

## **Sri Lanka Mahaweli Authority and its Subsidiaries - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of financial statements of the Group including Sri Lanka Mahaweli Authority and its Subsidiaries for the year ended **31 December 2021** comprising the Statement of Financial Position as at 31 December 2021 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article **154(1)** of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Group including Authority and its Subsidiaries as at 31 December 2021, 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 the Qualified Opinion**

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My opinion is qualified based on 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 my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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 operations, 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 Responsibility of Auditor regarding the Audit of Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's 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 the 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 of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>Although the fair values of the assets that differs materially and quickly from its carrying amount should be revalued and accounted for as per Paragraph 47 of the Sri Lanka Public Sector Accounting Standards 07, the Authority has not done so for the 02 plots of lands that purchased at a cost of Rs.64,320,853 during the period of 1984-1989 and even the cost of them had not been accounted for. Likewise, the Authority had not identified its lands where the regional offices, divisions, quarters and circuit bungalows located and accounted for.</p>	<p>It was given to the Department of Valuation in year 2016 to value the present market value of these two plots of lands and, though the reminders were done for that, the relevant valuation reports were not received yet. The lands where the regional offices, divisions, quarters and circuit bungalows of the Authority located were the government lands and, Sri Lanka Mahaweli Authority does not have its absolute ownership and, it was informed that these assets had not been valued and stated in the financial statements as the Authority has only its administration.</p>	<p>Assets owned by the Authority should be accounted.</p>

## 1.5.2 Accounting Deficiencies

----- <b>Audit observation</b> -----	----- <b>Management Comments</b> -----	----- <b>Recommendation</b> -----
(a) Although the Authority had been received the assets worth of Rs.671,503,748 from Dam Safety and Water Resources Planning Project, Rs.430,418,733 from Moragahakanda Project and Rs.325,457,540 from Climate Resilience Improvement Project as per the information submitted to the Audit, only the assets of Rs.537,950,118, Rs.225,822,896 and Rs.186,391,238 has been accounted respectively by the year under review. Further, the value of assets assigned to the Authority was Rs.586,015,546 as per the report taken from Moragahakanda Project. However, actions had not been taken to examine on the said differences and adjust in the financial statements.	Assets were directly given to the zones / divisions by the projects and, it was not followed unitary methodology when giving as such.  The details have been found in year 2021 for the accounting of the assets which were given to the offices in the zones/ divisions by the projects. The goods included in the Assets Registers that submitted for the accounting had not been accounted as it could not found physically. However, the works of computerizing the information on the assets given by the projects are being done by searching accurate information and, actions will be done to rectify in the accounts of year 2022 base on those information.	Actions should be done to take over assets properly and account.
(b) The profit for the year had been understated as stating Rs.2,688,000 of lease income from commercial lands in Ambilipitiya Zone as trade creditors without stating as income.	Actions will be done to rectify through a Journal Entry in the financial statements of the year 2022.	Income should be accounted correctly.
(c) The Work-In-Progress had been overstated by Rs.1,925,476 as the total amount of Rs.1,925,476 was debited to Work-In-Progress account instead of debiting Rs.478,496 in to VAT account and Rs.1,446,980 in to material advance account in relation to the contract of the construction of proposed Murawasihena Office.	The value of rehabilitating the Murawasihena office was Rs.7,314,810.80 and, it was accounted to Work-I n-Progress account as Rs.9,240,287. Accordingly, the amount of Rs.1,925,476 that accounted in excess has been rectified through a Journal Entry.	Actions should be done to make accurate accounting entries.
(d) Although the values of debtors and creditors in accounts of Moragahakanda Project were Rs.108,452,464 and Rs.907,550	Though Rs.108,452,464 was verified as the debtor balance by the Moragahakanda Project, Rs.38,564,344,510 of debtor	It should be adjusted to the financial statements by comparing the

respectively, those values of Rs.11,645,087 and Rs.38,388,969,995 had been stated respectively in the Authority's accounts. Accordingly, though the debtor balance of Rs.10,737,537 and creditor balance of Rs.38,280,517,531 respectively had been underestimated in the financial statements, actions had not been taken to examine on those differences and adjust in to the financial statements.

balance in Head Office as at 31 December 2021 had not been included in that balance. The reason for the difference between the current account in Moragahakanda Project and current accounts in the Authority was when giving assets physically to the offices in zones/divisions by the projects, those assets were only exchanged though current account in head office without exchanging through current accounts in respective zones/divisions. Rs.690,000 from the difference of debtor balance and Rs.27,545,052 from the creditor balance had been identified and rectified.

debtor and creditor balances and examining the differences if any.

### 1.5.3 Unauthorized Transactions

#### Audit observation

Thirty water treatment plants built in the Welikanda and Welioya area at a cost of Rs.80,000,000 during the period 2015 – 2018 had been written off as expenses without Board approval instead of being accounted for as fixed assets in the financial statements of year 2020. Also, actions had not been taken to assign the operational activities of them to the farmers' organizations through agreements.

#### Management Comments

Farmers' organizations were legal institutions that were legalized by Agrarian Development Act No. 46 of 2000 and enforced in the jurisdictions of Sri Lanka Mahaweli Authority.

Therefore, when the officials of the Sri Lanka Mahaweli Authority carry out welfare activities in the Mahaweli areas, it is the usual practice to do those activities with the coordination of the farmers' organizations.

The support of farmers' organizations was also obtained in the establishment of above machines in Mahaweli "B" and "L" zones.

Since it is essential to keep a person in the place while operating and maintaining these machines, it was made arrangements to keep a person by giving training on the operation of that machine works through farmer organization by discussing with the

#### Recommendation

Capital expenditure should be accounted for as fixed assets.

farmer organizations. Arrangements are currently being made to hand over these machines to the farmer organizations through a formal agreement in the future.

#### 1.5.4 Inappropriate Valuation or Estimation

Audit observation	Management Comments	Recommendation
<p>(a) Although the canals with the length of 9,237.9 Km in 06 zones controlled and maintained by the Authority were stated in the financial statements by valuing at Rs.74,989 million, actions had not been taken to value those canals from a qualified and accepted valuer or a valuation board. Due to this, the assessed value could not be accepted in the audit.</p>	<p>Multiplying the quantity of raw materials used for the construction of small, medium and large tanks by the existing unit price, and multiplying the quantity of raw materials used for the construction of 01 km of roads, main branches and field canals by the existing unit price were used as criteria taken for assessing the value of major dams, reservoirs, lakes, roads and related canals. The respective regions were informed for value assessment and the values presented by the regions were summarized.</p>	<p>Actions should be taken to value assets by a professionally qualified valuer or a valuation board.</p>
<p>(b) Although the details of 463 tanks and 11 dams had been disclosed in the financial statements as assets under the control of Authority, the relevant documents to verify whether the ownership of those tanks and dams owned by the Mahaweli Authority had not been presented to the audit. Also, actions had not been done to verify that those assets belong to the authority and to state in the financial statements by valuing.</p>	<p>Although the 11 main dams and 463 tanks maintained by the Mahaweli Authority are physically identified and shown by a note in the consolidated financial statements, it was not possible to value those assets due to the current situation of the Corona Pandemic in the country and, actions will be taken to adjust in the financial statements by valuing those assets properly in year 2022.</p>	<p>Assets should be valued by verifying that belonging to the Authority and included in the financial statements.</p>

#### 1.5.5 Preparation of Consolidated Financial Statements

Audit observation	Management Comments	Recommendation
<p>(a) As Mahaweli Consultancy Services Bureau (Pvt)</p>	<p>Actions will be done to rectify in the financial statements in year 2022.</p>	<p>The details of adjustments in</p>

Company being transferred under the Ministry of Irrigation from 30 December 2020, the assets and liabilities of that company had been waived off from the consolidated financial statements for the year 2021. However, due to the fact that the details of the adjustments in accounts made in relation to this transfer were not submitted to the audit, the accuracy of the adjustment of the related transfer in the financial statements could not be confirmed during the audit.

accounts related to the transfer should be presented to the audit.

- (b) Although it was decided to liquidate two subsidiary companies of Mahaweli Venture Capital (Pvt) Company, in the year 2012 and Natural Resource Management Private Company in the year 2019 that belonging to the Authority, the liquidation proceedings were not completed even during the year under review. A letter was sent (on March 15, 2021 by the Secretary of the Ministry of Irrigation) requesting that the future proceedings of liquidation of the subsidiaries of companies Mahaweli Venture Capital (Private) Company and Natural Resource Management (Private) Company to be carried out through the Treasury. Accordingly, the liquidator has been named and the process is currently underway as per the letter dated on 23 December 2021 of the Additional Director General of the Department of Legal Affairs of the Treasury. Measures should be taken to liquidate the proposed companies to liquidate immediately.
- (c) The approval was given by Cabinet decision on 18 September 2018 for the reorganization of the Mahaweli Livestock and Agri Business (Pvt) Company as a public private partnership with an external investor selected by the project committee. Accordingly, the approval of the Board of Directors was obtained on 28 February 2022 to call for express of interest to As per the Cabinet Decision No: CP/21/2229/317/025-1 dated on 25 January 2022 to call for express of interest to select an external investor for the implementation of 1,154 acre premises belonging to Girandurukotte in zone C and Damminna farm in zone B managed by the Mahaweli Livestock and Agri Business (Pvt) Company owned to Sri Lanka Mahaweli Authority including all properties as a joint venture with public private equity 2022 and as per my note on 01 February 2022, the Board approval had been received on 28 February 2022 to Actions should be taken as per cabinet decisions.

implement 1,154 acre select an investor through paper premises belonging to advertisements. Girandurukotte in zone C and Accordingly, the formal procurement Damminna farm in zone B process required for preparing newspaper managed by the Company advertisements and publishing them in including all properties as a Dinamina, Thinakaran, Daily News is joint venture with public currently being followed and, private equity. Although it arrangements are being made to forward was elapsed more than three the request to the Secretary to the Ministry years since the receipt of of Irrigation. cabinet approval, the related works have not been completed.

## 1.6 Accounts receivables and Payables

<b>Audit observation</b>	<b>Management Comments</b>	<b>Recommendation</b>
Although there were a debtor balance of Rs.242,525,000 and a creditor balance of Rs.85,844,000 that were more than 05 years according to the debtor creditor age analysis, actions had not been taken to settle those balances.	It was noted to settle in the coming year.	Actions should be done to settle the debtor and creditor balances without delay.

## 1.7 Non- compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Reference to the Laws, Rules, Regulations etc.</b>	<b>Non- compliance</b>	<b>Management Comments</b>	<b>Recommendation</b>
(a) Financial Regulations No. 1646 of the Democratic Socialist Republic of Sri Lanka	Although the daily running charts of the vehicles should be furnished to Auditor General before 15 <sup>th</sup> of the following month after the relevant month, though the daily running charts of 57 vehicles at the head office of the authority were requested by the audit on 26 November 2021, they had not been submitted to the audit till the date of the report.	Actions will be done to act as per the instructions stated in the query and furnish the requested running charts in future.	Actions should be done to furnish the running charts to the audit.



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| (b) | Public Administration Circulars No. 289 dated on 10 May 1985 and No.26/92 dated on 19 August 1992 | Although the government logo and the name of the institution should be mentioned on all government vehicles, it had not been done so regarding any vehicle in authority.  | It was noted to take action in future to mention the government logo and the name of the authority in all vehicles in the authority.   | Arrangements should be made to mention the state logo and the name of the institution on the vehicles as per the provisions in the circular.               |
| (c) | Section 6.5.1 of the Public Enterprises Circular No. PED 12 dated 03 June 2003.                   | Although the Financial Statements and Draft Annual Report should be submitted to the Audit within 60 days of the end of the financial year, the Draft Annual Report had not been submitted with the Financial Statements for the year under review. | The statutory consolidated financial statements for the year ended as at 31 December 2021 had been submitted on 25 February 2022 with the relevant information. As there was a time delay when giving information by the zones/ divisions that should be included in the draft annual report due to the prevailed condition within the country during that period (Covid Pandemic), it was unable to submit the draft annual report along with the financial statements on the due date. | Arrangements should be made to submit the Financial Statements and the Draft Annual Report to the Audit in accordance with the provisions in the Circular. |
| (d) | Public Enterprises Circular No. 1/2015 dated 25 May 2015  |   |  |  |
| (i) | Section 3.1   | Although the approved monthly fuel allowance for the directors falling under HM 1-1 category owning the official vehicles is 120 Liters, in contrary to that, the head office had paid an excess amount of Rs.1,173,213 in the years 2018, 2019,    | The legal provisions were made for the resident business managers to act as additional governors. In that case, as this officer was performing duties as the chief operating officer and, as the respective subject  | Actions should be made to pay above allowance as per the provisions in the circulars and, to recover the overpaid amounts.                                 |

2020 and 2021 due to the payment of 140 Liters. matters in all the zones were done through the respective subject directors, all resident business managers and directors of the Sri Lanka Mahaweli Authority have been given 140 liters of fuel each as stated in the Public Enterprises Circular 2015/01, considering them as Chief Operating Officers as these officers are performing the duty role of the 'Chief Operating Officer' mentioned in the said circular.

- (ii) Section 3.2 Although the actual fuel expenses incurred can be reimbursed subject to the approval of the Board of Directors in special cases where the monthly fuel allowance is not sufficient for the performance of duties, additional fuel had been provided to official vehicles for the duties outside the workplace without Board approval. Accordingly, additional fuel worth Rs.1,657,505 had been paid during the year under review to the officers owning official vehicles in the head office without approval. According to the decision in 37<sup>th</sup> Executive management Committee Meeting of Sri Lanka Mahaweli Authority, it had been paid for the fuel that additionally took. However, the Deputy Director (Transport) has been informed to get the approval of the Board of Directors for the payment of additional fuel as per Public Enterprises Circular No. 1/2015. Actions should be done to pay above allowances as per the rules of the circular.
- (iii) Section 3.6 Although group transport facilities can be arranged for the officers entitled to assigned vehicles for attending special official There are several divisions within the authority. It was taken actions to provide group transport facilities for Actions should be done to provide group transport facilities as per directions in the

- duties beyond 40 kilometers away from the duty station as groups, it had not been followed such mechanism by the Authority.
- officers in those divisions as much as possible. Although it was provided transport facilities within limited vehicles by managing at the events where each division was engaged in various duties, practical issues were arisen in that regard.
- (e) Section 12 of Public Finance Circular No 02/2015 dated 10 July 2015
- Although the vehicle disposal process should be done once every year, a vehicle disposal had not been done by the Authority after year 2016.
- It was referred by now for the approval of the Secretary to the Ministry by obtaining the approval of Board of Directors for the assessment report taken by physically inspecting going to the fields in all zones/ divisions by an internal committee comprising a motor vehicle inspector from the Department of Motor Traffic after identifying the vehicles recommended to be disposed primarily at the zonal/ divisional level.
- Actions should be done to dispose vehicles as per directions of the circular.
- (f) Public Administration Circular No. 30/2016 dated 29 December 2016
- (i) Section 3.1
- It should be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000km or after carrying out a major repair to the engine, whichever occurs first for the government vehicles, such fuel tests had not
- It was informed all zones/ divisions including head officer by My Letter No. MASL/HO/TR/ADM/10 6 dated on 09 February 2022 to do a test on fuel consumption.
- The fuel tests of vehicles should be done as per directions of circular.

been done by the Authority regarding its vehicles.

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| (ii) | Sections 4.2 and 4.3  | Although quotations should be called for external repairs in vehicles, and it is not possible to do so in the case of internal repairs and the prices of the garage at which the vehicle is dismantled have to be accepted, though the report of a qualified mechanical engineer from the Government Sector Department, Corporation or Board should be obtained regarding those prices, such mechanism had not been followed by the Authority. | In the event of a disaster in the course of a duty, the defects that have occurred based on the existing conditions are properly repaired and covering approval is taken for that. Action will be done to send a report including the observations of a mechanical engineer that all vehicle repairs are done in accordance with the existing procurement practices of the Authority. | Actions should be done regarding vehicle repairs as per directions of the circular. |
| (g)  | Section 02 (a) of Asset Management Circular No. 05/2020 dated on 02 October 2020 of Ministry of Finance | Although the vehicles not in the condition of running should be disposed as at 31 December 2020, 120 vehicles that was identified to be disposed had not been disposed until the audited date of 27 April 2022.  | The activities have been carried out as per the instructions of the Public Finance Circular No. 02/215 dated 10 July 2015 regarding the disposal of dilapidated vehicles in government institutions, and it was referred to the approval of the Secretary.  | Vehicle disposal should be done as per directions in the circular.                  |

## 1.8 Cash Management

### Audit observation

Rs.48 million was deposited in the Regional Development Bank to create a revolving fund to provide loans in year 2002, it was retained in the bank at a low interest rate of 4 percent without implementing the that loan program after year 2010. That fund with interest

### Management Comments

The Chairman, Regional Development Bank has been informed to make arrangements to release these deposits immediately to the Mahaweli Authority of Sri Lanka. Though it was released to the Authority as a result of those

### Recommendation

Actions should be taken to recover the money to be recovered further.

has been Rs.93,783,845 as at 31 December and, an amount of Rs.81,162,538 had been recovered from it in April 2021, an amount of Rs.12,621,307 and the related interest were to be recovered further.

notices, a letter has been sent to the Regional Development Bank to settle the outstanding amount immediately and, it was stated that the amount would be settled promptly.

**02. Financial Review**  
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**2.1 Financial Result**  
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The Operating result for the year under review was a profit of Rs.665,334,000 and, the corresponding loss was Rs.588,403,000 as compared to the preceding year. Accordingly, a growth in the financial results amounting to Rs.1,253,737,000 was observed. The increase in royalty fee, increase in farm sales and other income and increase in government capital and recurrent grants had mainly caused for this growth.

**03. Operating Review**  
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**3.1 Management Inefficiencies**  
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Audit observation -----	Management Comments -----	Recommendation -----
(a) It was planned to rehabilitate 37 tanks based on the priority and remove silt in 66 tanks by charging fees under National Program for Rehabilitation of Tanks, Anicuits and Agricultural Canals in the year under review under Irrigation Prosperity Program. Although the experts are of the opinion that it is more appropriate to carry out their rehabilitation works by selecting hanging systems instead of not selecting individual tanks in order to protect the tank system, when implementing the projects through this program, though 11 tanks belonging to E and B zones belong to hanging systems those tanks had not been selected to rehabilitate. The physical progress of 18 tanks selected for rehabilitation had been at the low level of less than 50 percent at the end of the year under review. The number of tanks that removed silt by charging	The rehabilitation works of 11 tanks in Zone B and 12 tanks in Zone E had been done during the year 2021 under Irrigation Prosperity Program and, a physical progress of 71 percent and 68 percent respectively had been achieved during the year 2021.  As it took longer time to get approvals for the activity of removing silt due to Covid pandemic situation prevailed in the country, this expected progress could not be achieved.  Further, as it has to do the work of removing silt so as not to disturb for issuing water for paddy fields under the tanks, the expected financial progress or physical	Actions should be done to achieve expected objectives of the program.

- fees was only 05. Although it was expected to earn income of Rs.598.7 million from removing silt, only Rs.9.45 million had been earned. progress could not be achieved.
- (b) About 1/3 of the total land area of Sri Lanka has been declared as Mahaweli territories and, the management of government lands belong to that area had been done by the Authority and, the authority had paid an amount of Rs.6,973,405 to 03 private institutions on three occasions in 2016 and 2018 to introduce information and communication technology to land management with the aim of providing optimal service to colonists and investors by making it more efficient. Action had been taken to train 60 officers to implement the system. But it had been a fruitless expenditure as the land management information system was not implemented even by now. A service agreement was entered into with a private company for the development, operation and maintenance of the Government Land Management System (E-Slims). The entering of the information of 23,210 land plots has been started as the initial step. Actions had been done even by now to enter the initial information related to 5416 long term lease/ annual permits/ deeds/ permit papers in to the system. But, it was informed that the financial provisions are not sufficient for the implementation of this project under the current financial condition. Actions should be done to implement the land information management system.
- (c) According to the information provided to the audit, the authority had given a total of 6,879 hectares of land to 695 investors for investment projects. The quantity of fully developed plots of land was 3,284 hectares and, the quantity of underdeveloped plots was 2,023 hectares and the quantity of undeveloped plots was 1,572 hectares. Thus, 52 percent out of the land given was underdeveloped and undeveloped land. Actions had not been done to give other investors by taking back those lands. 128 plots of land amounting to 1285 hectares have been canceled from the lands allocated for the investment projects in Mahaweli B Zone that having the highest investment projects. Further work is being done to check the feasibility of formal investors for other canceled lands. Follow-up on the development of lands should be done so that the objectives of providing land can be achieved and, undeveloped land should be reclaimed and used for appropriate purposes. Necessary measures should be taken to recover the arrears of tax.
- (d) A complaint was submitted to the Colombo Fraud and Investigation Office on 01 July 2021 stating that a Investigations in this regard are being carried out by the Police Fraud Investigation Vehicle management should be done properly.

vehicle attached to the Walawa Residential Business Management Office belonging to Sri Lanka Mahaweli Authority was missing. Although an audit query on 09 January 2018 informed that the said vehicle was given to an external party without approval and the existence of the said vehicle was not confirmed in the annual Board of Surveys, it was not paid proper attention in that regard and, any investigation had not been conducted in institutional level.

Division and, a request has been made to provide a report on the current status of the investigations.

- (e) Out of 11 plant nurseries owned by the authority, 08 plant nurseries had incurred losses, and the loss of the year under review was Rs.35,077,470. Although the amount of money spent on maintenance till production and sale of a plant has increased nowadays, along with that, a price revision of the plants has not been made. Plant nurseries should be run and managed properly to make profits.
- (f) Although it was targeted to deposit 2,164,000 fingerlings in 10 reservoirs in the L region in the year 2021 within the five-year plan for the period 2019-2023 for the production of fingerlings required for freshwater fish farming within the region itself. A provision of Rs.1,300,000 had been made to release 400,000 fingerlings for the target of 500 metric tons of fish harvest from the revised Action Plan. Only 60,000 fingerlings were deposited by the end of the year. In preparing the action plan of Mahaweli Authority in the year 2021, M. To. A fish harvest target of 500 metric tons was given. The remaining 360,000 fingerlings could not be released in 2021 due to overflowing reservoirs in the region and the inability of the National Aquaculture Development Authority to supply fingerlings at the time of need. But with the filling of reservoirs with monsoon rain, the relevant fish fry had been deposited during the first month of the year 2022. It has been informed that the relevant stock of larval shrimps worth Rs.300,000 will be provided in the next two weeks as the relevant institutions do not have enough stocks of larval fish. Actions should be done to achieve the expected objectives through the program.
- Furthermore, although an advance of Rs.1,300,000 was paid to the Aquaculture Development Authority for the purchase of fingerlings and larval shrimps, the advance of Rs.300,000 had not been settled even by 20 June 2022 and, the construction works of the breeding center that was planned to be established in Ehatugaswewa also had not started. Accordingly, though the expected fish harvest in the year 2021 was 500

metric tons, the fish harvest at the end of the year under review was only 99.3 metric tons. shrimps.

- (g) A vehicle received to the Authority in year 2017 from Dam Safety and Water Resources Planning Project and attached to the Dehiattakandia Residential Business Management Office had been given to a driver in Medirigiriya zone for the work of the advisor to the State Minister of Mahaweli Development, that vehicle had met with an accident on 22 December 2019. Although a full report regarding the damage should be submitted within 03 months from the date of loss occurred according to Financial Regulation 104(4), a full report regarding the accident had not been submitted as per the format of F.R.104(4). Only Rs.2,500,000 out of the loss of Rs.6,915,484 to the vehicle had been recovered from the insurance company. The rest of the loss had not been recovered from the responsible officials.
- As the relevant responsible officer has expressed his willingness to pay the amount in writing if there is an amount of money that not covered from the insurance company from the loss made to the vehicle, future works are being done accordingly.
- It should be acted in accordance with the financial regulations in respect of losses and damages and, steps should be taken to recover it from the relevant responsible parties
- (h) Even though 43 warehouses owned by the Authority have been used by the Paddy Marketing Board from 2009, any lease rent had not been charged for those warehouses even by the end of the year under review. It was informed to the audit in the previous year that actions were being done to obtain assessed values of those buildings from the Department of Valuation to do relevant handing overs as per the request made by Chairman, Paddy Marketing Board to the Director General of Mahaweli Authority to hand over the ownership of the warehouses to the marketing board on the basis of the need to repair the warehouses in accordance with the standards for the warehouses.
- As there is no ability to pay the rent for the storage buildings belonging to the Sri Lanka Mahaweli Authority used by the Paddy Marketing Board, a request has been made to hand over the relevant warehouses to the Paddy Marketing Board. According to the Government Land Ordinance Act, there is no provision for free transfer of land owned by Sri Lanka Mahaweli Authority to a board. Therefore, the land can be given on a long-term lease basis based on the recovery of 4 percent of the value of the
- Necessary arrangements should be made to use the warehouses efficiently and effectively, and the relevant rents should be collected.



However, according to the government assessment or information given to the audit on June 20, 2022, it was informed that the issue related to rent collection or transfer could not be resolved so far as there is no provision to transfer a land owned by the authority to a board free of charge according to the Government Land Ordinance.

only given on rent basis as per internal circulars.

It has been decided to convene a discussion headed by the secretaries of the line ministries and discuss the future work on this issue.

### 3.2 Idle or Under-utilized Property, Plant and Equipment

Audit observation -----	Management Comments -----	Recommendation -----
<p>The number of tourist bungalows owned by the Authority was 27 and, a loss of Rs.36,385,684 had been incurred during the year under review due to the fact that all 27 circuit bungalows had incurred expenses exceeding income. Though the income of tourist bungalows were decreasing, it was observed that all 05 tourist bungalows under the office of the Director (Main Dams and Reservoir Operations) had been stopped online reservation facilities and issuing to outsiders and, it was informed to the audit that it was temporarily suspended of giving to tourists due to the service requirement.</p>	<p>The tourist bungalows owned by the Mahaweli Authority had an annual average income of Rs.1.5 million before the year 2017 and, the average income was able to exceed Rs.10 million within the project of making internet in the Mahaweli tourist bungalow by modernizing.</p> <p>Furthermore, domestic and foreign tourism suffered a severe drop within the global pandemic situation from the year 2020 until now and, the expected target could not be achieved in that situation.</p> <p>Also, there are 05 tourist bungalows under the Director (Main Dams and Reservoir Operations) of Mahaweli Authority. As the said tourist bungalows are located near the dams, it has been temporarily suspended for releasing to the tourists in connection with the request made by the Director (Main Dams and Reservoir Operations) for the service requirement.</p>	<p>Actions should be taken to increase tourist bungalow income.</p>

### 3.3 Procurement Management

Audit observation -----	Management Comments -----	Recommendation -----
<p>Although it was planned to purchase 25 Intel-3, Intel-5, Intel-7 computers under a provision of Rs.5,160,000 by the head</p>	<p>The provision of Rs.17 million had been made at the beginning of the year to purchase fixed assets for</p>	<p>Actions should be done as per approved</p>

office as per the procurement plan of the year 2021 of the Authority, 54 computers had been purchased spending Rs.7,719,450. Further, it was planned to purchase 45 Intel-5, Intel-7 laptops under a provision of Rs.7,390,000, 61 laptops had been purchased at Rs.14,690,658. Accordingly, it had been incurred Rs.9,800,000 by exceeding the provisions included in the Procurement Plan.

the head office as per procurement plan of the year 2021. But with the revision of annual plan time to time, the provision of Rs.33 million had been made for the purchase of desktop computer and laptop computer and office equipment requested for the head office and regional offices. Accordingly, it was informed that though the procurement plan for the year was approved for Rs.17 million, the above purchases had been done as per revised plan.

procurement plan and, actions should be done to submit the revised procurement plans to the audit.

### 3.4 Human Resources Management

----- <b>Audit observation</b> -----	----- <b>Management Comments</b> -----	----- <b>Recommendation</b> -----
<p>There were 34 positions at the senior management level of the Authority at the end of the year under review and, 15 posts out of that were vacant. 14 posts were performed on acting, covering up duties, contract basis and secondary basis. Those posts were not filled permanently. Furthermore, there were 79 vacancies at the middle management level and 730 vacancies at the operational management level. There were 102 excess officers including 68 officers who were recruited permanently in excess of the approved staff, 33 coordinator posts and one post of media adviser who were recruited on contract basis which were not included in the approved staff. It was paid Rs.2,469,641 and Rs.832,792 respectively during the year under review, to 33 posts of coordinator and media consultant recruited on contract basis which were not included in the approved cadre.</p>	<p>As it was informed from the cabinet decision of the Cabinet Secretary on “Review of Public Expenditure” and the Cabinet Memorandum submitted by the Minister of Finance on 28 August 2021, as it was not possible to fill the existing vacancies due to the postponement of the recruitment, it was performed duties on acting, covering up duties, contract assignment basis and secondary basis.</p> <p>There has been an excess cadre due to the reduction of posts on new scheme of recruitment.</p> <p>Further, it was provided permanent appointments to employees who have completed 180 consecutive days of satisfactory service as per Public Administration Circular No. 25/2014 and 25/2014(1).</p> <p>Recruitment for the position of coordinator on contract basis had been done through the approval of Board of Directors to carry out the coordination activities at divisional level to improve the technical</p>	<p>The approved cadre should be revised as required and, the relevant officers should be employed for approved posts.</p>

knowledge related to agriculture and animal husbandry of Mahaweli farmers and to transfer the knowledge of the university directly to the farmers.

An officer with experience and work experience in the field of media has been recruited for the post of “Media Adviser” on contract basis through approval of Board of Directors.