

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Mahaweli Authority of Sri Lanka and its Subsidiaries (“Authority”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 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 report to Parliament appear in this report.

In my opinion, Due to the importance of the matters discussed in paragraph 1.5 of this report, the accompanying financial statements do not give a true and fair view of the financial position of the Authority and its subsidiaries as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards

1.2 Basis for Adverse Opinion

Based on the facts stated in paragraph 1.5 of this report, I am in the opinion that the financial statements of the authority and its subsidiaries do not give a true and fair view.

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 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 operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority and its subsidiaries’ 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 and its subsidiaries.

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 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’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 Company’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 Company 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 its subsidiaries, 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 and its subsidiaries ;
- Whether Authority and its subsidiaries has performed according to its powers, functions and duties; and
- Whether the resources of the Authority and its subsidiaries 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

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
<p>(a) Even though it had been disclosed in the notes to the financial statements that the cost of the 11 major dams built under the Authority and currently being administered, operated, maintained and improved by the Authority as Rs.37.31 billion, action had not been take to assess their value and disclose in the financial statements as per the Section 19 of the Sri Lanka Public Sector Accounting Standards 07. Furthermore, even though the Authority had incurred the operational and maintenance costs of those assets, the costs to be capitalized had not been identified and properly accounted for.</p>	<p>In order to assess the 11 major dams which the administration, operation, maintenance and improvement being done by the Authority in the year 2023, as it has not been determined how the legal rights of those dams have been transferred to whom, discussions are being carried out with Ceylon Electricity Board associating with the existing documents and action will be taken to confirm the right of the Authority and proceed to formally assess and account for it.</p>	<p>Action should be taken to state the dams, canals, drainage systems, other irrigation works and structures In the financial statements and to capitalize the capital expenditure incurred annually as per the standard.</p>
<p>(b) In the financial statements that were prepared and presented separately for the 18 systems and divisions of the Authority,</p>	<p>The Authority uses the financial statements of the systems and divisions including the head office and prepares the consolidated financial statement based on that</p>	<p>Action should be taken to present the statement of changes in net assets, accounting policies, notes including other disclosures,</p>

the notes containing the accounting policies and other disclosures that should be presented in accordance with Section 118 of Sri Lanka Public Sector Accounting Standards 1 and the statements of changes in equity that should be presented in accordance with section 127 had not been presented. Furthermore, cash flow statement to be presented as per the Section 1 of Sri Lanka Public Sector Accounting Standards 2 had not been presented by 11 systems.

when preparing the financial statements. Necessary instructions, accounting policies and basis for preparing the financial statements of the systems and divisions including the head office has been generally decided by the Authority and separate decisions are not taken for each system and division including the head office. Also, the custody of the all assets and liabilities exists in the name of the Authority. Accordingly, the "Statement of Change of equity" for all systems and divisions, including the head office, has been presented only through the data included in the consolidated financial statement. Also, it is accepted that cash flow statements for systems/divisions should be prepared separately as funds are raised through the provision of separate funds for systems and divisions and the generation of income through the utilization of resources owned by the systems/divisions.

Action will be taken to prepare the cash flow statements from the year 2023 based on that model accordingly.

cash flow statements as per the accounting standards to be presented by all the systems and divisions of the Authority.

(c) Even though comparative information for the previous year should be disclosed for all numerical information reported in the financial statements, comparative information for the consolidated cash flow statement had not been disclosed by the Authority as per the

Agreed. Action will be taken to disclose the comparative information for the consolidated cash flow statement from the year 2023 onwards.

Comparative information should be presented for all numerical information presented in financial statements as per the accounting standards.

Section 53 of the Sri Lanka Public Sector Accounting Standard No 1 and only the restated balances had been presented.

(d) The following observations are made regarding the property plant and equipment.

- (i) Even though the capital expenditure related to additions and improvements should be debited to the relevant asset account as per the Section 22 of Sri Lanka Public Sector Accounting Standards 7, the capital expenditure amounted to Rs. 92,774,812 in relation to 08 systems had been shown as recurrent expenditure in the accounts.
- It has been noted to correct and capitalize in the year 2023.
- Additions and improvements to fixed assets should be capitalized as per the accounting standards.
- (ii) By identifying the value of the lands where the system offices, divisions, quarters and circuit bungalows are situated and 02 land slots at a cost Rs.64,320,853 bought on 1984-1989 time period had not been accounted for under the property plant and equipment.
- As the valuation has been received for the lands of No.493 and No 493/01 at T.B. Jaya Mawatha, Colombo 10 on 01 February, action will be taken to account for in the year 2023.
- Action will be taken to get the valuation from the Department of Valuation for No. 500 land in T.B.Jayah Mawatha, Colombo 10 and account for. Survey activities have been started in lands in system offices. As it takes several years to assess, action will be
- Action should be taken to value and include in the financial statements lands where the offices of the Authority and other buildings have been built and the lands bought.

taken to account in the order of assessment

- (iii) Even though whenever an item of property and equipment is revalued, that entire asset class should be revalued as per the Section 49 of the Sri Lanka Public Sector Accounting Standards 7, Out of the office equipment of the System C Resident Project Management Office at a cost of Rs.15,601,129, only office equipment at a cost of Rs.11, 725,422 had been revalued as on 1 January 2022. 25 percent of the relevant assets at a cost of Rs.3, 875,707, had not been revalued accordingly. In the Walawa Residential Project Management Office, out of the machines at a cost of (average) Rs.15, 655,004, only the machines at a cost of Rs.10, 561,272 had been revalued. Accordingly, 33 percent of the relevant assets i.e. assets at a cost of Rs. 5,093,735 had not been revalued.
- (e) It had not been disclosed in the financial statements
- Action will be taken to account for in the year 2023.
- Action will be taken to proceed according to the Section 22 of the
- The relevant asset class should be fully revalued during the revaluation of assets as per the accounting standards.
- Provisions should be made in relation to the contingent

regarding the 366 legal cases related to the head office and 7 system offices as per the Section 100 of Sri Lanka Public Sector Accounting Standards 8. Even though Rs.56,696,667 was identified as contingency liabilities for 23 legal cases against the Authority and disclosed in the financial statements, action had not been taken to identify the necessary provisions as per the Section 22 of the Sri Lanka Public Sector Accounting Standards 8.

Sri Lanka Public Sector Accounting Standard 8 for the year 2023 and disclose a brief description of the contingent liabilities in the financial statements for the year 2023.

liabilities which should be provided as per the accounting standard, and necessary disclosures should be made in the financial statements in relation to other liabilities.

1.5.2 Accounting Policies

Audit Issue	Management Comment	Recommendation
<p>The Mahaweli Consolidation Project had been placed under the Residential Project Management Office - System B on 16 March 2021 and assets of Rs.121,050,992 and liabilities of Rs.121,050,992 of Mahaweli Consolidation Project had been taken over. Even though relevant adjustments had been made for the balance as at 01 January 2022, relevant accounting policy had not been disclosed as per the Section 135 of Sri Lanka Public Sector Accounting Standards No 1.</p>	<p>The accounting policy for making related adjustments has been presented</p>	<p>The policy related to the consolidation should be disclosed as per the Sri Lanka Public Sector Accounting Standard No.1.</p>

1.5.3 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) Even though according to the information presented to the audit, assets of Rs.671,503,748 from the Dam Safety and Water Resource Planning Project and Rs. 536,539,275 from Moragahakanda Project (Except the value of the dam) Rs.325,457,540 from Climate Resilience Improvement Project had been received to the Authority, only assets of Rs.589,325,677, Rs.466,896,356 and Rs.78,348,847 Respectively from those assets had been accounted for by the year under review. Accordingly assets of total amounted to Rs. 398,929,683 had not been accounted for.</p>	<p>Out of the assets received from the Dam Safety and Water Resource Planning Project only Rs. 5 Mn assets remained to be revalued by 31 December 2022. Out of this, assets of Rs. 4 Mn have been identified, revalued and adjusted to the accounts in the year 2023 and action will be taken to adjust to the account by identifying and revaluing the remaining assets of Rs. 1 Mn in the year 2023. From the assets received from the Moragahakanda Project, assets of Rs.459.6 Mn have been handed over to the Authority by now and have been accounted for. Since the time of this project has been extended further, the transfer and settlement of fixed assets is still going on. When those activities are completed, the fixed assets received from the project can be accounted for and completed. Assets of Rs.102.2 Mn not accounted for by the assets provided by the Climate Resilience Improvement Project had been identified formally. It will be accounted for in the year 2023. Action will be taken to identifying the remaining assets by checking and account for.</p>	<p>Action should be taken to identify value and account for the assets received from the projects.</p>
<p>(b) 6534 hectares of land disposed of for earning tax rent owned by the Authority to be recognized as</p>	<p>All residential project managers have already been instructed to account for the land disposed of as investment property on the basis of</p>	<p>Land disposed of for investment purposes should be identified and accounted for according to the</p>

investment property as per the Section 20 of Sri Lanka Public Sector Accounting Standard No. 13, Had not been accounted for by valuing as per the Section 27 of the standard.

the respective assessed values. Accordingly, action will be taken to account for in the year 2023.

accounting standard.

- (c) In contrary to the Section 63 of Sri Lanka Public Sector Accounting Standards No. 19 related to the post employment defined benefit plan, no any provision had been made for gratuities in relation to employees whose service period did not exceed 5 years. Accordingly gratuity provision to be made had been providing less by a sum of Rs.6,338,112 for 103 employees belonging to the Mahaweli Security Corps whose service period is from year 1 to 5 and as a result the profit was underestimated by that amount.
- Agreed. Action has been taken to correct by the financial statement of the year 2023.
- Arrangements should be made to allocate gratuity for employees whose service period does not exceed 5 years.
- (d) As at 31 December 2019, 4 vehicles with a value of Rs.34,750,000 had been overstated as Rs.41,794,209 by Rs.7,044,209. At the end of the year under review, the written down value of those assets was Rs.2,829,138 and the accumulated depreciation was overstated by Rs.4,215,171. Due to the overstatement of the relevant depreciation of Rs.1,408,862 in the year under review, the loss of the
- Vehicle No. PF-7750 was mistakenly entered as PG-7750 in the fixed asset register and has been corrected.
- Two vehicles each have been received from Moragahakanda Project and Climate Resilience Improvement Project. Even though the vehicles were physically handed over to the Mahaweli Authority by the year 2019, they were handed over to the Authority about a year later through formal documents and the vehicles were
- Arrangements should be made to adjust the revalued amounts and Depreciation correctly to the accounts.

year had been also accounted for based on the values overstated by the same mentioned in the documents amount. provided by the projects at that time. Therefore, the currently accounted values have been corrected and the correct value and depreciation value on 5 July 2023 have been corrected by Journal No. 12.

- (e) According to the Authority's depreciation policy, 2.5 percent of the building value should be depreciated annually, but the buildings belonging to the head office, which cost Rs.619,112,600, had been depreciated at 5 percent each. As a result, the depreciation value of Rs.15,477,815 had been overstated as Rs.30,955,629 by Rs.15,477,815 and the loss for the year was also overstated by the same amount. Due to the fact that 14 items to be shown under machinery, where a rate of depreciation of 15 percent is applicable, had been shown under vehicles where a rate of depreciation of 20 percent is applicable, the total depreciation was overstated by Rs.3,249,977 and the loss of the year under review was overstated by Rs.3,249,977.
- (f) Even though there were debit balances totaling Rs.554,135,228 and credit balances totaling Rs.509,098,933 shown in the
- Agreed. Actions have been taken to correct by a journal entry in the year 2023.
- Depreciation should be properly accounted for according to the depreciation policy.
- At the beginning of each year, the debit and credit balances are reconciled with the previous year's closing current account balances.
- Arrangements should be made to settle the debit and credit balances indicated as funds.

3001 fund account under the current account balances of the head office financial statements, the necessary accounting adjustments had not been made by certifying the balances.

- (g) Mahaweli Consultancy Bureau (Private) Company, in which 99 percent of the shares are owned by the Authority, had been transferred to Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation and Fisheries and Aquatic Resources Development on 31 December 2020 as per the Cabinet Decision No. ෧෧෧/19/2770/104/083 dated 30 October 2019. However, the investment of 6385 shares worth Rs. 63,850 had been further stated in the financial statements of the Sri Lanka Mahaweli Authority as of 31 December 2022, and the board of directors' approval had not been obtained for the transfer of said investment.
- It was noted that the activities related to the transfer of investments to be carried out formally.
- Disclosures should be made in the financial statements related to the transfer of these shares, and accounting adjustments should be made accordingly.

1.5.4 Unauthorized Transactions

Description of unauthorized transaction	Management Comment	Recommendation
A sum of Rs.46,478,749 outstanding tax revenues related to Digana Residential Project Management Office had been written off through the previous year adjustment account and a sum of Rs. 29,740,601 of outstanding tax revenues of	It is informed that a sum of Rs. 46,478,749 has been written off as tax arrears based on the instructions given by the	Every step should be taken to recover the receivable income. Authorization should be obtained as required for write offs.

System C had been debited to the land use fee income account without any approval.

Land Commissioner's Department Circular No. 2020/6 dated 20 May 2020

It is informed that that there has been no any deduction of arrears of taxes and land use fees from income without approval and an accounting error has been corrected. It is corrected by a journal entry until the information is formally submitted.

1.5.5 Inappropriate Valuation or Estimation

Audit Issue	Management Comment	Recommendation
<p>(a) Even though capital and recurrent grants and asset grants should be recognized as income immediately after receiving grants as per the Section 49 of Sri Lanka Public Sector Accounting Standard No. 11, due to failure to act accordingly, The non-exchange transactions value relevant to the assets received from 3 foreign projects to the Authority has been deferred according to life time and deferred income of Rs.83,565,000 and further Rs.39,095,160,211 to be recognized as liabilities had been shown under payable balances as at 31 December 2022. In addition to this, the deferred income of Rs.3,204,892,000 in relation to the capital grants received by the Authority from the Treasury and</p>	<p>Assets received/to be received from the projects will be accounted for as per the instructions given by the accounting standard.</p>	<p>The value of non-exchange transactions should be recognized as a liability in the same year as per Standard No. 11 related to non-exchange transactions.</p>

Rs.70,823,574 which was stated under the accumulated funds to be recognized as income had not been done according to the standard.

- (b) Even though it had been stated in the financial statements the canals of 9237.9 Km long situated in 6 systems which the administration and maintenance is being done by the Authority, had been stated in the financial statements by revaluing to Rs.74,989,140,000. The admissibility of the assessed value was challengeable as the said canal valuation was not done by a recognized valuer or valuation board with professional qualifications.
- Valuation of major dams and reservoirs, lakes, roads and related canals are assessed by professionally qualified chartered engineers under the following guidelines.
- The assessment of canals owned by the Authority should be done by a recognized assessor or an assessment board with professional qualifications.
- I. By multiplying the quantity of raw materials used for the construction of small, medium and large tanks by the prevailing unit price.
 - II. By multiplying the quantity of raw materials used for the construction of 1 Km of roads, mains, branches and field canals by the prevailing unit price.

1.5.6 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
Investment of Mahaweli Livestock Enterprise (Pvt) Ltd in the financial statements of the authority	10,000,000	Share certificates, how the consideration is determined, decisions of Board of Directors and Cabinet	It is noted to be presented by investigating in the future.	The information required to verify the investment should be submitted to the audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
Even though revenue arising from utilizing the assets owned by the Authority by external parties should be identified as per the Section 33 of the Sri Lanka Public Sector Accounting Standards 10, land use fee amounted to Rs. 24,692,047 and Rs. 893,269,386 to be recovered from 14 and 16 business men respectively as at 31 December 2022 relevant to the granite projects executed by the Resident Project Management Offices of Thambuththegama and Walawa, , rent income amounted to Rs.2,352,000 and Rs. 26,100,000 respectively to be recovered from Lanka Fertilizer Company and Mahaweli Livestock Enterprises (Pvt) Ltd as at 31 December 2022 had not been identified and accounted for.	Action will be taken to make adjustments after identifying as receivable income by checking this. Tax reports are being updated and action will be taken to adjust to the Accounts of the year 2023. It is informed that the income due for the lease has not been adjusted to the accounts as this farm has not been formally leased to the Mahaweli Livestock Enterprises (Pvt) Ltd. The permission is granted to recover only 25 percent of this land use fee by the Cabinet Decision No. අම/20/1852/317/012 dated 20 December 2020. Accordingly, it is informed that the outstanding land use fee to be recovered is Rs. 223,317,346 and out of it a sum of Rs. 49,772,684 have been recovered as of 1 October 2023.	Action should be taken to identify the income and account for properly. Necessary measures should be taken to immediately recover the income to be recovered from the external parties.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
(a) According to the consolidate financial statements, total payable balances as at 31 December 2022 was a sum of Rs. 39,760,813,000. Out of	Action will be taken to settle with the financial statements of the year 2023 by analyzing these balances.	As the balance shown in the consolidated financial statements should correspond with the totals of the balances of the system offices, it should be submitted to the audit with necessary

it the payable balance over 5 years was Rs.161,080,000 and as the total of balances over 05 years being a sum of Rs.173,520,378 in books of head office and systems, a difference amounted to Rs.12,440,378 was observed. A schedule for sundry creditors of the head office of the Authority which was 98.6 percent of this total payable balance i.e. Rs. 39,231,461,000 was not submitted to the audit.

adjustments. Action should be taken to present the schedules to the audit when required.

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| (b) | The sum of Rs.22,819,672 payable to 2 Government Agencies for 3 constructions done in 3 Mahaweli systems had not been shown in the financial statements. | A sum of Rs.2.9 Mn out of this amount has been paid in the year 2022 and the remaining amount of Rs. 3.04 Mn (6.3-2.9) has been accounted as a payable by a journal entry in the year 2023. It will be accounted in the year 2023 as a payable balance. | All liabilities should be identified and shown in the financial statements. |
| (c) | The arrears interest as at 31 December 2022 after paying compensation in the year 2018 for 126.23 acres of land acquired by the Authority for the Digana Residential Project Manager Office amounted to Rs. 16,252,018 and the tax payable to Commissioner General of Inland Revenue amounted to Rs. 2,006,667 had not been accounted for in relation to the year 2022, a total of payments amounted to Rs.3,692,588 paid in the year 2023 for | The arrears interest amounted to Rs. 16,252,018 as at 31 December 2022 after paying compensation in the year 2018 and a sum of Rs. 2,006,667 to be paid to the Commissioner General of Inland Revenue had not been calculated properly as at 31 December 2022. Therefore, accounting has not been possible. Action has been taken to account in the year 2023 with the financial statements. | All expenses to be paid should be identified and accounted for. |

the repair of the quarters in System C and payment made for the Maha season of 2022/2023 of Rathkinda seed farm had not been accounted as payable as at 31 December 2022.

1.6.3 Advances

Audit Issue	Management Comment	Recommendation
<p>An advance of Rs.11 Mn had been given to the Director of Irrigation of Ampara for the preparation of roads and rough leveling of paddy lands in the Mahaweli village of Galwala Yaya on 5 occasions in 2013-2014 period. Out of that advance a sum of Rs 8.1 Mn had been settled in 2019/2020 years and a sum of Rs. 2.9 Mn had not been settled as at 28 April 2023.</p>	<p>All the payments have been made from the money given by Mahaweli Authority of Sri Lanka and there are no any remaining balance and an analytical report about it has been given by the letter of the Director of Irrigation (Ampara) No. DI/AMP/W/06/WG/01/2023. After formally confirming the performance of it Action will be taken to settle.</p>	<p>The Director of Irrigation should be consulted and arrangements should be made to settle the advance immediately.</p>

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
<p>(a) Section 72 of the Land Development (Amendment) Act No. 27 of 1981</p>	<p>Even though While issuing land permits, land survey plans should be prepared or suitable land should be selected and permits should be issued, land permits had been given for 99 selected persons from the land kachcheri held at Giradurukotte</p>	<p>As per the Section 72 of the Land Development (Amendment) Act, a limited Land kachcheri was conducted in the Giradurukotte Block of System C in the year 2014 and permits were issued to that selected persons by setting the un surveyed boundaries</p>	<p>Land permits should be given according to the provisions of the Act after selecting suitable land for distribution and preparing the survey plans.</p>

Block office in the year 2014 deviating from the above requirements and without specifying the lands and after that lands were disposed by specifying the boundaries. But for 184 selected persons in villages of Hobariyawa, Rathkinda, Theldeniyawa, and Ulhitiya, land slots have not handed over by specifying the boundaries. Lands have not been shown since 2014 and even though the survey work was started in the year 2021, it had to be stopped due to the objections raised there. However it is informed that the land has been identified for land disposal to the people who have been issued permits.

- (b) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 371 (2)(C) Even though a total of advance amounted to Rs. 24,239,319 had been given to the Director (Research and Special Projects) on 21 April 2021,18 May 2021 and 27 December 2021 to construct the electric fence in Kandakadu and Giradurukotte and to construct the fish Centre and ponds, these advances had not been settled for 2 years until 19 May 2023 which was the date of audit and the Agreed. As the information presented by the relevant divisions was not adequate to settle the advances given under the projects of the electrical fence constructed around the Kandakadu farm in Mahaweli System B and construction of the fish breeding center and mud ponds in System H, relevant divisions were informed to formalize it. As technical problems arose in the hanging Action should be taken as per the Financial Regulations when giving ad hoc imprests. Disciplinary action should be taken against the officers responsible for giving advance before settling the previous advance by finishing the work.

relevant work had not been completed properly.

electric fence constructed around the agricultural training center belongs to System C and it could not be accepted by the Authority, a special committee was appointed to examine and report about it and the further action will be taken after receiving the committee reports.

- (c) Section 9.4 of the PED 12 Circular dated 02 June 2003 and Section 3.5 of the Operation Manual introduced by the Public Enterprises Circular No 01/2021 dated 17 November 2021
- Salaries, contribution to the EPF and ETF Funds and overtime payments paid to 45 officers/ employees who have released to external agencies without a Cabinet Approval during the period from 2020 to 2023 were a sum of Rs. 34,867,475, Rs.5,440,787 and 15,851,797 respectively. Out of it, it had been possible to reimburse only a sum of Rs. 1,495,003 by 15 May 2023. From that , 31 employees were Mahaweli Security Officers and had been released to 6th retired president security unit, Prime Minister's Office, Ministry of Irrigation and State Ministry of Mahaweli and State Ministry of Tanks, Reservoirs and
- Out of the Security Guard officers of the Security Force released to the external institutes, except the 5 people released to the retired President and 14 people released to the Ministry of Irrigation, other officers have reported to the duties of Mahaweli Authority. The money spent on behalf of the employees released to the Ministry of Wild life and Forest Resource Conservation and the Prime Minister office is reimbursed and as per the letter of the Secretary to the Ministry of Irrigation No MI/F/26/MA/2022 dated 05 September 2022, amount spent on behalf of the employees released to the Ministry of Irrigation is not reimbursed. I would
- According to the circular provisions, employees should not be released to other institutions without the approval of the Cabinet. Emoluments paid to the released employees should be recovered.

Irrigation Development Related To Rural Paddy Fields like to inform you that even though letters were sent to the relevant Institutes via register post to reimburse the amount spent on behalf of the Security Guards released to the other Institutes, there has been no responses.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 1,485,127,000 and the corresponding profit in the preceding year amounted to Rs. 665,841,000. Therefore a deterioration amounting to Rs. 2,150,968,000 of the financial result was observed. Decrease in Government capital grants by Rs.2, 948,325,000 and even though the rehabilitation, community development and maintenance expenses decreased by Rs.1, 232,838,000 , increase in depreciation expenses by Rs.907,448,000 had been mainly caused for this decline.

3. Operational Review

3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
While the quarters owned by the Authority remained unutilized in many areas, a sum of Rs. 3,098,129 had been paid to 15 officers in the year 2022 for their privately rented houses.	For the agricultural and development activities started in the year 2019 in Hasalaka, Minipe, Wilgamuwa by the Residential Project Manager System E , the staff of the Reseident Project Manager Office Victoria was assigned to System E. But since there were no established Mahaweli buildings in Wilgamuwa and Minipe in System E, we had to get private rental houses for offices and residential facilities. For this purpose, I would like to inform that house rent payments have been made based on departmental	Actions should be taken according to the control circular orders No. 2009/12/04 dated 24 December 2009.

procurement approval No. 2021/04 and dated April 08, 2021.

3.2 Identified Losses

Audit Issue	Management Comment	Recommendation
<p>It was planned to provide about 540 acres of land from Muthuwella Welikanda area for the implementation of agricultural crop production projects under the agriculture development program of Mahaweli System B in conjunction with the local agricultural investment promotion program in the year 2020. Even though a period of 03 years 05 months had passed from the planned year to the audited date of 31 May 2023, no any investment project had been implemented. A contract of Rs.2,619,000 had been awarded to the University of Colombo for the evaluation of the environmental effects of these investment projects, and by the date of the audit the paid amount of Rs. 2,093,200 had been a loss to the Authority.</p>	<p>With the commencement of the field programs of environmental studies of the Muthuwella project, the spread of the Corona virus, the protests of the nearby residents and squatters on the land, and the delay in preparing the plans by the Mahaweli Authority, caused problematic situations to continue its activities. University of Colombo forwarded the final IEE report to Central Environment Authority on 09 July 2023. After getting environmental approval for the project, it is possible to carry out further development of the project.</p>	<p>Feasibility of the project should be reconsidered by completing the environmental impact assessment report.</p>

3.3 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) Even though it had been 4 years passed since the approval was granted by the Cabinet Approval No අමස/18/2083/803/031 dated 18 September 2018 to reorganize the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd established using the</p>	<p>Necessary steps are being taken to select an investor for reorganization of the company as a Public Private Partnership (PPP). Also, since it should be worked together with the Government Agencies to "obtain the valuation of the assets of the Company" and "takeover the</p>	<p>According to the decision of the Cabinet, arrangements should be made to reorganize it as a Public Private Partnership.</p>

resources of the Authority, as a Public Private Partnership with an external investor selected by the project committee, the Public Private partnership had not been started.

shares of the company assigned to three outsiders to the Mahaweli Authority back". As soon as those tasks are completed, the meeting of the negotiation consensus committee appointed by the Council of Ministers will be held and it is planned to take the further actions.

- (b) Even though the 0.2139 hectares of land and buildings located on Baseline Road, Dematagoda, belonging to the Mahaweli Authority of Sri Lanka, which was being used by the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd, was handed over back to the Mahaweli Authority of Sri Lanka in the year 2020, action had not been taken by that Company and the Authority to transfer and accept those assets properly. The land was valued at Rs.296 Mn and the building at Rs.619 Mn by the Valuation Department in 2018. Information about buildings and other assets on the premises was requested for audit, but was not submitted till 16 May 2023, which was the date of audit. During the physical inspection of the premises by the audit on 15 May 2023, the buildings within the land had been destroyed beyond use, and there were no any furniture or equipment in the buildings.
- The Livestock Development Division of the Authority was established in this premises before the establishment of this company and with the registration of this company in the year 1998, the office equipment etc. were handed over to the newly established Mahaweli Livestock and Agro Enterprises (Pvt) Ltd and it is stated in the accounts as an investment made by the Authority to that company. Therefore, only the value of buildings and land in Dematagoda premises is mentioned in the asset register of the Authority. Board of survey reports including fixed assets for the years of 2021 and 2022 have been handed over to the audit on May 23, 2023.
- The relevant property should be assessed and accounted for.
- Relevant asset information should be submitted for audit.
- Action should be taken in relation to the misplaced and destroyed assets to act as per the Financial Regulation to identify the responsible officers and recover if there is a loss.

- (c) Even though it had been decided to liquidate two subsidiary companies owned by the Authority which are Mahaweli Venture Capital (Pvt) Ltd in 2012 and Natural Resources Management (Pvt) Ltd in 2019 and liquidation process had not been completed by the end of the year under review. Liquidators have been appointed for the liquidation of these two companies as per the decisions of the Cabinet and two meetings of the liquidators have been convened so far. In addition, the information related to the recovery from the relevant institutions has also been requisitioned. Notices were published in the Government Gazette and two national newspapers in a formal manner and a meeting of creditors was also held. Accordingly, the liquidation of the two companies is currently in progress. Liquidation of companies should be completed promptly.
- (d) Even though 43 warehouses belonging to the Authority have been used by the Paddy Marketing Board since 2009, no rent has been collected for those warehouses even by the end of the year under review. Even though Chairman of the Paddy Marketing Board had requested that the ownership of those warehouses be handed over to the Paddy Marketing Board, action had not been taken to collect the rent by obtaining the assessment of the buildings from the Department of Valuation or to hand over till 18 May 2023 which was the date of audit. As the Chairman had informed in writing that the Paddy Marketing Board is not able to pay the rent for the relevant warehouses, it was informed to the chairman to get a Cabinet Approval to be exempted from payment of warehouse rent and take over to the Paddy Marketing Board. Further action will be taken according to the progress of it. Arrangements should be made to collect the arrears of rent or to formally exempt these warehouses from payment of rent.
- (e) (i) A formal tripartite agreement had not been entered by Ceylon Electricity Board, the owner of the Considering the requests submitted by the small scale hydropower project investors in the year 2021 and the decision given by the Secretary to the Action should be taken to enter into formal tripartite agreements with the owners of the respective hydroelectric power plants, and arrangements should be made to

hydroelectric power plant and the Mahaweli Authority to collect the catchment management fee charged from 12 investors engaged in small scale hydropower generation.(owners of hydropower plants), As a result, it was not possible to recover a total of Rs. 242,149,483 including Rs. 72,534,483 for the year 2021 and Rs. 169,615,000 for the year 2022 from the 12 small-scale power plants engaged in electricity generation by 31 December 2022.

President at the time to suspend the charging of the "catchment management fee", the fee has not been received from November 2021 to June 2022.

However, in June 2022, the Secretary to the President has given instructions so that the relevant watershed management fee can be charged again.

Accordingly, even though the catchment management fee should be received from June 2022, due to the financial crisis that the Ceylon Electricity Board was facing at that time, payments were not made for the electricity purchased from small scale hydroelectric power plants and accordingly the catchment management fee to be received to the Mahaweli Authority of Sri Lanka was not received. But since the financial crisis is gradually normalizing, the Ceylon Electricity Board has being received the related catchment management fee from July 2023 to the Mahaweli Authority of Sri Lanka.

However it is not possible to collect the catchment management fee for the period from November 2021 to June 2022.

- (ii) In addition to these power plants, there are 65 small-scale hydroelectric power plants that are generating electricity in the Mahaweli special administrative divisions

These 65 small scale hydro power plants have been built 15-25 years ago and the relevant approvals were given by the Divisional Secretaries without the intervention of the Mahaweli Authority of Sri Lanka. At present, the Ceylon

collect the arrears of water management fees.

An appropriate system should be introduced to regulate the relevant hydroelectric power plants and collect catchment management fees from them.

and the Authority has not entered into formal agreements to regulate them and collect the catchment management fee.

Electricity Board pays for the electricity generated from these small-scale hydroelectric power plants according to a payment system (Tariff) that is sufficient to cover their maintenance costs. Therefore, if the Authority collects a catchment management fee, the payment methods for those power plants should be revised accordingly. Therefore at present there is no any possibility of entering in to a contract with 65 small-scale hydropower plants to collect the catchment management fees.

- (f) Land use fee amounted to Rs. 1,038,026,047 which had to be recovered from 16 businessmen who were engaged in granite mining in System Walawa relevant to the 2009-2020 time period and only a sum of Rs.144,756,661 i.e. 13.94 percent was recovered in several instances. Accordingly, the land use fee to be recovered was Rs.893,269,386. This deficit had arisen due to the fact that the Authority had not followed a formal system to issue a new license after calculating and recovering the previous year's deficit during the annual issuance of land use permits for black stone mining, and the
- According to the decision of Cabinet of Ministers No. අම/20/1852/317/012 dated 20 December 2020, it has been mentioned as the land use fee to be recovered from 15 businessmen and among the 15 businessmen, R. L Basil Rohana, China State Construction Co., Ltd. K. Dissanayake has paid all the dues. Sri Lanka Army and K.G.Sarath Kumara are paying the monthly installments regularly and in order to collect this money from the rest, complaints have been filed under the Public Property Act in the police jurisdictions where the respective projects are being implemented and instructions have been received from the relevant police station to file a complaint against MAGA Engineering from Colombo.
- New permits shall not be issued until the arrears land use fees are settled. Legal action should be taken against miners who do not pay land use fees.

responsible officials had neglected to collect the related tax arrears up-to-date. However, by the decision of the Cabinet of Ministers

No.අමප/20/1852/317/012 dated 20 December 2020, it had been approved to 75 percent of the outstanding land use fee of Rs.893,269,386, i.e. Rs.669,952,040 to be recovered from 16 businessmen and to pay the remaining amount of Rs.223,317,346 in 36 installments. The payment of Rs. 157,004,041 was defaulted by 5 businessmen as agreed. The defaulted arrears as a percentage was 70 percent of the arrears of land use charges approved for payment.

- (g) Even though basic structural plans for land use had been prepared as per the Section 03 of the Mahaweli Authority of Sri Lanka Act No 23 of 1979, after the year 2011, those structural plans have not been updated according to the current land use requirements. Arrangements are being made to provide the limited lands available in Mahaweli systems, based on the national and current needs for agricultural, industrial and various projects and residence as well through a formal method. Through it strengthening the economy by targeting the National Interests, removing unemployment by expanding the job opportunities, generating foreign currency, eradicating the poverty and developing the regional infrastructure etc. have aimed The structural plans should be updated according to the current land use requirements.

directly and indirectly. According to the land use plan, under the physical planning recommendation, according to the provisions of the Government Land Ordinance Act, subject to the approval of the minister in charge, the land has been given to the investors. In the selection of the investors for the land

3.4 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) (i) Even though land use fee should be charged according to the amount of mining mentioned in the license, as per the Assistant Director (Lands) letter No. DL/01/01 dated 24 August 2015 regarding the charging of fees for minerals removed from land in Mahaweli administrative divisions, sand mining was allowed in System C of the Authority by charging only the land use fee related to mining amount of one month in the years of 2016, 2017 and 2018. As a result it was not possible to collect the land use fee of Rs. 278,685,665 due for the remaining period in relation to</p>	<p>The Ministry of Irrigation conducted an investigation by a committee chaired by the Senior Assistant Secretary to identify the officers responsible to deprive the Government of an income of Rs.278,685,665 land use fee for sand mining to be recovered relevant to the 386 sand mining permits for the remaining time period by recovering land use fee only for a one month period during the years of 2016,2017 and 2018 in Mahaweli System C and the recommendations of the investigation have been implemented by now.</p>	<p>Action should be taken to recover this amount from the officers responsible to deprive the income to be received to the Authority by acting in contrary to the circulars.</p>

386 sand mining permits. However action had not been taken against the responsible officers by the Authority by conducting investigations against the officials who are responsible to the loss of income of Rs.278,685,665 to the Authority, who have acted irresponsibly when issuing mining permits and who have not done a proper supervision afterwards related to that.

- (ii) As a part of the measures taken to prevent such problems from arising, it was agreed to mark 60 meter reserve boundaries on both sides of the Mahaweli River at the Committee Of Public Enterprises meeting held on 21 February 2019 and even though a total of Rs.1,612,300 as Rs.1,000,000 in the year 2018 and Rs.612,300 in the year 2019 had been paid to the Sri Lanka Survey Department for that, the boundaries had not been marked by doing the surveys as at 19 June 2023 which was the date of audit.
- The Ministry of Irrigation conducted an investigation by a committee chaired by the Senior Assistant Secretary to identify the officers responsible to deprive the Government of an income of Rs.278,685,665 land use fee for sand mining to be recovered relevant to the 386 sand mining permits for the remaining time period by recovering land use fee only for a one month period during the years of 2016,2017 and 2018 in Mahaweli System C and the recommendations of the investigation have been implemented by now.
- Comment of the management is not matching with the observation. Necessary action should be taken to promptly complete the work of marking reserved boundaries with the help of the Survey Department as per the directives given by the Committee Of Public Enterprises.

- (b) The Authority had established a land information system at a cost of Rs.6,973,405 to introduce information and communication technology to land management in the year 2016 and 2018 and 60 officers had been trained to implement the system. However the land management information system was not functioning properly as on the date of audit 09 August 2023, that expenditure had been a fruitless expenditure.
- The Land Management (E-Slims) Data System was introduced in 2016 with the aim of making land management efficient. Accordingly, by the year 2019, the information of more than five thousand plots of land has been included in it. Data entry has been stopped due to the fact that the relevant data system is down as a result of 60 officers trained for this program could not be employed in the program due to promotions and resignations, the Corona epidemic, the deployment of all officers for the expedited program for the delivery of land titles in the year 2019 and the transfer of the Government data space from LGC1 to LGC2. Based on the recommendations made in the Committee On Public Enterprises held on 23 May 2023 and 10 August 2023, the updating of this system has started in 2023 with the assistance of computer experts from the University of Colombo, and it is planned to complete the inclusion of land data by April 2024.
- Necessary measures should be taken urgently to implement the land management information system properly.
- (c) According to the information presented to the audit, the amount of land slots were 2544 and amount of persons were 402 utilized in an unauthorized manner in reservoir reserves existing under the reservoir operation division and Systems of B,C,D,G,H,L,E,Huruluwewa, Walawa as on 03 July 2023.

- (i) Out of these, institutional measures had been taken for 910 plots at the regional level to remove illegal residents, and legal action had been taken for 145 plots. Out of the measures taken to evict squatters from the reservoir reserves under the Director (Reservoirs and Operations), institutional action had been taken against 150 people and legal action had been taken against 185 people. Thus, no action had been taken to evict 67 residents of the remaining 1489 plots even by 09 August 2023 which was the date of audit.
- Preparations have been made to survey the reserved lands with the Survey Department to take the legal action against the squatters who are still occupying. Apart from that, out of 1489 unauthorized activities, about 547 unauthorized paddy cultivation activities were carried out in the Maha season and awareness at the regional level was done and prevented from entering the lands without permission. As many as 651 people were found to be cultivating permanent crops illegally and institutional action and legal action has been initiated against them. Also, about 17 people who were utilizing land without permission have been removed. Necessary activities are being carried out for surveying to identify the land where people who have built permanent houses. The boundaries of the reservoir reserves under the Director (Reservoir and Operations) should be identified for the removal of trespassers and the necessary measures are being taken to measure them. In addition, 57 of the 67 trespassers have been issued letters to vacate the land and institutional measures have been taken to remove those trespassers.
- Necessary arrangements should be made to get the illegally occupied lands in reservoir reserves and systems to the authority as soon as possible.
- (ii) Thus land acquisition and building construction took place on a commercial basis in reservoir reserves and the land with the building constructed
- A land on long term lease basis for an agricultural investment project in Girandurukotte block of Mahaweli system has been allotted to Golden Grains (Pvt) company (Crisbo) and that company has applied for a plot of ½ acre near
- According to the circular, the necessary measures should be taken to protect the sensitive areas owned by the authority.

by the Crisbo Institute in the Ulhitiya Pitawana Reservoir in System C and the land with a house adjacent to the land and the hotel building and the land being run as a private tourist home illegally near the Rathkinda tourist home of the authority had been observed by the audit.

the lower Ulhitiya Oya of the Ulhitiya Reservoir for the construction of a quarters. For that, formal approval has been directed after receiving the approval of the Physical Planning Committee. The land selected by the 2003/2004 Mahaweli Employee Land Kachcheri to a private party has been disposed from Ulhitiya area of Mahaweli System C and for that land a free grant permit of no.

එල්/10/02/සී/ගිරා/රඳු/නිදි/නිවා/02 has been prepared and forwarded. According to that, an agreement has been entered to hand over the building and collect tax for maintaining the house number 1 as a tourist resort

(d) 6 out of 11 plant nurseries and 13 out of 21 farms owned by the Authority had losses in the year under review, and the losses were Rs.27,429,000 and Rs.72,452,000 respectively.

The high cost of plant production, the inability to provide the varieties of plants required by the Authority's plant nurseries according to the current market price of a plant and providing them at subsidized prices in the plant farm, decrease in planting and purchasing plants due to the crisis situation in the country in the year 2021 have also affected for this. 7 out of 17 farms have been developed as valuable income during the year 2022 and The total income earned with direct expenditure of Rs.146.64 Mn is Rs.193.57 Mn Even though the calculation shows a loss of Rs. 24.26 Mn, considering the providing of theoretical and the technical knowledge and the service to the

Efforts should be made to increase profitability by adopting least cost strategies and revenue enhancing strategies.

regional farming community, the non-profitable farm can also be considered as a productive farm.

- (e) 7832 hectares of land to 704 investors had been allotted by the Authority for investment projects as at 31 December 2022. Out of that, only 3645 hectares of land was fully developed, and 2697 hectares of land remained completely undeveloped. There were 377 hectares of developed land between 5 and 25 percent of the plots under development and between 25 and 50 percent there were developed land of 291 hectares accordingly, 34 percent of the given land was completely undeveloped and 9 percent was deficient and being developed. Necessary measures had not been taken to use these lands in investment activities in a way that will bring economic and social benefits.
- In disposing of investment lands, after identifying those lands, the method of selecting investors on a selective basis based on the provisions of the Government Land Ordinance has been followed by calling for interest through newspaper advertisements for the identified investment lands. Action have been taken to provide land to the investors according to the land use plan, following the formal procedures under the physical planning recommendation, according to the provisions of the Government Land Ordinance Act, subject to the approval of the Honorable Minister-in-Charge.
- Action should be taken to cancel the projects that are completely undeveloped and taken back the land disposed for that purpose, and the remaining projects should be monitored in time to see if they are being implemented in accordance with the project proposals.
- (f) 1750 acres had been given to 4 investors in Pollebedda area of Rambakanoya under the promotion of local food production and providing land for investment opportunities under foreign financial facilities. Out of it, the 500 acres given to the RAN Plantation Institute for maize cultivation had been
- The land has been handed over to the RAN Plantation Institute based on the Government's assessment of the nearest land for maize cultivation. As a problematic situation arose while the land boundaries were showing to the investor, a sum of RS.555,750 which was the performance tax had paid later only for the area that could be cultivated. As a case
- Abandoned land should be recovered and necessary steps should be taken to recover arrears. The performance bond which is not received should be obtained immediately and the land should be formally leased with approval. Whether the purpose of land lease is being fulfilled should be regularly followed up.

abandoned by that institute and tax approval was not given or tax was not collected till 28 March 2023 for the 250 acres initially released to Moragoda Agro Service and action had not been taken to obtain a performance bond amounted to Rs.1,125,000 as agreed. 100 acres had been given to CSW Plantation Institute for henna cultivation, and from December 2020 to April 28, 2023, which was the date of audit, action had not been taken to collect the tax arrears of Rs.1,800,000. Land of 150 acres was given to the Central Engineering Consultancy Bureau which had not been formally surveyed and given by an agreement.

has been filed in the Court of Appeal for this land, the development of the land has been stopped as informed by the Attorney General's Department.

CSW Herbal Plantation has paid Rs.450,000 as performance tax for maize cultivation and has been instructed to recover the annual tax.

The land has been disposed to the Central Engineering Consultancy Bureau by a conditional usufruct handover report and instructions have been given to recover the taxes due so far.

- (g) 100 acres had been given to Nawa Lanka Company Ltd on long term lease basis for cultivation of coconuts under agricultural projects in Aluthwewa unit of Damminna Block of System C. In relation to these 100 acres, under the Government Land Ordinance Act, long-term licenses for a period of 30 years from December 13, 1983 had been given to the above company and the tax period had ended on 14 December 2013. The necessary decisions and

The land has been given to N.K.N.L Construction and Development on long term lease basis. This is Fully developed and lease period was ended. Since the land is more than 50 acres, the approval of the Cabinet of Ministers should be obtained and a lease approval should be obtained. When granting a new lease, after the end of the long lease period, a new lease approval is obtained in the usual way, and action will be taken to hand over the land to the original investor. Necessary arrangements are currently being made to re-lease the lands that have expired for 30 years.

Action should be taken to enter in to new lease agreements With the end of the tax period by assessing the lands and to collect the tax arrears by updating the tax revisions as per the circulars.

actions had not been taken before the end of the tax period to give it to the same company or to give it to another applicant. Without getting an assesment and collecting money, a total amounted to Rs. 80,330 had been collected by the said company by charging a sum of Rs.7,302 per year from 2013 to 2017, and a sum of Rs.8,764 per year from 2018 to 2021. However, since 2013, another organization has been requesting for a long-term lease for this land, and according to the Government assesment obtained there, the assesed value of these 100 acres with coconut plantation was Rs. 1,500,000 as at 12 December 2013. As at 9 August 2023, which was the audit date, no lease agreement had been entered into with any entity for the relevant land.

- (h) The tax arrears amounted to Rs. 19,919,338 due on December 31, 2022 for 03 investment projects that have been leased out lands on long-term tax base in System Walawa, had not been collected as at 3 April 2023, which was the audit date of audit. Out of those institutions, 2 institutions were not used for the respective land leased purposes.
- The total tax arrears amounted to Rs.6,540,763 of one investor among the three lessees as at the date of audit has identified and this investor has filed a case in the Court of Appeal against the cancellation of the relevant land. Arrangements are being made to settle the case to provide the land for development after paying all the arrears. From International School, which was the second investor, a sum of Rs.11,854,160 to be recovered and even though
- It should be followed up on whether the land is developed so that the objectives of the land allocation can be fulfilled and Undeveloped land should be reclaimed and used for appropriate purposes. Necessary measures should be taken to get the tax arrears promptly.

letter of demand had been sent to recover that amount the arrears of tax have not been paid. Arrangements are being made to cancel the land. The third investor has been asked to pay the outstanding tax amount of Rs.2,168,618, and letter of demand has been sent to initiate legal proceedings to recover the tax amount.,

3.5 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
<p>An amount of Rs. 50 Mn received from the Treasury was given to Lankaputra Development Bank to establish a revolving credit scheme to provide loans to Mahaweli colonists in the year 2006. After the abolition of the Lankaputra Development Bank, the relevant deposit was transferred to the Regional Development Bank, and by the date of audit, 28 April 2023, this amount had been maintained as a deposit without being used for the relevant purpose. In relation to this, the bank had confirmed that the interest received on 31 December 2022 was Rs. 26.196 Mn.</p>	<p>It has been confirmed that there is a total balance of Rs.76.196 Mn with interest income of Rs.26.196 Mn for the deposit amount of Rs.50 Mn in the Regional Development Bank. Currently, the Regional Development Bank has given a draft of the proposed Memorandum of Understanding to the Mahaweli Authority to implement the loan scheme, and the formal agreement is being prepared by the legal department. It is planned to complete loans to 100 entrepreneurs by 31 December 2023.</p>	<p>Necessary steps should be taken without delay to utilize the money received from the treasury for the relevant purpose.</p>

3.6 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
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- (a) The Authority had gazetted the Mahaweli System G as an organic zone By the Government Gazette No. 2181/25 dated 26 June 2020 and For that purpose, a compost production yard and 2 buildings of 40x60 feet were constructed in the year 2021 at the cost of Rs.20,278,462 in Vallewela area of System G. In addition to this and a compost sifter were purchased at a cost of Rs.230,000 in the year under review and those machines had been kept idle in the Aralagangwila farm of System B without being installed in the constructed compost yard.
- Even though the purchase of machines for the production of organic fertilizers for the purpose of green agriculture was done in the year 2021, the relevant machines were received to the Mahaweli at the end of the first quarter of 2022. As a result of the Financial crisis of the country in the middle of 2022, it was difficult to use these machines for compost production in the farm due to lack of sufficient money and fuel. Even though it was planned to provide these machines to the compost fertilizer manufacturing yard in System G, as that process has also been temporarily disrupted, it is planned to locate the machinery to other places and produce compost in the future,
- Uneconomic expenses should be avoided through the implementation of projects with good planning. Necessary actions should be taken to achieve the project objectives.
- (b) 23 large and small multi-purpose shredding machines purchased at a cost of Rs. 11,270,000 had not used for compost production but used to shred grass for cattle, and only 2 multi-purpose shredding machines worth Rs. 1,173,000 had been given to the System.
- Even though 23 large and small-scale multi-purpose shredding machines were purchased for the organic fertilizer promotion program in the year 2021, As a result of the slowdown of organic fertilizer production due to the use of chemical fertilizers again, the use of these machines as a replacement for dairy cattle management was a support for the country's food security.
- Projects should be implemented with good planning and necessary actions should be taken to achieve the project objectives.
- (c) As a remedy for acute kidney disease prevalent in Mahaweli System B and L, the Authority had entered into an agreement with the Department of National Community Water Supply in the year 2015 For supply,
- 13 machines are being idle as 9 machines in System B and 4 machines in System L. It has been informed on 06 October 2023 that the tender process for the repair of 6 machines is currently underway by the Department of National
- Before starting such projects, a feasibility study should be done and work should be done to select the most suitable locations. Action should be taken to provide the purified water to the needy people by repairing the idle machines promptly and reinstall

<p>construction, installation of 30 Reverse Osmosis (RO) plants and providing related facilities and maintenance for 10 years for the purpose of ensuring quality water supply. Accordingly, out of the 30 machines installed by the Authority at a cost of Rs.80,000,000, 13 machines were inactive as 9 machines in System B and 4 machines in System L as at 01 May 2023. During the installation of machines in System B, 5 refineries remained idle due to not selecting the locations by carrying out on-site inspections and evaluations and 04 machines had not been operated after installation. 2 machines which were being inactive in System L had been handed over by entering to an agreement to farmer organizations at inactive condition on 10 May 2023. As per the agreement made with the Department of National Community Water Supply, the necessary management and supervision to provide essential maintenance, service provision and spare parts of the project had not been done.</p>	<p>Community Water Supply. It has been informed that 3 machines will be repaired from the farmer's organization fund. The Community Water Supply has been notified to repair 4 more machines.</p>	<p>the inactive treatment machines In proper places.</p>
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3.7 Delays in Projects or Capital Work

	Audit Issue	Management Comment	Recommendation
(a)	A land area of 3770 acres in the Kandakaduwa area of	Even though the University of Jayawardenepura has completed	Feasibility studies should be done before starting projects.

Mahaweli System B had been selected by the Authority to establish an agriculture and livestock development project. The contract for the preparation of environmental impact assessment reports related to this project had been awarded to the University of Sri Jayawardenepura for an amount of Rs. 6,539,600 on 28 September 2021 and Rs. 3,211,376 had been paid to the University by 23 May 2023, which was the date of audit. According to Cabinet Decision No. 22/0482/317/011 dated 29 March 2022, Due to the transfer of ownership of the land proposed to be developed to the National Livestock Development Board, the University had not completed the environmental impact assessment report until 31 May 2023 due to the failure to reach a specific agreement regarding the ownership and future payment obligations of the environmental impact assessment report that had only been partially completed. Due to this, the amount of Rs. 3,211,376 spent on the audit date for the project which was started without proper feasibility study and planning had become an idle expenditure.

the preparation of the Environmental Impact Assessment Report (EIA Study Report) of the Kandakadu Agricultural Investment Project, a Cabinet Memorandum has been prepared and forwarded to the Cabinet for approval in order to receive the Environmental Impact Assessment report to the Authority and to obtain instructions and approval regarding the payments to be made in accordance with the agreement as the National Livestock Development Board refuses to make advance payments related to that advisory service.

Arrangements should be made to get the desired benefits by completing the started projects promptly.

- (b) Even though it had been planned to start a programme of improvement of animal nutrient and end it by 31 December 2020 by giving about 2802 acres to the farmers who have engaged in dairy cattle management in Mahaweli Systems of B, C, D, L and Udawalawa for grass cultivating by the Authority, as at 31 May 2023, the date of audit, no land had been distributed to the grass cultivators. A total of Rs. 6,545,882 had been spent by the Authority as an amount of Rs.1,551,958 to Rajarata University of Sri Lanka for conducting a preliminary environmental test for the proposed grasslands in System L, an amount of Rs.140,099 to the Department of Archeology for an archaeological evaluation survey, and an amount of Rs.4,879,825 to the Surveying Department of Sri Lanka for surveying the grasslands.
- Suitable land plots have been identified and finalized to release for grass cultivation in Mahaweli B, C, and Udawalawa Systems. It has been directed to the Secretary to the Irrigation Ministry to obtain the approval of the President and the environmental approval to release 75 acres for 15 buffalo breeding farms out of the 735.36 hectares of land allocated for grass cultivation in Udawalawa System, Mayurapura block.
- Even though there is some delay in these activities due to the closure of the country in the year 2022, the board has approved the allocation of the proposed land to 47 people by conducting a land kachcheri on 21 July 2022 to distribute the proposed land to cattle farmers.
- It is informed that even though the legal procedures required to release the grass cultivating lands of System L to the dairy farmers had been completed by November 2022, as the disposal of the government lands belonging to Authority has been temporarily suspended according to the President's Secretary's letter No. PS/CSA/00/08 and dated 11 November 2022, the project's activities have been temporarily suspended.
- Feasibility studies should be done before starting the projects. Action should be taken to achieve the desired targets by completing the started projects promptly.
- (c) The project planned and executed in the year of 2021 of developing the farms of the Samurdhi beneficiary farmers engaging the dairy farming related to Mahaweli Systems , basically planned
- Even though advances had been released to construct 150 cattle sheds and 150 water pots to Department of Civil Security under the project of developing the farms of farmers engaging in dairy farming, it has been informed that
- Feasibility studies should be done before starting the projects. Action should be taken to achieve the desired targets by completing the started projects promptly. Action should be taken to settle the advances.

to execute with the supervision of the Authority, with the labor contribution of Department of Civil Security and under the allocation of Department of Samurdhi Development. Later, the project had not been implemented due to the refusal of the Department of Samurdhi Development to provide allocations and the advance amount of Rs.1,425,000 released to the Authority's Director (Fisheries and Livestock Development) on 30 November 2021 for the construction of 150 cattle sheds and 150 pots had been a loss. the relevant work had not been completed and advance had not been settled as on 2 May 2023, which was the date of audit,

it is not possible to build cattle sheds and water pots at that price due to the daily increase in commodity prices in the country. Accordingly, they were informed to construct 74 cattle sheds under the existing limited provisions. That institute has been informed to submit the settlement reports immediately as the details provided for the settlement of the advance amount are not sufficient.

- (d) 15 machines and equipment had been purchased for Rathkinda seed farm owned by the Authority by spending Rs. 60,073,046 in the year 2021 and 2022 by starting a programme of producing the quality seeds to the farmers in Mahaweli Systems. In addition, 3 new threshing floors had been constructed in the year 2021 for drying the paddy at a cost of Rs.3,824,406. After starting the program, seeds were produced from the 2021 Yala season and
- With the aim of providing guaranteed seeded paddy to the regional farming community in the year 2021, the cultivation work of 196 hectares of irrigated land of Rathkinda farm was carried out by the Authority from the 2021 Yala season. Due to the limitation of the chemical fertilizers and agricultural inputs in the 2021/2022 Maha season upon the economic crisis after the Covid epidemic, being not able to done the ground preparation work due to the severe fuel crisis faced in the 2022 Yala season, limitation of obtaining the treasury provisions
- Feasibility study should be done before starting the projects. The possibility of re-implementation of the project should be considered and efforts should be made to achieve its objectives.

196.25, 195.75, 152.75 and 100 hectares had been cultivated using those seeds for 4 seasons.

However, the area cultivated with rice had gradually decreased and from the 2023 Yala season, the production of seeded paddy was stopped and under the previous seasonal tax system, it had been leased to the farmers to cultivate the paddy land owned by the farm. Due to this, the amount of Rs.63,897,452 spent by the Authority for the production of seed paddy had not achieved proper results.

in 2022/23 Maha season and not receiving the cash flows properly when required, the area allocated for the successful seed production program had to be gradually reduced.

Using the allocation given by the State Ministry of Agriculture, the purchase of machinery for the seed production program of the Rathkida seed production farm in the year 2021 and the modernization of the farm infrastructure and the construction of 3 threshing floors will directly and indirectly contribute to potential production. This helped in the production of 403 MT of seed paddy and 52 metric tons of commercial paddy in the 2021/22 Maha season, and the financial value of the sale is about Rs. 72 Mn. Seed paddy production is a complex and meticulous process, and the equipment and facilities acquired were used in the process, from land preparation to post-harvest damage mitigation. At present, due to the problems of obtaining treasury allocations, the farms cannot be produced the seeded paddy, so till the private investors are contacted according to the approval of the Cabinet, the seasonal tax system according to the auction method should be done. Accordingly, the amount paid can be considered as an investment rather than an idle expenditure.

- (e) Even though a sum of Rs. 1,297,533 had been spent from the year 2011 to Considering the requests submitted by small scale hydropower project investors in Management comments are not matching with the observation. Feasibility studies should be done

the year 2013 to select investors for the construction of small-scale hydroelectric power plants and to identify 20 suitable locations, 10 of these projects could not be completed by the date of audit i.e. 28 April 2023.

the year 2021, instructions had been given by the then Secretary to the President to the Mahaweli Authority of Sri Lanka and other relevant institutions to suspend the charging of the " catchment management fee ". Accordingly, the relevant catchment management fee has not been received by the Authority since November 2021 when the decision was given.

Even so, according to the instructions of the President's Secretary in June 2022, the catchment management fee should be received from June 2022, due to the financial crisis the Ceylon Electricity Board was facing at that time, the payment for electricity was not made and the watershed management fee due to the Authority was not received. But the relevant catchment management fee is being received from July 2023.

However, it is not possible to recover the catchment management fee for the period from November 2021 to June 2022.

before starting projects.

Action should be taken to finalize by identifying the investors and suitable locations.

- (f) Under the "Wari Saubhagya" program, 54 tanks were planned to be renovated and Rs. 80 Mn had been allocated from the annual budget in the year 2022. The financial progress of this program was Rs.81.4 Mn, and only 32 tanks had been repaired as at 31 December 2022. Accordingly, while the financial progress was 102
- Under the "Wari Saubhagya" Programme, 152 of the 275 selected tanks have been completed. No restoration work has been done in 67 tanks. The remaining 56 tanks have not been completed.
- Projects should be planned by identifying the task to be completed on a priority basis through a feasibility study. Arrangements should be made to complete the work promptly as per the plan.

percent, physical progress has been 59 percent.

- (g) The contract related to the construction of quarters in Pollebedda block of Rambakanoya System had been awarded on 23 November 2017 for Rs.4,861,103. Even though the work was supposed to be completed on 24 April 2018, the contract was abandoned by the date of audit on 28 April 2023. Action had not been taken to recover the mobilization advance amounting Rs.1,417,556 paid to the contractor and to take legal action against the contractor.
- The contract related to the construction of quarters in Pollebedda block of Rambakanoya System was awarded to a contractor on 23 November 2017 for Rs.4,861,103. Even though the work was supposed to be completed on 18 April 2018, as the contract was abandoned by the contractor, further action are being taken by the legal division to recover the mobilization advance amounted to Rs.1,243,051 based on the observation made by the Attorney General. Actions have been taken to construct the remaining work of that contract under contract No. DDG/TS/CON/RAMBA/B/14 and utilize it.
- Legal action should be taken against the contractor who has not completed the work as per the agreement and to recover the loss.
- (h) For the rehabilitation of the damages caused to the diversion canals and related structures belonging to Angunukolapalassa and Murawasihena Blocks under the Walawa Special Jurisdiction of the Authority due to the construction of the section of the Southern Expressway from Matara to Hambantota, the relevant construction project had been informed by preparing an estimate of Rs.43,883,862 for 10 projects by the Authority on 4 March 2021,. Accordingly, Even though the Road Development Authority deposited the
- For this, an amount of Rs. 43,883,862 was received from the Road Development Authority in Walawa region. I would like to inform that work approval has been received for 8 projects out of the estimate prepared for 10 projects to repair the damage caused to structures including irrigation canals and procurement activities have also started.
- Contractors should be selected through the procurement process to repair the damaged irrigation structures and start the rehabilitation work.

estimated amount of Rs.43,883,862 in the System Walawa on 10 March 2021, the rehabilitation work of these canals had not been started until the audited date of 28 April 2023, and the relevant amount was kept idle

3.8 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
<p>(a) Approval had been granted by the Cabinet Decision No. 403/21/1396/317/039 dated 24 August 2021 to award the contracts to construct the Bakamuna Bus stand to the Central Engineering Consultancy Bureau deviating from the procurement guideline. The Cabinet of Ministers had ordered to consider the recommendations of the Minister of Finance, and the Minister of Finance had recommended that the Government-owned construction companies be considered under the limited competitive bidding process. However, the contract was directly awarded to the concerned company without any concern about it. Even though according to the contract agreement, the construction of Bakamoona bus stand should be completed on 4 April</p>	<p>The contract for the construction of public bus stand in Bakamuna town was awarded to the Central Engineering Consultancy Bureau based on the decision of the Cabinet of Ministers No. 403/21/1396/317/039 dated 24 August 2021 for that contract. Also, this contract has been canceled on 12 May 2023 on the agreement of both parties due to the rapid increase in the prices of construction materials and the lack of funds due to the economic crisis in the country. This cancellation was done so that there is no harm to the public or the environment of the country and it is expected that the future works of the contract will be completed after the allocation of funds for the future works. An amount exceeding Rs.13 Mn for another work to be paid to the Central Engineering Consultancy Bureau has been temporally suspended until the above mobilization advance is cleared.</p>	<p>Competitive procurement procedures should be followed always as per procurement guidelines. Action should be taken to recover the paid amount and complete the planned work.</p>

2022, the construction had been abandon without completing as at 28 April 2023 which was the date of audit. The Authority was unable to recover the sum of Rs. 13 Mn paid as mobilization advance on 6 December 2021 and 28 March 2022, and the total payment was a sum of Rs. 19,238,208 including the certified work value paid on 31 August 2022 amounted to Rs. 6,238,208.

- (b) A contract amounted to Rs.4,843,183 was awarded on 14 November 2017 to construct a quarters in System Maha oya and a mobilization advance amounted to Rs. 1,422,931 had been paid there. Even though the work should be completed on 06 May 2018 as per the agreement, the related construction work had been abandoned without completing the contract as on 28 March 2023. While that contract was not completed on the due date, the contract related to the repair of Rathkinda tourist bungalow amounted to Rs.12,107,000 was awarded to the said contractor on 24 December 2018 and mobilization advance amounted to Rs. 3,447,508 had been paid to the contractor. Even
- The contract has been awarded on 14 November 2017 for an amount of Rs.4,843,183 under contract number MA/TS/RIDE/B/57 for the construction of a Grade IV Quarters at Mahaoya Camp Premises in System Rambakanoya. The contract was to be completed on May 6, 2018 and for that a sum of Rs.1,414,556 as mobilization advance have been paid. But the same was abandoned by the contractor. The legal department of the authority is taking further steps to recover the paid mobilization advance based on the observation of the Attorney General. The rest of the construction is expected to be done after the funds are allocated in the future.
- Action should be taken to take legal action against the contractor who abandoned the work of construction of quarters and circuit bungalow, to recover the loss incurred by the Authority, to take disciplinary action if the officials have acted irresponsibly and to inspect the unfinished works and complete them,

though the work should be completed on 19 July 2019 as per the contract agreement, the contract was abandoned without completing the work on 16 August 2023, which was the date of audit. Even though a condition had been stipulated in the bank guarantee obtained when the advance is paid to deposit the all payments made to the contractor in a construction guarantee fund as per the letter of Deputy Director (Legal) No. MA/LO/1.4.2 dated 3 October 2022, due to the fact that the relevant payments have been made by the Authority to the Contractor in contrary to that, and the bank guarantee had expired the Authority had not been able to compensate the loss.

By now, 4 years have passed since the start of the contract, and due to the removal of the roof of the tourist bungalow, the building had been further damaged.

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| (c) | A contract had been entered by the Authority for Rs. 6,514,819 on 12 October 2021 with Central Engineering Consultancy Bureau to construct an Economic Centre near the Thammannawa tank on a Cabinet approval deviating | The above contract has been awarded to CECB as a direct contract subject to Cabinet Approval No. 21/0967/317/026 dated 14 June 2021 in accordance with procurement guidelines 2.14.1 (Supplementary 35) and with the approval of the Ministry Procurement Committee. | The necessary steps should be taken to make the necessary basic settlements, to ensure the availability of land and other necessary resources and to obtain permissions, and to plan before starting such projects. Action should be taken to recover the mobilization advance |
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the procurement procedures. Even though the related construction work should be completed within 60 days as per the agreement, by that time, the construction site had not been cleared and before the agreement was entered, a mobilization advance of Rs.2,062,201 had been released to the bureau on 23 August 2021. The relevant contract was suspended on April 28, 2023, and even though it had been almost 2 years Passed since the mobilization advance was issued, action had not been taken to recover it or take further action relevant to the contract.

As the relevant land was within the reserved boundaries of Road Development Authority and that construction was not permitted by that authority, action has been taken to cancel on the mutual agreement on 28 April 2023.

Also, I would like to inform you that the mobilization advance amount of Rs.2,062,201 given to the respective contractor for this construction will be deducted from the bill for the construction of Hela bojun hala to be paid by the authority to the said contractor.

immediately and disciplinary action should be taken against the officials who paid the advance before entering into the agreement.

- (d) An agreement of Rs.32,096,839 had been awarded by the Mahaweli Authority of Sri Lanka to construct a new building in a land at Kundasale Warapitiya area owned by the Central Environmental Authority by taking over the building near the Polgolla dam which has been used as the Central Province Office of the Central Environmental Authority to Central Engineering Consultancy Bureau without entering to agreements. However, the building with 04 floors had not been constructed as Approval has been granted to hand over the construction contract of the 1st stage of the proposed new building to Central Engineering and Consultancy Bureau on the basis of design, build and delivery (Trunkey) as per the decision given for the Cabinet Memorandum No. 16/1857/704/052 dated 30 August 2016 presented by the Minister of Mahaweli Development and Environment to take over the land at Warapitiya with old buildings in Kundasale Divisional Secretariat area to maintain the Central Province Office of Central Environmental Authority and to construct new buildings. A proper planning and job supervision should be done before offering contracts. Always the Contractor should be selected by following the procurement guidelines. Action should be taken hand over the relevant building to Central Environmental Authority by finalizing the construction.

agreed on 28 April 2023 which was the date of audit as the funds were not adequate and only the ground floor had been constructed. Due to the fact that it was incompletely completed without proper finishing, the Central Environmental Authority had not taken over the relevant building till the date of audit.

- (e) As per the letter of Director General No. MASL/DG/01 dated 29 June 2022; workers should be recruited at the level of farmers' organizations to fulfill the essential and current needs of the Mahaweli Systems and projects such as maintenance of reservoir systems, for the labor requirements of the farms, sanitary work and camp maintenance. Furthermore even though it is possible to directly award the work related to minor reformations value up to Rs.5,000,000 to the qualified Mahaweli farmer organizations as per the circular No. DG/3/2019 dated 01 February 2019 of Director General during the year under review 59 small scale contracts (labor contracts) of total value amounted to Rs.46,045,718 and 5 construction contracts of the total value
- For this, the estimate of Rs.32,096,839 has been submitted only for the construction up to the slab level of the ground floor in the 1st phase. In the future, after receiving the allocation from the Central Environmental Authority, it has been informed by the authority that it is expected to finish the construction promptly and start the work of the office
- The work to be done at the beginning of the year is estimated and the price of the minimum labor day that can be given for the work at the beginning of the year is quoted and the contract is awarded accordingly. Disadvantages such as minimum availability of farmer organizations that meet financial, technical and managerial capacity of the relevant Mahaweli Area, difficulty of finding labor organizations which have registered under the rules and regulations of the labor office. Absence of skilled workers to match with the labor requirements, disruption of water management activities due to the favoritism in the water management, demanding of labor rights by the workers who were recruited on the basis of farmer organizations, Changing the offices of the farmer organizations annually occurs when doing these works by labor organizations. Farmer organizations must pay at least Rs.2,000 for an unskilled
- Action should be taken to recruit the workers at the level of farmer organizations according to the Director General's letter No. MASL/DG/Public/01 dated 29 June 2022.

amounted to Rs.9,281,309 relevant to the maintenance work done by the System C had been awarded to private contractors. worker, Rs.3,000 for a sanitary worker, and an additional amount of five percent to the farmer organization. But under open bidding, the cost per unit of labor in the year itself is Rs. 1,466 only. Therefore, considering the above facts, these works have been done on contract basis.

3.9 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>At the end of the year under review, there were 34 positions at the senior management level of the Authority, of which 15 positions were vacant. 12 of these posts are being performed on performance of duties/coverage of duties and contract basis. For 10 posts which were not included in the approved staff, 45 officers have been recruited as 13 on permanent basis and 32 on contract basis. 63 people had been permanently recruited exceeding the approved carder for 04 primary grade posts.</p>	<p>It was decided that a restructured work plan should be implemented in accordance with the current role of the Authority, and after obtaining the approval of the Cabinet, the future work plan of the Authority should be prepared in the special discussion held by the Secretary to the Ministry under the precedence of the Minister in charge on 1 September 2023. Accordingly, I inform that the filling of vacancies has been temporarily suspended.</p>	<p>A restructuring program should be implemented promptly and the vacancies should be filled accordingly.</p>

3.10 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
<p>(a) Even though it had been stated in the previous year audit reports that the vehicle no WP-JF 3105 allocated to the Walawa Resident Project Manager office owned by the Mahaweli Authority of Sri Lanka was given to an external party during 2004-</p>	<p>Arrangements are being made to take further action for the recommendations presented on 02 May 2023 by the committee appointed for conducting a preliminary investigation related to the misplacement of the Cab no WP-JF3105 allocated to System Walawa.</p>	<p>Immediate action should be taken to recover the vehicle and disciplinary action should be taken against the officials who provided the vehicle in this regard.</p>

2005 without approval, no any action had been taken in this regard until 23 June 2023 related to it.

- (b) 15 vehicles belonging to the Irrigation Department had been remained in the Tambuttegama Mechanical Workshop without being formally handed over to the Department or taking over to the Authority. Even though it have been informed to transfer these vehicles owned by Irrigation Department to the Mahaweli Authority of Sri Lanka or take away the vehicles to the Irrigation Department, No any response was received for that. Arrangements should be made to hand over these vehicles to the Irrigation Department or take over to the Authority.
- (c) (i) It had been decided to dispose of 45 vehicles as vehicles, 63 vehicles to be disposed of as scrap metal, and 31 vehicles to be repaired and reused as per the recommendation of the committee appointed for the disposal of vehicles in the year 2019. Even though the chassis numbers of 63 vehicles discarded as scrap metal were removed and the chassis numbers were handed over to the Office of Registrar of Motor Vehicles, the Authority did not have the ownership of 25 of those vehicles. The used vehicles imported during the period implemented under the Mahaweli Accelerated Development Program have been registered under the name of the project offices implemented at that time and some other vehicles under the name of the vehicle aid provided organizations. Arrangements have been made to hand it over to the Authority, which is its most basic institution At the end of the relevant vehicle project, but the registration right has not been formally transferred. The institutions bearing the ownership of these scrap vehicles that are more than 30 years old are currently not operating in the country. Before disposing of the vehicles, arrangements should be made to hand over their ownership to the Authority.
- (ii) It was observed that the vehicles numbered 31-9908 and 32-2129 identified to be canceled as scrap metal by the date of audit i.e. 28 April 2023 are being used by private parties. The ownership of vehicles No. 31-9908 and 32-2129 are with foreign aid provided organization named Hyamatoda and Hill International respectively. chassy numbers of it have been removed and handed over to the Registrar of Motor Vehicles Department . Immediate steps should be taken to conduct a formal investigation About the re-use of registration cancelled vehicles. The registration of vehicles which had not been cancelled the registration should be canceled and immediate action should be taken

- during the inspection of the data system of the Registrar of Motor Vehicles Department. Registration had not been canceled for 44 vehicles whose classy numbers were removed to be removed as scrap metal.
- Under the disposal process held in August 2023, the concerned vehicles have already been taken away from the systems by the buyers as scrap material (to iron weight).
- to dispose.
- (d) The vehicle number PG-0455 assigned to Digana Residential Project Management Office which the cost was Rs. 7,898,381 as at 31 December 2022, had met with an accident On 7 May 2021. Even after more than 02 years after the accident, no disciplinary action was taken against the officials responsible for not being able to get the insurance compensation from the insurance company due to the failure to assess the loss of the vehicle and not being repaired and failure to insure the vehicle on time for the year 2022/2023 of the vehicle concerned. Furthermore, according to the estimate given by Toyota Lanka Institute on 14th February 2023 which is valid for 05 days only, the amount spent for the repair was Rs.3,419,252. However, by the audited date of 28 April 2023, the necessary steps had not been taken to carry out the relevant repairs.
- It has been informed to conduct a preliminary investigation related to the accident involving the cab No. WP-PD – 0455 owned by the Resident Project Management Office System E on 07 May 2021 and based on the recommendations, to repair the cab and charge the estimated amount not covered by the insurance from the employee who was the driver of the cab
- The estimated amount for vehicle repair is Rs.3,419,152.42 and as per the Public Finance Circular 01/2020, the Secretary to the Ministry of Irrigation has been informed about this through letter No. MASL/ADM/DP/2337 and dated 23 August 2023.
- Measures should be taken to recover the loss from the relevant responsible parties according to the Financial Regulations regarding the losses and damages. Investigations should be carried out against the officers and recover from them who are responsible for the additional cost incurred due to not repairing the vehicle on time and the loss incurred due to not being insured And disciplinary action should be taken regarding the not being performed the duties properly. The vehicle should be repaired and put into operation immediately.
- (e) Even though the vehicle number CAF-1918 assigned
- Even though the officer who was the Director of the Mahaweli
- Investigations should be carried out without delay as per the

to the Director of Mahaweli Center had met an accident on 24 February 2020, the full report related to the damage, which should be submitted within 03 months according to Finance Regulation 104(4), was not submitted even on 08 August 2023, which was the date of audit. Even though a sum of Rs.932, 373 had been spent by the authority related to the accident, only a sum of Rs. 318,350 received as insurance compensation and action had not been taken to recover the remaining loss of Rs.614, 023.

- (f) A vehicle assigned to the Dehiattakandiya Residential Project Manager Office and given to a consultant of the State Minister of Mahaweli Development had met with an accident on 22 December 2019 and the full report related to the damages to be submitted as per the Finance Regulation 104(4), was submitted on 22 May 2023 i.e. 3 years and 5 months after the accident.

The vehicle had been handed over to its agent for repairs on 22 March 2023 at an estimate of Rs.9,991,909, and only Rs.3,700,000 had been approved as insurance compensation. Action had not been taken to recover loss amounted to Rs.6,217,909 from the responsible parties.

Center and the driver who worked on a contract basis had been informed on two separate occasions to come to get statements related to the preliminary investigation related to the accident of the vehicle No. CF – 1918, they did not come for that purpose.

I would like to inform you that even though the said driver was informed to pay Rs.1,652 which was not covered by the insurance from the financial loss caused to Mahaweli Authority of Sri Lanka due to the vehicle accident, it has not been paid till now.

No. WP PH – 0845 cab accident.

The relevant officer has been informed by the letters dated 29 May 2023 and 16 June 2023 to pay a sum of Rs.6,217,909.16 which is the amount not covered by the insurance from the monetary loss occurred to the Mahaweli Authority of Sri Lanka. There for the legal section is working to take necessary legal action in this regard as per the letter dated 07 August 2023.

Financial Regulations and steps should be taken to recover the losses from the relevant responsible parties related to the losses and damages.

Action should be taken to recover the loss from responsible parties by conducting the investigations as per the financial regulations immediately.