

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Road Development Authority (“Authority”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971 read in conjunction with Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be presented to parliament appear in this report.

In my opinion, the financial statements do not give a true and fair view of the financial position of the Authority as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Adverse Opinion

I expressed adverse opinion on the matters described in paragraph 1.5 of this report.

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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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.

In preparing the financial statements, management is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

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

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud and 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 judgement and maintain professional scepticism throughout the audit. I also;

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and Whether such systems, procedures, books, records and other documents are in effective operation,
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant Standard	Comments of the Management	Recommendation
(a) In accordance with paragraph 07 of the Sri Lanka Public Sector Accounting Standard No. 01, the transactions and events should be recognized and reported in the financial statements in the period to which they relate. However, as the fine amount of Rs. 5.97 million paid to a state bank on 08 January 2024 related to the year 2023 had been recorded as an expense in the year under review, and therefore the surplus for the year under review had been understated. Further, the payment of these fines had not been disclosed in the financial statements in accordance with paragraph 107 (e) of the said Standard.	These fines had to be paid due to the delay in receiving the imprests from the Treasury, and as the discussion were held continuously with the bank asking to not collect the fines, it was not accounted as an expenditure in the year 2023. Also, as the discussions were unsuccessful, the said fine had to be paid in the year 2024.	The Additional Director General (Finance and Asset Management) should ensure that the financial statements have been prepared in accordance with the relevant accounting standards and the actions should be taken to correct this in the financial statements of the upcoming year.
(b) The details about the preparation of schedules on debenture balances of Rs. 233,054 million and Rs. 88,515 million that were to be paid to 05 local commercial banks at the end of the year under review from the loan obtained by keeping the fixed deposits of the Authority as securities under the loan limit of 581,000 million that had been	The issuance of debentures occurred in the year 2021 and the list of classified roads constructed in relation to the debenture issuance has been disclosed in the financial year ended 31 December 2021. Further, the method of capitalizing borrowing costs has been disclosed in Accounting	During the system review under Section 38(1)(c) of the National Audit Act No. 19 of 2018, the written instructions should be issued to determine the responsibilities giving special attention, and strengthen the internal control as well as the

approved by the General Treasury and the letters of comfort issued by General Treasury, and the manner in which the said loans were used, the roads constructed by investing those loans and the sources from which the loans were obtained, date, loan amount, capitalized borrowing cost for each road, guarantees, grace period, repayment period, restructuring of loan, payments of loan instalment, interest payments had not been disclosed in the financial statements in accordance with the Sections 15 and 16 of Sri Lanka Public Sector Accounting Standard No. 01 and the Paragraphs 18, 19, 20, 31, 32, 33, 34, 36 and 40 of the Sri Lanka Public Sector Accounting Standard No. 04.

Policy No. 2.6, a and b, and in accordance with 18, 19, 20, 31,32,33 of Standard No. 04, borrowing cost has been capitalized as a part of the cost of the asset, and as per Section 36, capitalization of the respective assets has been stopped during the use. As the request made by you, the actions will be taken to update and maintain the documents related to the loan.

required monitoring should be ensured.

- (c) In accordance with paragraph 16 (b) of the Sri Lanka Public Sector Accounting Standard No. 01, the fact whether resources were obtained and used in accordance with the legally adopted budget including financial limits established by appropriate legislative authorities should be indicated in the financial statements. However, although a sum of Rs. 84.6 million out of the provision of Rs. 20,749 million made by the Line Ministry for road maintenance during the year under review was spent on 43 roads for which funds had been deposited by external agencies for maintenance, the surplus for the year under review had been overstated as the said amount had been accounted as a client income without being accounted as funds to be refunded to the Line Ministry.

Since the respective value had not been accounted as a client income, the client deposit value had not been overstated.

Income, expenses, assets, and liabilities should be accurately accounted and the corrections should be made in the financial statements of the subsequent year.

- (d) As the provision received by the Line Ministry for the development of rural roads under the project for the rehabilitation of 100,000 km of alternative roads not included in the regular scope of the Road Development Authority, and the related expenses thereof were recorded in the financial statements of the Authority without recording them in a separate project account in accordance with paragraphs 15 and 16 of the Sri Lanka Public Sector Accounting Standards No. 01, the income and assets of the year under review and the income and assets of the previous year had been overstated by Rs. 25,537.47 million and Rs. 155,703.94 million respectively.
- The roads not included in the scope of the Authority had to be constructed and developed through a Development Program implemented from the year 2020 under the policy framework “Vistas of Prosperity and Splendour” with the approval of the Cabinet of Minister. The responsibility was transferred to the Road Development Authority as the implementing agency and the allocation of funds was done from a legally approved expenditure head, and the said funds were released directly to the Authority by the Line Ministry, and afterwards the project has been financed continuously through the Authority.
- Income, expenses, assets, and liabilities should be accurately accounted and the corrections should be made in the financial statements of the subsequent year.
- (e) The income amounting to Rs. 12,766.5 million earned from the expressway system and the operating expenditure amounting to Rs. 7,534.85 million during the year under review had not been separately accounted and only the net income amounting to Rs. 5,231.66 million had been recorded in the Statement of Financial Performance contrary to paragraph 49 of the Sri Lanka Government Sector Accounting Standard No. 01. Consequently, the income and expenditure had been understated by that amount in the year under review.
- Since it was informed by the previous audit reports to disclose the net income of the expressway system as a separate segment, the expressway system has been considered as a separate segment by offsetting its income and expenses as stated in Section 66 of the Standard No.17, and only the profit has been adjusted to the income statement from the year 2021.
- Income, expenses, assets, and liabilities should be accurately accounted and the corrections should be made in the financial statements of the subsequent year.

- (f) The provisions provided to the Road Development Authority as equity contributions for the settlement of interest expenses and other costs related to the loans as per the Cabinet Decisions No. CP/20/0313/204/029 dated 05 February 2020 and No. CP/20/0974/204/029 - VI dated 24 June 2020, an amount of Rs. 48,195 million spent in the year under review from the provision that had been provided by the line ministries to pay interest and instalments on local bank loans contrary to that decision and the paragraph 16 of the Sri Lanka Public Sector Accounting Standard No. 01, and Rs. 185,466.96 million including Rs. 137,271.96 million spent in the years 2021, 2022 and 2023 had been accounted as capital contribution under annual income, the surplus of the year under review and the previous year had been recorded as Rs. 48,195 million and Rs. 137,271.96 million respectively, equity contribution had been understated by the same amount.
- Since a problematic situation arises in respect of the accounting the receipts of grant in accordance with SLPSAS 11, the proceedings will be done in future subsequent to obtaining necessary instructions from the Treasury and the Line Ministries regarding the accounting of government equity contributions.
- In the review of the systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018, the written instructions should be issued and monitored in order to strengthen the internal control, giving special attention to prevent the inaccurate financial reporting, and the necessary corrections should be made in the financial statements of the coming year.
- (g) As per paragraph 39 of Sri Lanka Public Sector Accounting Standard No. 02, unrealized gains and losses arising from changes in foreign exchange rates should be recorded in the cash flow statement under the comparison of cash and cash equivalents at the beginning and end of the period. However, as the exchange gain of Rs. 358 million for the year under review was reduced to Rs. 375.8 million under the adjustments made to the surplus of the year under review, the cash flow from operational activities had been understated by Rs. 17.72 million and the year-end cash value had been understated by Rs. 358
- As per 39 of Standard No. 02, it is stated that the effect of exchange rate changes is reported in the cash flow statement in order to reconcile cash and cash equivalents and it is presented separately from cash flows from operating, investing and financing activities. Consequently, as the appropriate place to make the adjustment is under the effect on the surplus, it has been adjusted accordingly. Otherwise, it is informed that it is not balanced with money and bank if the adjustment is made under cash and cash equivalents
- The cash flow statement should be prepared accurately in accordance with the requirements of public sector accounting standards and the steps should be taken to provide the information required for the audit with no delay.

million. Further, the changes in cash flows of the foresaid operational activities could not be ascertained since the value of the work in progress incurred in cash amounting to Rs. 32.74 million and the particulars of the sources of financing the value of property, plant and equipment purchased amounting to Rs. 6,691.56 million were not presented with the financial statements contrary to the requirements of Section 15 (b) of Sri Lanka Public Sector Accounting Standard 01.

of the period. Also, the particulars of work in progress (From Schedule No. 193 to 226), value of property and plant purchased from the Authority's funds (Schedule No. 453 A), value of property and plant purchased from local funds (Schedule No. 453 C) have already been presented.

- (h) Although the borrowing costs that are directly attributable to the acquisition, construction or production of an asset should be capitalized as part of the cost of the said asset in accordance with Section 19 of the Sri Lanka Public Sector Accounting Standard No. 04, the borrowing cost of Rs. 33,631 million incurred as at the end of the year under review including Rs.5,918 million incurred in the year 2024 related to the loan amounts of Rs. 38,260 million and Rs. 8,738.66 million obtained by the Authority through commercial banks and provided to 02 sub-projects of the Central Expressway Section I and III respectively had been recorded under work in progress instead of being recorded as a capital contribution made by the Authority to the relevant projects. Consequently, the value of the work in progress had been overstated and the value of the capital contributions for the projects had been understated by the said value as at the end of the year under review, and the capitalization rate used to determine the borrowing cost eligible for capitalization as per
- The respective loan has been obtained in the name of the Road Development Authority and the necessary provisions are being provided by the General Treasury to pay the loan instalments and interest thereof. If the Authority records the loans given for the relevant projects as capital contributions, the loan amount will be shown in the accounts of the Authority and therefore it will not be possible to show the deduction of the loan amount in the project accounts. Accordingly, the borrowing cost has been capitalized at the value of the work in progress in accordance with Section 11 of Standard No. 04 until the expressway is capitalized and a confirmation has been given regarding this by the Public Sector of the Institute of Chartered Accountants of Sri Lanka.
- The borrowing costs should be accounted in accordance with the Public Sector Accounting Standards, and the necessary adjustments should be made in the financial statements of the subsequent year.

paragraph 40 (c) of the said regulation had not been disclosed.

- (i) Although the capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted in accordance with Section 34 of the Sri Lanka Public Sector Accounting Standard No. 04, the borrowing costs of Rs. 4,839.29 million incurred in the year under review in relation to the Ruwanpura Expressway Project and the Central Expressway Part I Project, which had been suspended, had been accounted as work in progress without being recognized as an expenditure occurred during the period. Accordingly, the value of work in progress and the surplus in the financial statements had been overstated by that amount.
- (j) All the buildings used by the Authority; which should be recognized as assets in accordance with paragraph 14 of the Sri Lanka Public Sector Accounting Standard No. 07, had not been recorded in the financial statements, and while the value of 1134 buildings had been accounted as Rs. 11,840.02 million in contrast to the section 51 of the said standard, only 789 buildings had been identified for valuation in the year 2019 and only 561 buildings out of these had been valued. Further, an updated fixed asset register including particulars such as the location, extent, nature of ownership, value, date of valuation, current use of the valued buildings had not been maintained.
- (k) Contrary to Section 50 of the Sri Lanka Government Sector Accounting Standard No. 07, the
- Since the paragraph 35 of the Standard No. 04 states as “Capitalization of borrowing costs is not suspended when a temporary delay is a necessary part of the process of getting an asset ready for its intended use”, and the paragraph 19 of the standard state that the borrowing costs that are directly attributable to the acquisition are capitalized and other borrowing costs are recognized as an expenditure.
- The borrowing costs should be accurately accounted in accordance with the standard and the necessary adjustments should be made in the financial statements of the subsequent year.
- The building valuation activities are being carried out by the Government Valuation Department and the necessary steps are being taken to obtain the relevant valuation amounts immediately, and it is expected to be completed by the end of the year 2025. Although the valuation amount, date of valuation and current use are stated in the fixed asset register, the steps will be taken to update those by including the location, size and nature of ownership of the buildings.
- The fixed asset register should be maintained up to date and the valuation or accounting of the asset should be done correctly in accordance with the Public Sector Accounting Standard.
- The amount of Rs. 1,328.34 million is related to road assets and the land value shown in
- The income, expenditures, assets, and liabilities should be accounted accurately

value of Rs. 381,641 million recorded as road assets in the financial statement included the values of land and bridge assets amounting to Rs. 214.74 million and Rs. 1,328.34 million respectively. Consequently, the value of the road asset had been overstated and the value of the land and bridge asset had been understated by a value equivalent to that. Further, as the relevant land and bridge value had been depreciated as a road asset, the annual depreciation expense had been overstated by Rs. 103.72 million and the relevant asset values had been understated.

General Note No. 10 is an error occurred during the computerization and it has been corrected. Accordingly, the depreciation calculation related thereto is correct and the depreciation expense under roads has not been overstated by Rs. 92.983 million and the land asset has not been understated.

and the corrections should be made in the financial statements of the subsequent year.

The correction for Rs. 214.748 million has been done in the year 2025 through Journal No. 160/J05.

(l) Although an entity should allocate the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part in accordance with Section 58 of the Sri Lanka Public Sector Accounting Standard No. 07, the expressway cost representing 82 percent of the total assets of the Authority equivalent to Rs. 1,140,180 million, the cost of Rs. 71,982.01 million related to 42 highways constructed through 04 projects had been depreciated by a common rate of 03 percent without being separated to significant parts such as culverts, bridges, pavements, lighting. Consequently, the expressway and highway assets and the related depreciation expenses of Rs. 29,567 million had not been properly accounted.

The Road Asset Valuation is carried out by the Road Asset Management Division through the Sri Lanka Road Asset Management System (SLRAMS). In the execution of the said valuation, separate valuation amounts can be obtained for each section and the depreciation can be done under different depreciation rates for each section. Consequently, the proceedings will be done accordingly in the future.

The assets should be classified and depreciated correctly as per the depreciation rates stated in the accounting policies, and necessary corrections should be made in the financial statements of the subsequent years.

(m) The disclosures about the restrictions on title and the value of fixed assets pledged as security for liabilities, the amount of contractual commitments for the acquisition,

The disclosures in accordance with paragraphs 87, 90 and 92 of Sri Lanka Public Sector Accounting Standard No. 07 will be made in the future.

The disclosures on the assets should be made in the financial statements in accordance with Sri Lanka Public Sector Accounting

the effective date of the revaluation, the carrying amount of temporarily idle property, the gross carrying amount of any fully depreciated property that is still in use, and the property categorized as retired from active use and held for disposal had not been made by the financial statements in accordance with paragraphs 87, 90 and 92 of Sri Lanka Public Sector Accounting Standard No. 07.

Standards.

- | | | | |
|-----|---|--|--|
| (n) | <p>The total number and value of the roads owned by the Authority and being used as at the end of the year under review that should be recognized as assets according to paragraph 14 of the Sri Lanka Public Sector Accounting Standard No. 07; that is, although it had been identified that there were 12,568 km of roads under AA, AB, AC, B and E categories belonging to the scope of the Road Development Authority, only the value of 3,734 km of roads out of that, equivalent to 29.71 percent, had been capitalized at a value of Rs. 1,140,180 million. Although this matter had been pointed out in audit reports since the year 2016, the steps had not been taken to identify and capitalize the value of the remaining 8,834 km of roads.</p> | <p>Due to practical difficulties, the amount of 2000 km proposed to be capitalized in the year 2024 could not be completed and the steps will be taken to capitalize the amounts related to the years 2024 and 2025 in the year 2025. As the initial step, the priority has been given to assess the road structure and base of 6000 km by the end of the year 2025 as the road structure and base are of high value in respect of any road.</p> | <p>The steps should be taken to strengthen internal controls over assets and correct asset balances in the financial statements of the subsequent year.</p> |
| (o) | <p>The lands worth Rs. 1,360.12 million acquired for the Central Expressway - Part IV project, which had been abandoned in the year 2022 without commencing construction which should be recognized as the assets and included in the fixed asset register in accordance with paragraph 14 of the Sri Lanka Public Sector Accounting Standard No. 07, roads worth Rs. 706.94 million completed</p> | <p>This project has been decided to be restarted as per the Cabinet Decisions on June 2025 (No. CP/25/0892/809/068 dated 17.06.2025) and as the amount paid for land acquisition has not been recognized under lands and has been accounted under the works in progress, the actions will be taken to make rectifications. The laboratory equipment and research and</p> | <p>The steps should be taken to strengthen internal controls over assets and to correct asset balances in the financial statements of the subsequent year.</p> |

under 23 contracts between the year 2021 and 2024, the assets worth Rs. 916.41 million handed over to the Authority on 31 December 2023 through the Transport Project Preparatory Facility Project, and the laboratory equipment worth Rs. 40.6 million that had been handed over to the Authority on 31 December 2021 through the Southern Expressway Extension Part 3 Project had not been included in the fixed assets register and financial statements. Also, 153 vehicles, 12,716 laboratory equipment and 14,413 research and development equipment (R&D Equipment) included in the fixed assets register and however of which the value was not recognized had not been recognized as assets in the financial statements. Further, there were 71 vehicles not registered in the name of the Department of Motor Traffics and in the name of the previous department or in the name of the RCDC institution assigned to the Authority, and 1206 vehicles not included in the asset register maintained by the Authority but registered in the name of the Department of Motor Traffics and in the name of the previous department.

development equipment will be assessed and the valuation amounts will be obtained and included in the financial reports. According to the liquidation accounts of the TPPF project, a sum of Rs. 428.47 million which was the exchange rate adjustment of foreign aid projects out of the total assets of Rs. 916.42 million, the value for the consultancy services worth 486.92 million from the remaining value subsequent to the adjustment made as per the Public Accounts Guidelines Circular 03/2024 have been accounted in January 2025 by 199/J01. Out of the 153 vehicles mentioned herein, the steps will be taken to update the accounts based on the assessed values of the vehicles presently in use, and the ownership of other vehicles will also be verified, assessed and accounted.

- (p) In accordance with paragraph 15 of the Sri Lanka Public Sector Accounting Standard No. 09, the inventories should be measured at the lower of cost and net realizable value. However, the inventory value of 03 divisions of the Authority at the end of the year had not been valued according to the standard and its cost value amounting to Rs. 286.89 million had been stated in the financial statements.
- This stock is a donation to the Road Development Authority and not a purchased stock. A special committee has been appointed to investigate whether this stock is currently in a usable condition and to make recommendations on obtaining the stock values again. Consequently, the relevant impairment provisions will be made.
- The cost and net realizable values of the inventory should be identified and recorded at a lower value, and the necessary adjustments should be made in the financial statements of the subsequent year.
- (q) Since the capital expenditure amounting to Rs. 111.521 million had also been included in the calculation of the recurrent surplus of the year under review not in accordance with the alternative method that allowed for recording capital expenditure under the addendum to the Sri Lanka Public Sector Accounting Standard 11, the recurrent surplus and capital grant deficit had been overstated by that amount.
- The format presently being use was created subsequent to the discussions with the Institute of Chartered Accountants of Sri Lanka in the year 2018 to present financial statements in accordance with Sri Lanka Accounting Standards 11, and further necessary steps will be taken once the confirmation from the Institute of Chartered Accountants of Sri Lanka is received in this regard.
- The error of accounting the capital grants should be corrected in the financial statements of the subsequent year.
- (r) The disclosures about the relationships of the related parties, that is, the details of each class of key management personnel and their remuneration, other allowances, non-financial benefits and number of persons, number of managers assigned for the project offices and salaries and allowances, agreements and transactions between affiliated companies, financing and overdraft facilities, had not been made in the financial statements in accordance with the paragraphs 27, 28 and 34 of Sri Lanka Public Sector Accounting Standard No. 14.
- The actions will be taken to make this disclosure in the future.
- The required disclosures in the financial statements should be made in accordance with the standard.
- (s) The client's revenue of Rs.490.97 million had been identified for the year under review by adding a profit margin of 20 percent to the
- The contract cost and the contract revenue had been identified as mentioned in the sections 38, 31, 32, and 34 of
- The client revenue should be accurately identified and accounted in compliance with the referred

expenditure incurred for the contract activities of the clients by Authority not in compliance with the criteria of paragraph 38 of Sri Lanka Public Sector Accounting Standard No.16.

standard 16 and it is informed that a profit margin of 20 percent had not been added to the contract expenditure at every occasion. Similarly, it had been mentioned that if the contract cost is determined on the production stage, the cost incurred on relevant date is included in such cost in the paragraph 39. As per the above-mentioned sections, the contract revenue had been identified and accounted by Authority.

accounting standard and that should be certified by Additional Director General (Finance and Asset Management).

- (t) Even though an evaluation should be carried out whether the indications on asset impairment are available at every date of accounting by entities in accordance with the sections 26 and 52 of International Public Sector Accounting Standards No.21 in compliance with accounting policy No.2.1 of Authority and if there are indications are available, the recoverable amount of an asset should be accounted, the impairment adjustments had not been made as per the standard for prior work advance of Rs.32,676 million and creditor balances of Rs.577.28 million which had existed more than 02 years. Furthermore, a balance of Rs.306.5 million receivable from the Ministry of Economic Development which is not currently functioning had been included in this creditor balance. The written agreements or documents related to verification that value had not been submitted to the audit.

The number of asset items belonging to Road Development Authority is excess and it is practically difficult task to carry out the impairment evaluations in that manner. However, the action will be taken to obtain the impairment evaluations in the future after establishment of roads assets management system for that and entering data.

The written instructions should be issued for strengthening the internal control after determination the responsibilities with a special attention on this matter at the system review under section 38(1) c of the National Audit Act No.19 of 2018.

An investigation should be carried out on the malpractices done on release, recovery and accounting of pre-work advances as per section 08 of Chapter XLVII of Volume II of the Establishments Code and the necessary action should be taken.

- (u) The provisions had not been provided from the financial statements in the year under review for 07 percent of annual interest payable from the date of issuance of the gazette notification for acquisition to the date of payment of compensation under the section 38(a) of Land Acquisition Act of the all lands acquired for the construction of roads in compliance with the definitions in paragraph 22 of Sri Lanka Public Sector Accounting Standard No.08 and an adequate disclosures had not been made also. Moreover, 43,350 lots of lands had been acquired only for 10 expressway projects and the documents related to payment of compensations for that had not been maintained in update manner.
- The compensations and interest are prepared and requested by the Divisional Secretariats as per the gazette notification 38(a) and the details for the compensations and interests related to 31.12.2024 for such requests had been disclosed in the financial statements under General Notes No.01 and the action had been taken to make the provisions for the interest to be further paid.
- It should be certified that an effective internal control is carried out for the maintenance of the documents related to the payment of compensation in an update manner at the system review under section 38(1) b of the National Audit Act No.19 of 2018.

1.5.2 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
As per the paragraph 86(a) of Sri Lanka Public Sector Accounting Standard No.13, the accounting policy used for valuation the investment properties had not been disclosed in the financial statements.	The action will be taken to disclose the accounting policy used for the valuation of investment properties.	The relevant disclosures should be materially made in the financial statements as per referred accounting standards and the action should be taken by Additional Director General (Finance and Assets Management) to verify that.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Due to understatement of Rs.141.43 million in accounting of the value of 12 buildings handed over to Authority on 31 December 2021 after completion of Southern Expressway Extension (Phase 2) by Authority, the buildings value and capital grants had been understated by same amounts.	In accordance with the information of handing over these buildings to Road Development Authority in 2021 by relevant project, it had been capitalized and since the reconciliation was not carried out after issuance of liquidation	The Additional Director General (Finance and Asset Management) should verify that the values of assets had been accurately identified and accounted and the necessary rectifications should be made in the

accounts, a difference had occurred in this manner. It had been rectified through journal notes No. 295/J03 in 2025. financial statements in the next year.

- (b) Contrary to the section 20 of the Gratuity Act No.12 of 1983 and the facts mentioned in the letter No. B/පොදු උපදෙස්/5 dated 19 October 2022 addressed by Labour Commissioner General to the audit, the gratuity had been calculated taking into consideration 12 non-approved allowances such as adjustment allowance and Road Development Authority allowance in addition to the basic salary and cost of living allowance by Authority in calculation the gratuity and consequently, the value for gratuity provision had been overstated by Rs.954.34 million and the surplus of the year under review had been understated. Similarly, the gratuity allowance of Rs.1.06 million had been paid in excess to 07 officers who had retired from Southern Provincial office from January to May 2024 as per the sample check carried out.
- The Road Development Authority pays the gratuity payment in terms of section 20 of Payment of Gratuity Act No.12 of 1983. The other all permanent allowances paid by Road Development Authority had been applied for the consolidated salary and this had been performed on same basis since 1986. Furthermore, an industrial dispute can be arisen due to change of the salary applied as the consolidated salary in calculation of the gratuity payment since long time by Authority and the future action will be taken after inquiring from the Labour Commissioner's Office in that regard.
- In terms of the provisions of the Gratuity Act, the gratuity calculations should be carried out and the action should be taken to recover overpayments from the responsible parties. As per section 08 of the Chapter XLVII of Volume II of Establishments Code, the necessary action should be taken after performing an inquiry in this regard.
- (c) Even though the percentage of salary increment was in a range of minimum 1 percent to maximum 2.9 percent for each post in accordance with the Management Services Circular No.02/2016 dated 21 October 2016, the provision for gratuity had been calculated as Rs.3,600.1 million based on a salary increment limit of 04 percent by Authority. A provision for gratuity of Rs.284.77 million had made in excess than the maximum provision for gratuity of Rs.3, 315.33 million which can be allocated under maximum salary increment of 2.9 percent. Accordingly, since the expenditure had been increased by
- As per the formula method, the gratuity had been calculated as salary increment percentage of 4 percent since the beginning. However, the action will be taken to review this rate and calculate to more accurate approximate percentage in the future.
- In terms of the provisions of the Gratuity Act, the provision for gratuity should be made and the effect occurred to the surplus without accurately identification the values should be rectified in the financial statements in the next year.

that amount, the surplus had been understated.

- (d) Even though the cash balance as at 31 December 2024 belonging to all provincial offices of Authority should be remitted to the Head Office and noted the cash in hand existed on that date, without doing so, Rs.422.95 million had been shown as the cash in hand in the financial statements prepared for the year under review. Furthermore, as per the sample check carried out, since an amount of Rs.311.27 million remitted from 03 January to 10 February 2025 from provincial offices and premix plants had been shown as the cash in transit as at 31 December 2024, the cash and cash equivalents had been overstated by same amount and cash in hand with provincial offices had been understated.
- Since the relevant persons had not obtained the payments made through the revenue existed with the Roads Development Authority, those money had been remitted to the Head Office by 08 cheques with a value of Rs.0.67 million and those had not been settled to the line ministry again. The cheques remitted from Premix plants to Head Office are the revenue obtained from sale of premix plants those are not settled to the line ministry. Those are provided to the premix plants for the operating activities.
- It is certified by Additional Director General (Finance and Asset Management) that the financial statements had been accurately prepared. The written instructions should be issued and monitored for strengthening the internal control after determination the responsibilities with a special attention on the remittances between the Head Office and Provincial offices at the system review under section 38(1) c of the National Audit Act No.19 of 2018.
- (e) Even though the policy decision of the Cabinet of Ministers had given for liquidation of 03 affiliated companies of Road Development Authority and establishment of a single company presently, 05 vehicles at a cost of Rs.17.55 million and 39 asset items on which the cost was not shown provided to the relevant companies by authority for usage as per the financial statements submitted by relevant 03 companies for the last time had not been transferred and shown in the financial statements.
- The details on the assets obtained from the 03 companies affiliated to Road Development Authority had been submitted through Annexure 14. The vehicles out of these assets had been assessed and brought into the books of authority and since an accepted method should be prepared for assessing other assets and assessed, the action will be taken on that matter in the future.
- The action should be taken to effectively and efficiently implement the decision of the Cabinet of Ministers and transferred the assets belonging to authority again accounted.
- (f) Though the value of the spare parts stock of premix plant had been accounted as Rs.157 million as per the financial statements, the spare parts of Rs.47.86 million out of that had been used within the year 2024. Accordingly, the value of closing stock and surplus of the year under review had been overstated by same amount.
- Though the value of spare parts in premix plant had been accounted as Rs.157 million, the spare parts of Rs.47.56 million out of that had been utilized in the year 2024 and the account adjustment related to this had been made in March 2025.
- Since the step had not been taken to accurately account the stock, the effect occurred to the surplus in the year under review should be adjusted and rectified in the financial statements in the next year.

- (g) The value of Rs.52.04 million capitalized in the year 2022 in relation to Ibbagamuwa Kumbukgate Madagalle Road Improvement Project had been capitalized again in the year under review. Accordingly, the road assets had been overstated by Rs.52.04 million and working-in – progress account had been understated by same amount.
- It had been capitalized in 2022 and capitalized again in 2024 by an error and this had been already rectified by journal note No. 156/J03 in 2025.
- It is certified by Additional Director General (Finance and Asset Management) that the financial statements had been accurately prepared. The written instructions should be issued for strengthening the internal control and monitored after determination the responsibilities with a special attention on the prevention of the opportunities for the fraudsters through false reporting at the system review under section 38(1) c of the National Audit Act No.19 of 2018 and the required rectifications should be made in the financial statements in the next year.
- (h) Though the cost incurred from the provisions given to authority for widening and improving of roads (RWI) under capital object by Ministry of Transport and Highways should be capitalized, an amount of Rs.1300.41 million incurred in the year under review under such object had been shown as expenses in the year under review instead of capitalization. Consequently, the working-in-progress value and surplus had been understated by same amount in the financial statements.
- An expense of Rs.1, 300.41 million had been incurred in 2024 for the construction of roads constructed under direct labour and the direct labour required for these activities had been obtained from the direct labourers worked in Director Offices in charge of Province and the money is obtained for the raw materials under this expenditure code. The capitalization of the activities carried out under this direct labour is a practically complex task. The action will be taken to capitalize these roads through SLRAM system.
- It is certified by Additional Director General (Finance and Asset Management) that the financial statements had been accurately prepared. The written instructions should be issued for strengthening the internal control on accurately accounting Working-in-progress at the system review under section 38(1) c of the National Audit Act No.19 of 2018 and the rectifications should be immediately made in the financial statements in the next year.
- (i) Even though it had been disclosed in the financial statements of authority that authority has 99 percent direct controlling power of Maganeguma Emulsion Production Company, the share certificates for that had not been submitted to the audit and the
- Presently, this company is being liquidated and the action will be taken to solve this issue at the liquidation transactions.
- It should be verified the control power of the authority in relation to the company. After carrying out an inquiry on this matter as per section 08 of chapter XLVII of Volume II of the

- authority has no representation equal to that percentage even in the Board of Directors of the company. Though it had been mentioned in the financial statements of authority an investment of Rs.01 million had been made in the relevant company, it had been accounted as a loan amount as per the financial statements of relevant company. This error had not been rectified even at the end of year under review.
- Establishments Code and further measures should be taken.
- (j) Though Expressway on Pillars Project (from New Kelani Bridge to Athurigiriya) was due to be commenced in August 2017 and completed in 2025 with an objective of developing 16.4 Km, the progress of the land acquisition of the project was 85 percent. The project had been halted in half way on 31 January 2023 and handed over to Road Development Authority. Since the progress of the land acquisition prevailed at that time had prevailed in same manner even at the end of year under review, an annual interest of 07 percent had to be paid for the statutory compensation since 2020 published in the gazette as per section 38(b) of the Land Acquisition Act. But the relevant provisions had not been made.
- This project had been suspended by the Cabinet Decision No. CP/23/0631/608/47 dated 03.05.2023 and the step will be taken to make the provision for the payment of compensation and interest for the part up to Rajagiririya.
- The measures should be taken to minimize the losses and damages occurred by reporting to the Cabinet of Ministers after making an analysis on implementation of the decision of project suspension, utilization of the lands acquired, payment of compensations and alternative measures.
- (k) A land in extent of 475 hectares had been acquired under section 38(a) of the Land Acquisition Act for Phase IV of Central Expressway Project and the action had not been taken to obtain the valuation reports of 218 lots out of 2335 lots on which section 101(1) of the Land Acquisition Act had been issued. There are 207 land lots on which the compensation of Rs.455.51 million had been determined and the Section 17 had not be declared related to 863 land lots out of 1571 on which
- Since the relevant expense had been mentioned under working-in progress, the action will be taken to rectify it. The step will be taken to identify the payable compensation and interest and account. In accordance with the Cabinet Decision No.CP 23/0345/60/030 dated 20.03.2023, the Divisional Secretaries had taken action to only register the Government
- It is certified by Additional Director General (Finance and Asset Management) that the financial statements had been accurately prepared. The written instructions should be issued for strengthening the internal control after determination the responsibilities with a special attention on the land acquisitions at the system review under section 38(1) c

the valuation reports had been received. Accordingly, the step had not been taken to note the expenses related to the land in extent of 475 hectares acquired under this project under land assets and identify the compensations and interests payable at the end of year under review for the lands on which the valuation reports had been received and account.

ownership related to these lands and since it had been decided to recommence this project presently, the future action will be taken accordingly.

of the National Audit Act No.19 of 2018.

- (l) Though Substantially Completed Certificates had been issued to the contractors in 2017,2018,2019,2021 and 2022 for 08 contracts with a value of Rs.355.72 million within the value mentioned as Rs.2, 817.45 million as at 31 December 2024 of working-in-progress account under widening and improving of roads, an evaluation for exactly completion of the roads had not been carried out by authority even at the end of year under review and not accounted the roads as assets. Accordingly, the working-in-progress had been overstated by same amount and the road asset value had been understated.
- Since the contract deficiencies had not been corrected, the work completion certificates had not been issued. After issuing relevant work completion certificates, the step will be taken to account roads as assets.
- The action should be taken to accurately identify the road assets and account.
- (m) A retained value of Rs.4517.51 million from the money to be paid to the contractors at the end of year under review had not been separated as current and non-current liabilities and noted in the statement of the financial position. Moreover, a retained value of Rs.2, 500.74 million contained in that balance relates to Road 100,000 Km Project and even though the construction activities of such project had been ended on the mutual agreement in the year 2022, the information such as period of completion the contract, fault warranty period, time extensions and performance bonds had not been maintained in update manner.
- This project had been ended in the year 2022 and since the all retained money should be immediately settled, it had been shown under the current liabilities.
- The step should be taken to maintain the information relation to the contracts completed in an update manner and accurately account the retained money payable to the contractors.

1.5.4 Unreconciled Control Accounts or Records

Item	Value as per the financial statements	Value as per the corresponding reports	Difference	Comments of the management	Recommendation
	Rs.M	Rs.M	Rs.M		
Revenue of usage of expressways	12,153.45	12,092.59	60.86	Since QR receipts and ETC receipts and issuance of tickets related to the vehicles coming from Seeduwa and leaving Ja-ela had not been carried out through POS machines, those had not been entered into the data system in the year 2024.	Additional Director General (Finance and Asset Management) should verify that the income had been accurately accounted before certification the financial statements and the reasons for difference should be identified and rectified.

1.5.5 Unauthorized Transactions

Description on unauthorized transaction	Comments of the Management	Recommendation
Even though 6.5 percent had been included for the administrative expenses in approving the engineering estimates in relation to project for development of alternative road system with 1500 km, a sum of Rs.69.88 million out of Rs.101.49 million or 68 percent incurred for the construction of the roads belonging to authority exceeding that limit had been incurred for the administrative expenses such as overtime, holiday pay, travelling expenses, payment for technical Evaluation Committees, fuel and other expenses. Accordingly, since Rs.69.88 million from the money received under annual budget	Since 1500 km Project should be expeditiously completed within a very short period by the Circular No. 2024/CL/25 dated 19.04.2024 of Roads Development Authority and the letter No. MOT & M/ADM/04 (01)/RDA dated 09.04.2024 of Secretary of Ministry of Transport and Highways, the activities of this project had been performed subject to the approval for incurring overhead cost of 6.5 percent. Accordingly, the roads belonging to two parts as belonging to Authority and not belonging to Authority had	After carrying out an inquiry on this matter as per section 08 of Chapter XLVII of Volume II of the Establishments Code in relation to expensing without formal authorization and necessary action should be taken and the required rectifications should be made in the financial statements of the next year.

provisions prepared in accordance with the Appropriation Act No.34 of 2023 had been incurred for the recurrent expenditure without formal authority approval; these expenses had been capitalized as working-in –progress. Therefore, work value of working-in –progress had been overstated and the operating activities had been understated in the year under review.

been constructed and the overhead expenses had been incurred for that. Furthermore, the ministry had not provided the administrative expenses as separate money and it had been managed within the total amount provided to the project.

1.5.6 Consolidation

Audit Observation	Comments of the Management	Recommendation
Even though the statutory institutions in the public sector should be consolidated and prepared the financial statements in compliance with the section 38 of International Public Sector Accounting Standard No.35, 04 subsidiary companies had not been consolidated and prepared the financial statements related to the group by Authority.	It had been decided to liquidate this subsidiary company through a cabinet paper and since these companies have not the going concern as per sections 38 and 39 of standard No.01, the consolidated financial statements had not been prepared.	The responsibility of the preparation of the consolidated financial statements should be determined in compliance with the accounting policies of group and the action should be taken accordingly.

1.5.7 Documentary Evidences not made available for Audit

Item	Amount Rs. Million	Unprovided audit evidence	Comments of the Management	Recommendation
(a) Value of work in progress written off	8,550	Documents submitted and received by local government Bodies	Arrangements are being made to obtain documents related to all the roads that have been handed over through those offices.	Written instructions should be issued and monitored regarding the proper maintenance of files and records related to the handover and acceptance of roads in accordance with Section 38(1) (b) of the National Audit Act, No. 19 of 2018.

(b)	Ministry Provisions	151,652	Ledger accounts related to each object	The imprest provisions from the Line Ministry are shown in notes 29 and 30 and the expenditure is shown in notes 41-46. In addition, the expenditure related to the provisions received for capitalization is shown in note 13 and the expenditure related to the works in progress is shown in note 15.	Written instructions should be issued and monitored on the maintenance of separate ledger accounts so that the provisions received from the Ministry and the related expenses can be accurately identified in accordance with Section 38(1) (b) of the National Audit Act, No. 19 of 2018.
(c)	Lands	60,549.89	Fixed Asset Register, documents related to identifying the nature of ownership of those land	The fixed assets register related to land value is presented in Annex 18.	Written instructions should be issued and monitored regarding the maintenance of fixed asset records and ownership of lands and related files and records in accordance with Section 38(1) (b) of the National Audit Act, No. 19 of 2018.
(d)	Road assets	6,792.09	Relevant source documents and information to verify the accuracy of specific costs incurred, routes, dates, existence of routes, value and depreciation calculations	The correct name of the road has been omitted due to an error occurred in updating the road asset register and the correct value and distance have been recorded in General Note No. 10 and presented in the financial statements. Further information is provided in Annex 19.	Written instructions should be issued and monitored regarding the maintenance of fixed asset records and ownership of lands and related files and records in accordance with Section 38(1)(b) of the National Audit Act, No. 19 of 2018.
(e)	Direct raw material stock	1,222.23	Verification documents	The information has been submitted on 03.06.2025	Do
(f)	Debtor balance (including Ministry of	833.17	Letters confirming the balance	It has been informed that Letters confirming the balance of the tax are to be submitted to	Do

	Economic Development)			the Government Audit Division.	
(g)	Creditor balances	17.47	Letters confirming the balance	It has been informed that Letters confirming the balance of the tax are to be submitted to the Government Audit Division.	Do
(h)	Property, Plant and equipment	525.014	Schedules related to assets, documents related to calculating depreciation	Actions will be taken to include the values of the buildings, vehicles and equipment used by the Road Development Authority in the financial reports from these assets received from the Highways Department after assessing	Written instructions should be issued and monitored regarding the maintenance of fixed asset records and ownership of lands and related files and records in accordance with Section 38(1) (b) of the National Audit Act, No. 19 of 2018.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the Management	Recommendation
(a)	An amount of Rs. 71.45 million had been given as work commencement advances for road widening and improvement works carried out under the Construction Division of the Authority, which was submitted with the 2024 financial statements and Rs. 13 million given in the year 2021 and Rs. 7 million in the year 2020, included in that balance, had not been recovered even by the end of the year under review.	An amount of Rs. 8.3 million out of the Rs. 13 million belonging to the Northern Province, has been recovered so far and since the relevant bills have been received to recover the remaining amount, actions are being taken to recover the said amount. The amount of Rs. 7 million belonging to the Western Province has been handed over to the Special Projects Division to recover and actions will be taken to recover this amount in the future.	The balances of receivables should be confirmed by the relevant debtors. Officers responsible for disbursing balances that are not so confirmed should be investigated and disciplinary action taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.

- (b) An amount of Rs. 131 million had been given as pre-work advances for 47 contracts to 27 provincial contractors and out of that amount, Rs. 29.5 million, which had been given to the Western and Central Provinces between 2017 and 2020, had not been recovered even by the year under review. Accordingly, the relevant impairment adjustments have not been made in the 2024 financial statements and the relevant bond copies were not submitted for audit to verify whether the bonds have expired.
- The outstanding advance balance as of 31.12.2024 from the work commencement advances given to the State Construction Corporation in the year 2019 in relation to the Western Province amounts to Rs.13,530,582.88. These advances have not been recovered due to the relevant contracting company not performing sufficient work to cover the advances and not paying the bills.
- Necessary actions should be taken immediately to settle the advances and an investigation should be conducted in this regard and necessary actions should be taken in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
<p>Out of the total outstanding loan balance of Rs. 3,017.64 million at the end of the year under review, although an amount of Rs. 27.7 million was overdue between years 02 and 05, Rs. 13.8 million between years 05 and 10 and Rs. 6.08 million was overdue after 10 years, any action had not been taken to settle those balances even by the end of the year under review.</p>	<p>The value of Rs. 6.08 million, which has been elapsing for 10 years, is the security deposit money given by the road maintenance contractors and necessary actions will be taken in this regard in the year 2025. Further, the necessary settlement activities will be carried out in the future regarding the amount of Rs. 27.7 million between years 2-5 and Rs. 13.8 million between years 5-10.</p>	<p>After providing the relevant services and following the relevant procedures, the relevant liabilities should be settled after ensuring that the creditors are identified, the balances due have been reported with proper classification and appropriate deductions and provisions have been made and the special attention should be paid to this area during the review under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, and the necessary procedures should be introduced to strengthen internal control, issue written instructions and monitor it.</p>

1.7 Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to laws, rules, regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a) National Highways Act No. 40 of 2008			
i. Section 6(1)	Actions had not been taken to establish the "Road System Development Advisory Council", which should have been established to prepare an advanced road system policy, develop a strategy, conduct research on roads and take steps regarding road safety and provide advice to the Minister on road plans submitted by the Authority.	Necessary actions are being taken to establish the Road System Development Advisory Council under the new Minister in charge of the subject.	Actions should be taken to establish a "Road System Development Advisory Council" in accordance with the provisions of the Act.
ii. Section 7(3)	Although the District Road System Development Coordination Committees should prepare an "Action Plan for the Development and Maintenance of Integrated Road Systems" for each district, which specifically indicates the road development projects in the district undertaken by the Road Development Authority, the relevant Provincial Council, the relevant Local Government Institutions and other representative institutions, action had not been taken accordingly.	Since the participation of public representatives from Provincial Councils and Local Government Institutions is required for the District Road Development Coordination Committees, it is expected that the functions of the Road System Development Advisory Council will be carried out after appointing public representatives to the respective Provincial Councils and Local Government Institutions.	Actions should be taken to prepare an "Action Plan for the Development and Maintenance of Integrated Road Systems" in accordance with the provisions of the Act.

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

- i. Financial Regulations 3(2) ii (b)
- Although the two-stage approval procedure for projects with an initial cost of not less than Rs.10 million and an annual recurring and maintenance cost exceeding Rs. 05 lakh should be followed in full, only initial approval had been obtained for 3928 road development contract packages implemented under the 100,000 km road project and actions had not been taken to obtain formal approval for the cost of Rs. 188,955.91 million incurred for the development of 17,847 km of roads under that project.
- Initial approval has been obtained at the Cabinet meeting held on 18.12.2019 and No. 19/3398/221/001 for the project of 100,000 Km Road and the second approval has been obtained at the Cabinet meeting No.20/0142/221/005 held on 5.02.2020 for the implementation methodology and allocation methodology of this project.
- Actions should be taken to conduct an investigation in accordance with Section 8 of Part II, Chapter XLVII of the Establishments Code and necessary action should be taken regarding non-compliance with financial regulations.
- ii. Financial Regulations 102-113
- The Director General of the Road Development Authority had informed the Inspector General of Police on October 1, 2024 that the Director of Transport of the Presidential Secretariat had informed the Authority 17 March 2015 that 04 vehicles worth Rs. 3.24 million and 01 vehicle for which the cost was not recorded, which were released to the Presidential Secretariat in the years 2008 and 2009, were not in that office. Accordingly, the Road Development Authority had not taken actions to conduct a formal investigation into the persons who handed over and received the relevant vehicles and identify those responsible in accordance with financial regulations.
- One vehicle is currently parked at the Suriyawewa Police Station and the Legal Division is making arrangements to retrieve it. Another vehicle has been recovered by the Gothatuwa Police and legal proceedings are carried out regarding it. The stolen vehicle has been parked at the Angulana worksite. The Criminal Investigation Department is investigating the remaining 03 vehicles.
- Actions should be taken to conduct an investigation in accordance with Section 8 of Part II, Chapter XLVII of the Establishments Code and necessary action should be taken regarding non-compliance with financial regulations.

iii. Financial Regulations 371 (5)	Although the ad hoc sub imprest balances should not be delayed beyond 31 December of the financial year in which the imprest was issued, the Authority had not yet settled the advances of Rs. 119.95 million by the end of the year under review. Of that amount, a sum of Rs. 53.9 million had not been settled for a period of between 01 and 35 years.	Necessary actions will be taken regarding uncollectible advances.	Internal controls regarding the provisions of advances should be strengthened and an investigation should be conducted and necessary action should be taken in accordance with Section 8 of Chapter XLVII, Part II of the Establishments Code
iv. F.R. 880	Although the officers who are administratively responsible or authorized to receive cash revenue in accordance with the Financial Regulations were required to give security in accordance with the Government Officers' Security Ordinance (Cap. 612), that they would discharge their duties honestly, security had not been obtained from 943 cashiers employed for the Expressway Service by the end of the year under review.	After obtaining the approval of the Board of Directors therefor, Actions will be taken to obtain securities from the relevant cashiers.	Actions should be taken to conduct an investigation in accordance with Section 8 of Part II, Chapter XLVII of the Establishments Code and necessary actions should be taken regarding non-compliance with financial regulations.
(c) Section 7.2 of Chapter XIX of the Establishments Code	Although a penalty rent of 8 percent of the officer's salary should be collected for the period of residence in a residence beyond the lease period, a total of Rs. 618,213 in penalty rent had not been collected from 03 officers working in the Southern Provincial Office.	Necessary actions will be taken in this regard in the future.	Actions should be taken to conduct an investigation into this matter and necessary action should be taken to recover the penalty rent in accordance with Section 8 of Chapter XLVII, Part II of the Establishments Code.

- (d) Paragraph 2.6 of Public Finance Circular No. 08/2019 dated 17 December 2019. Although it had been stated that procurement activities carried out under the Shopping Method after 01 January 2020 should be carried out through the e-GP Portal, the Authority had not adopted the e-procurement system to date. Procurement activities under the Shopping Method were initiated through the e-GP Portal and since the suppliers were not filed separately, problematic situations arose in the selection of suppliers. Once the e-GP Bureau has corrected this, actions will be taken to carry out the procurement through e-GP under the Shopping Method in the future. Written instructions should be issued and monitored to determine responsibilities and strengthen internal control, with special attention to procurement during the review of the systems under Section 38(1)(c) of the National Audit Act, No. 19 of 2018.
- (e) National Budget Circulars No. 03/2022 dated 26 April 2022 and No. 04/2022 dated 30 May 2022. Irrespective of instructions regarding expenditure restrictions given in these circulars, a sum of Rs. 4.39 million and 12,605.91 liters of fuel had been provided without formal approval for the use of vehicles belonging to the Authority for the needs of the Line Ministry and the State Ministry from January 2023 to March 2024, disregarding those facts. Vehicles have been provided based on requests made by the Line Ministry and the State Authority has also provided the necessary fuel. The provision of fuel has been limited presently. Actions should be taken to conduct an investigation into this matter and necessary action should be taken without delay regarding the misuse of the Authority's resources in accordance with Section 8 of Chapter XLVII, Part II of the Establishments Code.
- (f) Paragraphs 07 and 08 of the Guidelines on the Transfer of Government Lands issued by the Presidential Secretariat on 21 July 1995. According to the Guidelines on the Transfer of Government Lands, a realistic lease rent should be fixed for market-based lease agreements and although the lease rent should be revised every 05 years as a condition of the agreement, without doing this, the 6.40 hectare area bearing preliminary plan number 4363 in Kolahekada village belonging to the Mathugama Divisional Secretariat Division in the Kalutara District was divided into 09 parts, Lot numbers 01 to Pertaining to the transfer of these lands, the Government Valuation Department has issued a valuation report dated 14.09.2012 in relation to the above-mentioned lots 4,6,1 and 9 depicted in the plan No. 4363 in the Welipenna Kolahekada area. The lease payments have been indicated for 99 years for lots 4 and 6 and for 30 years for lots 1 and 9 therein. The said valuation report does not Disciplinary actions should be taken against officials who violate the instructions of the Code of Guidelines on Land Transfer.

09, and the lands bearing numbers 04 and 06 of those lots had been given to a private company in 2011 on the basis of a lump sum payment of Rs. 21.8 million and an annual nominal lease rent of Rs. 10,000 for a period of 99 years for the construction of the Welipenna Service Area. Further, the lands bearing numbers 01 and 09 of the said plots had been leased to another private company in 2013 and 2014 on the basis of a lump sum payment of Rs. 2.92 million and an annual rent payment of Rs. 10,000 for the purpose of operating fuel filling stations for 30 years.

indicate that the lease rent should be revised every five years.

(g) Public Administration Circular No. 02/2018 dated 24 January 2018

- | | | | |
|-----------------|---|--|--|
| i. Paragraph 1 | The Authority had not introduced a human resource development system and had not taken actions to sign annual performance agreements for staff or introduce a performance appraisal system. | The human resource development system is already being implemented and the performance appraisal system will be initiated once the human resource management manual is prepared. | Actions should be taken to develop a system for evaluating the performance of the Authority's officers and streamline the human resource development activities. |
| ii. Paragraph 5 | A human resources development plan had not been prepared. | A copy of the Human Resources Development Plan (Internal Training) approved by the Road Development Authority for the year 2024 is provided in Annex 25. | A human resource development plan should be prepared in accordance with the provisions of the circular. |

- (h) Public Administration Circular No. 09/2009 dated 16 April 2009
- Although payments should be confirmed after verification of attendance and departure through fingerprint machines, a sum of Rs. 94.46 million had been paid as overtime during the year under review based on checking the hours reported for and left for work as per the attendance register without doing so. Further, even though a technical officer working at the Executive Engineer's Office in Matara had not used the fingerprint machine to verify attendance and departure between 25 March 2024 and 11 February 2025, The Authority had paid an amount of Rs. 1.09 million as salaries and allowances during that period.
- Overtime payments for some officers have been made based on records obtained through fingerprint machines and overtime payments for some officers have been made based on attendance records. Attendance and departure will be confirmed through fingerprint machine data at present.
- Actions should be taken to conduct an investigation into this matter and disciplinary action should be taken against officers who have not complied with the circulars in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code.
- (i) Paragraph 04 of Annex II of Management Services Circular No. 30 dated 22 September 2006
- The Authority had established the HM salary scale for 106 officers recruited by the Authority instead of the prescribed salary scale of MM 1-3 salary scale approved by the Department of Management Services subject to the formulation of a recruitment and promotion procedure prepared in accordance with the Department's rules and guidelines without implementing the staff restructuring recommendations submitted by the Department. A sum of Rs. 451.58 million had been paid as basic salary over and above the basic salary of the salary scale payable to those officers.
- Senior managers and officers are granted the HM 1 salary code only upon approval from the Department of Management Services at present.
- Actions should be taken to conduct an investigation into this matter and disciplinary action should be taken against officers who have not complied with the circulars in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code.

- (j) Management Services Circular No. 39 dated 26 May 2009
- Although approval should be obtained from the Department of Management Services and the Salaries and Cadre Commission for any allowance received by officers in addition to the approved salary, contrary to this, a sum of Rs.98.71 million as Professional Allowance was paid to officers of the Road Development Authority based solely on the approval of the Board of Directors and Rs. 976.61 million as Authority Allowance had been paid during the year under review based on a letter addressed to all trade unions by the Director General of the Authority on 04 April 2015.
- Since professional allowance is paid to professionals in institutions such as the Ceylon Electricity Board and the Water Supply and Drainage Board, which provide similar services to the Road Development Authority, the Board of Directors has approved the payment of a professional allowance to officers holding executive grade positions who have obtained Corporate Membership of a chartered professional institution, as a remedy to the salary disparity that had occurred among the professionals of the Authority. No. 1698/2016.
- Actions should be taken to conduct an investigation into this matter and disciplinary action should be taken against officers who have not complied with the circulars in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code.
- (k) National Procurement Guidelines 2006
- i. I. Paragraph 4.2.1 (a), (b), (e) and Paragraph 4.2.2 (a)
- The Road Development Authority had not taken actions to prepare a master procurement plan, which should be prepared for a period of at least 03 years and updated regularly within a period not exceeding 06 months, and a procurement schedule that systematically describes the steps of the procurement actions.
- The procurement plan and annual procurement plan prepared for a period of three years have been prepared, approved by the Board of Directors and are now posted on the website.
- Actions should be taken to prepare a master procurement plan and a procurement schedule that systematically describes the steps in accordance with the procurement guidelines. Written instructions should be issued and supervision should be carried out to determine responsibilities and strengthen internal

control with special attention to this during the review of the systems under Section 38(1)(c) of the National Audit Act No. 19 of 2018.

- ii. Paragraph 8.10.1 and Paragraphs 8.11.4 (a)(i) Information about contracts awarded by the Authority had not been made public on the Authority's website or any other appropriate media and a data source had not been maintained on suppliers who had defaulted on contracts. Actions will be taken to publish information on contracts awarded by the Authority and suppliers who have defaulted on contracts on its website in the future. The review under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, should pay special attention to this area and introduce the necessary procedures to strengthen internal control, issue written instructions and supervise.

(l) Guidelines for Public Enterprises introduced by public Enterprise Circular No. 1/2021 dated 16 November 2021.

- i. Paragraph 2.3 Although the Authority should prepare a strategic plan, annual action plan and annual budget to achieve the objectives established by its institution within a national policy framework and submit it to the Department of Public Enterprises 15 days before the commencement of the financial year, the Authority had not acted accordingly. The Corporate Strategic Plan prepared for the year 2024-2028 was approved at the Board of Directors meeting held on 21.05.2024 and forwarded to the Ministry on 17.06.2024. Written instructions should be issued and monitored to determine responsibilities and strengthen internal control, with special attention to preparing the strategic plan, annual action plan and annual budget and submitting it to the Department of Public Enterprises 15 days before the

			start of the financial year.
ii. Paragraph 2.3	Although guidelines containing clearly defined systems, processes and procedures for all government-owned enterprises should be prepared in accordance with this guideline and approved and maintained by the Board of Directors, such guidelines had not been prepared and maintained in key areas of the Authority such as financial management, human resource management, vehicle management, land management, client work management, inter-project asset management, investment activities, etc.	Actions will be taken to prepare the Guidelines for key areas in the future.	Actions should be taken to prepare Guidelines for key areas in accordance with the provisions of the circular and written instructions should be issued and supervised to determine responsibilities with special attention to this during the system review and to strengthen internal control.
iii. Paragraph 3.2	Although the approval of the Department of Management Services was required for the Scheme of Recruitment with the approval of the Board of Directors and the recommendations of the Line Ministry, a scheme for recruitment and promotion had not been approved for the Authority's Engineer, Senior Technical Officer, Senior Electrical Superintendent and Senior Mechanical Officer.	The approval of the Department of Management Services for the recruitment and promotion procedure has now been obtained and further approval is required only for the posts of Engineer (Incorporate), Senior Electrical Superintendent and Senior Mechanical Officer.	Immediate action should be taken to get a recruitment and promotion system approved for all employees in accordance with the guidelines.
iv. Paragraph 3.3	Although the employee requirements of each Division of the SOE should be indicated in the form of a Human Resource Plan in the strategic plan prepared by the Authority, requirement of employees for such division had not been prepared.	The Human Resources Management and Control Division is currently preparing a human resource plan for the staffing needs of each division of the Authority.	According to the guidelines, the staffing requirements of each division should be systematically prepared in the form of a human resource plan.

- v. Paragraph 3.5 Although employees of a public enterprise should not be released to a ministry or other institution without the approval of the Cabinet of Ministers and if released with the relevant approvals, payment should not be made in respect of the period of such release, 07 employees had been released to the Ministry of Highways without the approval of the Cabinet of Ministers and Rs. 4,384,439 had been paid as salaries, overtime and composite allowances during the year 2023 and those non-compliant payments had not been recovered from the responsible officers until the end of the year under review.
- Although employees are recruited to the Road Development Authority based on the needs of the Authority, officers have been attached based on the exigencies of service. As per the request of the Line Ministry, and upon the request of the Members of Parliament, they are attached to the Project Management Units subject to the approval of the Secretary of the Ministry. Since these are officers / employees recruited by the Authority, salaries, overtime and travelling expenses have been paid to them by the Authority.
- An investigation should be conducted and disciplinary action should be taken in accordance with Section 08 of Chapter XLVII in Part II of the Establishments Code against the officers, who are responsible for allocating the resources of the Authority to other institutions and for making the Authority bear the expenses of employees by violating the circular.
- vi. Paragraph 6.6 Although the draft annual report and accounts should be submitted to the Auditor General within 60 days after the end of the accounting year, the draft annual report for the year under review had not been submitted to the Auditor General.
- The accounts have already been submitted to the Auditor General within 60 days and action will be taken to submit the draft annual report in the future.
- As per the Guidelines Manual, the draft annual report should be submitted along with the financial statements.
- (m) Decision of the Cabinet of Ministers bearing No. CP/23/0738/60 7/051 dated 16 May 2023. A programme had not been prepared to hand over the roads, of which construction has been completed under the 100,000 km road project and which were not belonging to the Authority, to the relevant institutions and action had not been taken accordingly.
- The Authority has handed over 5,125 roads, out of the 5,345 roads not belonging to the Authority, to the relevant local government institutions.
- The cost of the constructed roads should be properly transferred to the relevant local government institutions and special attention should be paid to this area in the review carried out under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, and the necessary

procedures should be introduced to strengthen internal control, and written instructions should be issued and monitored.

- | | | | | |
|-----|--|--|--|--|
| (n) | Decision of the Cabinet of Ministers bearing No. CP/05/1711/01 6/110 dated 03 November 2005 | Action had not been taken to establish a Road Maintenance Trust Fund as decided by the Cabinet of Ministers even by the end of the year under review. | Although the report prepared for the establishment of the Road Maintenance Trust Fund has been submitted to the General Treasury through the Ministry of Highways, further action in this regard has not been taken by the General Treasury. | The responsible parties should take prompt action to establish a Road Maintenance Trust Fund as per the decision of the Cabinet of Ministers. |
| (o) | General Recommendations of the Public Expenditure Review Committee (PERC) for the Ministry of Transport and Highways as per the Decision of the Cabinet of Ministers bearing No. 23/0256/604/03 0 dated 06 February 2023 | | | |
| i. | Recommendation No. 05 | Although it was stated that activities of the Road Development Authority regarding road development should be limited to the expressway network and national roads (Class A & B), Rs. 11,007.27 million or 87%, out of Rs. 12,700.95 million made as allocation for the 1500 | Relevant activities have been carried out in accordance with Cabinet Memorandum No. MF/NB/CM/01/2024/117/01 dated 08.01.2024. | Action should be taken to maintain the roads within the scope of the Authority and to effectively utilize the funds received to achieve the objectives of the Authority. |

km project in the year under review, was spent on road construction that did not belong to the Authority. Accordingly, the Authority had spent government funds outside the purpose for which they were allocated.

- | | | | |
|--------------------------|---|---|---|
| ii. Recommendation No.13 | Although the Authority was supposed to establish a unified central database containing data on the movement of all roads under the Authority and provide access for data necessary for development purposes to any government institution related to the movement, action had not been taken accordingly. | Steps necessary for that will be taken. | A unified central database containing data related to the movement of all roads under the Authority should be established as per the decision of the Cabinet of Ministers. Special attention should be paid to this field and necessary procedures should be introduced to strengthen internal control. |
|--------------------------|---|---|---|

2. Financial Review

2.1 Financial Results

The total operating result for the year under review was a surplus of Rs. 31,548 million, and the corresponding surplus of the previous year was Rs. 80,232 million. Accordingly, a deterioration of Rs. 48,684 million was observed in the financial result. This deterioration was mainly due to the decrease in capital income by Rs. 68,374 million compared to the previous year.

The total outstanding loan balance as at 31 December of the year under review was Rs. 321,569 million, and it was comprised of bank loans amounting to Rs. 233,054 million and debentures amounting to Rs. 88,515 million. These loans were obtained for the 100,000 km road programme, construction of expressways, widening and upgrading of highways and working capital requirements of the Authority and the interest on the loans was fixed by adding a value in the range of 2 to 2.8 percent to the weighted prime lending rate. Treasury guarantees were issued in obtaining all these loans.

2.2 Trend analysis of major income and expenditure items

Item	2023 (Rs.)	2024 (Rs.)	Difference (Rs.)	Percentage of the Difference %
Capital Grants	218,359,010,726	148,289,456,646	70,069,554,080	32.09
Net Revenue of Expressway	3,731,323,463	5,231,660,693	1,500,337,230	40.21
Development and Maintenance Expenditure	14,334,074,788	22,249,219,328	7,915,144,540	55.22

The capital grants had decreased by 32 percent in the year under review, and expenditure on maintenance and improvements had increased by 55.22 percent compared to the previous year.

2.3. Ratio Analysis

The current ratio and quick ratio of the year under review and the previous year were 1:1. The net surplus for the year under review represented a decrease of 19.17 percent compared to the previous year, and it was mainly due to the decrease in capital grants by Rs. 68,374 million and the decrease in interest income by Rs. 535 million.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although Rs. 2.78 million had been paid to the members of the committee appointed to inspect and submit a report on the problematic vehicles owned by the Authority for the period of 03 October 2022 to 23 February 2023, the Authority had not taken steps to implement the recommendations made in the report even by the end of the year under review.	The vehicle assets registers are being updated and the asset register maintained by the Finance Division and the asset register maintained by the Mechanical Division are currently being reconciled and relevant adjustments are being made.	The recommendations of the committee report should be implemented expeditiously with the approval of the Board of Directors.
(b) Although it had been identified that asphalt overlaying should be done after a period of 07 years as the section of the Southern Expressway from Pinnaduwa to Kottawa runs through soft ground areas, the Road Development Authority had not taken	Although this work was delayed and slowed down due to the Covid crisis and financial crisis in the country, procurement activities are currently underway for the asphalt overlaying of the	Special attention should be paid to the repair of the relevant roads and necessary measures should be taken without delay.

steps to carry out the work even though 13 years had passed since the construction of the road by the end of the year under review.

section from Kottawa to Dodangoda and it is expected to award this contract by the end of this year.

- (c) The toll collection system currently used on the Southern Expressway was a temporary system established in the year 2011, and the Authority had not taken steps to establish a software system that would allow payments to be made using modern technology even by the end of the year under review. Although it was planned to establish an automatic system for closing and opening of exit gates on the expressways, such a system had not been established.

The automatic gate administration systems from Kottawa to Kadawatha have been modernized. The automatic gate administration systems from Kahathuduwe to Godagama are scheduled to be completed by the end of July 2025. Then, automatic gates are scheduled to be installed at all interchanges from Kadawatha to Godagama by the end of July 2025.

Attention should be paid to the establishment of modern technology-based systems and those works should be carried out without delay. Special attention should be paid to this area in the review to be carried out under paragraph 38(1)(c) of the National Audit Act, No. 19 of 2018, and the necessary procedures should be introduced to strengthen the internal control, and written instructions should be issued and monitored.

- (d) The fixed fee in relation to determining the expressway user charges was calculated by dividing the estimated annual operating costs during the 30-year Target Period of Investment Recovery by the expected number of vehicles entering the expressway through all entry gates during the year, and the rate obtained by dividing the total construction cost and maintenance costs incurred during the Target Period of Investment Recovery by the total number of kilometres driven by the vehicles entering during that period was calculated as the variable fee. Even though operation cost during the recovery period for the Kottawa-Kaduwela (OCH) Expressway were assumed to be Rs. 46 million and the total vehicle entries were assumed to

Expressway user charges has been revised in May 2023.

The relevant authorities should take steps to determine fixed charges in a more rational and accurate manner that covers investment capital effectively.

be 131,155,450, and the annual operating costs for the Southern Expressway (from Kottawa to Matara) were assumed to be Rs. 1000 million and the total vehicle entries were assumed to be 974,958,800, the operating costs of those two expressways were Rs. 2,220.48 million in the year 2024 alone. Accordingly, steps had not been taken to control the operating costs as planned.

- (e) During the period of 04 years and 09-months from November 2019 to July 2024, Entry Tickets had been issued for 133,840,213 vehicles, and Exit Tickets had not been issued to 18,291,430 vehicles, out of those vehicles. As a result, the revenue lost to the Authority was approximately Rs. 4,614.47 million and the daily revenue loss was approximately Rs. 01 million as per the calculations made based on the average toll collected from a vehicle traveling on the expressways during that period. Accordingly, the expressway revenue was misused and defrauded using various methods. However, the expressway management had not taken steps to identify the responsible staff including cashiers and, to take disciplinary action against them and to take measures to prevent such shortcomings.
- About 3600 incomplete tickets are issued daily in the expressway system. Of these, about 1700 incomplete tickets are issued daily at the Kerawarapitiya interchange. Under the current circumstances, it has not been possible to minimize the number of incomplete tickets and all incomplete tickets will not be revenue-generating tickets.
- An investigation should be conducted in this regard and necessary action should be taken in accordance with Section 8 of Chapter XLVII in Part II of the Establishments Code. Moreover, special attention should be paid to this area during the review to be carried out under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, and necessary procedures should be introduced and monitored without delay to strengthen the internal control.
- (f) During the period of 04 years and 09 months from the year 2019, 241,964 category change tickets were issued by the toll collectors at the entry counters at their own discretion or due to negligence. Due to the lack of internal controls to control such cases, the trend in reporting such errors has increased since 2019.
- CCTV are randomly monitored according to the facilities available at the CCTV unit of Galanigama and each of the interchanges and if inconsistent vehicle categories are reported, the relevant toll collector has been warned verbally and in writing and subsequently disciplinary action has been taken.
- Special attention should be paid to this area in the review to be carried out under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, and necessary procedures should be introduced and monitored without delay to strengthen internal controls.

- (g) A loan amounting to Rs. 611,374 million had been borrowed domestically and abroad for the construction of the expressway system, and the average annual net profit of the expressway was Rs. 3560.62 million. Accordingly, it was observed that the period taken to repay the loan alone (excluding interest) was more than 171 years. Accordingly, it was observed during the audit that the loan and interest payments could not be covered by the income of these expressways.
- The tolls for the expressways have been set at a minimum cost with the objective of the welfare of general public, and since the loan instalments and interest cannot be paid from that income, the necessary provision will be made from the General Treasury.
- Necessary measures should be taken to reduce operating expenses and to increase income further by utilizing new technology. Special attention should be paid to this area in the review that should be carried out under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, and the necessary procedures should be introduced to strengthen internal control, and written instructions should be issued and monitored.
- (h) Nine (09) Bitumen Sprayer machines purchased on 31 December 2009 at a total cost of Rs. 365.60 million at the rate of Rs. 40.62 million per one machine had been lying idle without utilizing for a long time and the information regarding the utilization and the time of the relevant machines was not submitted to audit.
- The 09 Sprayer machines mentioned here are owned by the Authority and 02 of them are being used in the areas of Jaffna and Pelmadulla. At present, the process of laying asphalt with stones for roads is not very popular and since small roads are carpeted, there is no demand for these bowsers and if they are no longer needed, they will be disposed of in the future.
- An investigation should be conducted in this regard and necessary action should be taken in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code, and if idle assets are not utilized, action should be taken to dispose of the assets.
- (i) The Presidential Task Force had imported 11 Aggregate Chip Spreaders in the year 2010 for Rs. 347.37 million at the rate of Rs. 31.57 million (276,040.69USD*114.4) per machine and provided them to the Authority. Since the roads maintained by the Road Development Authority were roads, which had been carpeted and in the category of A and B, the need for these types of machines had not arisen.
- These 11 Aggregate Chip Spreaders are used to construct DBST roads under the stone asphalt method. However, the use of this stone asphalt method for the roads of the two categories of A and B under the Authority was very limited and carpeting was done for that. Furthermore, since the width of the above-mentioned Aggregate
- An investigation should be conducted in this regard and necessary action should be taken according to Section 08 of Chapter XLVII of Part II of the Establishments Code, and if idle assets are not utilized, steps

- However, they had been kept idle under the Authority for 14 years and had been disposed of at the value of Rs. 9.36 million in 2024 without taking steps to transfer those machines to the Provincial Councils or Local Government Institutions that use the machines.
- Chip Spreaders is 4.2 metres, the Authority cannot use these machines for narrow roads maintained by the Provincial Councils or Local Government Institutions. Therefore, it is useless to transfer these machines to any other institution and they have been disposed of.
- (j) Thirty-three (33) security booths worth Rs. 2.88 million purchased by the Management and Maintenance Division of Highways during the COVID-19 pandemic as a precautionary measure have remained idle even after the Covid 19 pandemic situation and 20 coin counting machines and 05 weighing machines remained idle since the date of purchasing them to the Authority.
- Since the COVID pandemic is over, 33 COVID disinfection booths have been removed from use and they have already been used for building guard houses and maintenance work of the Maintenance Division. It has been scheduled to provide 20 of the coin counting machines for auction. The weighing machines in the warehouse are expected to dispose of subjected to obtaining approval or to repair and reuse.
- An investigation should be conducted in this regard and necessary action should be taken according to Section 08 of Chapter XLVII of Part II of the Establishments Code, and if idle assets are not utilized, steps should be taken to dispose of them.
- (k) Fourteen (14) tractors and 18 trailers were in the computer system of the Department of Motor Traffic under the name of the Road Development Authority as action had not been taken to formally hand over or take back ownership of those vehicles, which had been reported as handed over to the Sri Lanka Army by the Road Development Authority in the year 1995.
- It was informed that those letters had not been sufficient to cancel the registration of those vehicles as per the discussions held with the Commissioner of Motor Traffic. Therefore, the Authority has filed police complaints against the aforementioned 13 tractors and 19 trailers.
- Prompt action should be taken to transfer the relevant tractors and trailers to the Army.
- (l) The Authority had not maintained any information regarding the 02 vehicles bearing numbers 40-8641 and 26-6492 registered in the name of the Road Development Authority with the Department of Motor Traffic. Accordingly, the officers responsible for vehicle control of the Road Development Authority had not taken any action to reveal whether the
- Investigation will be carried out in this regard and necessary steps will be taken in the future.
- An investigation should be conducted in this regard and necessary action should be taken promptly in accordance with Section 8 of Chapter XLVII of Part II of the Establishments Code.

relevant vehicles had been transferred to external parties or had been misused.

- (m) An agreement was signed on 14 July 2021 to pay a sum of Rs. 2388.85 million to the Urban Development Authority in 05 instalments from the year 2021 to the year 2025 to provide houses to 1100 unauthorized families affected by the expressway project to be built on pillars from the New Kelani Bridge to Athurugiriya, and it had been planned to acquire the relevant houses from the Kolonnawa, Maligawatta and Henamulla housing projects. Although it had been scheduled to pay the 03rd instalment amounting to Rs. 480 million after the payment of 02 instalments totalling to Rs. 960 million by 23 August 2024, the date of audit, action has not yet been taken to take over any house to the Authority.
- Although the Urban Development Authority was informed on several occasions pertaining to fixing of deficiencies prevailed in the relevant housing units, proper responses have not been provided and as a result, the said houses have not been obtained by the Authority.
- Steps should be taken to obtain houses from the Urban Development Authority in accordance with the agreements and to provide houses to identified unauthorized occupants by formally taking over the houses to the Authority.
- (n) The advance amounting to Rs. 05 million given to a private institution on 18 November 2011 had not been settled even by the end of the year under review and the reports of the procurement committee, and the technical committee and the information on the bond placed by the relevant institution with the Authority for providing advance amounts to perform the function and the reports related to the agreements entered into between the relevant institution and the Authority were not submitted to audit.
- Since the Road Development Authority provided this amount as an advance for the inauguration ceremony of the Southern Expressway as per the instructions of the Ministry of Highways, there is no agreement entered into with the relevant institutions, bond, reports of the procurement committee or reports of the technical committee.
- The Chief Accounting Officer should conduct an investigation in this regard and take necessary action in accordance with Section 08 of Chapter XLVII of Part II of the Establishments Code. Special attention should be paid to the delegation of financial powers in the review carried out under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, and necessary procedures should be introduced, written instructions should be issued and monitored.

- (o) The land acquisition activities of the section with the length of 58.6 km in the Central Expressway from Kurunegala to Dambulla were initiated in the year 2015 and were to be completed by December 2023. An area of 475 hectares had been acquired under Section 38(a) of the Land Acquisition Act. On 13 June 2023, the future activities related to these lands had been handed over to the Road Development Authority and by that time, 3505 were private land parcels and 1550 were government land parcels, out of the total number of 5505 land parcels declared under Section 07 of the Land Acquisition Act. Investigations had not been conducted for 615 land parcels, out of 3505 private land parcels, as per Section 09 of the Act, and action had not been taken to issue notices as per Section 10(1) for 469 land parcels, out of 2890 land parcels, for which investigations had been conducted. Action had not been taken to obtain assessment reports for 218 land parcels, out of 2335 land parcels issued under Section 10(1). Notices had not been issued as per Section 17 in respect of 863 land parcels, out of 1571 land parcels for which assessment reports had been received, and compensation and interest payments had not been completed for 722 land parcels, out of 928 land parcels, for which LARC committees had been held.
- As per the land acquisition process, action will be taken in accordance with the Cabinet Memorandum No. CP/21/1051/319 dated 2021.06.08 to provide relief to the affected parties as 351 parcels of land, out of 615 land parcels, were belonged to the Buddhist Temporalities Act. Action has been taken to issue Section 10.1 has been issued for 469 land parcels, out of 2890 land parcels, and assessment reports have been obtained for 218, out of 2335 land parcels. Section 17 has been issued for 863 land parcels, out of 1571 land parcels. The above facts are the basis for not paying compensation and interest for 722 land parcels, out of 928 land parcels.
- The Chief Accounting Officer should examine this matter and establish a formal methodology in the implementation of the projects. Projects should be initiated after checking the possibility of funding and conducting a proper feasibility study. Furthermore, special attention should be paid to this matter in the review under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, and necessary procedures should be introduced, and written instructions should be issued and monitored.
- (p) Although instructions had been given by Section 01 and Section 03 of the letter of the Secretary of the Ministry of Transport and Highways bearing No. MPH/HWY/ADM/06/30/05/3 dated 13 August 2024 to prepare estimates for the restoration of the lighting system first at the entry and exit points of the Colombo - Katunayake Expressway, an
- Comments were not made.
- The Chief Accounting Officer should conduct an investigation into this matter and take disciplinary action in accordance with Section 08 of Chapter XLVII in Part II of the Establishments Code.

engineering estimate of Rs. 708 million for the 10 km section of the entire road had been approved and procurement activities had been commenced.

- (q) The Colombo - Katunayake Expressway was opened to the public since 2020 and thefts such as cutting copper wires in the central column of the fence of the expressway, cutting and carrying away electric light poles, etc. had been reported. Out of the 100 thefts that occurred in the years of 2021, 2022, and 2023, the value of 11 thefts were estimated to be Rs. 580 million. The value of the other 89 thefts reported had not been identified. In planning the road power lines on this road, the power line system laid in the central column was partially covered by a Hume Pipe with 03-foot diameter without a complete concrete cover, and it was possible to cut and remove those power lines easily according to that plan. It was observed during the field inspection that this error in designing had also been a reason for the theft of power lines. It was observed that the failure to introduce appropriate security measures and the failure of responsible supervisory officers to take action in the year 2021, when the first theft occurred, had led to a continuous increase in the theft of electrical wires and equipment on the road. Even though the reparation cost of the entire road exceeds Rs. 1770 million when compared with the estimate made for the first 10 km, officers responsible for that had not been identified and adequate action had not been taken.
- Comments had not been made.
- The Chief Accounting Officer should conduct an investigation into this matter and take disciplinary action in accordance with Section 08 of Chapter XLVII in Part II of the Establishments Code.

3.2 Delays in Projects or Capital Work

Audit Observation	Comments of the Management	Recommendation
<p>As stated in paragraph 4.1 of the Cabinet Memorandum dated 11 December 2023, submitted by the Minister of Transport and Highways, entitled "Rehabilitation and Implementation of 100,000 km of Alternative Roads, By Roads and Rural Roads", approval was sought to improve the roads to a condition suitable for safe transportation within a period of 06 months and to allocate Rs. 20 billion for this purpose from the provisions of Rs. 28 billion allocated for the year 2024, and approval was granted for this at the Cabinet meeting held on 18 March 2024. Accordingly, the construction work of 28 roads with a contract cost of Rs. 562.48 million, which were entered into agreements for completion in the first two quarters of the year 2024, had not been completed by the end of the year under review, and the relevant roads were roads for which development work had not commenced under the 100,000 km road project. Accordingly, the contracted value for the said contracts had been made without proper authority.</p>	<p>Comments have not been provided.</p>	<p>As per the decision of the Cabinet of Ministers, necessary measures should be taken to renovate the roads that have been halted halfway and make them suitable for transportation, and as per Section 29 of Chapter XLVIII of Volume II of the Establishments Code, disciplinary action should be taken against the officers responsible for allocating of provisions for roads which were not approved.</p>

3.3 Weaknesses in Contract Administration

Audit Observation	Comments of the Management	Recommendation
(a) Even though it was decided at the Cabinet meeting held on 18 December 2019 that each project proposal should be referred to the Department of National Planning for evaluation and recommendation along with a proper feasibility study report, without taking action accordingly, the Road Development Authority had approved estimates of Rs. 394,508.09 million for 13,160 roads with a distance of 17,847 km during the period 2020-2022 under the 100,000 kilometer road project and entered into agreements with contractors and incurred an expenditure of Rs. 190,516.15 million as at 30 September 2024, based on the provisions of the Line Ministry.	The 100,000 km road project was initiated in 2020 and implemented under a five-year Action Plan, and the Cabinet has approved this Action Plan (Annual Action Plan approved by the Cabinet decision No. CP/20/1952/319/018 dated 14 December 2020). According to this approved Action Plan, the work of the project has been awarded in each year within the limits of the allocation provided for the project annually.	New projects should be initiated only after a feasibility study. In the review under section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to the initiation of new projects and funding, and action should be taken to introduce new procedures, issue written instructions and monitor the same.
(b) A sum of Rs. 215,981 million had been allocated by the annual budget for the 100,000 km road project from 2020 to 2024. During that period, estimates for 17,847 km of roads had been approved and commitments of Rs. 394,508 million had been made with contractors, and commitments of Rs. 178,527 million had been made in excess of the approved budget provisions and contrary to F.R. 94. In accordance with the provisions of the F.R. 127 (5), the Treasury had issued Treasury Bonds with a value of Rs. 40,691.79 million maturing in 04 years at high commercial rate loans and interest rates of 22.5 and 20 percent to settle the obligations irregularly incurred by the Secretary of the Line Ministry without fulfilling the responsibilities of the Chief Accounting Officer that significant differences between the provisions of the estimates and the expenditure will be subject to examination.	No payments were made in excess of the allocations granted during the year and as per the Expenditure Management Circular issued by the Ministry of Finance on 26.04.2022, the value of contractual commitments was reduced from Rs. 394.508 billion to Rs. 232 billion. Further, Treasury bonds were issued in December 2022 and February 2023 to settle bills in hand existed from 2021.	In the review under section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to the initiation of new projects and funding, and action should be taken to introduce new procedures, issue written instructions and monitor the same.

- (c) According to the decision taken at the Cabinet meeting held on 18 December 2019, roads should have been selected under 09 criteria to identify rural roads to be developed under the 100,000 km of roads project. However, the information that 17,648 km of roads were selected in this manner was not maintained and during the sample audit conducted, contrary to the relevant criteria, the Western Provincial Project Office had spent Rs. 1,426.67 million on laying carpets, applying concrete, and laying paying stones on internal roads and lands belonging to schools, churches and places of worship and government institutions of the North Western and North Central Provinces.
- The Cabinet decision No. CP 20/0142/221/005 dated 2020.02.13 states that the scoring method should be followed in selecting the project roads and that priority should be given to roads with a score of more than 40 at the beginning. Accordingly, the scoring method was implemented in selecting the project roads during the implementation of the 100,000 km project. Essential and economically and socially important roads with a score of less than 40 have been developed by engaging labourers directly with the approval of the Secretary of the Ministry and top management.
- An inquiry in this regard should be conducted, and necessary action should be taken in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code.
- (d) Due to the incorrect preparation of engineering estimates for the 100,000 km road project, the estimated value of the contracts in the 06 Districts had been overestimated by Rs. 3,504 million by April 2021, as per the sample test. As per the letter of the Secretary to the Line Ministry No. MOH/SEC/GEN/2022/71 dated 03 October 2022 on “Disputes arising from the proposed reductions in the contract amount”, it had been informed that it was not possible to revise the rates of the contracts that had already been awarded. Therefore, these overestimates had not been corrected. Accordingly, the loss incurred by the Government of Sri Lanka had not been corrected to date, and due to the failure to revise the overestimated rates, the estimated value for administrative expenses alone had been overestimated by Rs. 2,186.14 million. Accordingly, it was observed during the audit that this loss further increases when other rate overstatements that were not revised in
- The contract award under the 100,000 km project was made following the competitive bidding method. Since the contract was awarded through a discounted price obtained through competitive bidding, it would not be fair to define the award of this contract based on the engineering estimate. Further, the total value of the discounts obtained during the award of contracts for the 100,000 km project is Rs. 7,200 million, and accordingly, it has been entered into contract agreements. This discount has been offered by the contractors considering the condition of the work site. Therefore, any loss or damage has not been caused
- An inquiry in this regard should be conducted, and necessary action should be taken in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code.

- all the contracts awarded are considered. to the government due to the estimate.
- (e) Even though there are 1148 Engineers, Technical Assistants, Technical Officers and Work Supervisor in all the Provincial Offices of the Authority, it was observed that there were instances of long delays in the payment of final contract bills due to the non-formalization of the process of assignment of duties and weak supervision. It was revealed during the sample inspection of the 100,000 km road project that Rs. 42.89 million had been paid as late fees due to the delay in payment of bills. Therefore, there have been delays in the checking of bills while performing the work under the limited number of employees available. Further, delays have occurred due to events such as transfers, going abroad, retirements of the officers who were present at the time of the project and the new officers spending more time to check those bills. An inquiry in this regard should be conducted, and necessary action should be taken in accordance with Section 08 of Chapter XLVII of Volme II of the Establishments Code.
- (f) Even though a performance security of not less than 10 percent of the estimated contract value was required to be obtained in accordance with Section 3(e) of the service supply agreements submitted by the Maga Neguma Road Construction Equipment Company (Pvt) Ltd for the 100,000 km road project, the company had obtained performance security worth Rs. 1,113 million for only 145 work orders out of 1753 work orders worth Rs. 125,730 million given to subcontractors, and accordingly, the company had allowed the contractors to commence work for the remaining 1608 work orders without obtaining any performance security. The Road Development Authority is not aware of the service supply agreements submitted by Maga Neguma Road Construction Equipment Company (Pvt) Ltd. An inquiry in this regard should be conducted and disciplinary action should be taken in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code.
- (g) According to the information submitted to the audit, as at 28 February 2025, in the recovery of pre-work advances, Rs. 16,785 million had been settled from interim payment bills, Rs. 2,812 million from bills due for other contracts of the contractors and Rs. 26 million had been recovered through pre-work advances bonds. Although Rs. 2,812 million had been settled from other bills of contractors, a formal approval for the same was not presented to the audit. The relevant approval has been obtained to settle the remaining advance amount from other contracts carried out by the said contracting company. In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to this area, and action should be taken to introduce necessary procedures, issue written instructions and monitor the same.

- (h) According to the Cabinet Memorandum No. 79/2023 dated 11 December 2023, the amount of Rs. 28 billion allocated for the development of roads that were stopped halfway was revised again and Rs. 20 billion of that allocation was proposed to be allocated for the 1500 km road improvement program, and the Cabinet had decided on 25 January 2024 to implement it subject to the observations of the Minister of Finance, Economic Stabilization and National Policies. Although it was stated that new roads should not be included in this program, contrary to this, the development of 973.5 km of new roads that do not belong to the Authority had commenced.
- According to the Cabinet Memorandum No. 79/2023 dated 11 December 2023, only Rs. 08 billion was allocated to be used to settle outstanding bills remaining to be paid under the 100,000 km road project.
- Action should be taken to use the allocated funds for the relevant tasks. In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to this area, and action should be taken to introduce necessary procedures and to issue written instructions and monitor the same.
- (i) Bridge No. 01 (Kurunchankarni Bridge) on the Kinniya - Kurunchankarni road, located on a road not within the scope of the Authority, was awarded for Rs. 227.7 million under the 100,000 km road project and Rs. 60.6 million had been paid to the contractor for 25 percent physical progress as at 25 August 2022. Further, a cost of Rs. 13.504 million collected under this project and the Authority's RMT fund was incurred to construct a temporary iron bridge on 31 January 2024 to facilitate transportation. Accordingly, the value of Rs. 74.104 million incurred for the provision of this bridge and alternative transport activities outside the scope of the Authority was observed during the audit as expenditure incurred without approval.
- The Construction Division has awarded the contract for the construction of Bridge No. 01 (Kurunchankarni Bridge) on the Kinniya - Kurunchankarni road under the Activity Budget within the approved budget for the 100,000 km road project and commenced the construction work accordingly.
- Roads which are not included in the scope of the Authority should not be constructed. In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to contract management and action should be taken to introduce necessary procedures and to issue written instructions and monitor the same.
- (j) Even though the bonds given by the contractors for pre-work advances of Rs. 245.8 million for 29 contracts in 09 Provinces under the 100,000 km road project had expired in the years 2021, 2022 and 2023, there was a risk of recovery of the relevant advances due to the failure to extend the period of the bonds of these expired pre-work
- The advance securities provided for the given advance were updated. The relevant parties have been informed to extend the expired advance security and if not, to provide the value in cash to the Authority. Before the expiry of the advance
- An inquiry in this regard should be conducted, and necessary action should be taken in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code.

advances before their expiry, the Authority had not taken action to provision for impairment losses and take formal action against the officers who had defaulted on their responsibilities.

security, the relevant Heads of the Provincial Offices (Provincial Director / Chief Engineer) have been informed to extend the period of this security and if not, to provide the value in cash. Due to the Covid 19 and financial crisis prevailing in the country during that period, the financial institutions that have provided advance bonds have not acted on this matter.

- (k) The 100,000 km road project had adopted the method of adding 20 percent to the cost of the engineering estimate for the contract packages, adding 4.2 percent to the value of the administrative cost and 10 percent to the cost as a percentage for contingencies, adding more than 30 percent to the cost and presenting it to the bidder, giving a maximum discount for that. Accordingly, the discount amount given by the relevant bidders for the 24 selected contract packages ranged from 0.19 percent to 13.56 percent. It was observed that if the selection of contractors had been done through the call for tenders without publishing the relevant engineering estimates, a more advantageous situation could have been obtained for the entity than the benefit received through the discount. When considering the engineering estimates of 11 selected packages, 12 percent of the total profit, i.e. when the Authority received a discount of Rs. 11.47 million, the contractors were able to earn a profit of 88 percent, or Rs. 83.13 million.

In preparing the engineering estimates for the 100,000km road project, 20% of the HSR rates have been added to the overhead and dividends.

These contract awards have been made under the Lump Sum method, which is a standard method of awarding contracts. In this method, contracts have always been awarded at a value lower than the engineering estimate.

For contract awards made through the measure and pay method, the probability of awarding at values higher than the engineering estimate is very high.

Since discounts were given under the 100,000 km road project, contracts have been awarded at a value lower than the engineering estimate. This method provides a more advantageous situation than the usual benefit to the procurement entity.

In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to this area, and action should be taken to introduce necessary procedures, issue written instructions and monitor the same.

- (l) It was stated that the contract for asphalt overlaying would be awarded to another contractor for contract packages worth less than Rs. 50 million. Although 100% of the ABC overlaying was completed in the contracts awarded to 22 Districts, there were 405 roads where the physical progress of asphalt overlaying was reported to be less than 80% as at 30 September 2024. The length of those roads was 591.03 km and accordingly, it was observed that the cost incurred for 100% ABC overlaying under the first phase would become an idle expenditure due to the ABC overlaying was completed but the construction of these roads was not completed due to the damage to those roads.
- It was decided that overlaying asphalt related to contract packages worth less than Rs.50 million through another contractor at the inception of the project and the Cabinet approval had been obtained for this. However, due to the Covid-19 pandemic and the economic crisis in the country that occurred in 2020, 2021 and 2022, the shortage of raw materials, price fluctuations of certain raw materials, etc., the progress of the projects could not be implemented as initially planned due to the inability to supply the asphalt related to the projects and the inability to make payments within the stipulated timeline.
- An inquiry in this regard should be conducted, and necessary action should be taken in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code.
- (m) It was stated that the Legal Division of the Authority would take necessary action for the pre-work advance amounting to Rs. 340.20 million to be recovered for 34 contracts of the 100,000 km road project as per the meeting minutes No. 03 (iii) of the Audit Management Committee held by the Line Ministry on 04 April 2025. However, Deputy Director General (Legal) informed the Audit Committee through letter No. RDA/LD/LBF&RRP dated 30 April 2025 that the Legal Division did not have the necessary information even by 02 May 2025, and no such legal action had been taken. Accordingly, it was observed that there was a risk of recovery of pre-work advances.
- The relevant measures have been taken to take legal actions for the remaining amount to be recovered as an advance payment for the 100,000 km project. In order to reduce the amount of advance payment remaining in relation to the contracts, discussions have been held to reduce the amount by providing work to the contractors.
- Necessary action should be taken immediately to recover the relevant advance payment.

3.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) As at 12 November 2024, there were 215 excess officers in 07 posts and 18 vacancies in 05 posts in the Southern Province. Since actions were not taken to transfer/attach the excess officers to other service stations or to fill the vacancies, human resources were not utilized efficiently and effectively. Therefore, it was observed in the audit that salaries and allowances paid to excess officers were idle expenditure.	Under the 2025 Annual Transfers, action was taken to transfer excess officers/employees in the Southern Province to offices with vacancies. In that case, officers/employees who have completed more than 5 years of service at the same service station have been transferred, considering the service requirement.	The Accounting Officer should take action to maintain an approved cadre according to the employee requirement. In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to this area, and action should be taken to introduce necessary procedures, issue written instructions and monitor the same.

- (b) According to Act, No. 73 of 1981, which established the Road Development Authority, the Road Development Authority has established Provincial Director's Offices, Chief Engineer's Offices, Executive Engineer's Offices and Regional Work Units for road construction, asset operations and maintenance activities and has recruited and attached the necessary officers to those units. However, without the approval of the Board of Directors, the Western Provincial Project Office, the Office of the Additional Director (Construction), Southern Province, the Chief Engineer's Project Office of the North western Province and the Chief Engineer's Project Offices of the Ratnapura and Kegalle Districts of the Sabaragamuwa Province were established and 91, 85 and 81 employees were attached to those offices in the years 2021, 2022 and 2023 respectively, and Rs. 213.96 million, Rs. 186.073 million and Rs. 120,613 million respectively were spent on employee salaries and other expenses, vehicle rentals and maintenance and operational expenses in those years.
- Action has been taken to establish offices only when necessary to implement new development programs initiated by the government from time to time and to maintain the smooth functioning of the Road Development Authority. This Authority has taken action to attach a minimum number of employees to those projects, considering the requests made by the Line Ministry and Project Heads, based on the service requirement, from among the entire approved cadre for the existing posts in the Road Development Authority.
- In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid regarding the release of employees of the Authority for local and foreign projects, and action should be taken to introduce necessary procedures, issue written instructions and monitor the same.
- (c) As per the Management Services Circular No. 36 dated 01 August 2007 of the Department of Management Services, employees should be recruited only within the approved cadre. Contrary to this, the Authority recruited employees, resulting in the approved cadre and actual cadre at the end of the year under review being 9474 and 9274 respectively, resulting in an excess of 477 employees and a shortage of 677. Within that excess number of employees, the Road Development Authority had received the approval
- The approval of the Department of Management Services to recruit employees for the operational activities of Phase 2 of the Central Expressway was received by the Road Development Authority on 22 March 2023. Their contract service period has not been extended by the letter of the same Department Number DMS/7777/CEP. However, the service period of those 105 employees has been extended
- An inquiry should be conducted in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code and disciplinary action should be taken against the officers responsible for the recruitment without the approval of the Department of Management Services. In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018,

of the Department of Management Services to recruit 105 employees for the Central Expressway Phase 2 operational activities for a one-year service period on a contract basis on 22 March 2023. Accordingly, the relevant contract period ended on 21 March 2024. However, the Authority had not taken action to obtain the approval of the Department of Management Services to extend that period or to terminate the contract service period of employees who had no service requirement.

as per Board Paper No. 2523/2023.

special attention should be paid to this area, and action should be taken to introduce necessary procedures, issue written instructions and monitor the same.

- (d) During the year under review, 19 officers were recruited for 07 posts for which the posts and salary scales had not been approved by the Department of Management Services, and Rs. 14.04 million was paid by the Road Development Authority as salaries and allowances.
- Since the staff at that time was not sufficient due to the service requirement, the former management recruited employees for each position where necessary.
- An inquiry should be conducted in accordance with Section 08 of Chapter XLVII of Volume II of the Establishments Code and disciplinary action should be taken against the officers responsible for the recruitment without the approval of the Department of Management Services. In the review under Section 38(1) (c) of the National Audit Act, No. 19 of 2018, special attention should be paid to this area, and action should be taken to introduce necessary procedures, issue written instructions and monitor the same.

4. Accountability and Good Governance
4.1 Presentation of Financial Statements

Audit Observation

The financial statements of the Expressway Transport Company (Private) Ltd belonging to the Authority had not been submitted to the audit since 2016. Similarly, the audit opinion on the financial

Comments of the Management

Agreed.

Recommendation

In the review under Section 38(1)(c) of the National Audit Act, No. 19 of 2018, special attention should be paid to subsidiary companies and

statements of Maga Neguma Road Construction Equipment Company (Pvt) Ltd from the year 2017 except for the year 2022 had been disclaimed and an adverse audit opinion had been given on the financial statements in the year 2022. As per the Cabinet Decision No. CP/23/0394/608/033 dated 20 March 2023, it was decided to liquidate the 04 subsidiary companies owned by the Authority, and the going concern of the relevant companies was also in an uncertain state.

instructions should be issued and monitored regarding the going concern, preparation of financial statements and submission to audit of those companies.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
<p>The Annual Action Plan prepared by the Road Development Authority for the year 2024 did not reflect a work plan that would enable the achievement of the Sustainable Development Goals, and the projects planned to be implemented under the Sustainable Development Goals identified by the Authority, the relevant Sustainable Development Goal Indicators (SDG Indicators) and the criteria such as the expected performance of those indicators during the year were not included in the Annual Action Plan. Further, the Sustainable Development Goals expected to be achieved by the year 2030 had not been identified.</p>	<p>The indicators to be provided to the Sustainable Development Council by the Road Development Authority for the Sustainable Development Goals have been provided until the year 2023. Those goals and indicators have been updated. The updated goals are 11.2 and 9.1. Those goals will be achieved through each project, and the relevant data will be provided annually through the sectors indicated for the Sustainable Development Goals.</p>	<p>The Annual Action Plan should reflect Sustainable Development Goals and identify the Sustainable Development Goals expected to be achieved by the year 2030.</p>