bridge and the Nelumpatuwewa to Ududivulwewa road in the Kurunegala District under the package KU 04. Subsequently, those roads had been fully destroyed by the recent flood were observed on 13 May 2020. Therefore, it was revealed that the objective of the component had not been fulfilled by the Program.

by encashing performance guarantee.

- (o) According to the Public Contract Act, No 03 of 1981, the foreign contractor who undertake contract with collaboration of local partner should be registered at the Registrar of Public Contract. However, Action had not been taken by the Road Development Authority to verify the registration of 02 firms of Prompt action is need to be taken by the Project Monitoring Unit to recognize the responsible parties and take action on negligence on adhering of circular instructions. Procurement is being carried out in accordance with the ADB Procurement Guidelines, which has been agreed by both parties in the Loan Agreement. New clauses have been included in the The poor performing contractors did not get selected for RMC contracts awarded in 2021.

contractors from China and India engaged in road rehabilitation works of North Western Province and Kalutra District with collaboration of the local contractor. However, the respective contracts under packages KU3 and KU5 in Kurunegala district had been subsequently terminated, due to the capacity of the contractors had not been properly evaluated by the program at the initial stage which lead to poor performance.

bidding document to prevent local contractors, who have not got required financial and technical capacity, getting selected through foreign JVs.

3.16 Second Integrated Road Investment Program (i Road II)

- (i) The Second Integrated Road Investment Program (i Road II) is implemented for enhance the road accessibility between rural communities and socio economics centres. The long term impact is to increase transport efficiency of national and provincial roads.
- (ii) The estimated cost of the Project is US\$ 1,084.60 million equivalent to Rs. 165,185 million and out of that US\$ 900 million equivalent to Rs. 137,070 million was agreed to be financed by Asian Development Bank.
- (iii) The Project had commenced its activities on 20 July 2018 and scheduled to be completed by 31 March 2027.

- (iv) The Auditor General had given qualified audit opinions for financial statement of the year 2018 and unqualified audit opinion for financial statements of the year 2019 and 2020. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

No	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	According to the Sub Clause 14.6 of the Particular Condition of Contract, the minimum amount of Interim Payment Certificate to be submitted by the contractor was 1.5 per cent of the accepted Contract value. However, 130 and 259 instances were observed where the evaluation of Interim Payment Certificates under several packages below than the required threshold in the year 2019 and 2020 respectively.	It is required to adhere with the thresholds stipulated in the condition of contract in order to minimize the costs, time and undue favours for the contractors.	Conditions of Contract are modified allowing the Engineer to certify payment less than the minimum value on the request of the Contractor specifying the reasons. These payments partially helped the contractors to manage additional costs, resulted in Covid 19 situation and material shortages.	Modified clause is being used.
(b)	As per Sub Clause 4.2 of the General Condition of the Contract, although the Performance Securities should be provided by the	The review of Bill of Quantities needed to be done by the Procurement Specialist and the	The pay item in the BOQ was removed.	Contractor provides Performance Guarantee at his own cost.

contractors at their own Technical cost, a sum of Rs.85.64 million had been paid to Evaluation Committee, before the contractors in Uva issuing the bidding Province to reimburse the documents. cost of Performance Securities as at 31 December 2020.

- (c) As per Sub Clause Steps should be Necessary insurances Insurances are 119.1(1), (2) and (3) of taken to obtain are submitted by the effective. Particular Specifications necessary insurances Contractor of the Contract, the works, from contractors as equipment, third parties stipulated in the and properties, contract Workmen's specifications. Compensation and Professional Indemnity had not been insured by the contractors of BT 02 and BT 03 packages as at 31 December 2020.
- (d) According to the Procurement Procurement activities Current Supplement 31 to the activities should be are carried out currently procurement Section 4.2.3 of the completed within without experiencing activities are Procurement Manual the stipulated time such delay. The GOSL on schedule. In dated 15 March 2017, period. has increased budget 2021 the although the maximum allocation in recent disbursement time period for years, beyond the was 10 Billion procurement actions were original budget more than the 15 weeks for national and allocation, allowing the Original international bidding, the RDA to award iRoad Budget

procurement actions period for civil work procurements in Northern, Eastern and Uva Provinces had exceeded the standard time period ranging from 25 weeks to 38 weeks.

Contracts without allocation, considering yearly fund requirements.

- (e) According to the Standardization the Procurement is being Construction Industry contractors should carried out in Development Act No.33 be done before accordance with the of 2014, every foreign selection of ADB Procurement contractor, prior to engage contractors. Guidelines, which has in any identified been agreed by both construction work in Sri Lanka should obtain a temporary registration as a contractor with Construction Industry Development Authority (CIDA). However, it was observed that the Program had not considered the requirement of CIDA registration before awarding of some contracts related to 09 contractors.
- (f) Although the bidders of The bidders and Procurement is being public contracts which awarded contract carried out in value over Rs.5 million should be registered accordance with the

should register under under Public ADB Procurement Public Contract Act Contract Act. Guidelines, which has before collecting the been agreed by both Bidding Documents and parties in the Loan also should get the Agreement. contract registration after the contract is awarded as per Public Contract Act No.3 of 1987, it was observed that the Project had not considered that requirement when evaluating the technical bids of respective bidders.

- (g) Although the road rehabilitation works of 340 km of 27 national roads and 3,400 km of 1,405 rural roads in Northern, Eastern, Uva and Western Provinces were expected to be rehabilitated under 53 packages by the Project according to the initial plan, rehabilitation works of 319.96 km of 27 national roads and 3,313.16 km of 1,349 rural roads had only been awarded as at 31 December 2020.
- Necessary actions should be taken to comply with the initial plan of the project and achieve the target within the period.
- All rural roads except two contracts of bidding (43.6 km) have been awarded. 44 km out of 73 km newly proposed national roads in Western Province are also awarded to date. The Loan Period of iRoad 2 Program is 10 Years from 2017 to 2027. Therefore, the Scope of the Project is to be completed by 2027, but not at 31 December 2020. According progress achieved is above the
- Actions are being taken to award balance roads.

- target.
- (h) 13 rural roads comprising the total length of 25.05 km only had been completed and handed over to the Road Development Authority as at 31 December 2020. Further, out of balance ongoing road rehabilitations, 39.97 km of national roads and 731.62 km of rural roads only had been completed as at 31 December 2020. Thus, it was represented only 21.93 per cent of the total awarded national and rural road length.
- All effort should be taken to achieve intended targets of the program.
- Construction works are on-going and frequent & timely actions are taken to minimize effects of unforeseen issues such as Covid 19 and material shortages.
- About 2,000 km of rural and national roads are completed as at 31 Dec 2021.
- (i) Although the civil works should be commenced by the contractors immediately after the contract packages were awarded, 37 contract packages had been delayed to commence civil works period ranged from 30 days to 203 days. The reasons for such delay were not revealed in the audit.
- Action should be taken to commence civil works immediately after contracts are awarded.
- Conditions of Contract of currently used document have been revised to fix Commencement Date within 28 days from Receipt of Letter of Acceptance.
- Contract document have been modified to overcome to in use.

- (j) According to the Necessary Equipment procurement Not given
Procurement Plan and the equipment should be is commenced.
Program Implementation purchased on time to
Plan of the Project, smooth functioning
although it was planned to of the program.
complete bid
advertisement in 06
equipment procurements
with the estimated cost of
US\$ 2,230,000, none of
those procurement had
been completed even as at
31 December 2020.
- (k) Although the Engineer Action should be As per the ADB bid Request will be
estimates, bid documents taken promptly by evaluation criteria, there made to ADB
and Bill of quantities the Programme to is no provision to to change their
should be properly recover the loss. negotiate rates of bid evaluation
evaluate by the individual items, even if guidelines to
Procurement Committee they are high. The ADB allow
and Technical Evaluation negotiations of
Committee as per the total bid price. However, individual
Government Procurement in future contracts, items, even
Guideline, a loss of action will be taken not though it is
Rs.48.2 million had been to utilize such items in impractical.
incurred by the project as the BOQ, after awarding
at 31 December 2020 in the Contract.
respect to BA 4 and BA 5
contract packages due to
rate discrepancies and
wrong interpretation of
items in Engineer

estimates, bid documents and Bill of quantities.

- (l) There were rate discrepancies in several Preliminary Items in between Engineer estimate and Bill of Quantities related to AM 01, AM 02 and AM 03 packages. Over 50 per cent variances aggregating Rs.1,035 million was observed relating to those 03 packages.
- Action should be taken to prepare the Engineer's Estimates in a realistic manner.
- Rate quoted by the different contractors depends on familiarity of the area and their ability to supply construction resources required for the Contract. Further, once large numbers of contracts are awarded in one district, the Soil and aggregate, labour prices of that district increases with sudden increase in demand. Experienced contractors usually assess these risks and include appropriate rates in their bids and these rates could be higher than HSR rates. Therefore, it is required to develop appropriate method of preparing more realistic Engineer's estimate considering all anticipated risks.
- It is proposed to develop methodology for preparing more realistic Engineer's estimate considering all foreseen risk.

- (m) Although all laboratory, As a general As per the Contract The PMU will

furniture and survey practice, the document, the obtain the equipment will be respective assets are Contractor has to quote details of RDA reverted to the contractor retained by the these rates for using the requirement of at the end of the employer. equipment during furniture, Programme as per the Therefore, the cost construction period. The survey & lab Conditions of the of the contract under PMU drafted these equipment and Contracts, a sum of Rs. this programme is conditions, because the change the 593 million and Rs.16.23 required to be RDA has sufficient conditions million had been paid as a reduced, compared stock of similar accordingly, if lump sum for laboratory, with the cost of equipment, received required. furniture and survey other contract from already completed equipment respectively as packages awarded i-Road & other Project. at 31 December 2020. by other donor If the RDA needs any furniture and lab & Thus it may indicate that funded projects. survey equipment in unusual contract conditions may lead to future, these conditions undue benefits to the will be adjusted to suit contractors. that condition.

- (n) Six roads in Eastern Scope should be Actions have been taken ADB approval province included in the change only after to obtain ADB approval. would be Road rehabilitation the concurrence of received soon. Progress Report as at 31 the lending agency December 2020 had not and the Department included either in the of National Facility Administration Planning. Manual or under relevant contract packages awarded to the selected contractors. Hence the audit could not confirm whether the ADB and Department of National

Planning concurrences had been obtained by the Project for newly added roads. Further, the methods of awarding those contracts and the approvals of changes of scope from the lending agency were not made available.

- (o) The drains had not been constructed either side of the road before laid the wearing course in Road ID No. 113A- Bothalawa Road (Additional) under KL 06. Hence it may cause to damage the asphalt layer when earth excavation for drains by using machinery in future. Although the Project had planned to construct a culvert at Chenage 0+990, a single Concrete Hume Pipe had only been laid without concreting around the Hume Pipe area. Further, it was observed that the asphalt layer had already been laid without
- Constructions should be strictly complying with the Standard Specifications.
- The PMU has instructed the Engineer to ensure that all the damages are repaired and the final product conforms to the Contract Specification.
- The Contractor has repaired the damages without any additional cost to the RDA and has completed the road section.

leaving space to concrete the culvert deck and either side of the deck.

- (p) Commitment charges amounting to Rs.243.48 million had been paid uneconomically to the Lending Agency on undisbursed proceeds of the loan during the year under review and accumulated commitment charges were Rs.449.51 million as at 31 December 2020.
- Action should be taken to minimize the unnecessary costs.
- As per the loan agreement of iRoad Program “The Borrower shall pay a commitment charge of 0.15 per cent per annum. Such charge shall accrue on full amount of the loan (less amounts withdrawn from time to time), commencing 60 days after the date of this loan agreement.”
- During year 2021 the Project achieved highest disbursement.
- (q) There were 5 vacancies out of 6 posts of Senior Engineers, 10 vacancies out of 14 posts of Coordinating Engineers, 08 vacancies out of 28 posts of Engineers and 02 vacancies out of 04 posts of Project Accountants as at 31 December 2020.
- Optimum cadre should be maintained by the program to maximize performance of the Programme.
- These vacancies are identified at the commencement of the Project and vacancies need to be filled, only if, the workload, at any given period, could not be managed by the already recruited staff. However, action will be taken to appoint Senior Engineers, Project Engineers. Further recruitment of supporting staff is required to replace the
- Monitoring work load of the Staff and identifying vacancies need to be filled and recruiting the staff is in progress.

staff who has resigned in 2021.

- (r) According to the Facility Administration Manual of the Project and Section 9 of the Management Services Circular No.01/2019 dated 05 March 2019, the Project Steering Committee and the Provincial Coordination Committees meeting in each province should be conducted at least quarterly to oversee, monitor and coordinate project implementation. However, it was observed that both committees meeting had not been conducted accordingly with optimal quorum.
- All Steering Committees should be implemented as per stipulated manner.
- Virtual Project Steering committee was held in 16 December 2021 under my chairmanship with the participation of MOH RDA, the Engineers' and the Contractors' staff. Monthly progress meeting are held in every Contract with participation of the Employer's, Engineer's & Contractor's staff.
- In addition to Regular meetings, Special and emergency meetings are held as and when it is required.

4. Power and Energy Sector

4.1 Green Power Development and Energy Efficiency Improvement Investment Program- Tranche I

- (i) The Green Power Development and Energy Efficiency Improvement Investment Program- Tranche I is implemented for the enhance clean power generation, system efficiency and reliability.

- (ii) The activities of the Program are implemented under five components namely Hydropower Generation Developed and Connected to the Grid, Enhanced Transmission Infrastructure Capacity, Efficiency of Medium Voltage Network Improved, Demand Side Management for Energy Efficiency improved and Capacity development support provided.
- (iii) The estimated cost of the Project is US\$ 220 million equivalent to Rs.28,5010 million and out of that US\$ 180 million equivalent to Rs.23,326 million was agreed to be financed by the Asian Development Bank and the Agence Française de Development (AFD).
- (iv) The Project had commenced its activities on 02 February 2015 and scheduled to be completed by 30 September 2019. However, due to the extension of the project period to November 2023, the objective of improving the clean energy generation, system efficiency and reliability of the people of the country had been delayed by nearly two years.
- (v) The Auditor General had given qualified audit opinion for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	Contrary to the Public Enterprise Circular No.PED 03/2016 dated on 29 April 2016 and Department of Inland Revenue Circular No. SEC/2020/03(revised) dated	Implement the Board decision continuously.	CEB has paid PAYE for project employees up to October 2020 and Employees are bearing APIT from Nov. 2020.	

on 08 June 2020, the Project had paid Pay As You Earn (PAYE)/ Advanced Personal Income Tax (APIT) and tax on tax amounting to Rs.47.7 million up to 31 October 2020 out of its owned funds without being deducted them from the salaries of the respective employees.

- (b) Contrary to the provision of the Section 4.3 of the Management Service Circular No.1/2016 dated 23 March 2016 (revised 01/2019 dated 15 March 2019) Leave encashment and bonus aggregating to Rs. 83.1 million up to 31 December 2020 had been paid to the project staff.
- Comply with the provision of the Circular.
- This is in accordance with the CEB's policy and the guidelines pertained to all CEB employees.
- (c) **Part 01- Hydropower Generation Developed and Connected to the Grid** Actions should be taken to complete the project activities by the expected completion date.
- Delay in procurement of Lot A2 and Lot B, due to request by MASL for dam redesign and issues in the approval process, Overall delays, due to Covid 19 pandemic including the following, Delay due to import restrictions, especially for explosives for blasting and Delay in issuing of visa for foreigners and travel restrictions
- Though initial schedule completion date was June 2019, it will be expected to complete by November 2023. The contract for main civil works (Lot A2) was awarded on 04 October 2019 when it was after the initial schedule

completion date.

Though the contract for the consulting services (Lot 3) on Lot A1 and Lot A2 was awarded on 24 October 2016, the contract for Lot A1 and Lot A2 were awarded in May 2018 and October 2019 respectively.

from foreign countries were affected for the delay.

(d) **Part 02 – Enhanced Transmission Infrastructure Capacity.**

Though Initial schedule completion date of all activities was June 2019, it will be expected to complete the four on going activities by August 2021.

Actions should be taken to complete the project activities by the expected completion date.

Easter Sunday attack, Adverse weather condition, issues of subcontractors and restriction imposed on transportation of filling materials and overall delays, due to Covid 19 pandemic situation were affected for the delay.

(e) The activities of the program comprised with 05 parts and the supervision and monitoring of the activities of such parts of the program were remained under the purview of various Divisional Heads of the Ceylon Electricity Board instead of the Additional General Manager who was responsible for the supervision of all donor funded projects

Ensure the proper coordination in order to complete the remaining project activities as planned.

First two parts are under the purview of the AGM Project Division and other parts are implemented under separate divisions of the CEB. The Project division is handling only the main Generation and Transmission related Projects and if any distribution part included in the scope of the Project, then that part will be covered by a PMU under

handled by the CEB and hence coordination of the parts of the project is not in a satisfactory level.

distribution division.

- (f) The original closing date of the ADB Loans (3146 / 3147) was 31 March 2020 and it was extended to 30 March 2021. It was further extended to 13 July 2024, due to not meeting the expected progress. As a result, project administration expenses and other expenses will increase and more commitment fee will have to be paid for the undisbursed balance. Further, the objective of the Long Term Least Cost Generation Plan may not be achieved.
- Actions should be taken to complete the project activities by the expected completion date
- This is mainly, due to time extension granted to construction of Part 01 of the Project. The reasons for the delays have been outlined in the above. It is pertinent that extra expenses have to be incurred if time extension is granted beyond the original completion date.
- (g) As per the BOQ of the Lot B2 of the part 2 of the project, USD 158,065 had been allocated to import 3 vehicles. Even though the total actual CIF value of the imported 3 vehicles was USD 58,446, allocated amount of USD 158,065 had been paid to the contractor. In addition, the total import tax amounting to
- Action should be taken to minimized the uneconomical expenditures.
- Initial Price bid has been decided at the bidding time with the approval of the SCAPC and CEB is bound to pay the contract price agreed according to the Lot B2 contract agreement signed on May 2016 and vehicles were imported in 2017.

Rs.12.4 million had been reimbursed to the contractor. Accordingly, the project had incurred an uneconomical expense when procuring the vehicles for the project.

4.2 Green Power Development and Energy Efficiency Improvement Investment Programme (Tranch 2)

- (i) The Green Power Development and Energy Efficiency Improvement Investment Programme (Tranch 2) is implemented for the transmission infrastructure enhancement in the country with construction of grid substations and associated lines to absorb the increased power demand and reactive power management to ensure stable system operation.
- (ii) The estimated cost of the Project is US\$ 264.7 million equivalent to Rs.39,453 million and out of that US\$ 184.7 million equivalent to Rs.27,793 million was agreed to be financed by Asian Development Bank and Agence Francaise Development.
- (iii) The Project had commenced its activities on 10 July 2017 and scheduled to be completed by 31 December 2021.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements of the year 2018, 2019 and qualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a) The project activities had been commenced with delays over 2 years from the scheduled date at 31 July 2016, continued operations without taking any actions to catch up the delays. Therefore, the risks on incurring additional costs on contracts on price variations, commitment charges and extension of the period of the programme, etc. could not be ruled out in audit.	Action should be taken to expedite the works and need to monitor the works of contractors closely.	The disbursement plan of all projects were shifted. Interest Chargers are paid for utilized funds and commitment chargers are paid for the unutilized funds.	Expedite the Construction works and hope to be completed within the extended period.
(b) It was observed that out of the total allocation of US\$ 260 million equivalent to Rs.37,895 million had utilized only US\$ 92 million equivalent to Rs. 13.38 million as at 31 December 2020. Further, according to the financial targets stipulated in the Project Administrative Manual, it was expected be utilize US\$ 259.9 million equivalent to Rs. 37.9 million at the end of the year under review, However only 35 per cent of the respective targets	Action should be taken to expedite the works and need to monitor the works of contractors closely.	The disbursement plan of all projects were shifted. Interest Chargers are paid for utilized funds and commitment chargers are paid for the unutilized funds.	Expedite the Construction works and hope to be completed within the extended period.

had been achieved as at that date. As a result of the slow utilization of funds allocated, the commitment charges amounting to Rs. 79.45 million had been recovered by the Lending Agency.

- (c) According to the progress reports, procurement process on augmentation of Belligaha and Ethulkotte primary substation and construction of primary substation at Raththanapitiya had been taken more than 3 ½ years to select a suitable contractor, due to various reasons. However, the contract had been awarded on 08 July 2020 at an contract value of US\$ 7.973 million, the contract had initiated contract works on 21 September 2020. Further, it was revealed the selected land at Raththnapitiya for respective purpose had not been acquired even up to the date of audit on 26 July 2021.
- Action should be taken to expedite the works and need to monitor the works of contractors closely.
- According to the response of the Management Loan Effective date was delayed for 06 months, due to delay in granting the approval by the Attorney General Department.
- Expedite the Construction works and hope to be completed within the extended period. Rattanapitiya Land was handed over to CEB on August 02, 2020.

- (d) Accounting to the Programme Administration Manual, the The activities of the Programme should The scope of work planned in The very same scope of work

contract on smart grid and metering and consultancy service there on has to be implemented under improvement of Demand-Side Management for Energy at an estimated cost of US\$ 11.1 million equivalent to Rs. 1,617.82 million had not been commenced even up to the date of audit on 26 July 2021.

be properly planned in order to achieve the objectives of programme.

Tranche 2 is is planned to be smart metering in be implemented with different project implementation strategy without utilizing the services of a consultant. The estimate is based on conditions prevailed at Tranche 1 planning stage.

- (e) According to the information received, the motor vehicles of the programme had not been imported directly and had procured through contractors. Due to that reasons, the programme had to pay more than the invoice value of motor vehicles including the profit margin of contracts and overheads thereon. Even though a sum of Rs. 165.71 million had been reimbursed by the programme to procure 28 number of motor vehicles during the period from 2016

Clauses of contract documents should be made for minimizing the risk to be occurred by Ceylon Electricity Board.

35 Nos. of motor vehicles had been completed those vehicles and other equipment will be transferred to CEB and at that point the asset will be recognized.

to 2019. The ownership of the vehicles are rest with the contractors as a result of contractor had abended the contract works or condemn the vehicles with an accident, the programme has to bear the losses.

4.3 Supporting Electricity Supply Reliability Improvement Project

4.3.1 Activities carried out by the Ceylon Electricity Board

- (i) The Supporting Electricity Supply Reliability Improvement Project is implemented for the enhance the efficiency and reliability of the electricity supply and distribution systems.
- (ii) The estimated cost of the Project is US\$ 160 million equivalent to Rs.23,069 million and out of that US\$ 115 million equivalent to Rs.16,560 million was agreed to be financed by the Asian Development Bank.
- (iii) The Project had commenced its activities on 29 June 2017 and scheduled to be completed by 30 September 2021. However, the Project period had been extended up to 31 December 2023, due to delay of awarding the contractors.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
<p>(a) According to the Project Administration Manual, contract on construction of the Hybrid renewable energy system in Analathivu, Delfts and Nainathivu in the Northern Province was required to be awarded by 3rd quarter of 2017 and the activities of the contract were scheduled to commence by 4th Quarter 2017. However, the draft bid documents for this package was approved by the ADB on 4 July 2017. The contract had not been awarded as at 31 December 2020.</p>	<p>Action should be taken to award the contract without further delay.</p>	<p>The TEC report is submitted to the SCAPC and the decision is pending from the committee. Hence, the awarding of the contract is delayed.</p>	<p>Contract is not yet awarded.</p>
<p>(b) According to the Project Administration Manual, contract on construction of 33 KM tower lines with the length of 270 kV and 13 No of 33 kv gantries at an estimated value of US\$ 34.99 million was required to be awarded by 3rd quarter of 2016 and activities of the contract were scheduled to be commenced by 4th quarter of 2017.</p>	<p>Action should be taken to expedite the works and need to monitor the works of contractors closely.</p>	<p>project time extension has been requested by the contractor and currently it is under review. The board has given the approval for the extension of loan validity period and it was forwarded to the ERD through</p>	<p>Expedite the construction works and hope to be completed within the extended period.</p>

However, the procurement process had been taken for more than two years to awards this contract and finally, the contract was awarded on 30 May 2019 at a cost at US\$ 40.48 million. Further, 10 plots of land were scheduled to be acquired for construction of gantries under this component. No land had been acquired even after a lapse of 4 years.

the Ministry Power.

- | | | | |
|---|--|---|---|
| <p>(c) The project for installation of 124Mvar Breaker Switched Capacitor Banks in Colombo City Grid Substations and Replacing the Capacitor Banks at Thulhiriya Grid Substation done with the use of the savings of the project had shown a nil progress as at 31 December 2020.</p> | <p>Action should be taken to award the contract without further delay.</p> | <p>The bids were opened and evaluation is in progress. Negotiation is being done with the lowest evaluated bidder, due to the high bid price.</p> | <p>Expedite the construction works and hope to be completed within the extended period.</p> |
| <p>(d) It was observed that the project had utilized only Rs.5,078.084 million as at December 2020, out of the total allocation of US\$ 115 million equivalent to Rs. 16,560 million. Further, according to the financial</p> | <p>Need to adopt with the financial targets stipulated in the Project Administrative Manual.</p> | <p>The expected project target was not achievable, due to the Covid pandemic outbreak of the country and adverse weather condition, the</p> | <p>Take necessary actions to catch up delayed works.</p> |

targets stipulated in the Project Administrative Manual, it was expected to utilize US\$ 18 million equivalent to Rs. 2,592 million at the end of the year 2020. However, only Rs. 1,103.17 million had been utilized by representing 42.56 percent at the respective targets been achieved as at that date.

performance of the contractor recorded to be significantly low.

4.3.2 *Activities carried out by the Lanka Electricity Company (Private) Limited*

- (i) The Supporting Electricity Supply Reliability Improvement Project is implemented for the support the establishment of hybrid renewable energy systems through the construction of a renewable energy micro grid system in the western province.
- (ii) The estimated cost of the Project is US\$ 1.8 million equivalent to Rs. 268.36 million and entire amount was agreed to be financed by Asian Development Bank.
- (iii) The Project had commenced its activities on 29 June 2017 and scheduled to be completed by 30 September 2021.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present position
<p>(a) The selected bidder for designing, construction, installation and commissioning of Renewable Energy Micro grid Pilot Project had not quoted for mandatory spare parts for two years of operation of Micro grid system. However, Technical Evaluation Committee recommended the bid subject to agreeable solution pertaining to above bid item prior to award of contract. Subsequently, the contract had been awarded on 11 February 2020 as contractor had provided two years or more warranties for the other mandatory spare parts quoted.</p>	<p>This matter should be considered along with warranty for the periods agreed by the supplier as the bidder is obliged to supply of mandatory spare parts for the two years operation of micro grid system.</p>	<p>This matter was discussed during one of the meetings had with the contractor before awarding the contract. Since they have provided two year or more warranties for the equipment mentioned, it is considered that cost for the spare parts for two years also included with the offer.</p>	
<p>(b) Out of the total Grant proceeds, US\$ 1.5 million and US\$ 0.3 million had been allocated for works component and consultancy services respectively. Eventhough, the Grant closing date as per the Grant Agreement was 31 March 2022, it had utilized only US\$ 0.159 million or 11 per cent for</p>	<p>Prompt actions should be taken to expedite the activities of the Project in order to complete the Project within the scheduled time frame.</p>	<p>Grant disbursements for the construction works were started only after the L/C become operative with commitment letter from ADB which was received on</p>	<p>Grant disbursement as of now is US\$ 1,164,241/- and approximately 65% of the total grant value.</p>

works component and US\$ 0.109 million or 37 per cent for consultancy services as at 31 December 2020.

10/02/2021.

- (c) The contract for design, supply and installation of renewable energy micro-grid system had been awarded on 11 February 2020 and the contract agreement had been signed on 03 July 2020. According to the project schedule, the contractor had agreed to complete the activities relating to installation of micro grid by 30 November 2021. However, initial activities such as identifying possible DC cable installation paths, possible location for battery container and diesel generator installation, etc. had only been completed. Import of required plants and machineries had not been completed even on the date of audit, eventhough only 05 months remains to complete the activities of the Project.
- Prompt actions should be taken to expedite the activities of the Project and close supervision is required to make on the activities of contractor in order to complete the project within the project period.
- As per the contract agreement, the expected completion date for the services should count as effective date plus the mentioned duration in the contract.
- Already completed.

4.3.3 Activities carried out by the National Water Supply and Drainage Board

- (i) The Supporting Electricity Supply Reliability Improvement Project is support productive energy use for small isolated island and rural communities in 3

islands in the Jaffna area of the Northern Province (Nainathivu, Analativu and Delfts).

- (ii) The estimated cost of the Project is US\$ 2 million equivalent to Rs.288 million agreed to be financed by the Japan Fund for Poverty Reduction administered by the Asian Development Bank. Out of the estimated cost of the Project, allocation of US\$ 1.25 million equivalent to Rs. 180.72 million had been made for the activities of the Project expected to be carried out by the National Water Supply and Drainage Board whilst US\$ 0.75 million equivalent to Rs. 106.56 million had been allocated for the activities of the Project expected to be carried out by the Sri Lanka Sustainable Energy Authority.
- (iii) The Project had commenced its activities on 19 March 2017 and scheduled to be completed by 30 September 2021.
- (iv) The Auditor General had given unqualified audit opinion for the financial statements submitted for the year 2018 and qualified audit opinion for 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present position
(a) The Project comprised with two Project components namely installation of sea water reverse osmosis (SWRO) desalination plant and supply and installation of 0.5-ton ice making factory and refrigeration system. Out of that supply and installation of the two no's of 75 m ³ /day sea water reverse osmosis plant with related civil	Discuss with Electricity Board regarding this matter whether there is a temporally solution to supply of electricity at low cost until the implement of Hybrid power system.	Tender calling” for Ice cubes making Plant will be feasible when the CEB’s Hybrid Power System project is completed and it is beyond control of the NWSDB. It will be discussed with ADB to get their decision during ADB’s Mission visit to Jaffna between 21 st February 2022 and 24 February	

works had only been completed and commissioning as at 31 December 2020. However, other component of construction of ice making factory had not been awarded, due to it depends on the Electricity Supply available from CEB'S hybrid power system Project which had not been awarded even up to 15 March 2021. Hence, only physical and financial progress of the sea water desalination plant including related civil works was 99 per cent and 72 per cent respectively as at 31 December 2020.

2022.

- (b) Eventhough the installation of 150 m³/day capacity of RO plant at Nainathivu Island for cater the drinking water for community, proper water distribution system had not been included in the scope of the Project. Therefore, the Project had planned to complete the distribution system and elevated towers through another water supply Project of the Jaffna Kilinochchi which is funding by ADB. Eventhough the construction of Elevated towers under this Project was scheduled to be completed by month of December 2020, overall physical progress was only 44 percent.
- The progress of the PMCIU The
 contracts required to instructed the construction
 be monitor closely to contractor to of Elevated
 complete within complete the Water
 scheduled time frame contract within Tower at
 by PMU and water the extended Nainathivu
 supply Project time frame and was
 Division of the the contractor completed
 NWSDB. was also including
 increased their water
 workforce. tightness
 Unfortunately, test,
 the work was Flushing
 slowed down and
 due to many Disinfection
 workers and the
 executive staffs

affected by the Covid-19 during past months, quattrain of workers and sites, delay in availability and supply of construction materials such as Cement, Reinforcement steel, Electrical items etc

4.4 Mannar Wind Power Generation Project

- (i) The Mannar Wind Power Generation Project is implemented for the increase clean power generation in Sri Lanka by increasing wind power generation capacity, improving system reactive power management and strengthening capacity of borrower in project engineering design review and supervision.
- (ii) The estimated cost of the Project is US\$ 257 million equivalent to Rs.39,923 million and out of that US\$ 200 million equivalent to Rs.31,105 million was agreed to be financed by Asian Development Bank.
- (iii) The Project had commenced its activities on 01 January 2018 and scheduled to be completed by 31 December 2020. However, the Project period had been extended up to March 2021.
- (iv) The Auditor General had given qualified audit opinion for the financial statements submitted for the year 2018 and unqualified audit opinion for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a) Deposits balance of Rs.40 million kept by the project at the Divisional Secretary had remained over the four years period without being settled.	The follow up actions should be taken in relation to land acquisition process.	These balances are still remaining under Other Deposits and cannot be removed or capitalized without the details of settlement to land owners.	
(b) As per the Financial Regulation 134(3) and Management Audit Circular No.05 of 26 July 2010 and No.02/2016, the Internal auditor had been recruited within the project staff and nor transactions of the Project had been subjected to audit of the Internal Audit Section of the Ceylon Electricity Board during the year under review.	Internal audit of Project activities should be carried out regularly.	A comprehensive Internal Audit for the transactions carried out by the project was carried out in 2017 by the internal audit section of CEB.	
(c) Contrary to the Public Enterprise Circular No.PED 03/2016 dated on 29 April 2016 and Department of Inland Revenue Circular No. SEC/2020/03(revised)	PAYE tax should be deducted from the employee's salary.	CEB has paid APIT on employees up to Oct. 2020 and Employees are bearing APIT from Nov. 2020 according to the Board Decision.	

dated on 08 June 2020. The Project had paid Pay As You Earn (PAYE)/Advanced Personal Income Tax (APIT) and tax on tax amounting to Rs.15.76 million up to 31 December 2020 out of its owned funds without being deducted them from the salaries of the respective employees.

- (d) Wind Power Generation Capacity Increased component expected physical Performance was 100 per cent. However, performance achieved was 87.60 per cent. Though initial schedule completion date was by December 2020, it will be expected to complete by March 2021. The objective of the Long term Least Cost Generation Plan not be properly achieved.
- Activities should be completed as planned to avoid unnecessary cost. As per the initial time schedule, the project completion date was October 25, 2020 which was extended up to March 31, 2021 considering delays, due to various reasons.
- (e) System reactive Power Management Improved component expected physical Performance was 87 per cent. However,
- Activities should be completed as planned to avoid unnecessary cost. Restrictions imposed on international travel and delays caused to supervisor's visit.

performance achieved was 82 per cent. Though initial schedule completion date was by January 2021, it will be expected to complete by April 2021.

4.5 Rooftop Solar Power Generation Line of Credit Project

- (i) The Rooftop Solar Power Generation Line of Credit Project is implemented for the financing qualified rooftop solar systems in Sri Lanka through participating financial institutions.
- (ii) The estimated cost of the Project is US\$ 50 million equivalent to Rs. 7,550 million and entire amount was agreed to be financed by ADB.
- (iii) The Project had commenced its activities on 17 April 2019 and scheduled to be completed by 31 December 2021.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	Eventhough Rs. 2,390 million was allocated by the annual budget for the Project for the year under review, 12.7 percent of the	It is required to utilize the allocated funds in maximum.	Agreed with the observation. Further, COVID – 19 epidemic situation had	Total loan amount was disbursed by the project as at completion date

allocation was remained
unutilized as at 31
December 2020.

adversely affected of 31.12.2021.
to the demand of
this loan of
scheme.

- (b) Eventhough a sum of Rs.5,315,71 million had been provided by the ADB as at 31 December 2020, only a sum of Rs.3,835.29 million was utilized and Rs.1,4804.16 million was remained in the Central Bank Account as unutilized at the end of the year 2020.
- It is required to utilize the received funds without delay.
- Agreed with the observation. Further, PFIs are liable to pay an interest to the Treasury for the received funds from date of receipt to the Central Bank Account.
- Total loan amount was disbursed by the project as at completion date of 31.12.2021.

5. Education and Vocational Development Sector

5.1 Skills Sector Development Programme

- (i) The Skills Sector Development Programme is implemented for the building of efficient skills education system to meet the local and foreign labour market demand by 2020 and improving quality, relevance, access, recognition for vocational training and supportive policies, systems and structures. The activities of the Programme are implemented under the component of Results Based Lending Mode.
- (ii) The estimated cost of the Project is US\$ 1,061 million equivalent to Rs. 141,524 million and out of that US\$ 200 million equivalent to Rs. 28,708 million and US\$ 100 million equivalent to Rs. 13,100 million were agreed to be financed by Asian Development Bank and International Development Association respectively.

- (iii) The Project had commenced its activities on September 2014 and scheduled to be completed by 30 June 2021. However, the project period had been extended up to 30 June 2022, due to impact of covid -19.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and unqualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	As per the Annual Action Plan, 07 Diploma Courses were expected to be conducted by the Ocean University of Sri Lanka during the year under review and intended to approach 232 students. However, the respective courses could not be commenced, due to erroneous information contained in the paper advertisement published by the University at a cost of Rs. 1.4 million.	Action should be taken to investigate the responsible parties.	Not responded.	
(b)	The process commenced in 2017 to procure training equipment at a cost of Rs. 2.5 million for Motor Cycle and Scooter Repairing Diploma conducted by Technical	According to the Procurement Guide Lines, necessary actions have to be taken to procure the equipment	Order had been cancelled on 09 July 2017, due to non-submission of	Training Equipment had not been purchased

Collages at Dambulla & Rathmalana had not been completed up to 30 April 2019. ensure the expected performance quality of the bond. training.

- (c) National Apprentice and Industrial Training Authority had procured training equipment valued at Rs. 46.6 million for Engineering Technical Institute at Katunayake using procurement method of Shopping Procedure by Regional Procurement Committee instead of using National Competitive Biding Method by Department Procurement Committee contrary to the Supplementary No. 33 dated 15 March 2017 to the Procurement Guide Line 2.14.1 and the Procurement Guide Line 4.4.2 of the Procurement Guide Lines – 2006
- Government Procurement procedures should be adopted to ensure the competitiveness of the bidding process.
- Not responded.
- Necessary action had not been taken to rectify this issue .
- (d) The laboratory equipment procured at a cost of Rs. 7 million in 2015 for the use of students of Diploma Course in Food Technology in University College at Ratmalana had remained idle, due to lack of infrastructure facilities in the
- Immediate action need to be taken to complete the construction work of the lab to enable the students to make use of such Equipment.
- This situation had arisen mainly, due to delays in construction activities of the lab.
- Students following the training courses without obtaining the knowledge

- laboratory building. in that field.
- (e) The surcharge payment to the Project funds Accepted. Not rectified
 Employees Provident Fund and should utilized yet.
 the Employees Trust Fund strongly for the
 amounting Rs. 886,801 had intended purpose.
 been made during the year
 under review by the University
 Collage at Batangala, out of the
 Projects Funds.
- (f) According to the Detailed This activity should Although the This activity
 Activity Plan of the National have been detailed had not
 Youth Services Council, it was implemented using TVET sector been
 expected to assist 100 stipends Programme finance action plan for implemente
 for needy trainees by incurring the period d.
 Rs. 4.8 million annually and a 2014 – 2020
 sum of Rs. 33.6 million had reflects a
 been allocated thereon for the stipend
 period from 2014 to 2020. payment for
 However, no any action had needy
 been taken to implement this trainees,
 Programme even as at 31 Skills Sector
 December 2019. Development
 Programme
 has not
 committed to
 fund stipend
 for needy
 trainees at
 NYSC in the
 Detailed
 Action Plan of
 SSDP for the
 period 2014 –

2020.

- (g) As per the detailed Action plan of the National Youth Services Council, it was intended to develop a policy for charging of course fees. However, even at the end of the year under review, the Council was unable to develop a policy and charged various fees for the same training courses conducted at the training centers of the Council. Action need to be taken to regularize the system. Arrangements are being made to regularize the course fee of full time, part time and short-term courses at NYSC from the second semester of year 2020. Policy had not been introduced regarding changing of courses fees.
- (h) National Apprentice and Industrial Training Authority had agreed to construct the Hawlock Town City office at an estimated cost of Rs. 9.7 million by the Programme funds on December 2016. As it was not shown the expected progress, the Programme office had rejected to provide the funds and subsequently the construction works of the contractor had been suspended on 26 September 2018. As a result, the National Apprentice and Industrial Training Authority had awarded the Action need to be taken against the officers who are responsible for the delay in construction works Various reasons for delay in constructions had been mentioned by the Implementing Agency. The construction had not been completed.

contract to another contractor using local funds.

- (i) According to the Detailed Special attention The The
 Action Plan of Vocational needs to be paid to Management expected
 Training Authority, it was expedite the civil of VTA target of the
 expected to construct 20 works of training agrees with project had
 training centres at an estimated centres which are the audit not been
 cost of Rs. 3,495 million. identified to observations. achieved.
 However, construction works of construct and Although the
 14 training centres had not been modernized. Action plan,
 commenced even at the end of Vocational
 the year under review. Further, Training
 out of 6 training centers Authority of
 commenced the construction Sri Lanka
 works, construction works of 4 scheduled
 training centres had not been Construction
 completed at the end of the year of 20 new
 under review and achieved 30 training
 per cent of the physical progress centers, due to
 at the end of the year under the restricted
 review. In addition, it was fund releases
 expected to modernize 90 by the
 training centres at an estimated General
 cost of Rs. 3,935 million. Treasury
 However, the modernization construction
 activities of 27 training centres of 07 centers
 had only been completed at a were
 cost of Rs. 857 million by commenced.
 achieving the 31 per cent Out of the 07
 progress. centers, 04
 centers are
 completed.
- (j) According to the Detailed Need to take Due to the The

<p>Action Plan of Vocational Training Authority for the years 2014 – 2020, it was expected to train 15,000 students in 20 training centres during the year under review. However, only 586 trainees had been trained within the first half of the year under review.</p>	<p>necessary action to improve training availability developing infrastructure facilities.</p>	<p>restricted fund releases from the General Treasury, construction of new training centers were limited and the progress of rehabilitation and improvement of centers were delayed.</p>	<p>expected target of the project had not been achieved.</p>
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| <p>(k) According to the information received, the targets of 18 activities, out of the 51 activities under 9 Disbursement link Indicators to be Implemented under the proceeds of Loan of the Asian Development Bank had not been achieved as at the year under review.</p> | <p>The management should take necessary action to achieve the targets on rest of the activities of DLIs under the Loan Agreements of ADB.</p> | <p>As per ADB loan agreement, target achievement completion of all disbursement link indicators is 30th June 2021. There had been delays mainly due closure and partial operation of</p> | <p>The expected target of the project had not been achieved.</p> |
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training centers and the industry due to Covid-19 pandemic situation

- (l) According to the loan agreement No. 3650 and No. 3651 of the Asian Development Bank US\$ 100 million were targeted to be disbursed by end of the year under review. However, the total US\$ 36 million had not been disbursed. As it was shown the inefficiency in utilization of funds, the management should take necessary action to achieve the targets of the project. As per ADB loan agreements referred, total disbursement of US\$ 100 Mn to be completed by 31st December 2021. The expected target of the project had not been achieved.
- (m) Two projects which had cost Rs. 84 million under the Skills Sector Development Fund of the National Youth Services Council had been suspended from August 2018, due to delay in completion by the contractor. Immediate action had to be taken to complete the construction work. Actions were taken to terminate the contracts of renovation work of Dambulla training center and improvement of Trincomalee. At present these two contracts have not been awarded to another contractor for construction and the contractor has not taken any action to backlist.

- (n) According to the progress report, the improvement work of 4 training centers of the National Apprenticeship and Training Authority was scheduled to be completed by November 2019. However, the improvement work had not commenced by the end of the year under review. The project proposal had not been approved by the National Planning Department.
- Special attention needs to be paid to expedite the civil works of training centres which are identified to construct and modernized.
- Not commented.
- The expected target of the project had not been achieved.
- (o) Eventhough the Cabinet approval for the constructions of new building in Rathmalana had been granted on 5 August 2014 the construction works was not commenced during the year under review. The delay period was over 5 years and cost of construction was Rs. 200 million. The programme was scheduled for completion in August in 2019, the physical progress of the project was 60 per cent only as at 31 December 2020.
- Cabinet Management attention need to be drawn to expedite the construction works.
- Construction of the VTA Ratmalana building is progressing slowly under bio bubble concept, but the physical progress is 95% of the scope of work. Balance work will be completed in October 2021.
- The construction had not been completed.
- (p) According to the annual action plan of the National Youth
- Attention had to be drawn to achieve
- Training centers were
- The expected

Services Council, a sum of the expected made aware target of the Rs. 1 million had been allocated outcome. and instructed project had to promote flexible delivery to to start the not been enable multiple entry and exit courses and achieved. for students seeking occupation the training programs specific skills and industry requirements, However non of were not successful due the activities were carried out to the non-participation as per progress report. of the students as per the prevailing covid-19 pandemic.

(q) According to the annual action Immediate action Monaragala The plan of the National Youth have to be taken to Horowpathan expected Services Council, a sum of Rs. 4 commence the a target of the million had been allocated to respective courses. Orubandiwew project had identify additional physical a and Ulapane not been resources and teams for five Training achieved. training courses at four training Center - The equipment centers in the North Central and could not be Uva Provinces. However, the procured due to the construction physical resources and teams could not be identified during the year under review. work.

(r) The student hostel constructed More attention have Construction The by the Ceylon German to be drawn on of the Student construction Technical Training Institute on continuous Hostel had not

an estimated contract value of supervision of the Building is been Rs. 757 million and under the work assigned to progressing completed. provisions of the Skills Sector the constructor. under bio-bubble Programme was scheduled to be completed on 30th October concept and 2020, its physical progress was the physical progress is 65 percent at the end of the year 70% at under review. present.

- (s) Quality Improvement Systems Management Due to the The (QIS) were introduced in 2017 should take shortage in expected to further improve the quality necessary action to staff, the target of the management system. Ceylon achieve expected training project had German Technical Training targets. providers are not been Institute had not taken action to occupied full achieved. install the systems and obtain time to train the internal quality certification until end of the year under review. students.
- Quality Improvement System is a long term concept, which should be introduced gradually.
- (t) Although Rs. 69.43 million had The management Initially it was The been allocated for employee should take planned to expected linked training programs necessary action to award 2000 target of the

(ELTP) during in the year under review, no training agreements had been signed for the year 2020. Contracts had not been awarded to recruit 2000 additional trainees as targeted.

achieve the targets of the programme.

contracts during the year 2020. project had not been achieved.

Procurement process initiated. But, with the effect of COVID-19 pandemic, country was locked down for over 3 months.

- (u) Although Rs. 13,889 million has been allocated during the year under review for flexible training programs with a view to improving the skills of the staff working in the industrial establishments and reducing the skill gap of the certified. However Out of which only Rs. 0.0195 million had been spent and also failed to achieve the target of at least 2000 additional workers participated in skills upgrading flexible training programs in industrial sector.

Attention have to be drawn to achieve the expected outcome

Main reasons for lagging behind targets are the negative impact on the industry and the closure of the training providers (public and private) due to Covid-19 pandemic.

The expected target of the project had not been achieved.

5.2 Demonstrating Innovative Approaches for Private Sector and Women’s Empowerment in TVET Sector in Sri Lanka

- (i) The Demonstrating Innovative Approaches for Private Sector and Women’s Empowerment in TVET Sector in Sri Lanka is implemented for the increase female labor force participation and women’s economic empowerment through TVET.
- (ii) The estimated cost of the Project is US\$ 03 million equivalent to Rs.534 million and were agreed to be financed by the Japan Fund for Poverty Reduction (JFPR) as a Grant.
- (iii) The Project had commenced its activities on 03 August 2018 and scheduled to be completed by 31 March 2021. However, the project period had been extended up to 30 June 2022, Due to impact of the covid-19.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a) According to the detail action plan of the Programme, it was expected to implement 19 activities under 04 expected outputs from this Programme at an estimated cost of US\$ 462,060 during the period under review. However, only 07 activities had been	Immediate action should be taken to implement expected activities of Programme since more than half of the Programme period had already been completed.	The ministry will initiating action plan to cover all the activities before completing the project period.	The intended objectives of the project had not been achieved.

implemented and a sum of US\$ 31,823 had been incurred thereon at the end of the year.

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| (b) | Eventhough the main objective of this Programme is Empowerment of Women in Tertiary and Vocational Education Training sector in Sri Lanka. 226 training programmes were conducted at 84 training centres with the participation of 6,524 trainees during the period under review for the purpose of the achieving the objective of the Programme. Only 1,543 women representing 24 percent of total participants had been attended to those training programmes. Further, it was observed that out of 226 programmes conducted, 110 training programmes were conducted without a participation of single woman. | Programme Monitoring Unit should keep close supervision and coordination with the consultants to achieve expected outcome of the Programme | Noted | The intended objectives of the project had not been achieved. |
| (c) | As per the Inception report of the program dated 9th April 2019, the project activities were initially planned to be implemented in 5 provinces namely Western, Northern, | Management should take necessary action to achieve expected target. | The poverty pocket survey was conducted in Western Province during the period of | The intended objectives of the project had not been achieved. |

North Western, Uva and Sabaragamuwa. However, training programs had conducted only North Western and Northern Provinces during the year.

June to July 2020.

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| (d) | According to the detailed action plan of Programme for the years 2018-2020, it was expected to implement 110 sub targeted activities under the 24 major targeted tasks under this programme. However, 48 sub-targets under 17 major targets had not been reached as expected. | Management should take necessary action to achieve expected target. | Some unavoidable circumstances prevailed in the country badly effected implementation of the programme. | The expected target of the project had not been achieved. |
| (e) | As per the progress report of the program, the budgeted allocations for 23 components were US\$ 2,253,620 and only US\$ 74,542 had been spent by end of the year under review. | Management should take necessary action to achieve expected targets. | Some unavoidable circumstances prevailed in the country badly effected implementation of the programme. | The expected objectives of the project had not been achieved. |
| (f) | The Institute of Plan International had invited bids for the assessment of the preparation of Operational Plan for Strategy | Necessary actions to be taken of adopt the procurement guidelines. | ISB has been selected after following a competitive bidding | Necessary action had not been taken to follow the procurement |

Development and Facilitation in the Industrial Skills Division for which selected Industrial service Bureau who was the 4th lowest bidding as Rs.3,079,125. A difference of Rs.967,125 was observed between the lowest bidding institution and the selected institution. Although it was stated that the selection of the Industrial Services Bureau was mainly based on technical capacity, consultant profile and budget. However, relevant information had not been submitted for Audit regarding the postgraduate and other qualifications to be hold by the advisors of the selected institution as per the terms of reference.

procurement guidelines. process and through an interview process and technical committee evaluation. Related documents have submitted.

5.3 General Education Modernization Project

- (i) The General Education Modernization Project is implemented for the enhance quality and strengthen stewardship of the general education system. The activities of the Project are implemented under 02 components namely, enhancing quality and strengthening stewardship of primary and secondary education, programme operation and technical support.

- (ii) The estimated cost of the Project is US\$ 2,900 million equivalent to Rs. 449,645 million and out of that US\$ 100 million equivalent to Rs.15,505 million was agreed to be financed by International Development Association.
- (iii) The Project had commenced its activities on 30 August 2018 and scheduled to be completed by 30 June 2024.
- (iv) The Auditor General had given unqualified audit opinion for the financial statements submitted for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
(a)	Eventhough procurement activities valued at Rs. 144.12 million had been planned for the General Education Modernization Project (GEM Project) in the year 2019, only 2 procurements valued at Rs. 0.71 million had been made by the end of the year.	19 Necessary actions should be taken by completing the task expected to be completed during the year within the specified time periods as planned and to achieve the desired physical progress and productivity.	Relevant officers have been made aware.	Poor physical performance is remained.

- (b) According to the section 52 of Project Appraisal Document, the independent Evaluation Report on the acquisition on indicators of the project should be submitted to the world bank before 28 February for value ant years. However, non-appointment of a third party validation institution for the year 2020 up to 9 July 2021, the Independent Assessment Report on the Acquisition of Indicators had not been submitted to the World Bank.
- Actions should be taken to implement the project activities.
- Third-party validation reports (TPV) for 2020 had not been prepared, due to the school closure with the COVID-19.
- Third-party validation reports had not been prepared.
- (c) Eventhough a sum of Rs. 617.36 million had been released to the Provincial Educational Departments for the year 2020 to prevent spreading Covid 19 under component I and II, According to the Letter No. HD/21/05/05-01 of 29 May 2020 of the Ministry of Education. The physical and financial progress reports had not been submitted by the respective Departments to
- Action should be taken to comply with the Ministry Guideline.
- All the Provincial Departments of Education were advised to submit those reports. Due to current situation such reports have not been received as expected.
- Not yet submitted those report to Audit

the Ministry. Therefore, the fund used for the relevant activities could not be verified in audit.

- (d) According to the Section 07 of the Project Operational Manual, Management Audit Circular No. 02/2016 of 10 June 2016 and Financial Regulation 133, the Internal Audit of the project had not been carried out. Action should be taken to conduct an internal audit. If there is a delay in conducting the internal audit of the Ministry of Education, it can be rectified by discussing with the relevant branch. An Internal Audit had not been carried out
- (e) Although the Health and Nutrition Branch had planned to purchase and provide face masks for 10,175 schools island wide with a provision of Rs.335 million, only Rs.71.2 million had been spent for that purpose. Although its financial progress was 21 percent, physical progress reports had not been submitted to the audit Action should be taken to achieve the purpose. School-based Physical grants have been provided for all schools as per the imprest received for the MoE. In this context, the School Health and Nutrition Branch with the approval of the Secretary, MoE, provided grants for all the government schools as an outright grants. Physical progress report not submitted to the Audit

- (f) Although a sum Rs.10 million had been given to the National Institute of Education for Curriculum Development. However, no evidence was presented to the audit to verify achievement of the project objectives.
- Action should be taken to obtain evidence of utilized funds.
- The National Institute of Education has informed us that, they used this Rs. 10.0 million for the curriculum development process.
- No evidence was presented to the audit up to now.

5.4 Accelerating Higher Education Expansion and Development Operation Project (Project Component)

- (i) The Accelerating Higher Education Expansion and Development Operation Project (Project Component) is implemented to increase enrolment in the State Universities, Sri Lanka Institute of Advanced Technological Education, Advanced Technological Institute and Non – State Higher Education Institutions in the priority disciplines (Science, Technology, Engineering, Medicine), improve the quality of degree programs and promote research and innovation in the higher education sector.
- (ii) The estimated cost of the Project is US\$ 100 million equivalent to Rs. 18,136 million was agreed to be financed by International Development Association.
- (iii) The Project had commenced its activities on 01 March 2018 and scheduled to be completed by 30 June 2023.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
Differences were observed between the balances shown in the Financial Statement of the AHEAD Operations and Monitoring Support Team (OMST) and the records of the AHEAD – Operations Technical Secretariat (OTS) and the Financial Statement of the University.	Actual expenditure needs to be reported.	There are several reasons for these differences: The Project cannot exceed the approved annual budgetary allocation when accounting expenditure. Therefore, the OMST is unable to account the total expenditure reported by the OTSs due to the insufficient budgetary allocations for the year.	Still not implement the mechanism to record the actual expenditure.

5.5 Science and Technology Human Resource Development Project

- (i) The Science and Technology Human Resource Development Project is implemented to improve access facilities to employment- oriented technology degree programs in higher education system of the country.
- (ii) The estimated cost of the Project is US\$ 165 million equivalent to Rs.30,051 million and out of that US\$ 145 million equivalent to Rs.26,409 million was agreed to be financed by Asian Development Bank.

- (iii) The Project had commenced its activities on 17 April 2018 and scheduled to be completed by 31 December 2023.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018,2019 and 2020 regarding the project and the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of Auditor General	Preventive measures taken by the Project	Present situation
<p>(a) According to the information made available, it was observed that the physical and financial progress of the project remained behind the project as at 31 December 2020, due to the delays in commencement civil works. Further, it was revealed that the procurement process on selection of available contracts to construct to four facility buildings at an estimated value of US\$ 66.14 million for Rajarata, Sabragamuwa, Kelaniya and Sri Jayawardanapura commenced on January 2017 and take more than 3 years to select and award</p>	<p>Prompt action need to be taken to catch up the delayed activities</p>	<p>According to the Management response four construction, procurement of civil works of four faculty building were started at the end of the year 2018, due to delays of staffing of the project.</p>	<p>Civil work on Kelaniya, Sri Jayewardenepura, and Sabaragamuwa universities had been commenced during the latter part of the year 2020. Contract works on Rajarata had been awarded on 17 September 2021.</p>

the contracts. Further it was revealed that the construction works at Rajarata University had not been started as at 31 December 2020.

- (b) It was observed that out of the proceed of the Loan amount of US\$ 145 million, only US\$ 9.86 million representing 6.8 per cent had been utilized as at 31 December 2020 even after laps of 03 years form the commencement of the Project. Further, according to the revised financial targets stipulated in the Project Administration Manual, it was expected to utilize US\$ 18.59 million equivalent to Rs.3,457.74 million at the end of the year under review. However, only US\$ 8.7 million equivalent to Rs. 1,672.6 million representing 48 per cent of the respective targets had been achieved as at 31 December 2020. In addition, out of Rs.750.36
- Action should be taken to achieve the objectives of the project during the project period.
- It is admitted that according to the revised disbursement plan of the ADB, the expected disbursement was US\$ 18.59 Mn. However, due to unavoidable circumstances related to the civil works procurement process we could award only three contracts.
- Project target had not been achieved.

million made in the target disbursement, Rs.99.5 million had only been utilized as at 31 December 2020, due to delay in awarding of contract for the civil works.

6. Agriculture Sector

6.1 Smallholder Agribusiness Partnerships Programme

- (i) The Smallholder Agribusiness Partnerships Programme is implemented for the sustainable increase the income and quality of diet of 57,000 smallholder households involved in commercially oriented production and marketing system.
- (ii) The estimated cost of the Project is US\$ 105.03 million equivalent to Rs.17,170 million and out of that US\$ 54.4 million equivalent to Rs.8,892 million was agreed to be financed by International Fund for Agriculture Development.
- (iii) The Project had commenced its activities on 26 June 2017 and scheduled to be completed by 30 June 2023.
- (iv) The Auditor General had given qualified audit opinions for the year 2018,209 and 2020 for the financial statements submitted for the project. However the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
(a)	It was targeted to provide sub-loans to 45,000 beneficiaries, including smallholder out growers during 18 months period from 01 July 2017 to 31 December 2018. According to the progress report, 13,887 beneficiaries had been identified as at 31 December 2018. Out of that only 2,119 beneficiaries had been registered at the Central Bank of Sri Lanka and granted sub loans amounting to Rs. 320.13 million to 1,715 beneficiaries as at that date.	Need to take action to popularize the activities of the Project as enable to achieve the target.	Actions have been taken to make aware the business community and the Public officers (GAs) to receive business proposals by conducting Stakeholder meetings.	Project target had not been achieved
(b)	The out growers in Gall district use traditional methods on preparation and maintenance of tea nurseries, due to lack of necessary trainings, infrastructure facilities, technical knowledge and other assistance to the smallholder tea cultivators.	The close supervision is needed on the activities implemented by the promoter Company/Banks.	The preventive action had not been taken.	The project is a credit only 4P and facilitated 441 no. of farmers. By now all the loans issued by SAPP have been fully recovered and completed the project.

- (c) According to the Budget Estimate for the year 2019, the allocation amounting to Rs. 2,044.2 million had been made under the Secretary to the President to implement the activities of the Programme and an estimate amounting to Rs. 2,600 million had been made thereon in the revised Annual Budget of the Programme. However, the Programme had Utilized only a sum of Rs. 1,654.25 million representing 63 per cent as at 31 December 2019.
- Action should be taken to monitor the Programme activities in order to achieve the objectives of the Programme within the programme period.
- Actions had not been taken to monitor the Programme activities.
- Overall targets had not been achieved.
- (d) The number of targeted beneficiaries under the grant disbursement for the year 2019 was 5,500. However, actual grant disbursed during the year was only 4,502 beneficiaries. It was further observed that under the backyard poultry farming project, expected beneficiaries was 500 and disbursement was made only for 94 beneficiaries. Further, total targeted beneficiaries for cinnamon cultivation was 140 whereas only 40 beneficiaries were distributed grants.
- Action should be taken to monitor the Programme activities in order to achieve the objectives of the Programme within the programme period.
- Appointed three Regional Programme Coordinators (RPC) and assign regions.
- Whole targets had not been achieved.

- (e) Eventhough there were fifteen Public-Private-Producer Partnership Agreements were signed by covering 15,223 beneficiaries as at 31 December 2019 under the Credit Component, the Programme had targeted 7,499 beneficiaries to disburse the loan up to 31 December 2019 and out of those 6,091 beneficiaries were registered at the Central Bank of Sri Lanka and Granted the loans amounting to Rs. 1,037 million to the 5,219 beneficiaries only.
- Action should be taken to monitor the Programme activities in order to achieve the objectives of the Programme within the programme period.
- Introduce bulk loan facility to expedite the disbursement of credits by Private Financial Institutions to farmers.
- Overall targets had not been achieved.
- (f) Disbursement plan had been designed from December 2018 to December 2019 relating to the Back Yard Poultry Project. The agreement had been signed on 04 January 2019 and 26 February 2019.
- Prompt action need to be taken to sign the agreements on time based on the disbursement plan.
- Any preventive action had not been taken.
- Project is being implemented.
- (g) As per the Agreement for Diary Project, the project duration was two years. It was observed that even though one year period lapsed no any farmer had been registered under this project until 31 Dec. 2019. According to the disbursement plan of provide grant items to the beneficiaries
- Prompt action need to be taken to minimize the delay.
- Any preventive action had not been taken.
- Project is being implemented.

by December 2018, January 2019 and February 2019 respectively. However, any parties of the programme could not be able to achieve the time target per the disbursement plan.

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| (h) | According to the Agreement relating to Cinnamon Cultivation, the promoter shall act as guarantor for the repayment of the loans. It was observed that some of the beneficiaries had defaulted and therefore the releasing of balance loan amount had been stopped by the promoter bank. Further, processing center required to be established by the promoter company as per the Section 2 (a) (ii) of the above agreement; however none of the processing had been established relating to the society as at 31 December 2019. | Follow up actions should be taken. | Relevant follow up actions had not been taken. | Issues are still remaining unchanged. |
| (i) | Eventhough 500 beneficiaries had been identified under the Tea Infilling Project as at 10 October 2019, only 119 beneficiaries had been registered at the Central Bank of Sri Lanka and 31 tea cultivators had been | Prompt action need to be taken to achieve the targets as per the agreements. | The preventing actions had not been taken. | Targets had not been achieved as per the agreement. |

granted loans at the end of the year.

- (j) According to the Section 2 (d) and Schedule 03 of the Agreement entered in to between Secretary to the President, Dasini Dehydration Center and Bank of Ceylon, the first phase of the disbursement plan had set to provide grant and credit facilities on November 2018 for 250 beneficiaries and balance on May 2019 for 250 beneficiaries. However, a sum of Rs. 9.33 million for 97 beneficiaries had only been granted credit facilities as at 31 December 2019.
- Prompt action need to be taken to achieve the targets as per agreements.
- There had not been taken any actions to achieve the targets as per agreements.
- Revised No. of farmers as 120 Credits issued only for 91 farmers by BOC and Grants have been issued to 116 no. of farmers.
- (k) As per the paragraph 3 (k) of the Agreement entered into between Secretary to the President, Dasini Dehydration Center and Bank of Ceylon in respect of Moringa Cultivation, the promoter should be submitted monthly progress report to the PMU, However, no any progress report had been submitted by the promoter until the date of audit on 28 October 2019.
- Follow up actions should be taken to submit monthly progress report by the promoters within the time frame.
- Follow up actions had not been taken.
- Monthly progress reports are still not being received within the time frame.

- (l) Out of 14,830 number of auto monitoring books printed from State Printing Corporation at a cost of Rs. 1.36 million, only 4,547 books had been distributed to the beneficiaries and balance 10,283 of books were remained in the stores premises of the Project Monitoring Unit even up to 24 March 2020 without distributing to the Galoya Plantation Company Ltd. Had not been distributed to the beneficiaries even up to 24 May 2020.
- Follow up actions should be taken to on distribution of printed auto monitoring books to the beneficiaries within the time frame.
- 1st Print has been distributed fully.
- Out of 6,000 Sinhala Books and 2,495 Tamil Books of the 2nd print, 2,875 Sinhala Books and 2,333 Tamil Books are available.
- (m) Project had entered into 25 4P agreements to provide benefits to 21,823 beneficiaries and a sum of Rs. 1,778 million had been allocated at the end of 2020. However, the Project had provided benefits to 13,871 beneficiaries only by using allocation of Rs.340 million representing 63 per cent of expected beneficiaries and 19 percent of the allocated fund.
- Project Management Unit (PMU) should acquire both physical and financial progress simultaneously.
- Action had not been taken.
- Targets had not been achieved as per the project objectives.
- (n) The Project had allocated Rs.74 million from GOSL fund as a credit under the Component 02 -
- The project activities should be properly
- Actions had not been taken.
- Government of Sri Lanka (GOSL)

“Access to Rural Financial” for monitored and counterpart the year under review. The accelerated. funds for the purpose of this component is to credit have facilitate access to rural financial now been services in a sustainable manner started to and at affordable rates for the beneficiaries. However, any amount had not been used for the credit during the year under review as budgeted. utilize.

- (o) The Project office was relocated on 22 May 2020 from a rented building in Rajagiriya to another rented building. Due to the termination of the lease agreement of the old building, the Project had to write off a refundable deposit of Rs. 3.2 million. Also, due to the relocation of the office, parts of the office building worth Rs. 6.8 million which are no longer required for the Project were handed over to the Sri Lanka Army. The impact of this event on the project was contrary to the objectives of the Project.
- Decisions must be taken to minimize losses and damage to the Project.
- Preventive actions had not been taken.
- The issue remains unresolved.

6.2 Climate Smart Irrigated Agriculture Project

- (i) The Climate Smart Irrigated Agriculture Project is implemented for the improve the productivity and climate resilience of small holder agriculture in selected hotspots area.
- (ii) The estimated cost of the Project is US\$ 140 million equivalent to Rs. 25,200 million and out of that US\$ 125 million equivalent to Rs. 22,500 million was agreed to be financed by International Development Association.
- (iii) The Project had commenced its activities on 07 May 2019 and scheduled to be completed by 30 June 2024.
- (iv) The Auditor General had given qualified audit opinion for the year 2019 and unqualified audit opinion for the year 2020 for the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
(a)	Actions had been taken to deploy 40 officers of the Line Ministry and relevant Provincial Councils on part time basis and 06 employees on the basis of daily payment for the purpose of covering up duties of the aforesaid staff and a sum of Rs. 8 million had	(a).Monthly task schedule should be given to part time staff at the beginning of the month by the project director/ Deputy project Directors (b).Details of actual work done should be	Any preventive actions had not been taken.	Action had not been still taken to fill the vacancies as per the approved cadre.

been paid as remuneration up to 31 December 2019, even though approval of the Department of Management Services had been received on 12 September 2018 and 18 March 2019 to recruit the permanent staff of the Project.

obtained from the part time staff by the respective supervising officers

(c).Attendance for part time officers should be maintained by the PMU

(d).Monthly allowances should be calculated based on part time officer's actual working hours of each month in terms of the circular dated 18 September 2019 No MOA/CSIAP/PMU/Admin Issued by the Deputy Project Director (PMU)

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| (b) | As per action plan, although it was expected to spend Rs.520.5 million under 3 component during the year under review, the allocation of Rs. 440 million had only been made in the budget estimate by the General Treasury. However, actual expenditure of the Project was Rs. 256.5 million representing 58 per cent, out of the allocated | Action should be taken to utilized the funds according to the Action Plan | Any preventive actions had not been taken. | Action had not been taken to increase the overall financial progress of the project. |
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amount of Rs.440 million made by the General Treasury.

- (c) An action had not been taken to fill 26 vacancies at Project Management Unit and Deputy Project Directors office in approved cadre as at the year under review whilst 43 employees out of present staff were recruited on part time basis. Vacancies should be filled without further delay for smooth operations of the project. Any preventive actions had not been taken. Still vacancies prevail.
- (d) Although it was required to establish and maintain Management Information System (MIS) as per this Section enabling timely review and appraise, no such System had been established by the Project even as at 30 June 2021. Management Information System should be established without delay. Action had not been taken to establish the Management Information System. The Management Information System has not been established yet.
- (e) A sum of Rs.24 million had been paid to 54 Government and Semi-government officers who were recruited on a part-time basis without maintaining an attendance register to record their attendance and without proper assessment of the time worked in the Project as well as assessment of contribution. Proper system should be maintained to record attendance. Attendance register has not been maintained for part time officers. Project had not been taken action to establish a

proper system
for record
attendance.

6.3 Smallholder Tea and Rubber Revitalization Project

- (i) The Smallholder Tea and Rubber Revitalization Project is implemented for the develop more productive, profitable and resilient economic activities of tea and rubber smallholders in the Project area.
- (ii) The estimated cost of the Project is US\$ 65.4 million equivalent to Rs.8,502 million and out of that US\$ 26 million equivalent to Rs.3,349 million was agreed to be finance by the International Fund for Agricultural Development.
- (iii) The Project had commenced its activities on 15 August 2016 and scheduled to be completed by 23 April 2021. However, activities of the Project had been extended up to 30 June 2023.
- (iv) The Auditor General had given unqualified audit opinions for the year 2018 and qualified audit opinion for the year 2019 and unqualified audit opinion for the year 2020 for the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
(a) The project had planned to rehabilitate and replant 5,500 hectares of tea lands in 06 selected districts from 2016 to 2022. However, the project had not been commenced its operations in 2016 as planned.	The activities of the plan should be carried out as scheduled.	This was due to the introduction of CO3 grass cultivation in the field instead of 18 month cultivation,	It is expected to replant tea in 2,580 hectares of land during the seasons of 2022 and the Yala

Therefore, only 2,102 hectares had been rehabilitated and replanted as at 31 December 2020. Accordingly, the project had decided to revise the target of rehabilitating and replanting tea lands to 4,500 hectares. Therefore, at least 650 hectares of tea lands per annum should have to be rehabilitated and 75 per cent of the total tea lands had to be rehabilitated and replanted within 5 years of the commencement of the project, but only 46 per cent had been achieved.

reducing the soil conservation period of tea cultivation to 12 months. season of 2023.

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| <p>(b) Although 5 years have passed since the commencement of the Project, allocation of Rs.4.6 million had been made for the year 2020 to established a Web Based Management Information System. However, it had not been established. As a result, the Project was unable to coordinate existing district office and to maintain the required management information system.</p> | <p>Management Information System should be stabilised.</p> | <p>The activities of the Web Based Management Information System has completed now. The data entry to the Information System is initiated.</p> |
| <p>(c) Although Rs. 4.6 million had been allocated for consultancy</p> | <p>Project Outcome Surveys should be</p> | <p>The survey was delayed, due to based on the</p> |

to conduct a survey on project implemented to the COVID 19 results of the outcome in 2020, it had not evaluate project epidemic and its project was been implemented. outcomes. final report has submitted to the been submitted to Validation Mission the project. held on 13-17 December 2021 and its decisions and recommendations were submitted to the National Steering Committee.

6.4 Agriculture Sector Modernization Project Part-01

- (i) The Agriculture Sector Modernization Project Part-01 is implemented for the support to increase agriculture productivity, improve market access and enhance the value addition of smallholder farmers and agribusinesses in the Northern, Eastern, North-Central, Central, and Uva Provinces.
- (ii) The activities of the Project are implemented under 03 components namely Investment preparation support, Matching grants to farmer producer organizations and agribusinesses and Partial credit guarantee.
- (iii) The estimated cost of the Project is US\$ 107 million equivalent to Rs. 15,612 million and out of that US\$ 63 million equivalent to Rs. 9,176 million was agreed to be financed by the International Development Association.
- (iv) The Project had commenced its activities on 23 January 2017 and scheduled to be completed by 23 January 2022. However, the Project period had been extended up to 30 June 2023.

- (v) The Auditor General had given qualified audit opinion for the year 2018, 2019 and 2020 for the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
(a) Eventhough the project had approved a sum of Rs. 1,184.7 million as matching grants to 65 proponent companies up to 31 December 2020. The matching grants has not been released even after lapse of period 6 to 30 months from the dates of approval.	Action should be taken to monitor the Project activities in order to achieve the objectives of the Project.	The delay is mainly due to the following reasons; Not ready to start the project, legal documents are not submitted on time, due to Covid, delay in obtaining approvals at the time of implementing projects and delays of submitting proposals	The Project had released a sum of Rs.4,639.7 million as matching grants to 310 proponent companies up to now.
(b) Although the second grant amounting to Rs. 144 million had not been released up to 31 December 2020 from approval grants of 341 million. It has been 5 to 15 months since the first installments was issued due to incomplete	Close supervision is needed on the activities implemented by the Proponent Companies.	Both parties work towards eliminating undue delays and expediting the Tranches within the stipulated parameters.	A sum of Rs. 2,853.7 million had been released to 144 proponent companies as second tranch up to now.

works.

- (c) Approved grants amounting to Rs. 4,830 million had been given in 2017, 2018 and 2019 for 232 investors over a period of two three years. but only investors amounting to Rs. 57.83 million had been completed their investment by the end of the year 2020.`
- The close supervision is needed on the activities implemented by the Proponent Companies.
- Both parties work towards eliminating the undue delays and expediting the Tranches within the stipulated parameters.
- A sum of Rs. 14.7 million had been released to 36 proponent companies as third tranche up to now.
- (d) The matching grant programme is expected to support approximately 350 former producer organization in 7 priority districts of Jaffna, Mullaitive, Anuradapura, Batticaloa, Monaragala, Matala and Polannaruwa which are characterized by high poverty head counts. However, the project had selected 15 other districts including Colombo, Gampaha, Kalutara, Kurunagala to
- The close supervision is needed on the activities implemented by the Proponent Companies.
- Project took all possible steps to make investors aware on the grant scheme in these identified districts by organizing large scale awareness programs.
- Due to low response from poverty stricken districts, PMU had to consider investment proposals from other districts which had more feasible projects with high investments.

grant the matching grants. From the total grants 86.6 percent were allocated for these 15 other districts mentioned above.

- (e) According to the paragraph 8(b) vi of the annex 2 of the Project Appraisal Document, investment proposal and matching grants would be implemented over a period of not more than two to three years, However, out of the approved matching grants for 232 proponent companies valued Rs. 4,829.79 million in the year 2017, 2018 and 2019 only 4 proponents valued Rs.57.83 million had been completed the investment activities at the end of the year 2020. When it was taken as a percentage valued of approved matching grant it was 1.19 per cent. In addition to that only 4 proponents had been received their third
- Close supervision is needed on the activities implemented by the Proponent Companies.
- The PAD is only a guideline to disburse the Grants on a very positive environment but practically the scenarios change and the delays are inevitable.
- 36 Proponent companies had been completed their investment activities.

tranch.

- (f) The matching grants Rs. 71.58 million had been released in year 2017 and 2018 to 09 companies that are abandon their project activities and refunded only Rs. 1.35 million as at the end of the year under review. As mention in my report for the previous year the legal action had not been taken against the company by the Project to recover the balance of Rs. 70.23 million end of the year under review.
- Prompt action needed to rectify the situation and Early action should be taken according to the matching grant agreement.
- They aware of only 3 projects being abandoned and already legal action has been taken to recover the Grants paid.
- Action had not been taken to recover the amount of grant.
- (g) In contrary to the objectives of the project action had been taken establish 5000 Export Villages and it had been commenced on 17 June 2019 at Dehiyathakandiya incurring a cost of Rs 4.24 million on commencement
- Need to adhere with objective of the project and take necessary action to minimize the operational cost of the project.
- Establishing the Export Villages was a programme done by the Ministry of Social Empowerment and Export Agriculture
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programme activities. Eventhough the project objective is to give added value to the agricultural products. An uneconomic expenditure of Rs. 3.4 million had been incurred to purchase of goats and distributed among farmers.

- (h) It was observed that the Action should be the auditor's view on Action had not been allocation amounting to taken to get the Partial Credit taken to implement US\$ 7.12 million to support to implement Guarantee is factual this loan scheme carry activities under the this loan scheme and accepted. through private component of partial through Private banks. credit Gurantee of the Bank. project had not been utilized up to 31 December 2020.

6.5 Agriculture Sector Modernization Project Part-02

- (i) The Agriculture Sector Modernization Project Part-02 is implemented for the support to increase agriculture productivity, improve market access and enhance value addition of smallholder farmers and agribusinesses in Jaffana, Mullativu, Anuradhapura, Batticaloa, Monaragala, Matale and Polonnaruwa districts. Further, the activities for the support for smallholder farmers to produce competitive and marketable commodities, improve their abilities to respond to market requirements and move towards commercialization are expected to be carried out under the Agriculture Sector Modernization Project – Part 02.

- (ii) The estimated cost of the Project is US\$ 65 million equivalent to Rs. 9,176 million agreed to be provided by the International Development Association.
- (iii) The Project had commenced its activities on 01 January 2017 and scheduled to be completed by 31 December 2021. However, the Project period had been extended up to 30 June 2023.
- (iv) The Auditor General had given qualified audit opinions for the year 2018 and unqualified audit opinion for the year 2019 and 2020 for the financial statements submitted for the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
(a) The core activities of the project are to establish the Modern Agriculture Technology Parkes in Jaffna, Batticaloa, Anuradapura, and Matale district with the assistance of the internationally recognized Agriculture Technology Service Provider. However, contract for design, establish, operate, manage and transfer agriculture technology demonstration	Need to maintain proper coordination with international service provider and prompt action need to be taken to catch up delayed activities.	observation of the Auditor General is admitted. The delay in selecting International Service Provider was delayed due to the very lengthy procurement procedure should have been adopted.	The contract for design, establish, operate, manage and transfer 07 agriculture technology demonstration parks was awarded to international service provider at an estimated cost of US\$ 4.35 million on 16 October

parks was awarded to an International Service Provider at an estimated cost at US\$ 4.35 million on 16 October 2019 with delays over 33 months and expected to be completed by 30 November 2021. However, none of the parks had been established as at 31 December 2021. As a result, all the activities of the project had delayed.

2019.

7. Health Sector

7.1 Covid 19 Emergency Response and Health Systems Preparedness

- (i) The Covid 19 Emergency Response and Health Systems Preparedness is implemented to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness in Sri Lanka.
- (ii) The estimated cost of the Project is US\$ 128.6 million equivalent to Rs.25,655 million and out of that US\$ 93.6 million equivalent to Rs.18,673.2 million was agreed to be financed by International Development Association and balance amount of US\$ 35 million equivalent to Rs.6,982.5 million was agreed to be financed by International Bank For Reconstruction And Development.
- (iii) The Project had commenced its activities on 02 April 2020 and scheduled to be completed by 31 December 2023.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2020 regarding the project and the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
(a) Estimated cost for the medical supplies agreed to be supplied by UNICEF amounting to Rs. 5,550 million had been accounted as an actual expenditure without being ascertained the actual cost. Further, the evidence for the confirmation of receipts and issue of these medical supplies were not made available for audit.	The cost should be accounted by confirming receipt of the goods and it is required to submit written evidences to the audit confirming these costs.	Agreed with the observation.	written evidence were not submitted to the audit confirming up to 31 March 2022.
(b) Acknowledgements had not been obtained from the relevant payee for the payments made on 33 occasions during the period under review and acknowledgements had not been obtained for retention money and government revenue had been remitted to 7 hospitals on 56 occasions during the period under review the value of Rs. 42.40 million.	It is required to submit written evidences to the audit confirming these costs.	Agreed with the observation.	written evidence were not submitted to the audit

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| (c) | The value of the equipment purchased by the Sri Lanka Army amounting to Rs. 188.74 million had been accounted as an expense for the period under review irrespective of the remaining stock as at 31 December 2020. | Expenditure related to the period should be clearly identified and accounted. | These remaining items will be used in future to provide smooth function in the Quarantine Centers and Intermediate Care Centers. | written evidence were not submitted to the audit. |
| (d) | The Project had purchased 805 motorcycles at a cost of Rs.239 million and issued to the Public Health Inspectors. However, it had not been confirmed that a written agreement had been reached between the officers and the Ministry. | Agreements must be reached between the two parties. | Agreed with the observation. | The agreement had not yet been signed. |

7.2 Primary Health Care System Strengthening Project (Component I & II)

- (i) The Primary Health Care System Strengthening Project (Component I & II) is implemented to increase the utilization and quality of primary health care services, with an emphasis on the detection and management of non-communicable diseases in high-risk population groups, in the selected areas of the country.
- (ii) The estimated cost of the Project is US\$ 4,419 million equivalent to Rs.697,937 million and out of that US\$ 200 million equivalent to Rs.31,588 million was agreed to be financed by International Bank for Reconstruction and Development.

- (iii) The Project had commenced its activities on 23 January 2019 and scheduled to be completed by 31 December 2023.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) According to the Treasury Operations Department reports, the Funding Agency had disbursed Rs.9,851 million to the project as at 31 December 2020. Out of that only Rs.4,317 million was release for the component -1. However, Rs. 4,169 million had been disclosed and the remaining Rs. 5,534 million had not been shown in the financial statements. Furthermore, the reasons for the difference of Rs. 231 million between the amount released by the Treasury and the amount received by the project had not been submitted to the	All funds received for the project should be disclosed in the financial statements.	The observation is accepted and action has already been taken to identify the difference by doing the reconciliation between the records maintained by ERD and Project office.	The reasons for this difference were not yet submitted to the audit.

audit.

- (b) According to Prime Minister Office Circular No.PM/PS/05 dated 30 November 1989, a report should be submitted by the officers who return to the island after foreign travels, such report had not been furnished by 27 officers who visited in Thailand, Costa Rica and China tours. The report should be submitted without delay. Steps were taken to inform the Secretary of the Ministry. Only 18 officers were submitted reports as at 31 March 2022.
- (c) Although about 70 percent of the allocation under component 1 of the project had been allocated for the provincial health service, a sum of Rs.94.13 million of the allocation made to the Ministry of Health for the year under review had been spent on provincial health services. Provincial level and central level activities should be clearly identified and implemented. The other activities have taken place in provincial institutions, responsibility of monitoring and regulation lies with Directors, Deputy Director Generals and Additional Secretaries in Ministry of Health. A formal mechanism for this had not been adopted in 2021.

7.3 Health System Enhancement Project

- (i) The Health System Enhancement Project is implemented for the improve efficiency, equity and responsiveness of the primary health care system based on the concept of providing universal access and continuum of care to quality essential health services.
- (ii) The estimated cost of the Project is US\$ 50 million equivalent Rs.7,751 million comprised with US\$ 37.5 million equivalent to Rs.5,813 million as concessional loan and US\$ 12.5 million equivalent to Rs.1,938 million as Grant respectively agreed to be provided by the Asian Development Bank.
- (iii) The Project had commenced its activities on 01 December 2018 and scheduled to be completed by 30 November 2023. However, the Project period had been extended up to 31 May 2025, due to changes in scope of the Project and receiving of additional finance of US\$ 110 million as a Loan and US\$ 3 million as a Grant.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and qualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor	Preventive actions taken by the Project	Present Position
General			
(a) Although the construction of Dolosbage Divisional Hospital Project had been halted, due to inconsistencies in the selected land,	This issue must be resolved expeditiously so that the government does not have to incur a loss.	Construction of Dolosbage Divisional hospital, advance payment has not been recovered due to scope change of the sub	The contract price has increased by Rs. 5.26 million due to the change in the planned location of the

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| mobilization advance of Rs.5.71 million paid to the contractor had not been recovered. | project was proposed by the Provincial Health Department. | building. | |
| (b) Out of the total loan of US\$ 37.5 million as at 31 December 2020, only US\$ 13.64 million had been disbursed which was only 36.37 per cent of the total loan. As a result, at the end of the year 2020 Rs.34 million had to be paid as commitment charges on the unused balance. | Action should be taken to achieve the desired progress and mitigate the commitment charges. | The ADB had charged the commitment changes as agreed in the loan agreement directly debiting the loan account same have recognized as borrowing cost in the project financial statement. | In the year 2021, Rs.60,560,458 had been paid as commitment charges on the unused balance. |
| (c) As the bids received for the procurement of 07 double cabs and 09 vans had been withdrawn, the two bids bond amounting to Rs.2.95 million had been cashed. However, Rs.1.66 million had been returned to the supplier without any reasons or authority. | This amount should be recovered from the responsible parties. | Supplier has withdrawn the bids submitted for both 7 double cabs and 9 vans during the bid validity period. Based on that we have immediately forfeited relevant bid bonds amounting to LKR 2,950,000. | This amount had not been recovered by January 31 2022. |
| (d) A sum of Rs.808,027 value added tax had been | Value added tax should be paid as | When there are supplies liable for | Written evidence confirming that |

paid on 07 occasions to 04 per the act. contractors who did not submit a tax invoice. Furthermore, to an unregistered supplier of the Inland Revenue Department for collection of value added tax on the sale of medical equipment the total amount of Rs.1,590,832 had been paid as value added tax on the purchase of medical equipment on two occasions during the year under review.

Value Added Tax (VAT), the project inspects and verifies the VAT registration details at the procurement stage (before award the contact with taxes) as well as the payment stage accordingly. the VAT was duly included in their tax returns was not submitted to the audit until 31 January 2022.

8. Urban Development Sector

8.1 Local Government Enhancement Sector Project

- (i) The Local Government Enhancement Sector Project is implemented for achieve improved Local Government Infrastructure Activates of the Project and effective delivery of services through accountable and financially and technically strengthened local authorities.
- (ii) The objective of the subsequent loans of the project is to improve the infrastructure and services delivered by the Local Authorities and National Water Supply and Drainage Board in less-developed areas of 07 Provinces in Sri Lanka which affected by chronic diseases. Therefore the issues relating to the improvement of water supply systems, infrastructure basic service delivery local government policy reforms and strengthening capacities are expected to be addressed.

- (iii) The Project had commenced its activities on 01 July 2012 and scheduled to be complete by 31 December 2019. However, the Project period had been extended up to 31 December 2021. The Secretary to State Ministry of Provincial Council and Local Government is seeking approval from ERD to extend project period up to 31 March 2023.
- (iv) The Auditor General had given unqualified audit opinion for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a)	According to the Project Implementation Plan, the Project had supported to 105 Local Authorities in 07 Provinces to enhance their infrastructural requirements and respective development works of 178 Local Authorities had been completed at the end of year 2017. Further, it was scheduled to carry out 29 water supply projects, 35 construction works in 29 Local Authorities under the supplementary loan facilities and out of that 03 water supply projects and 11 infrastructure projects were completed at the end of the previous year. 08	The project is required to make influence to the contractor to complete the civil works promptly assuring the required level of quality.	Many works will be completed end of the year and all action had to be taken to expedite balance works.	Works could not be complete, due to contractors poor performance up to 31 December 2021.

water supply projects and 12 infrastructure Projects were completed during the year 2020. In addition 17 projects which were delayed for more than 6 months.

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| (b) | A sum of Rs. 3,131.35 million had been allocated for 09 water supply projects which were delayed in commencement for 21 month to 43 months. | Possible increases of costs of the contracts and unnecessary time extensions need to be avoided. | As per the loan agreement, the detail design should be prepared by the NWS&DB. The detail design received to the project on March 2018 from the NWSDB. | Request had been sent to extend the project period up to 31 March 2023. |
| (c) | Although a sum of Rs. 2,291.71 million allocated for 05 water supply projects and Rs.113.42 allocated for 02 Pradeshiya Sabha office building, it had not been commenced up to 30 June 2021. | Sub project should be commenced as soon as possible or work schedules in project administration manual should be revised. | The water projects were dropped, due to lack of water resources and pradeshiya Sabha buildings were dropped, due to land issue as advised by National Steering Committee. | Issues are not yet resolved. |
| (d) | The e-Pura Neguma software which was a computer | As these are projects using foreign loans, | Lack of interest of the officers | Issues are not yet resolved. |

software solution for low-income Pradeshiya Sabhas had been installed in 137 selected Pradeshiya Sabhas in 07 provinces. However, 16 out of the 41 Pradeshiya Sabhas in the Central and North Western Provinces were not using the software and that the software was not able to reap the expected benefits from all four functions designed for the modules introduced in any of the local bodies in which it was implemented.

necessary steps of the relevant should be taken to Pradeshiya achieve the desired Sabha, internal objectives. and external transfers, use of other software, non-training of untrained officers by the trained staff, non-supervision.

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| (e) | The water supply projects and access roads which were constructed at a cost of Rs. 332.19 million under the Pura Neguma project and handed over to 12 Pradeshiya Sabhas remained idled for 30 to 57 months and a crematorium constructed at a cost of Rs. 16.49 million and handed over to the Hettipola Pradeshiya Sabha had remained idled for more than 36 months. | Responsible parties must be pressured to reap the desired economic and social benefits. | Provincial heads have been instructed to look into the matter and take further action. | Issues are not yet resolved. |
| (f) | 12 multi-purpose buildings constructed at a cost of | -Do- | Bids have been called for | Issues are not yet resolved. |

Rs. 513.73 million, a library constructed at a cost of Rs. 18.90 million and 03 weekly fairs constructed at a cost of Rs. 105.06 million were underutilized, due to various reasons.

Rattota weekly fair to rent out the separated shops and Tissamaharama Fish Market had been rented out to a fruits wholesaler.

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| <p>(g) Sixteen sub-projects including the bus stand, multi-purpose buildings and drinking water projects completed under this project and handed over to the Pradeshiya Sabhas failed to achieve the expected benefits.</p> | <p>Action must be taken to achieve the desired benefits.</p> | <p>Relevant officials have been instructed to take the necessary steps to achieve the desired benefits and to monitor the situation on a regular basis.</p> | <p>Desired benefits are not yet achieved.</p> |
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8.2 Rural Infrastructure Development Project in Emerging Regions

- (i) The Rural Infrastructure Development Project in Emerging Regions is implemented for the rise living standards and to develop livelihoods of people through improvement of basic infrastructure in Northern, North Central, Eastern and Uva provinces of Sri Lanka.
- (ii) The estimated cost of the Project is JPY 15,409 million equivalent to Rs.20,622 million and out of the estimated total cost JPY 12,957 million equivalent to Rs.17,185 million was agreed to be financed by Japan International Cooperation Agency.

- (iii) The Project had commenced its activities on 07 July 2017 and scheduled to be complete by July 2024.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018 and 2019 and qualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
<p>All the constructions of the project were to be completed by September 2021. However, out of 418 sub-projects were to be completed, only 355 sub-projects were selected for implementation and of which 232 sub-projects had not shown any progress. Two consulting firms have been appointed to oversee the design and construction of the project and have failed to make the expected progress from those firms. According to the Project Memorandum, a sum of Japan Yen 8,697 million to be utilized by the end of the year 2020. However, only Japan Yen 643.33 million of funds representing 7.39 percent had been utilized.</p>	<p>Action must be taken to achieve the desired level of performance.</p>	<p>As previously pointed out at length to the audit, the recruitment of consultants for this project took place in September 2019 and due to delays in other works of the project accordingly, the expected progress could not be achieved within the stipulated time. However, steps are being taken to prevent such delays through regular monitoring.</p>	

8.3 Local Development Support Project

- (i) The Local Development Support Project is implemented for strengthening Local Government Authorities capabilities to deliver service to communities in a responsive and accountable manner and to support economic infrastructure in Northern, North Central, Eastern and Uva Province.
- (ii) The estimated cost of the Project is US\$ 100.65 million equivalent to Rs. 17,665.63 million and out of that US\$ 70 million equivalent to Rs.12,222.41 million was agreed to be financed by International Development Association.
- (iii) The Project had commenced its activities on 30 June 2019 and scheduled to be complete by 30 December 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2019 and qualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a)	Although Rs. 650.70 million had been allocated for this project from the Annual Estimate for the year 2020, financial progress of 9.30% was achieved during the year, due to the expenditure of Rs. 60.54 million had	Steps should be taken to achieve the desired level of performance to complete the project within the expected time.	The project could not make any progress during the year as the relevant impress could not be released during the year.	

been spend during the year.

- (b) The Project Management Unit had not yet been established with a full time Project Director and the Project Director of this project is the Director (Planning) of this Ministry who is also the Acting Director of the Local Loan and Development Fund. In addition, the same staff who were appointed on an acting basis for the initial work of the project were also attached to the activities of the Project Management Unit. Appropriate staff should be appointed to maintain the performance level of the project. Recruitments have been made with the approval of the Department of Management Services.
- (c) A sum of Rs.4.93 million had been spent on the preparation of participatory development programs at the local government level in the North, North Central, Eastern and Uva Provinces. Although the first place project should have been selected for development according to the priority of the Local Government Participatory Development Plan, the road development projects had been The relevant plan is prepared for the needs of the entire local government body and the sub-projects mentioned in it can be completed with the use of any funds. Accordingly, it does not apply that its first project should be completed by this project. Action must be taken to achieve the desired objectives.

implemented as per the instructions of the Project Management Office.

- (d) It was observed that Rs. 6.47 million had been paid as non-performing expenses, due to non-completion of the work to be done by the four consultants appointed for the initial work of the project. Necessary steps should be taken to ensure that the non-expenditure is not non-performing. A committee has been appointed to look into the matter further and further decisions will be taken accordingly.

8.4 Urban Project Preparatory Facility

- (i) The Urban Project Preparatory Facility Project is implemented for achieve high level of readiness for priority urban project.
- (ii) The estimated cost of the Project is US\$ 12.20 million equivalent to Rs.1,879 million and out of that US\$ 10 million equivalent to Rs.1,540 million was agreed to be financed by Asian Development Bank. Out of that US\$ 5.74 million equivalent to Rs.884 million was allocated for the State Ministry of Provincial Councils and Local Government Affairs of and the balance US\$ 6.46 million equivalent to Rs.995 million was allocated for the Ministry of Urban Development Water Supply and Housing.
- (iii) The Project had commenced its activities on 01 June 2019 and scheduled to be complete by 30 September 2021.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2019 and qualified audit opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

8.4.1 *Activities carried out by the State Ministry of Provincial Councils and Local*

Government Affairs

	Audit Observations	Recommendations of the Auditor	Preventive actions taken by the Project	Present Position
	General			
(a)	The project was terminated at a loss of Rs.169.06 million which was the value added amount of project management costs, as well as for design and planning without following the instructions of the Director General of the External Resources Department and without adequate study.	The loss should be identified and action should be taken properly.	According to the instructions given to complete the project, its work has been completed properly. Detailed answers in this regard have already been submitted to the Audit.	Action had not been taken to recover the loss from responsible parties .
(b)	In terms of the provisions of the Circular No. 01/2019 and 05 March 2019 of the Department of Management Services regarding the payment of salaries to the Project Director, Rs.960,000 had been overpaid for 16 months as Rs. 60,000 more per month without establishing in the salary scale to be established.	Taking formal action regarding irregular payments.	Relevant salaries have been paid considering the value of the project.	Action has not been taken against the officers responsible.

(c) Contrary to the provisions of Circulars No. 01/2019 and 05 March 2019 of the Department of Management Services, the Financial Analyst of the Pura Neguma Project had been appointed as the Accountant of this project on an acting basis and paid a salary of Rs.720,000.

-Do-

This officer had been appointed on an acting basis for the initial work of the project.

-DO-

8.4.2 Activities carried out by the Ministry of Urban Development Water Supply and Housing

	Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a)	Eventhough 38 consultancy reports had been submitted to the project, those reports had not been reviewed by the project even after lapsed of 01 to 06 months up to March 2021.	Sound and efficient Consultancy management system should be implemented in order to achieve the project objectives through completing project activities.	Actions had not been taken.	As per the request made by the General Treasury Circular dated 28/07/2020 and No. ER/AB/US/01/(voli), consultancy service had been terminated by the Secretary to the Ministry.

- (b) Thirty consultancy reports, which should be submitted upto end of the year under review had not been submitted even up to end of April 2021. Eventhough the consultancy reports were delayed a period ranging from 01 month to 13 months liquidation damages had not been charged from any consultant. As well, the provisions to recover liquidation damages had not been included to the agreements. Not assigning of adequate consultancy staff for the works was the main reason for the delay.
- Sound and efficient consultancy management system should be implemented in order to achieve the project objectives through completing project activities.
- Actions had not been taken.
- Recommendation had not been implemented
- (c) According to the information received, only a sum of US\$ 1.32 million equivalent to Rs.255.40 million representing 29 per cent of the total allocation of US\$ 4.65 million equivalent to Rs. 883.88 million made by the Lending Agency had been utilized as at 31 December 2020 after lapse of 21 months from the
- Need to complete the activities of the project during the scheduled period and according to budget.
- Actions had not been taken.

commencement of the activities of the Project. The balance of US\$ 79,394 equivalent to Rs.14.79 million had remained as unutilized imprest in the Special (Dollar) Account as at 31 December 2020, due to slow progress of the activities of the Project and poor financial forecasting.

- (d) The approved cadre of the Vacant posts should Actions had not -Do- project as at 31 the be filled as per the been taken. December 2020 was 28 and approved carder. the actual cadre was 20. Thus vacancies as at that date was 08 and this situation had been badly affected to the implementation activities of the project.

8.5 Strategic Cities Development Project

- (i) The Strategic Cities Development Project is implemented for improve selected urban services and public urban spaces in the Participatory City Regions of Sri Lanka
- (ii) The estimated cost of the Project is US\$ 257.08 million equivalent to Rs. 34,912.48 million and out of that US\$ 202 million equivalent to Rs. 27,507 million was agreed to be financed by the International Development Association.

(iii) The Project had commenced its activities on 05 May 2014 and scheduled to be complete by 31 December 2019. However, the Project period had been extended up to 31 December 2021.

(iv) The Auditor General had given qualified audit opinion for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
<p>(a) Eventhough project commenced on May 2014 and should be completed 2019, period of the project had been extended by 02 years up to 31 December 2021. However, Out of total funds of US\$ 202 million equivalent to Rs. 27,507 million allocated by the Lending Agency for the Project, a sum of US\$ 72.61 million equivalent to Rs. 11,645.64 million of the total allocation representing to 36 per cent had only been utilized as at 31 December 2020 after laps of 6 ½ years from the commencement of</p>	<p>Necessary action should be taken for the reasons for the slow physical and financial performance and take corrective measure timely.</p>	<p>Commencement date of finance of initial US\$ 147 million was 01 July 2014 and financing of additional finance of US\$ 55 million is implemented from 19 October 2016. Due to poor performance of the project in achieving the targets, the reason was decrease in allocation of funds.</p>	<p>US\$ 23.90 million equivalent to Rs. 13,113.05 million had been utilized as at 31 December 2021. Removal of US\$ 65 million and removal of US\$ 27 million for covid-19 fund effected in 2021.</p>

the activities of the project.

- (b) Eventhough number of expected beneficiaries of the project was 600,000, actual beneficiaries had been deducted upto 400,000 at the end of the Project. A sound and efficient project management system should be implemented in order to achieve the Project objectives through completing Project activities during the scheduled time. The main reasons for the decrease in beneficiaries were the elimination of US\$ 92 million out of the project funds. (US\$ 27 million for covid fund and US\$ 65 million for the KMTT project) Except US\$ 92 million give for the KMTT project and covid fund, balance US\$ 97 million had been used and except the AB-21 road in Jaffna District all the other project had been completed up to now.
- (c) Eventhough it was identified to establish 10 water retain areas by the side of Moradoda stream to control the flood in the Gall city by a feasibility study report of a consultancy firm of the Project, activities of acquisition of plots of lands belong to that water retain areas had been suspended by the end of preceding year. Further, a wetland management plan also had not been prepared thereon.

- (d) After spent of Rs.22.4 million the contract had been terminated, due to poor performance of the reconstruction of kahathuduwa bridge contract went through the morogoda stream of the baddegama road. Subsequently, contract had been re-awarded. As the construction cost was Rs.42 million, additional cost of Rs. 10 million had been incurred by the project.
- Required corrective measures should be taken to complete the balance works.
- Not commented.
- After completion of all the works of Kahathuduwa Bridge had been handed over to the Road Development Authority Galle on 26 November 2020.
- (e) Eventhough physical progress of the rehabilitation works of the Morogoda Main cannel is expected 65 percent as at 31 December 2018, actual progress was 19 per cent. Subsequently contract had been terminated, due to poor progress and hand over to the Sri Lanka Land Reclamation Development Corporation.
- Close supervision is required on construction works.
- It shows the poor physical progress against the expected level, due to poor performance of the contract works.
- The construction works had been completed from section Ch 0+000 to Ch 1+850 as at 29 December 2021. Action is being taken to hand over to the provincial Irrigation Department and Galle Municipal Council

(f) After being studied the Land acquisition A Wetland The above issue development activities should be Management Plan was arise, due to required to be carried out in carried out by proper had not been termination of the city of Galle, the coordination with prepared. land acquisition consultancy firm ha other Government activities as per identified 10 location as Institutions and the the decision of flood control points where identified public the Divisional situated along Moragoda requirements should coordination committee taken cannel beds. In order to be fulfilled by during the land develop those location as implementing efficient acquisition project had failed to acquire Project Management activities commenced by the required lands and system. the project.

prepare Wetland Management Plan. Dee to construction of Gall Administration Complex and other land acquisition proposal, the land acquisition activities had been suspended. Eventhough 10 places had been selected without maintain proper coordination between the related parties, construction works of 16 flood control drainage system in Galle city had not been commenced required lands had not been achieved.

- (g) Financing for the Sound and effective US\$ 65 million had This project has construction works of Kandy project management been removed by the been transferred Multimode Transport system should be World Bank from the to the Ministry Terminal at a cost of US\$ implemented in order fund allocated for the Highways in 60.11 million equivalent to to achieve the strategic Cities December 2021. Rs. 9,316.60 million had objective of the Development Project The balance been suspended by the IDA, project by completing as per the decision woks will be due to construction works project activities. taken by the Ministry continued by the could not be completed of Urban that Ministry. during the project period Development and even after incurring of Rs. Housing. 419.52 million as at 31 December 2020.
- (h) The construction works of Action should be Performance of the Several Jaffna ponnalei - point taken to expedite the contractor was very discussion had peduru road (AB 21) at a cost works of the contract poor. been made with of Rs. 1,110.15 million had after evaluation of the Ministry and the project and been commenced 12 August progress remain at as a result, progress of 2019 and scheduled to be present. 72.2% had been completed on 15 May 2021. However, physical progress was 33 percent against the expected progress of 65 percent as at March 2021. Therefore, 02 months extension had been granted to the contractor to recover this situation.

8.6 Anuradhapura Integrated Urban Development Project

- (i) The Anuradhapura Integrated Urban Development Project is implemented for promote a balanced mode of co – development of sacred and modern city of Anuradhapura preserving its cultural and natural heritage and the attractiveness.
- (ii) The estimated cost of the Project is Euro 62.40 million equivalent to Rs. 9,779.95 million and out of that Euro 52 million equivalent to Rs. 8,149.96 million was agreed to be financed by the French Agency for Development.
- (iii) The Project had commenced its activities on 01 December 2016 and scheduled to be complete by 31 December 2021. However, the Project period had been extended up to 30 September 2023.
- (iv) The Auditor General had given unqualified audit opinion for the financial statements submitted for the year 2018 and 2020 and qualified audit opinion for the year 2019 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) The Project had entered an agreement with Grouphit - Green Tech consultancy firm regrading Consultancy service of Details Design Study at Rs 212.66 million (Euro 1.18 million) and agree to submit consultancy report on 12 October 2018. Subsequently, agreement period had been	Action should be taken to recover the Liquidated Damages as per the Procurement Guidelines.	Another procurement committee has been appointed in May 2021 by the Secretary to the Line Ministry. Evaluation of EOT is in progress, once the evaluation is completing the evaluation,	Extension had been granted up to 31 March 2022 on this consultancy service by the CPCP.

extended up to 31 March 2020. However, some deliverables had not been completed up to May 2021 and the project had paid a sum of Rs.100.32 million to the consultancy firm up to 31 December 2020.

Liquidity damages may be considered.

- (b) Eventhough the contract for development of the public square at the Anuradhapura railway station and development of Anuradhapura “Singha Kanuwa” at an estimated cost of Rs.122.62 million scheduled to be completed by July 2021, the total expenditure incurred up to end of the year under review amounted to Rs.17.99 million and the physical progress was 4 per cent as at that.
- Sound and efficient contract management system should be implemented in order to achieve the Project objectives through completing Project activities.
- Agreed on the comment, this design change has affected to the project progress.
- Works of 90% had been competed upto now and Partially Completion Certificate had been issued on 2022.01.31.
- (c) Four Sub – Project the estimated at a cost of Rs.336.25 million had been awarded and those sub-projects scheduled to be completed in July 2021. However, the progress of the 3 sub projects was remained at 10 to 30 percent as at 31
- The Bills of Quantities should be prepared after evaluating the drawings and the detailed plans.
- Agreed with the comment.
- Progress of the package 01 and 02 was 90% and 82%. and it is scheduled to be completed the all works by February 2022.

December 2020.

- (d) A sum of Euro 1.84 million equivalent to Rs.308.84 million representing 3 per cent of the total allocation of Euro 52 million equivalent to Rs. 8,354.32 million made by the Lending Agency had been utilized as at 31 December 2020, after lapse of 4 years from the commencement of activities of the Project. Further, the advance amounting to Euro 0.08 million equivalent to Rs. 19.08 million obtained in the year 2018 had been remained in the bank account without being utilized as at 31 December 2021.
- Sound and efficient project management system should be implemented in order to utilize the funds effective and economical manner.
- Agreed with the 5 Contract packages valued at Rs. 2,123.31 million had been awarded up to now and period of the project agreement had been extended up to 30.09.2023 as enable to utilized the all funds.

8.7 Metro Colombo Urban Development Project

- (i) The Metro Colombo Urban Development Project is implemented for reduce flooding in the catchment of the Colombo water basin, strengthen the capacity of Local Authorities in the Colombo Metropolitan Area, improve and maintain local infrastructure and services through selected demonstration investments.
- (ii) The estimated cost of the Project is US\$ 321 million equivalents to Rs. 42,031.74 million and out of that US\$ 213 million equivalents to Rs. 27,890.22 million was agreed to be financed by the International Bank for Reconstruction and Development.

- (iii) The Project had commenced its activities on 10 July 2012 and scheduled to be complete by 30 June 2017. However, the Project period had been extended up to 31 December 2021.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018,2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) The progress of the construction of Torrington and New Mutwal Tunnels was remained at 65 and 88 percent respectively as at 31 December 2020, due to delay in award of contract and Sunday attract. Eventhough construction activities schedule to be completed on 30 May 2020, it was extended up to 31 December 2021. A sum US\$ 28,465,877.57 and Rs.233,706,653 had been paid and physical progress was 97 per cent and financial progress 91 per cent at date.	Action should be taken to expedite the works and close supervision is required on construction activities.	After considering the present situation of completion date of the Project had been extended up to 21 December 2021.	Works worth of Rs. 120 million could not be completed as at 31 December 2021. Action is being taken to obtain the fund through the allocation of Ministry to completed the balance works.

- (b) Eventhough the Action should be taken The completion of the Completed
construction works of to expedite the works 6 subprojects delayed, before 31
five contracts valued at and close supervision is due to various reasons December
Rs 6,760.52 million required on construction such as flood 2021.
namely design and activities. inundation and
building of St. Sebastian inclement weather
North Lock Gates and conditions easter
pumping station, Design attach, Covid – 19
& Building of Ambatale pandamic.
Storm Water Pumping
Station, Development of
Bio Diversity Park at
Kotte Rampart
Kolonnawa Canal
Diversion Scheme stage I
and stage IV agreed to be
completed during the
year under review, it had
not been completed as
agreed.
- (c) Contract for upgrades of Action should be taken The subproject Out of total
the Norris Canal awarded to expedite the works construction work length of 632
on 21 August and close supervision is progress delayed and meter of the
2018 at a cost of Rs. 353 required on construction shown slow progress proposed
million and agreed to be activities. due to valid reasons. canal, 506
completed by 23 August meter had only
2019. However, the been
slower physical and completed, due
financial progress of the to delay in
construction was handing over
78 percent and 58 percent the ownership

as at 31 December 2020 respectively. Further, construction activities had been suspended, due to delay in the demolition work of the CMC flats at Arnold Ratnayake Mawatha. Therefore, construction works could not be completed within the project period.

of the 126 meters extension Infront of Arnold Ratnayake Mawatha required to be constructed by CMC.

Provisions are requested from the Government to do the balance works.

- (d) A consultant had been hired by the Project to develop and implement Real Time Control System from August 2017 and paid Rs 32.9 million as allowance up to 30 June 2020. However, the service of the consultant had been discontinued suddenly without completing the works. As a result, expected outcome had not been received from the consultant to the Project.
- Need to adhere with objectives of the Project and take necessary action to minimize the operation cost of the project.
- Not clearly answered
- Action is being taken to obtain the service through the Integrated Flood Management System and request had been made to the Ministry of Finance through the Ministry to obtain allocation to do the balance

				works remained as at 31 December 2021.
(e)	Two consultancy contracts for the design and construction supervision of the Bambalapitiya and Kollupitiya pedestrian overhead bridge were awarded at a cost of Rs. 27.22 million to a Company in December 2013. The consultant fee amounting to Rs. 16.79 million was paid for not informing the company that the construction did not comply with the Mega Polish Master plan.	Need to adhere with objectives of the project.	Not clearly answered	Construction of pedestrian overhead bridge had not been done and plan had been handed over to the CMC which is the implementing agency of the project in 2016. Payment had been made on the completion of the planning. However, CMC had informed in 2018 that the plan had not been complied with.
(f)	As a result of delay in completion of the	Action should be taken to influence responsible	The accessories/equipment	The service could not be

construction works on parties to complete the procured are fixed provided, due building for the center for construction works and/or lying at 10th to non-Flood Control and Water immediately. Floor RTC unit and completion of Management at will be shifted to the the Kirimandala Mawatha, new building when construction of Colombo 05, the construction is the building as establishment activities over. It is accepted covid-19 of the RCT system at new that certain pandemic and building had not been procurements had to it was able to commenced even be delayed due to informed that on the date of audit on delay of completion the estimated 05 May 2021. Due to this of the new Building cost of Rs.124 reasons there is no million are permanent place to fix required to the accessories related to complete the this system such as balance works computers, monitors, from the servers etc. procured at a Government cost of Rs. 92.15 million. funds. Further, it was revealed that the value of Rs. 643.3 million procurement activities related to this system had to be delayed, due to non-complete of the above building. However, the Project had to be closed in 31 December 2021. It is doubtful in audit the funds allocated to above procurement activities could not be utilized.

9. Other Sector

9.1 Programming Project Preparation Facility

- (i) The Programming Project Preparation Facility is implemented to facilitate for the preparation activities of the projects, expected to be carried out under the financial assistance of the Lending Agency.
- (ii) The estimated cost of the Project is US\$ 4 million equivalent to Rs. 636 million and entire amount was agreed to be financed by the International Bank for Reconstruction and Development.
- (iii) The Project had commenced its activities on 30 January 2018 and scheduled to be completed by 31 December 2020.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018,2019 and 2020 regarding the project and the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
According to the information received from the Ministry of National Policies and Economic Affairs, the main objective of the project of to provide financial assistance to facilitate the preparation of proposed 9 Project and out of that 4 Projects had been implemented during the year 2018-2020. The preparatory activities of other 5 Projects had been abandoned	Actions should be taken to achieve the objectives of the Project within the Project period.	Management had Agreed and 05 anticipated Donor Funded Projects had not been implanted, due to change of the Government Policy priorities.	Project had been closed.

and the Project activities had been closed as at 31 December 2020. Due to this out of the allocation of US\$ 04 million only US\$ 0.39 million representing 9.75 percent of the total allocation had been utilized as at the end of the project and US\$ 3.61 million had been refunded to the lending Agency during the year 2020.

9.2 Reduction of Landslide Vulnerability by Mitigation Measures Project

- (i) The Programming Project Preparation Facility is implemented to reduce risk and damage from landslides through the implementation of physical mitigation measures and enhancement of policy and regulations associated with landslide management.
- (ii) The estimated cost of the Project is US\$ 110 million equivalent to Rs. 19,976 million and out of that US\$ 80 million equivalent to Rs. 14,528 million was agreed to be financed by the Asian Infrastructure Investment Bank.
- (iii) The Project had commenced its activities on 01 July 2019 and scheduled to be completed by 30 June 2023.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2019 and 2020 regarding the project and the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observation	Recommendation of the Auditor General	Preventive actions taken by the Project	Present Position
<p>The objective of component 1 of the project are to implement of mitigation measures including field investigations, detailed design, construction and supervision/management of activities for all 147 priority sites and US\$ 97 million had been allocated for this component. 27 sites out of 147 had been selected as critical and implemented priority basis under phase 1. However, the civil works at 27 sites had been packaged under 4 works contract packaged valued US\$ 19.5 million and decided to award in the year 2019. However, none of the contracts had been awarded as at 31 December 2020. Hence, it is doubtful the construction works could be completed within the project period. Due to this reason, no any amount of loan funds utilized at the end of the year 2020.</p>	<p>Need to take action to catch -up the delays and ensure to complete the contract works timely to avoid additional cost.</p>	<p>The procurement of remaining packages has been delayed due to the effect of covid 19 pandemic in the year 2020 and Easter Sunday bomb attack on 21st April 2019.</p>	<p>Eight civil contraction works had been awarded at an estimated cost of Rs. 2,038 million in year 2020 and 2021.</p>

9.3 Social Safety Nets Project

- (i) The Social Safety Nets Project is implemented to contribute to the improved equity, efficiency and transparency of the Social Safety Nets Programmes for the benefit of the poor and vulnerable groups in Sri Lanka.

- (ii) The estimated cost of the Project is US\$ 75 million equivalent to Rs.11, 212.50 million and entire cost of the Project was agreed to be provided by the International Development Association.
- (iii) The Project had commenced its activities on 01 January 2017 and scheduled to be completed by 31 March 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018,2019 and 2020 regarding financial statements of the project and the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) Eventhough new welfare benefits scheme had been drafted by the project on 20 June 2019. It had not been approved by the Parliament even the date of audit 23 March 2021.	Action is required to be taken to influence the relevant parties to approve the Gazette notification of Welfare Benefits Scheme.	Due to the dissolution of the Parliament from November 2019 was unable to be submitted for approval.	New welfare benefits scheme had not been approved by the Parliament yet.
(b) The objective of the component 01 of the project is to Build Unified Social Registry. The core of the reformed welfare system will be a unified social registry	Prompt action need to be taken to be catch up the delayed activities.	The period of the contract had to be extended and it will affect to the overall time schedules of the Project.	The development works had been completed in year 2021.

containing data on all current and former programed beneficiaries and the new applicants. According to the information made available, this contract was awarded to private party on 31 March 2018. However, the development works had been completed in year 2021. Due to this reason, all other activities had been delayed.

9.4 Financial Sector Modernization Project

- (i) The Financial Sector Modernization Project is implemented for the contribute to increasing financial market efficiency and use of financial services among micro, small and medium enterprises (MSMEs) and individuals.
- (ii) The estimated cost of the Project is US\$ 75 million equivalent to Rs. 13,125 million and entire amount was agreed to be financed by International Development Association.
- (iii) The Project had commenced its activities on 04 October 2017 and scheduled to be completed by 31 December 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) 10 Disbursement Link Results scheduled to be achieved as at 31 December 2019 as per the project appraisal document and had not been achieved as at that date. However, as per the amendment to the Finance Agreement made on April 2020, achievement year of these Disbursement Linked Results had been revised as year 2021.	It is required to take necessary action to achieve all targets as intended.	Expected to be completed within the year 2021 and due to the most of procurement activities under the components 02, 23 are expected to be completed and awarded within the year 2021.	07 Disbursement Link Results (DLRs) have been achieved as at 23 March 2022 and the respective funds have been disbursed by the World Bank.
(b) Strengthening the Organization Capacity of three Regulatory Institutions. Under the Components 02, its progress was weak, due to delays in procurement work to strengthen the Organizational Capacity of regulators.	It is required to take necessary action to achieve all targets as intended.	Expected to be completed within the year 2021 and due to the most of procurement activities under the components 02, are expected to be completed and awarded within the year 2021.	Due to the delays in completing the procurement activities, World Bank together with the Ministry of Finance and the three implementing agencies have agreed to continue only the

- procurements.
- (c) Out of total allocation of Rs. 430.3 million had been made in the Budget Estimate for the activities of the Project for the year under review, a sum of Rs.74.96 million representing 17 percent had only been utilized by the Project. It is required to take necessary action to achieve all targets as intended and to utilize allocated funds in maximum. Due to non-achievement of the disbursement linked results as scheduled and delays in procurement process and due to the covid epidemic in the country, allocated provision could not be utilized as expected. Out of the total Budget Allocation for the Year 2021 which is Rs. 791.8 Mn, a sum of Rs. 777.9 Mn representing 98 percent of the total Budget Allocation had been utilized by the project.
- (d) Total estimated cost of the Project is US\$ 75 million, equivalent to Rs. 13,125 million. Although two years passed since the inception of the project by 31 December 2020 the total loan utilization of Rs. 577.11 million, which is only 4 percent of the estimated cost of the project. Action should be taken to utilize the total allocated funds. As 10 Disbursement Linked Results are planned to be achieved in the year 2021 and most of the Procurement activities under the Component 02, are expected to be completed and awarded in the year 2021, the utilization of those The total estimated cost of the project is USD 75 Mn and out of that USD 11.2 Mn had been disbursed by the World Bank which is approximately 15 percent. It has been decided to cancel USD

payments can 58.8 Mn from significantly the total cost increase the of the project. utilization in the year 2021.

9.5 Ecosystem Conservation and Management Project

- (i) The Ecosystem Conservation and Management Project is implemented for the Improve the status of the management of ecosystems in selected location in Sri Lanka for the conservation purpose and benefits of the Community.
- (ii) The estimated cost of the Project is US\$ 45 million equivalent to Rs.7,827 million and the entire amount was agreed to be financed by International Development Association.
- (iii) The Project had commenced its activities on 01 December 2016 and scheduled to be completed by 30 June 2021. However, the Project period had been extended up to 30 June 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statement of the year 2018 and qualified audit opinion for the year 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) It was observed that 03 motor vehicles procured at a cost of Rs.112.50 million during the year under review for the use of the field staff had been allocated to the officers of the	Need to ensure to use of fund to achieve intended objectives of the Project.	Secretary/Ministry of Environment has requested to return the vehicle to the Ministry of Wildlife & Forest	Action had to be taken to clear the ownership.

- | | | | | |
|-----|--|---|---|---|
| | Implementing Agency and Presidential Secretariat. | | Conservation. | |
| (b) | The value of the project loan agreement is US\$ 45 million and by 2020 it has come down to US\$ 35 million and US\$ 53.8 million had been allocated for 544 project activities in the procurement plan prepared for the project. | Procurements should identified correctly and review time to time. | Procurement Plan is prepared based on the requirements of two implementing agencies; the Forest Department and the Department of Wildlife conservation (FD, DWC). | The project still facing some procurement issue. So according to the loan amount, component had recorded 58.6 financial progress as at 31 January 2022. |
| (c) | The Sustainable Development Secretariat which had been identified as the Implementing Agency for component number 01, as per the project agreement had not made an active contribution to the aforesaid work at the time of the audit. | Corrective actions should be implemented. | Since the Sustainable Development Secretariat was to be established under the ministry, the project has agreed to provide financial support to establish it. | The issue is still ongoing. |
| (d) | After the preparation of the wet zone and dry zone landscape plans, the institutional background required for implementation and obtaining the necessary legal approvals had not been obtained even at the time of audit. | Institutional framework should be developed. | This issue was presented and discussed at a meeting chaired by Deputy Secretary to the Treasury. | No any guidelines have developed. |

- (e) Project Component 2b - An Project objectives Industrial Activities should early warning system for should be achieved Technology Institute be plan & human-elephant coexistence through the (ITI) submitted a complete in a was tested in two villages. activities. proposal requesting way that project However, it was observed that the project to help objectives can be it was not sufficient to achieve them to test it as one achieved. the project objective. of their new inventions.

9.6 Climate Resilience Improvement Project

- (i) The Climate Resilience Improvement Project is implemented for the reduce the vulnerability of exposed people and assets to climate risk and improve the recipient's capacity to respond effectively to disasters.
- (ii) The estimated cost of the Project is US\$ 111.8 million equivalent to Rs.14,617 million and out of that US\$ 110 million equivalent to Rs.14,382 million was agreed to be financed by the International Development Association.
- (iii) The Project had commenced its activities on 05 August 2014 and scheduled to be completed by 30 June 2020.
- (iv) The Auditor General had given qualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) Although the project period was less than a year, the project office had spent	Action should be taken to utilize the assets under the	It is planned to implement this proposed	The project was wind up on 15 October 2021

- Rs. 14.09 million to project. purchase computer accessories, furniture, fixtures and office equipment.
- under the CRIP and all assets project. All the were assets of the project transferred. will be utilized for the use of the proposed new project.
- (b) According to the Contract packages Non-operational The project was information provided for should be completed contract packages completed on the audit, 631 contract as planned and were terminated, due 15 October packages valued at works of the to various reasons 2021 without Rs. 13,634.98 million have abandoned project such as failure of the completion been awarded to the halfway should be contractors, water of the contract contractors up to 31 completed. problems, packages that December 2020. Out of difficulties in land had been that 15 contract packages acquisition. suspended. valued at Rs. 230.42 million had been abandoned, due to various reasons.
- (c) Under this project, the The un-economic Started in March No action had section of road on the value should be 2017 and completed been taken right bank canal recovered from the by June 2018. At the against the embankment of the Allai relevant party. high request from parties scheme was developed at a cost of Rs. 19,298,754 million in June 2018, However, 2 sections of that road were asphalted under another two development projects. Therefore, the money spent Irrigation redevelopment Department has of the section given the permission where the road to pro 400 meters of had been carpet out of 14.0 developed. km.

under this project to develop this road is uneconomical expense.

- | | | | | |
|-----|--|--|--|-------|
| (d) | Under this project, a section of the main canal road had been developed in March 2018 at a cost of Rs. 4,381,360 million. However, it had been newly asphalted in the year 2019 under 'Sirisara Pivisuma' development project. Therefore, the money spent uneconomically under this project to develop the road. | The un-economic value should be recovered from the relevant party. | At the time of the commencement of CRIP construction under this contract, there was no indication of any involvement in the "Sirisara Access" program. | -Do - |
| (e) | A road at Kantale Pakikirawanwetti was developed at a cost of Rs. 4.8 million under the project in October 2019. However, the road was concreted under another development project. Therefore, the money spent uneconomically under this project to develop the road. | There should be a sound coordination with the line institutions | At the time of the commencement of CRIP construction under this contract, there was no indication of any involvement in the other program. | -Do- |

9.7 Climate Resilience Improvement Project (Additional Financing)

- (i) The Climate Resilience Improvement Project (Additional Financing) is implemented to reduce the vulnerability of exposed people and assets to climate risk and to improve the capacity to respond effectively to disasters.
- (ii) The estimated cost of the Project is US\$ 42 million equivalent to Rs.6,048 million and the entire amount was agreed to be financed by the International Development Association.
- (iii) The Project had commenced its activities on 15 October 2016 and scheduled to be completed by 30 June 2020.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) The required density of concrete as per the Bill of Quantities had not been applied for the Sellakataragama- Kirivehera road development project valued at Rs.58.82 million. As a result, a loss of Rs. 1.8 million had been incurred.	Contractors should be instructed to complete the work systematically and take action to recover any damage that may have occurred.	Wellawaya Regional Engineer was assigned to conduct tests and make recommendations.	The relevant amount for the suspended payments has been released by the CRIP project and is being kept in the account of the Department of Road Development.

- (b) According to the information provided to the audit, 153 contract packages valued at Rs. 7,090.90 million had been awarded to the contractors up to 31 December 2020. Out of that 03 contract packages valued at Rs. 182.18 million had been stopped, due to various reasons.
- Action should be taken to expedite the activities of the project while avoiding overtime and labor.
- Non-operational contract packages were terminated due to various reasons.
- Although the project was wind up on 15 October 2021 and all payments were finalized, no action had been taken to complete these contract packages.

9.8 Mahaweli Water Security Investment Programme Tranche 01

- (i) The Mahaweli Water Security Investment Programme Tranche 01 is implemented to secure access to water resources for agricultural and drinking purpose in program area.
- (ii) The estimated cost of the Project is US\$ 190 million equivalent to Rs.28,713 million and out of that US\$ 150 million equivalent to Rs. 22,668 million was agreed to be financed by Asian Development Bank.
- (iii) The Programme had commenced its activities on 24 June 2015 and scheduled to be completed by 31 December 2019. However, the Programme period had been extended up to 30 June 2022.
- (iv) The Auditor General had given unqualified audit opinions for the financial statements submitted for the year 2018, 2019 and 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a) Activities related to conducting public awareness programs on replanting of trees, removal of invasive plants, conservation of the environment etc. in a 50 hectare forest area had not been activated till 31 December 2018.	Steps should be taken to conduct reforestation and awareness programs.	Action has been taken to remove 25 hectares from the plan.	Informed that only 25 hectares have been afforestation, removal of invasive plants and conservation work has been carried out.
(b) A sum of Rs. 233.90 million had been transfer to acquire 443 plots of land in Matale and Galewela District Secretariats. However, out of which only Rs. 103.8 million had been utilized by the end of 2020.	Steps should be taken to acquire lands to carry out the work properly.	Necessary reports have been requested from the Divisional Secretariats to make comparisons regarding the payment of compensation.	Out of 443 plot of lands, 320 plots of land had been acquired By February 2022.
(c) Out of the 09 contract packages awarded under Phase I, 06 contract packages were not completed by the end of the contract period. The remaining 03 contract packages had not achieved the expected progress.	The close supervision is needed on the activities implemented by the contractor.	Steps have been taken to finalize 05 out of 09 contract packages.	Five contracts have been completed and the remaining packages have not been awarded.

- (d) Eventhough a sum of Rs. 543 million has been allocated for consultancy services, a sum of Rs. 1,396 million had been spent and that was 157 percent over the budget allocation. Action should be taken to spent within the estimate. After obtaining Cabinet approval for had been obtained for the cost variance, the cost steps were taken to variation. waive the consultancy fee payments due in previous years.
- (e) Eventhough a sum of Rs. 10 million had been allocated for the modernization of the Dewahuwa Irrigation Camp, a sum of Rs. 5.2 million had been spent for the purchase of office equipment and rent without being upgraded the above camp. Action should be taken to work as planned. It had been delayed, due to delay in land acquisition and delay in activities of the compensation Board. 67.7 percent of the contract package is completed. The contract period had been extended up to 24 September 2022.
- (f) According to the Consultancy Progress Report, the contract value of the construction of the North Western Provincial Canal from Nabadagahawatta to tunnel including the Mahakithula reservoir had been the increased by Rs. 1,413 million over the contract value of Rs. 7,226.6 million, due to exceeding the estimated size. Action should be taken to achieve the desired progress of the contracts. Modification of structures accordingly as construction is taking place in a wildlife zone. Out of the total length of the canal 17.05 km, 15.93 km has been offered to the contractor for construction.
- (g) According to the Consultancy Progress Report, the contract value of the construction of Action should be taken to minimize contract It will be include the remaining work under NCPCP-3, an adjunct Physical progress had been 64 percent by

- the Upper Elahera Canal variations. contract package. February 2022.
increased by Rs. 658.5 million
over the contract value of
Rs. 3,742 million, due to
exceeded the estimated size.
- (h) Contract period of Action should be It is expected to be 73 percent had
rehabilitation of Minipe Left taken to complete completed by been achieved as at
Bank Canal under the works within November 2022. 31 December 2020
rehabilitation of Minipe Left the contract out of the expected
Bank Canal should be ended period. targets.
as at 12 November 2020. The
contract period had been
extended up to 07 January
2021 as failure of the
contractor to complete the
construction works within the
contract period. However,
works had not been completed
during the extended period
and physical progress was
shown as 50 per cent as at 31
December 2020.
- (i) Even though it was expected Action should be Action is being taken There is no
to acquire 741 plot of lands in taken to to register under changes in
relation to the Upper Elahara accelerate the Section 44 of the Land progress of the
cannel Project by 31 land acquisition Acquisition Act. land acquisition by
December 2020, no any plot activities. February 2022.
of lands had been acquired as
at 31 December 2020. Further,
961 plots of land were

expected to be acquired in connection with the North Western Province Canal Project and 947 plots of land had been acquired as at 31 December 2020. However, no any plots of land had been registered under the Section 44 of the Land Acquisition Act as at 31 December 2020.

9.9 Mahaweli Water Security Investment Programme -Tranche 02

- (i) The Mahaweli Water Security Investment Programme-Tranche 02 is implemented to secure access to water resources for agricultural and drinking purpose in program area.
- (ii) The estimated cost of the Project is US\$ 242 million equivalent to Rs.43,734 million and out of that US\$ 210 million equivalent to Rs 37,951 million was agreed to be financed by Asian Development Bank.
- (iii) The Programme had commenced its activities on 23 July 2018 and scheduled to be completed by 31 December 2024.
- (iv) The Auditor General had given unqualified audit opinion for the financial statements submitted for the year 2018, 2019 and qualified opinion for the year 2020 regarding the project. However, the following are some of the issues relating to the performance of the project that have not been settled so far.

	Audit Observations	Recommendations of the Auditor General	Preventive actions taken by the Project	Present Position
(a)	<p>Eventhough the Loan Agreement of the Mahaweli Water Security Investment Programme-Tranche 02 had been signed in 2018, the contract package of NWPC-ICB-01 and UECP-ICN-02A had not been awarded by the end of the year under review. Further, commitment charges of Rs. 81 million had been recovered by the Lending Agency without achieving the any progress of the contract pakcages.</p>	<p>Action should be taken to implement the construction as per the Loan Agreement.</p>	<p>Action had been taken to award this contract during the December 2020.</p>	<p>Works of the NWPCP-ICB-1 contract and UECP-ICB-2A contract had been commenced on 31 March 2021 and 10 March 2021 respectively.</p>
(b)	<p>According to ADB aide memoire of mid-term review mission report, It was proposed to remove the UECP – ICB – 5 and NWPC – ICB – 3 contract from the Tranch-01 to reduce the cost and include to the Tranch-02. However, effect of the removal from Tranch01- to Tranch-02 had not been evaluated by the prohramme.</p>	<p>Action should be taken to implement all contract packages within the approved cost estimate.</p>	<p>Action had been taken to obtain the approval from the Cabinet of Ministers on 04 January 2022 to obtain additional financing facilities.</p>	<p>The approval had been taken to revise the period of the programme and facilitate the additional financial facilities.</p>

- (c) Eventhough 89 percentage of progress of Construction of Kalu Ganga and Moragahakanda Transfer Canal had been expected, only 52 percentage of progress had been achieved as at 31 December 2020. Action should be taken to minimize the unexpected delays in implementation of the construction works. Action had been taken to achieve the progress of 70 percent as at 31 December 2021. The progress of 71 percent had been achieved as at 31 January 2022.
- (d) Eventhough Tranche-3 expected to be implemented from 2018 to 2024, approval had not been obtained up to 31 December 2020. Therefore, 08 contract packages had not been awarded yet under Tranche-3. Action should be taken to minimize the unexpected delays in implementation of the construction works. Approval had been obtain to enter the agreement for the Tranche-03 on 04 January 2022 and award the remaining 09 contract packages using the saving of the Tranch 01, Tranche 02 within the budget allocation of the 2022 had been submitted to the Cabinet of Ministers. Approval had been obtain from the Cabinet of Ministers to enter the agreement for the Tranche-03.
- (e) The consultancy service of Strengthening of Integrated Water Resources Management (SIWRM) planned to implement in 2019 – 2020 had not been implemented even up to 31 December 2020. Action should be taken to implementation of the consultancy service according to relevant time period without delay. Prepare the TOR and select a consultancy company by reviewing the TOR with the main parties. It had not been implemented by February 2022.
- (f) According to ADB aide Program should award Approval had been Approval had

memoire of mid-term the contracts within obtain to enter the been taken to review mission of tranche 2 approved loan amount agreement for the revise the period and review mission of in the loan agreement. Tranche-03 by of the tranche 1 held on If exceeding the ୧୭୧/21/2142/317/04 programme and November/December 2020, contract value of 9-1 on 04 January facilitate the it is currently estimated that approved loan amount, 2022. additional around US\$ 400 million Program should financing by the additional funds will be arranged the additional Government. required to complete the fund or minimize the investment program. program cost.

However, the program had failed to get final concurrence to the additional fund requirement discussed with the ADB as at 31 December 2020. Further, contracts had been awarded exceeding the approved loan amount without final concurrence of additional funds. Hence, fund shortages can be arise in future, due to failed to arrange co-financing facilitator for US\$ 114 million as at 31 December 2020.

Table 01

Serial No	Name of the Funding Agency	Nos of Project	Loan Balance		
			2020	2019	2018
01	Asian Development Bank (ADB)	53	132,655,294,995	33,529,668,541	63,464,380,565
02	Asian Infrastructure Investment Bank	2	1,638,886,494	-	-
03	Export Import Bank of United States	1	-	1,506,090,427	136,179,117
04	Boerenleen Bank	3	10,580,714,427	282,543,637	811,796,799
05	HSBC Bank	2	7,393,088,080	-	501,367,168
06	HSBC (With Guarantee of EKF Denmark)	1	155,405,190	413,429,364	1,414,599,082
07	HSBC Limited (Hongkong)	1	12,076,984,244	-	2,273,572,328
08	International Development Association	18	60,462,418,395	7,825,262,326	22,432,097,289
09	International Bank of Reconstruction and Development	6	22,953,551,711	1,737,866,894	4,390,834,327
10	International Fund for Agricultural Development	3	7,654,612,531	907,849,835	687,871,760
11	Nordea Bank Finland	1	3,116,644,721	-	-
12	Organisation of Petroleum Exporting Countries (OPEC)	5	3,934,259,469	3,139,057,695	3,502,525,180
13	Raiffeisen Zentral Bank	3	1,449,381,056	962,798,432	1,922,010,924
14	Unicredit Bank Austria AG	3	1,640,455,036	657,325,543	845,197,072
15	Calyon Credit Agricole CIB	2	21,476,611,620	9,256,861,170	4,247,856,180
16	CO-OP Centrale Raiffeisen-Boerenleen Bank	4	3,121,906,541	3,782,478,286	2,346,118,941
17	China Development Bank Corporation	3	3,548,449,320	4,413,467,830	6,483,317,842
18	Government of France	5	5,504,908,614	758,529,380	813,423,879
19	Government of Germany	1	702,112,079	-	409,519,917
20	Government of India	4	8,610,599,407	3,700,164,440	6,834,154,828
21	Government of Kuwait	5	3,079,637,462	1,040,319,174	2,421,573,021
22	Saudi Fund Arab Economic Development	6	2,702,471,056	2,494,826,112	3,228,232,169
23	Government of Japan	14	64,274,890,880	15,730,991,212	17,400,529,849
24	Banco Bilbao Vizcaya Argentaria (Spain)	1	-	-	282,894,641
25	Government of Republic of Korea	4	4,770,550,945	2,388,476,681	1,485,422,631
26	Export finance & Insurance Corporation	1	-	-	185,732,518
27	The Export-Import Bank of China	11	106,689,956,880	54,578,537,111	55,534,237,260
28	Export Import Bank of Hungary	1	-	7,068,025	384,534,097
29	Deutsche Bank AG	3	9,226,333,713	238,582,868	4,569,818,118
30	KBC Bank of Belgium	1	-	46,097,160	-
31	The Export - Import Bank of India	1	4,842,265,567	2,915,539,639	-
32	Kingdom of Spain	1	437,888,476	275,596,841	879,566,674
33	Standard Chartered Bank (United Kingdom)	1	934,596,367	-	-
34	Government of Pakistan	1	18,829,096	115,195,952	-
35	Erste Bank - Austria	1	1,734,737,991	-	-
TOTAL		173	507,388,442,363	152,704,624,575	209,889,364,176