

## **Second Integrated Road Investment Program (i-Road II) - 2021**

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The audit of financial statements of the Second Integrated Road Investment Program (i-Road II) for the year ended 31 December 2021 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 4.03 of Article IV of the Loan Agreements No. 3579 SRI and No.3580 SRI (COL) dated 22 November 2017 and Loan Agreement No.3851 SRI dated 13 November 2019 and No. 4067 SRI dated 28 May 2021 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observations which I consider should be reported to Parliament appear in this report.

### **1.2 Implementation, Objectives, Funding and Duration of the Program**

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According to the Loan Agreements of the Program, then Ministry of Higher Education & Highways, presently the Ministry of Transport and Highways is the Executing Agency and the Road Development Authority is the Implementing Agency of the Program. The objective of the Program is to 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. As per the Loan Agreements, the estimated total cost of the Program amounted to 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. The balance amount of US\$ 184.6 million equivalent to Rs.28,115 million is expected to be financed by the Government of Sri Lanka. The financing plan of the Program consists five Tranches under Multitranche Financial Facility and out of that first three Tranche agreements amounted to US\$ 500 million had been signed with the donor as at 31 December 2021. The Program had commenced its activities on 20 July 2018 and scheduled to be completed by 31 March 2027.

### **1.3 Qualified Opinion**

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In my opinion, except for the effects of the matters described in the Table 2.1 of my report, the accompanying financial statements give a true and fair view of the financial position of the Program as at 31 December 2021 and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.4 Basis for Opinion**

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

### **1.5 Responsibilities of Management and those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Program's financial reporting process.

## **1.6 Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## 2. Comments on Financial Statements

### 2.1 Accounting Deficiencies

| Accounting Deficiencies   | Amount<br>Rs.  | Response of the<br>Management  | Auditor's<br>Recommendation  |
|---|----------------|--|--|
| (a) Although the program had purchased Property, Plant and Equipment valued at Rs.153,280 during the year under review, it had stated as Rs.701,578 in the Cash Flow Statement without being adjusted the assets depreciation value separately to the Working Capital   | 548,298        | It should be corrected and the difference has to be adjusted to the WIP                        | Actual purchased value of the purchased Property, Plant and Equipment should be recognized under Investing Activities. |
| (b) Based on the Dispute Adjudication Board decision which was made in favor of the contractor on 26 November 2021 related to price escalations of the AM 4 contract package and the Program had been issued a Notice of Dissatisfaction (NOD) on 15 December 2021 thereon. However, action beyond the NOD had not been revealed to the audit and it was observed that provision or disclosure in financial statements for that contingent liability had not been made by the Program as per Sri Lanka Public Sector Accounting Standard No.08. | -              | It is noted to make provision or disclosure in the financial statement in the succeeding year. | Action should be taken to make provisions or disclose for contingent liability in the financial statements.            |
| (c) Contrary to the Sri Lanka Public Sector Accounting Standard No.07, three Laptop computers and one desktop computer amounting Rs. 3.2 million which were purchased during the year had not been recorded as non-current assets. Further, a sum of Rs.108,280 incurred on consultancy service for design engineering had been accounted as non-current assets erroneously.  | 3.1<br>million | Those entries will be corrected in the Project Financial Statements of the succeeding year.    | Assets should be accounted in accordance with Sri Lanka Public Sector Accounting Standard No.07.                       |
| (d) Although 149 rural roads with the length of 595.66 km and 01 national road with the length of 11.61km had   | -              | The Program has to wait until the completion of all  | Road costs should be capitalized in accordance with Sri  |

been handed over to the respective agencies as at 31 December 2021, the cost thereon had not been recognized as assets in line with Sri Lanka Public Sector Accounting Standard 01.

roads under each Lanka Public Sector contract and the Accounting Standard expiry of the PBM 01. period to recognize the cost of each road.

- (e) The un-replenished or un-liquidated Project Management Unit expenditure for the months of December 2021 amounting to Rs.25 million had not been charged to the replenishment account. Hence, the replenishment and the loan payable as at 31 December 2021 were understated by that amount. 25 million
- The provision under replenishment and loan payable had not been made mistakenly. The relevant provisions should be made accurately.
- (f) Although the total expenditure from foreign loans during the year under review was Rs.37,316.88 million as per financial statements of the Program, the corresponding amount had been shown in the General Treasury and the External Resources Department as Rs.38,231.71 million and Rs.37,326.63 million respectively. However, the reasons for the difference of Rs.9.75 million between the financial statement and the External Resources Department could not be revealed for the audit. 914.83 million & 9.75 million
- It is difficult to accurately reconcile the total expenditure accounted in the General Treasury or the Project Financial Statements with ERD disbursement details. Need to discuss with relevant parties and should minimize the differences.

## 2.2 Non- compliance with Rules and Regulations

| No  | Reference to the Rules and Regulations                  | Non- Compliances  | Responses of the Management  | Auditor's Recommendations  |
|-----|---|---|--|--|
| (a) | 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, 266 instances were observed where the evaluation of Interim Payment Certificates under 49 | The reasons such as Covid-19, material shortages etc. may result in causing additional cost to the contractors. If we adhere to original conditions the contractors' cash flow will be affected, and they couldn't be able to manage the contracts and lead to non-performance | 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. |

packages below than the required threshold during the year under review. of contact.

- (b) Sub Clause 14.7 of General Condition of the Contract The employer shall pay the amount certified in each IPCs within 56 days. If not payment received as mentioned, contractor shall be entitled to receive financing charges on the amount unpaid during the period of delay in order to Sub Clause 14.8 of the condition of the contract. Accordingly, delays ranging from 01 to 68 days beyond the stipulated time in 36 interim payment certificates were observed during the year under review. The contractor's submissions may have some document discrepancies and incompleteness and Engineer request the missing documents without returning the whole IPCs. In this process, it will take time beyond the stipulated time in the contract conditions and no contractor had claimed interest payment for such delay up to now. The employer should always comply with the contract conditions to avoid unnecessary payments.
- (c) Sub Clause 4.2 of the General Condition of the Contract Although the Performance Securities should be provided by the contactors at their own cost, 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, a sum of Rs.85.64 million had been paid to the contractors in Uva Province to reimburse the cost of Performance Securities as at 31 December 2021. These items are removed from BOQ for contracts which are being procured and going to be procured in future. The review of Bill of Quantities needed to be done by the Procurement Specialist and the Technical Evaluation Committee, before issuing the bidding documents.
- (d) Sub clause 14.9 of the General Conditions of the contract The contractor could be paid 50 percent of Retention money after issuing of Taking-Over Certificate and balance 50 percent could be released Most contractors requested to release the retention money against a bank guarantee to overcome the cash flow problems cased because of Covid and other issues. A The conditions of the contract should be strictly followed until proper approval for deviation.

after the expiry of the Defects Notification Period or substitute a guarantee. Cabinet Approval was obtained and released the full retention money. However even though the packages were not issued Taking-Over Certificates, instances were observed where the entire retentions relating to 06 packages amounting to Rs.772,656,062 had been released to the contractors.

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|-----|---|--|--|---|
| (e) | Sub-Clause 15.3 of the General Conditions of Contract | Although the engineer should determine the value of the works, goods and any other sums due to the contractor as soon as practicable after issue a notice of terminations, it had not been done by the employer even after a lapse of more than 10 months as at 31 December 2021 after issuing of Notice of Termination of Uva Province terminated contracts.            | It is required to get joint measurement to prepare value of completed works at termination. However, the contractor did not come to jointly assist such works and hence the engineer has to do all works to prepare the value at termination. However at present, the value at termination had completed and details can be submitted. | Value at termination should be completed before the rebidding process is started. |
| (f) | Construction Industry Development Act No.33 of 2014   | Every foreign contractor prior to engage in any identified 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. | CIDA registration requirements can't be considered as a criterion for the rejection of bids.   | Standardization the contractors should be done before selection of contractors.   |

- (g) Public Contract Act No.3 of 1987. The bidders of public contracts which value over Rs.5 million should register under Public Contract Act before collecting the Bidding Documents and also should get the contract registration after the contract is awarded. It was observed that the Program had not considered that requirement when evaluating the technical bids of respective bidders. The contractors had been selected as contracting companies registered in an ADB member country and not black listed by ADB. The bidders and awarded contract should be registered under Public Contract Act.
- (h) Section 5.3.7 (b) of the Procurement Guideline 2006. Although it was stated that a Bid is submitted as a joint venture, all parties of joint venture shall be jointly and severally liable for the performance of obligations under the contract and must submit a written declaration, the audit was not observed such a written declarations given by contactors with technical bids. Instruction to Bidders clearly stipulates the requirement of all partners shall be jointly and severally liable in the case of joint venture agreement or intend to form a joint venture. It is required to adhere to the conditions stipulated in the Procurement Guideline.

### 3. Physical Performance

#### 3.1 Physical progress of the activities of the Program

| No  | Components  | Audit Issues  | Responses of the Management   | Auditor's Recommendations  |
|-----|---|---|---|--|
| (a) | Completion and handed over of road rehabilitation works of National and Rural Roads | Although the road rehabilitation works of 417.75 km of 36 national roads and 3338.87 km of 1349 rural roads in Northern, Eastern, Uva and Western Provinces were expected to be rehabilitated by the program according to the Facility Administration Manual in April 2021, rehabilitation works of 11.61km of 01 national road and | The Facility Administration Manual was prepared at the early stage of the loan agreement and the expected dates are only the estimations. | Necessary action should be taken to achieve intended targets of the program. |

595.66 km of 149 rural roads had only been completed and handed over to respective agencies as at 31 December 2021.

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|-----|---|---|--|--|
| (b) | Completion of road rehabilitation works of National and Rural Roads | The commencement date of road rehabilitation contracts in Uva Province was 20 July 2018 and the original completion was 20 July 2020. All contracts had operated under 15 packages. Although 529 days were elapsed from the original completion date of the contracts, the length of 650.86 km out of the entire length of 1012.89 km of roads rehabilitation works had only been completed as at 31 December 2021. Further, 110 roads out of 249 rural roads only had been completed as at 31 December 2021. | This progress was due to the difficulty of construction in steep terrain, adverse weather and Covid 19 pandemic situation. | All effort should be taken to achieve intended targets of the program. |
| (c) | Completion of road rehabilitation works of National and Rural Roads | The commencement date of the road rehabilitation contracts of rural roads in Eastern Province was 24 September 2019 and Original completion date was 24 September 2021. Although there were elapsed 98 days from the original completion date, the contractors had completed only 518 km length out of 795 km of total length of the rehabilitation works. However, 34 roads had been handed over to Road Development Authority out of 370 roads as at 31 December 2021.                                      | The constructions were awarded at the end of 2019 and the Covid pandemic badly affected the construction works.            | All effort should be taken to achieve intended targets of the program. |

### 3.2 Contract Administration

| No  | Audit Issues   | Responses of the Management   | Auditor's Recommendations   |
|-----|--|---|---|
| (a) | Although the Engineer estimates, bid documents and Bill of quantities should be properly evaluate by the Procurement Committee and Technical Evaluation Committee as per Sub Clause 2.4 and 2.6 of the | Evaluated bid price of the contracts BA4 and BA5 were found reasonable. The SCAPC and the TEC evaluated the bids within | Action should be taken promptly by the Program to recover the loss. |



Government Procurement Guideline, the loss of Rs.48.2 million had been incurred by the program as at 31 December 2021 in 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.

the provision of the ADB's evaluation guidelines.

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| <p>(b) Although all laboratory, furniture and survey equipment will be reverted to the contractor at the end of the Program as per Sub clauses 108.4 and 120.7 of the Conditions of the Contracts, a sum of Rs. 932.98 million and Rs. 16.23 million had been paid as a lump sum for laboratory, furniture and survey equipment respectively as at 31 December 2021. Thus it may indicate that unusual contract conditions may lead to undue benefits to the contractors.</p> | <p>If the Road Development Authority need any furniture, lab &amp; survey equipment in future, these conditions will be adjusted to suit that condition. Further, these items are mostly in unusable or outdated condition at the end of the contract, after using it for more than 2-3 years.</p> | <p>As a general practice, the respective assets are retained by the employer. Therefore, the cost of the contract under this program is required to be reduced, compared with the cost of other contract packages awarded by other donor funded projects.</p> |
| <p>(c) Newly added 06 roads in Eastern Province included in the Road rehabilitation progress had not been included either in the Facility Administration Manual or under relevant contract packages awarded to the selected contractors. Further, the ADB and Department of National Planning concurrences had not been obtained by the program for those constructions even as at 31 December 2021.</p>  | <p>Necessary documents have been submitted for approval.</p>   | <p>Scope should be change only after the concurrence of the lending agency and the Department of National Planning.</p>   |
| <p>(d) The action had not been taken by the program to encash the performance guarantees with the value of Rs. 690.74 million relevant to 03 terminated contract packages even by the end of the year under review.</p>   | <p>The contractors had taken Court Orders to prevent encash the bonds and litigations are in progress.</p>   | <p>The performance guarantees have to be encashed as stipulated in the contract conditions.</p>   |

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|-----|--|--|--|
| (e) | Even though the lending agency had instructed to recover mobilization advance and refund to the lending agency related to the terminated contracts, the project had failed to recover the outstanding mobilization advances amount of Rs.560.14 million related to 03 terminated contract packages in Uva Province. Accordingly, the total unrecovered mobilization advances as at 31 December 2021 was Rs.13,922.63 million.  | The contractor has taken court orders to prevent encashing advance guarantees and litigation is in progress. Therefore receiving of the amounts and claims on termination can be finalized only after completion of litigation.  | Action should be taken to recover the advances immediately.  |
| (f) | The net value increase in the contract values against engineering estimate had ranged from 10.33 percent to 33.21 percent of the seven rebid contract packages which had already been awarded as at 31 December 2021.  | The Engineer's Estimate are prepared using HSR and not practicable to apply to estimate of rural roads cost. Therefore the norms have to be changed accordingly.   | Engineer's Estimates should be realistic as per conditions stipulated in the Procurement Guideline.                                    |
| (g) | The Program had included a special Clause under 1.6 in Section 03 of the bidding documents to enable the lowest substantially responsive bidder to allow more than one contract contrary to the Standard Bidding Documents of the Government Procurement Guideline. Therefore the lowest substantially responsive bidder couldn't be able to grant more than one contract package. It was observed that the cost overrun to the program only from awarded packages were Rs.66,751,961. | The project has the experience about non-performing contractors who had been awarded several contracts. Further, these are already terminated packages and delay in completion will lead to several public complaints. So it was tend to award only one contract package to each contractor. | The conditions stipulated in the Procurement Guideline should be strictly followed to curtail the uneconomical cost to the Program.    |
| (h) | The two re-bid contract packages (RT-1 and RT-6) had to be-rebid again due to the condition of unable the lowest substantially responsive bidder to allow more than one contract. Further, those two contract packages had not been rebid again and awarded even as at 31 March 2022. So it was observed that unusual bidding conditions had directly affected the entire performance of the program adversely.  | PMU has already taken action for inviting bids again. TEC recommendation for the bidding document is obtained. Bids will be called with the approval of the MPC and concurrence of the ADB also needs to be obtained.  | The conditions of the contracts should be deeply reviewed in the early stage to avoid unusual delays and cost overruns to the Program. |
| (i) | The delay in rebidding procurement activities on terminated contracts in Uva Province by implementing unusual bidding conditions had   | The additional cost incurred to maintenance of such roads will be  | The value at termination should be ascertained   |

directly affected to the smooth functioning of road rehabilitation works. Further, as per the Particular Condition 103.2 (2) of the road rehabilitation work contracts, there is a pay item for routine maintenance of existing roads. However, it had been awarded 04 additional contract packages with the value of Rs.66.26 million to cover the emergency maintenance works during the year under review and it was clearly an additional and uneconomical expenditure to the Program.

recovered from the terminated contract packages of those roads.

efficiently to ease the rebidding process and rebidding should be processed under accepted contract conditions to curtail unnecessary delays and costs.

(j) According to Section 7.9.2 of the Procurement Manual, if the lowest evaluated responsive bid exceeds the engineer's estimates by a substantial margin, the Procurement Entity should consider new bids or negotiate with the bidder. However, even negotiated bid prices were significantly higher than Engineer's Estimates and varied in between 32.8 per cent to 39.7 per cent. Hence it was observed that the Engineer's Estimates were not prepared in a realistic manner or the price negotiations were not conducted in a proper manner related to Northern Province contract packages.

The Engineer's Estimate are prepared using HSR and not practicable to apply to estimate of rural roads cost. Therefore the norms have to be changed accordingly.

Engineer's Estimates should be realistic as per conditions stipulated in the Procurement Guideline.

(k) A particular contractor was become substantially responsive in 08 contract packages in Northern province and as per the evaluation of the TEC, the required Average Annual Construction Turnover (AACTO) for 08 respective contract packages were Rs.23,200 million. But the company available AACTO was Rs. 22,700 million and it was observed that the company had a Rs. 500 million shortage to qualify for all 08 packages. However, TEC and SCAPC decided to award the entire 08 packages to that contractor by considering the Project Director's comments without considering the above critical criteria. Further, although the original contract period had ended by 96 per cent of the entire 141 roads in the 08 contact packages, 06 roads had not even been commenced and the physical progress of 84 roads had remained below 75 per cent as at 31 December 2021.

The PMU and TEC noted that the risk of awarding the entire 08 contract packages to the particular contractor is very low. Further, it was found beneficial compared to going for rebidding.

The bidding conditions should be strictly followed without change to avoid undue favoration to some contractors.

### 3.3 Observations made on site visits

| No  | Audit Issues   | Responses of the Management   | Auditor's Recommendations   |
|-----|--|---|---|
| --- | -----  | -----   | -----   |
| (a) | The asphalt had been laid in road areas extended 32.85 km in CL-03 contract package by incurring a cost of Rs.178,643,296 without completing structures, drainages, shoulders, culvert etc. It may badly affect the stability of the asphalted layer and earth excavation conducted by using machinery for the remaining constructions may also be caused to damage the asphalt layer.   | Certain instances, the contractor encountering difficulties in mobilizing required resources to commence subsequent activity and already completed activity get damaged.  | Whole construction process should be implemented smoothly without any delay.  |
| (b) | The length of 3.88 km line drains of the asphalted area, 26.97 km of shoulders and 13 culverts under CL 03 contract package had not been completed even as at the audited date of 16 December 2021.  | Most of the road improvements get delayed/take long time due to unnecessary structural works and priority shall be given for carriageway construction works.  | Whole construction process should be implemented smoothly without any delay.  |
| (c) | Although drainage constructions need to be done as per the engineer's instructions to minimize the inconvenience to road users in accordance with sub-section 701.1 (ii) of the standard specification, it was observed that space in between two cover slabs of some cross drains were higher than the standard space and it may affect much inconvenience to the owners of premises and the road users. Further, a sum of Rs.661,040 had been paid in CL 03 Contract package for 150 mm thickness precast concrete cover slab including reinforcements and framework as at 31 December 2021. | The Engineer's staff also observed the space between cover slabs in some cross drains were higher than the standard space given in the drawings. It is instructed to the contractors to rectify.  | It should be strictly complied with the Standard Specification for Constructions.   |
| (d) | Although contractor shall take necessary measures for the safety of traffic and third parties by providing erecting and maintaining all signs, lamps, barriers, traffic control signals road marking etc. and barriers shall be strong red lanterns or warning lights shall be mounted on the barriers at night, it was observed that the instances where contractor failed to comply with these requirements and a sum of Rs.6,279,196  | Payment deductions were made due to insufficient safety measures during some months. In some locations, safety barricading can't be maintained due to narrow sections of the rural roads. However, in the case of deeper excavations hard | Employer and consultants should review the safety measures implementing by the contractors during the rehabilitation of existing roads. |

had been paid to the contractor as at 17 December 2021 without deducting for that short comings contrary to section 4.4 of the Project safety management plan of the contract and specification 103 of the Particular Conditions of Contract.

barricading and lighting system has been maintained.

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|-----|---|---|---|
| (e) | Instances were observed where the asphalt had been laid without shifting utilities (telephone poles) under the CL 01 contract package and it is questionable to the audit.  | Shifting of telephone poles are done by SLT according to their schedules after paying the shifting cost by the contractor, which is reimbursed by employer through IPCs.                      | It should be investigated whether the punctual payment are being made by the contractor to avoid the delay in shifting works. |
| (f) | As per the sub clause of 4.24 of the project safety management plan of the contract agreement, there were 81 public complaints in CL 01, CL 02 and CL 03 packages had not been executed for a period ranging from 06 months to more than 01 year. | The complaints which involve constructions activities are settled in line with the road implementation progress. However, all complaints will be resolved prior to handing over of the roads. | Resolving of complaints should be expedited.  |

### 3.4 Extraneous Payments

| -----<br>Audit Issue<br>-----  | -----<br>Response of the<br>Management<br>-----   | -----<br>Auditor's<br>Recommendations<br>-----            |
|--|---|---|
| Commitment charges amounting to Rs. 126.78 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.576.30 million as at 31 December 2021. | Payments of Commitment Charges are unavoidable, even though it is an uneconomical payment. But it can be minimized by achieving disbursement targets. | Action should be taken to minimize the unnecessary costs. |

### 3.5 Issues Related to Human Resources Management

| Cadre Position                        | No of Posts |                               |                  | Response of the Management   | Auditor's Recommendations  |
|---------------------------------------|-------------|-------------------------------|------------------|--|--|
|                                       | Approved    | Actual as at 31 December 2021 | No. of vacancies |  |  |
| Senior Engineer Coordinating Engineer | 6           | 1                             | 5                | The Secretary's approval had already been granted for some vacancies and some are pending. Further, the interview Boards were appointed and interviews will be held without delay for some approved posts. | Optimum cadre should be maintained by the program to maximize the performance. |
| Project Engineer                      | 14          | 4                             | 10               |  |  |
|                                       | 28          | 15                            | 13               |  |  |

### 3.6 Issues Relating to the Project Monitoring Unit

| Key Cadre Position     | Period of the service in the PMU | Whether employed in other entities | Employed on contract basis/acting basis | Responses of the Management  | Auditor's Recommendations  |
|------------------------|----------------------------------|------------------------------------|---|--|--|
| Project Director (Uva) | 13 month                         | Yes (Road Development Authority)   | Acting basis                            | The advertisements had been published two times and applications other than the acting Project Director had not been received on both occasions. | The Project Director should always be recruited on full time basis as per circular instructions. |

### 3.7 System and Controls

| Audit Issue  | Management Response   | Auditor's Recommendation  |
|--|---|---|
| According to the Facility Administration Manual of the Program and Section 9 of the Management Services Circular No.01/2019 dated 05 March 2019, the Project Steering Committee should be conducted at least quarterly to oversee, monitor and coordinate project implementation. However, it was observed that only one meeting had been conducted for the year 2021. | A virtual meeting was held on 16 December 2021 under the chairmanship of the Secretary of Ministry of Highways. | All Steering Committees should be implemented as per stipulated manner. |