

Report of the Auditor General on Head 152 – Ministry of Irrigation and Water Resources Management and the Department under the Ministry - Year 2014

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry of Irrigation and Water Resources Management and the Department under the Ministry and the Audit Observations on each Head appear in paragraphs 3 onwards.

1. Department under the Ministry

Head ----- 282	Department ----- Department of Irrigation
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1.1 Scope of Audit

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Ministry of Irrigation and Water Resources Management and the Department under the Ministry appearing in Paragraph 1 above for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Chief Accounting Officer of the Ministry and the Accounting Officer of the Department on the under mentioned dates. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

<u>Head</u>	<u>Ministry/ Department</u>	<u>Date of Issue of Management Audit Report</u>
152	Ministry of Irrigation and Water Resources Management	14 August 2015
282	Department of Irrigation	04 September 2015

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and the Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and the Public Finance and Administrative Regulations. This responsibility includes: designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.50,120 million and out of that a sum of Rs.44,942 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry and the Department amounted to Rs.5,162.0 million and Rs.16.3 million respectively and represented 13.9 per cent and 0.1 per cent of the net provisions. Details appear below.

Head	<u>As at 31 December 2014</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	
152	37,257.1	32,095.1	5,162.0	13.9
282	12,863.3	12,847.0	16.3	0.1
Total	50,120.4	44,942.1	5,178.3	10.3

(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling Rs.1,378 million had been made available by 02 Ministries and 02 Departments for various purposes and a sum of Rs.976 million had been utilized. Details appear below.

Department which Obtained the provisions	Ministry/ Department which made the provisions	As at 31 December 2014		
		Provision	Utilization	Savings
		Rs.Millions	Rs.Millions	Rs.Millions
Department of Irrigation	Ministry of Irrigation and Water Resources Management	1,343	965	378
	Ministry of Land and Land Development	6	6	-
	Department of Agrarian Development	24	4	20
	Department of Wild life	5	1	4
	Total	1,378	976	402

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
15201	10.0	9.8	6.0	7.6	36.0	31.5
28201	130.0	120.0	97.0	99.0	500.0	359.0

2.3 Imprest Accounts

The Imprest balance of the Ministry as at 31 December 2014 amounted to Rs.4 million.

2.4 General Deposit Accounts

The balances of Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled Rs.576 million. Details appear below.

Ministry / Department	Deposit Account Number	Balance as at 31 December 2014
		Rs.Millions
Ministry of Irrigation and Water Resources Management	6000/0000/00/0015/0063/000	37
Department of Irrigation	6000/0000/00/0001/0022/000 6000/0000/00/0015/0137/000	11 528
Total		576

2.5 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above, the Appropriation Accounts and the Reconciliation Statements of the Ministry and the Department under the Ministry have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in Paragraph 3 onwards.

3. Head 152 – Ministry of Irrigation and Water Resources Management

3.1 Non – maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
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Register of Losses	Financial Regulation 110	Not maintained.
Register of Liabilities	Financial Regulation 214	Register not maintained.
Departmental Appropriation (votes) Ledger	Financial Regulation 447	Not updated.

3.2 Lack of Evidence for Audit

Thirty three transactions totalling Rs.6,336,539 could not be satisfactorily vouched in audit due to unavailability of required evidence in the Ministry, such as payment vouchers, deed of lease registered in the Department of Land Registry.

3.3 Replies to Audit Queries

Replies to 08 Audit Queries issued to the Ministry in the year under review and 04 audit queries issued in the preceding years had not been furnished even by 31 March 2015.

3.4 Appropriation Account

Budgetary Variance

The following observations are made.

- (i) The entire net provision amounting to Rs.350,000,000 made for one Object had been saved.
- (ii) Excess provisions had been made for 28 Objects and as such the savings, after the utilization of those provisions totalled Rs.4,477,253,220 and that was ranged between 7 per cent to 96 per cent of the net provisions.

3.5 General Deposit Accounts

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on deposits older than 2 years totalling Rs.3,465,569.
- (b) Even though a difference of Rs.501,852 had remained between Deposits Register and the balance of the Treasury General Deposit Account as at 31 December 2014, it had not been reconciled and corrected even by 31 December 2014 in terms of Financial Regulation 427.

3.6 Reconciliation Statement of Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account, Item No.15201.

- (a) According to the Reconciliation Statement presented to audit, the balance that remained outstanding as at that date totalled Rs.1,972,141. Even though, those outstanding balances remained over periods ranging from 1 year to 19 years, the follow-up action on the recovery of those outstanding balances had been at a weak level.
- (b) A difference of Rs.434,066 had remained between the Register of Individual Account Balances of loans and advances maintained in terms of the Financial Regulations by the Ministry and the Schedules of the Reconciliation Statement.
- (c) In maintaining Members Loan Registers the deficiencies such as written unclearly, alterations made without an authority, alterations made using correction ink and written one over the other etc. were observed.
- (d) There were significant differences in the balances according to the Schedule of Loans presented with the Reconciliation Statement and the Register of Loans.

3.7 Good Governance and Accountability

3.7.1 Annual Procurement Plan

In terms of the National Budget Circular No.128 of 24 March 2006, the Annual Procurement Plan for the year under review had not been prepared even by 31 December 2014.

3.7.2 Audit and Management Committee

Even though the meetings of the Audit and Management Committee had been properly conducted, the deficiencies pointed out by the Audit had not been rectified.

3.8 Assets Management

The following deficiencies were observed during the course of audit test checks on the assets of the Ministry.

(a) Idle and Underutilized Assets

The following observations are made.

- (i) Even though 17 and 09 vehicles had remained unrepairable condition in the mechanical workshops of Madatugama and Thambuttegama respectively which were under the supervision of the Ministry and in addition to that, action had not been taken by the Ministry to dispose those vehicles and the bowsers, tractors and trailers and machineries which had been difficult to identify. The information relating to the period of idle of those vehicles was not made available in the mechanical workshop.
- (ii) Even though a Yoghurt Production Unit had been purchased and installed in the Niraviya Farm on 26 November 2013, no production whatsoever had been carried out by the machine even by 22 May 2014. Second installment for that machine amounting to Rs.3,224,636 had been paid to the supplier in the year under review, while a retention money of Rs.2,099,994 had to be paid as at 31 December 2014. The farm in which the machine installed is belonging to the Mahaweli Authority but at present the Authority is under the purview of another Ministry and as such further existence of the investment is a matter of the contentious nature.

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) According to the Public Finance Circular No.02/2014 of 17 October 2014, the Board of Survey Reports for the year 2014 should be furnished to the Auditor General before 17 March 2015. Nevertheless the Ministry had not furnished those reports to audit even by 31 May 2015.
- (ii) Even though the Boards of Survey Reports for the year 2014 had been furnished to audit on 18 June 2015, the Board of Survey had not been conducted so as to cover all the Sections of the Ministry such as Sub – office units, Divisions, Machinery workshops and Farms.

(c) Assets given to External Parties

Instances of certain assets released irregularly to external parties by the Ministry were observed. Details appear below.

Category of Assets	Number of Assets	Assets given to	Value	Period
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			Rs.	
Water Bowsers	06	Machinery workshop, Madatugama	22,780,500	From the year 2013
Power Generators	01	Machinery workshop, Madatugama	2,352,000	From the year 2013

(d) Unsettled Liabilities

According to the Appropriation Account, the unsettled liabilities of the Ministry less than one year old as at 31 December 2014 amounted to Rs.2,929,830,590. Liabilities amounting to Rs.3,082,276,046 had not been mentioned in the Appropriation Account.

3.9 Non – compliances

Non – compliance with Laws, Rules and Regulations

Instances of non – compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non – compliance
(a) Statutory Provisions		
Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 65 (1), 66 (2), 138(1) and 227	138,667,354	The Capital provisions had been utilized for Recurrent expenditure. Similarly the Recurrent expenditure had been reported as Capital expenditure by monthly summaries to the Treasury.
(ii) Financial Regulation 94	2,895,768,732	Liabilities of Rs.2,895,768,732 had been incurred exceeding the savings after utilization of net provisions made for 27 Objects.
(b) Public Administration Circulars		
Circular No.24/95 dated 14 July 1995		- The marking system for recruiting persons for 75 posts of Drivers of Irrigation Department had not been published when calling applications.

(c) Management Services Circulars

Circular No. 33 of 05 April 2007

630,000 The project should be in operation when payment of salaries to the staff of the project in terms of the Circular. Nevertheless, the salaries for 02 Accountants of the Pro-poor Advancement and Community Enhancement Project (PEACE) had been paid for 3 months after the completion of the project in May 2013 from the provisions of the Ministry.

3.10 Foreign Funded Projects

The estimated cost of 06 projects implemented under the foreign funding by the Ministry in the year under review totalled Rs.72,216,500,000 and a sum of Rs.24,347,973,680 had been utilized during the year under review for those projects. The following observations are made in this connection.

(a) Project Bank Accounts not Closed

The bank current account maintained in the Bank of Ceylon by the Pro-poor Advancement and Community Enhancement Project (PEACE) which liquidated in May 2013 had not been closed even by the end of the year under review.

(b) Liquidation of Foreign Funded Projects

Even though the Pro-poor Advancement and Community Enhancement Project (PEACE) had been liquidated in May 2013, No Claim Clearance Certificates could not be issued by the Auditor General for the years 2012 and 2013 due to material audit observations issued in respect of preparing accounts, performance and liquidation were not cleared.

(c) Dam Safety and Water Resources Planning Project

The following observations are made during audit test checks carried out relating to this project.

- (i) The Development Plans such as National Water utilizing Plan, Updated Mahaweli Water Resources Development Plan and Mundeniaru Basin Development Plan that should be prepared by the project in terms of the A, B and C of the third Section of the Finance Agreement No.4406 – CE had been prepared and completed by the project through Consultants at a cost of Rs.479 million in the year 2013. Nevertheless, action had not been taken to present those plans to Cabinet of Ministers for the implementation even by 31 May 2015.
- (ii) A contract had been awarded by the project to a foreign Consultancy firm at an estimated cost of Rs.491 million to prepare estimates for remedial works of the dams of 32 tanks and the consultancy firm had forwarded the cost estimates thereon as agreed. However in addition to that estimate, the project had identified the additional work of the dams amounting to Rs.612.7 million subsequently.
- (iii) It was observed that, 03 Excavators, 08 Tippers and 03 Aerial Platform Machines had been procured by the project at a cost of Rs.170.4 million during the year under review. The purpose of utilizations of those machinery had not been properly identified before deciding technical specifications of those machinery. Even though those machinery had been given for utilization of the Mahaweli Authority and the Department of Irrigation it was observed that those machinery had remained under utilized.

(iv) The following observations are made relating to the contract awarded on 28 May 2013 at an estimated cost of Rs.382.99 million for the remedial works of the Nalanda Dam.

* According to the cost estimate, the total cost of the remedial works of the Nalanda Dam had been Rs.267.9 million. However, agreements had been signed for Rs.382.99 million or over the estimated value by 42 per cent. The variation orders valued at Rs.254.5 million had been submitted by the contractor as at 31 December 2014 as well. Further, action had not been taken to enter into a new agreement and the activities which were not related directly to the agreement costing Rs.160.38 million had been classified as variations of the existing contract and mobilization advance of Rs.32.08 million had been paid thereon.

* A sum of Rs.2.5 million per month had been spent by the project for providing facilities to the contractors. However, no written evidence whatsoever had been furnished to audit thereon.

(v) Two Engineers and 02 Accountants who had not fulfilled the required qualifications and experience as required by the Management Services Circular No.33 of 05 April 2007, had been recruited by the project from 01 January 2014. Similarly, 02 consultants had been recruited by the project for a short period. However, specific assignment or list of duties etc. had not been issued for them. Further, one consultant had served for 68 months as Procurement Assistant of the Procurement Specialist.

(vi) Even though the following matters had been pointed out by the audit reports for previous years, necessary action had not been taken to rectify those even by 31 December 2014.

* Special attention was not paid on the issues in respect of dams of Senanayake Samudrya, Samanala Weva tank and Victoria tank.

- * Non – implementation of researches relating to rectification work of the Polgolla Tunnel.
- * Five 2 WD Service Mobile Trucks had been purchased at the cost of Rs.123,776,014 (excluding VAT) in the year 2011. The following observations are made relating to the utilization of those vehicles.
 - It was observed that these trucks had been used occasionally and the fuel consumption of 04 trucks out of those 05 trucks was only 2,224.67 litres for the period from August 2011 to 31 December 2013. Other truck had been assigned to Rambawa workshop of the Department of Irrigation and 5,735 litres of fuel had been used thereon as at 31 December 2013.
 - Three trucks out of those 05 trucks had been assigned to the Machinery workshops of the Department of Irrigation and Sri Lanka Mahaweli Authority for the intended purpose of using for the maintenance work of dams.
 - Due the above mentioned reasons, these trucks had remained under utilized, and as such the procurement cost spent and the expenditure incurred for its maintenance had become an uneconomic and fruitless expenditure.
- * Three officers had participated for “USBR” Training Programme held in United States from 20 to 27 August 2012 representing Project Management Unit, Department of Irrigation and Sri Lanka Mahaweli Authority. The Registration fees paid to organisers amounting to USD 11,400 had included all lodging and meals of the officers who participated for the programme. Without considering the contents of that payment, the allowances also had been paid by the project to the participants. Accordingly, USD 6,615 (Rs.866,643) had been overpaid to the 3 officers at the rate of USD 2,205 per officer.

(d) Dam Safety and Water Resources Planning Project (Additional Financing)

Even though all conditions had been completed by the second lowest bidder for the technical evaluation matters of the contract of Rehabilitation of Minipe Inter Basin Canal, the contract had been awarded to the third lowest bidder at Rs.430.84 million. The difference of the bid price amounted to Rs.7.55 million. Due to the previous poor performance of the lowest bidder explained by the Project Director, the bid had been rejected by the Procurement Committee. But it was observed in audit that the reasons explained as weaknesses had been the common reasons observed for other contracts as well. Further, the engineering estimate for the contract was Rs.300.54 million and the contract had been awarded to the bid price over the estimated cost by 43 per cent.

3.11 Performance

The observations relating to the progress of the Ministry according to the Annual Budget Estimates for the year 2014 are given below.

Activities Contrary to Key Functions

Instances of action deviating from the objective taken by the Ministry are given below.

- (a) Out of the provisions amounting to Rs.3,765,519,130 made for the contract of Importing pre-fabricated buildings from the Government of China for state institutions, a sum of Rs.3,765,436,515 had been spent during the year 2014. The total number of houses installed and handed over to the State institutions, the State institutions to which handed over the houses, the Number of houses handed over to the each State institution and the Certificates from the Heads of institutions for the installation had been done satisfactorily had not been made available for audit. Similarly, this activity was not come under the purview of the Ministry of Irrigation and Water Resources Management whilst a sum of Rs.8,576,597,602 had been spent as at 31 December 2014 for the activity.

- (b) A sum of Rs.12,841,372 had been paid by the Ministry to Mahaweli Consultancy Service Bureau (Private) Company for the establishment of micro irrigation systems and repairing buildings. Even though the provisions had been made for rehabilitation of urgent infrastructure facilities of the major and medium scale irrigation schemes those provisions had been spent for establishment of micro irrigation systems of the farms such as Moragahakanda, Rajanganaya and Niraviya contrary to the regulations. Even though no eligibility for the execution of such type of activities had been with the above company, the Ministry had handed over those activities to the above company deviation from the Government Procurement Procedure as well.
- (c) A sum of Rs.4,772,529 had been paid by the Ministry to Sri Lanka Mahaweli Authority to construct a elephants fence in the Welikanda area of the Mahaweli 'B' zone, which had not come under the activities of the Ministry of Irrigation and Water Resources Management. The provisions made for the Rehabilitation of urgent infrastructure of the Major and Medium Scale Irrigation Schemes in the Annual Budget had been utilized for this activity.
- (d) Out of the provisions made for feasibility studies of the Projects such as Northern Province Canal, Development works of the Downstream of Moragahakanda and Kaluganga Projects, a sum of Rs.11,140,417 had been utilized for the feasibility study of the North – Western Canal in the year 2014 and it was brought to account erroneously as the expenditure of above said projects. Awarding contracts to the Mahaweli Consultancy Services Bureau (Private) Company for above work had been carried out with the deviation from the Government Procurement Procedure.

3.12 Transactions of Contentious Nature

A sum of Rs.6,919,734 had been incurred for construction and repairing of Tube Wells of Water Resources Board and for Deyata Kirula out of the provisions of Rs.1,500 million made for the Ministry for Reconstruction of Major and Medium scale Irrigation Schemes. The following observations are made in this connection.

- (a) Even though the recruitments of the employees to the Department of Irrigation should have been done by the Director General of Irrigation in terms of the Section 7.2 of the Service Minute of the Drivers of No.1101/9 dated 13 October 1999, the recruitment of 75 Drivers had been done by the Secretary of the Ministry of Irrigation.

- (b) Further in terms of Section 7.2 of the above Service Minute of the Drivers, this type of recruitments should have been done calling applications by publishing in the Government Gazette or by an Advertisement or any other suitable way. Contrary to that, the applications had been called for this recruitment by a notification to the Director General of Irrigation by the Secretary to display that notice in the regional offices of the Department of Irrigation depriving the opportunity of applying for any of the applicant. Accordingly, it was observed that this recruitment was not a suitable method approved by the Secretary of the Ministry of Public Administration.

3.13 Management Weaknesses

Despite 80 Machineries purchased had been made available for the activity of removing Silt from the tanks, a sum of Rs.32,215,571 had been paid for hiring of machinery from the private suppliers to the Uma Oya Down Stream Project and Chief Residential Engineer's Office Murunkan.

3.14 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	23	18	05
(ii)	Tertiary Level	03	01	02
(iii)	Secondary Level	89	51	38
(iv)	Primary Level	44	41	03
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	Total	159	111	48
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The following observations are made.

- (i) Even though the approved cadre for the year under review according to the Annual Budget Estimate amounted to 679, it had been 159 according to the letter of the Additional Secretary of the Ministry (Administration and Finance) dated 05 August 2015. Thus it was not explained the difference of 520 employees.
- (ii) Even though a copy of the list of employees who were awarded permanent appointments in the year under review in terms of the Public Administration Circular No.25/2014 dated 12 November 2014, had been called by audit on 26 February 2015, those particulars had not been made available even by 31 August 2015. As such the accuracy of the actual cadre shown above could not be ascertained.

(b) Human Resources Irregularly Released to other Parties and Obtained from other Parties.

Even though it was called the particulars of the human resources irregularly released to other parties and obtained from other parties in the year under review by the Ministry on 28 February 2014, those particulars had not been furnished to audit even by 31 August 2015. Two drivers had been irregularly released to the Mahaweli Authority and 9 drivers and 3 labourers of the Ministry of Health had been irregularly obtained to this Ministry during the previous year.

4. Head 282 – Department of Irrigation

4.1 Non – maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
Register of Liabilities	Financial Regulation 214	Not maintained.
Departmental Appropriation (Votes) Ledger	Financial Regulation 447 (7)	Not updated.
Register of Losses	Financial Regulation 110	Not updated.

4.2 Lack of Evidence for Audit

Eight payment vouchers totalling Rs.1,061,357 in respect of the years 2011,2012 and 2014 on which action in terms of Financial Regulation 272 (2) had not been finalized by the Department were misplaced.

4.3 Replies to Audit Queries

Replies to 02 Audit queries issued in the year under review and 02 audit queries issued in the preceding year had not been furnished even by 31 March 2015.

4.4 Appropriation Account

Provisions made available by other Ministries, Departments and Offices

Provisions totalling Rs.1,377,564,987 had been made available by 02 other Ministries and 02 Departments for various purposes and out of that, provisions totalling Rs.976,607,897 consisting Rs.971,325,999 and Rs.5,281,898 respectively had been utilized. Accordingly the savings out of the net provisions amounted to Rs.400,957,090 consisting of Rs.377,728,988 and Rs.23,228,102 respectively as at the end of the year under review and represented 28 per cent and 81 per cent of the net provisions. The following observations are made in this connection.

- (a) Out of the provisions made available from the Department of Wildlife Conservation a sum of Rs.3,842,062 or 77 per cent and out of the provisions made available from the Department of Agrarian Development, a sum of Rs.19,386,039 or 82 per cent had been saved without utilizing for intended purpose.
- (b) The provision of Rs.5,235,000 received for carrying out a feasibility study for the activities of the Gin and Nilwala Rivers from the Ministry of Irrigation and Water Resources Management had been exceeded by Rs.2,255,345 and a sum of Rs.7,490,345 had been utilized.

4.5 General Deposit Account

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on deposits older than 02 years totalling Rs.54,224,093.
- (b) Lists of all lapsed deposits should be prepared at the close of each half year had not been prepared in terms of Financial Regulation 571.

4.6 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account Item No.28201.

- (a) According to the Reconciliation Statement presented to audit, the balances that remained outstanding as at that date totalled Rs.23,790,099. Even though those outstanding balances remained over periods ranging from 01 year to 20 years the follow – up action on the recovery of those outstanding balances had been at a weak level.

- (b) A difference of Rs.462,976 had remained as at 31 December 2014 between the balance of the Summary of Individual Balances and the balance of the Departmental Control Account.
- (c) A difference of Rs.121,000 was observed between the balances of Registers of the Festival Advances and Special Advances and the balances of the Reconciliation Statement of the office of the District Director of Irrigation, Colombo.
- (d) A sum of Rs.942,261 had remained recoverable from 10 officers who transferred out from the Department. The loan amounts of 03 officers who transferred to the offices of the Provincial Councils on station transfers in the years 2010 and 2013 are being recovered as installments and a sum of Rs.128,880 should be recovered further.
- (e) A sum of Rs.151,615 should have been recovered from 03 officers who went abroad on no pay leave while out of them a sum of Rs.146,240 recoverable from 02 officers had remained outstanding for a period of 19 years. A sum of Rs.5,375 recoverable from other officer had remained outstanding for a period of 13 years. Even though it was reported in the preceding year that necessary actions will be taken to write off the distress loans of 02 officers amounting to Rs.32,175 in terms of the Financial Regulation 113, the Department had failed either to write off or settle that balances even by the end of the year under review.
- (f) The recovery of the loan balance of Rs.20,542,289 recoverable from 242 deceased and retired officers/ employees had been stopped as at 31 December 2014. Settlement of those loan balances were delayed due to the administration weaknesses of the Department such as inadequacy of the relevant pension gratuity to settle the loan balances, pensions could not be prepared due to deficiencies in the pension files, not handing over the Government Quarters, not finalized the disciplinary enquiries. Even though this position had been pointed out by my last year audit report as well, it could not be satisfied in audit on the progress of the settlement of loan balances.

- (g) Loan balances totalling Rs.562,891 should have been recovered from 13 officers interdicted and there were loan balances older than 20 years out of those loan balances.
- (h) A loan balance totalling Rs.1,589,543 was recoverable from 33 officers who had vacated their posts. It was observed that there were loan balances outstanding for over a long period about 19 years out of those balances. Due to not taking actions to recover those loan balances timely from their properties, sureties or heirs by the Department, those balances had remained outstanding for a long period.

4.7 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Department.

(a) Idle and Underutilized Assets

The following observations are made.

- (i) According to the Boards of Survey Reports for the year 2014, 265 Government Quarters had not been occupied since a long period due to the reasons such as not applying the houses by officers and the houses had been in decayed position.
- (ii) Twenty seven Guns, 83 SG Cartridges, 272 Rifles remained in the office of the irrigation Engineer, Padaviya had not been utilized for over a period of 25 years and action had not been taken to dispose those.
- (iii) One thousand five hundred forty Reservation boundary posts (concrete) and 806 flood boundary posts remained in the office of the Irrigation Engineer, Padaviya had not been utilized for over a period of 02 years.

(b) Conduct of Annual Boards of Survey

The following observations are made.

- (i) In terms of the Public Finance Circular No.02/2014 of 17 October 2014 the Boards of Survey for the year 2014 should be conducted and the reports thereon should be furnished to the Auditor General before 31 March 2015. Nevertheless, 14 Irrigation offices had not furnished those reports even by 31 May 2015 for audit.
- (ii) Action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Boards of Survey for the year 2013 had not been taken in terms of the Financial Regulations.

(c) Assets given to External Parties

Instances of assets released irregularly to other external parties by the Department were observed. Details appear below.

- (i) Even though unauthorized persons had occupied 16 official quarters belonging to the Department as mentioned in the Boards of Survey Report for the year 2014, legal action had not been taken to remove them.
- (ii) It was reported by the Annual Boards of Survey Report for the year 2014, that 42 official quarters had been given to other Government Departments and institutions without being formally transferred.

(d) Unsettled Liabilities

The following observations are made.

- (i) The unsettled liabilities of the Department less than one year as at 31 December 2014 amounted to Rs.433,752,223.

- (ii) Liabilities of Rs.422,034,602 had been incurred exceeding the net provisions of 29 Objects contrary to the Financial Regulation 94.
- (iii) Even though all liabilities should be included in the Votes Ledger in terms of the provisions of the Financial Regulation 447 (4), the details of the liabilities incurred by the Department had not been included in the Votes Ledger.
- (iv) The liabilities valued at Rs.7,452,533 had not been disclosed in the accounts was observed during audit test checks.

4.8 Non-compliances

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Non –compliance with Laws, Rules and Regulations
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Instances of non – compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations -----	Value -----	Non – compliance -----
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
Financial Regulations 272 (3)		Payment vouchers relating to 19 Irrigation offices for the year 2014 had not been furnished to audit even by March 2015.

(b) Public Administration Circulars

Paragraph 2 of the Circular
No.30/2008 dated 31 December 2008.

Even though the distress loan entitled to an officer should be 10 months Consolidated salary or Rs.250,000, or which ever is less, a loan had been paid to an officer exceeding that limit.

4.9 Implementation of Projects under Domestic Financing

Instances of projects abandoned without commencing, projects abandoned without completion and the project delays revealed during the course of audit test checks are given below.

(a) Projects Abandoned without Commencing

The Ministry had not commenced the following projects.

Project	Estimated Cost	Due Date of Commencement	Reasons for not Commencing (Briefly)
-----	-----	-----	-----
	Rs.		
IT/T/SSC/2013/65 Construction of Canal Regulator in Paranagama Ela FC 06 and FC 07 at Yodha Wewa	818,792	18.09.2013	Even though the constructions should be carried out within a short period of time by stop up the water, the work had not been commenced due to internal dispute of the farmer organisation.
EBD/O&M(SP)/UME/42/2014 Construction of 40.0 m long canal lining at pannals samagi FO FC in Uma Ela Scheme	1,020,000	18.06.2014	Relevant works had not been commenced due to objections of the farmers of both sides of the Field Canal belonging to the farmer organisation.

EBD/O&M(SP)/AMB/86/2014 Construction of Canal lining for new distributor canal for Thawana FO at 0+000 Km in second link canal in Ambewela Scheme	1,061,000	04.08.2014	The canal lining of this work, run through a tea estate belonging to a company and due to their objections the work had not been commenced.
EB/D/MWKND/10/2013 Replacing Damaged repair and Improvements of Hoist 800 m in Kande Ela Meepilimana Wewa	1,038,715	14.08.2013	Due to the rains through out the previous year the water level of the tank was not decreased and the work could not be executed by the contractor.
හ/වාරි/ගෘහ/LAS/2013/113(ගජබා) Supplying and laying precast hume pipe in LSA Programme	199,629	Not mentioned	Even though the estimates had been prepared according to the requests of the farmer organisation, the work had not been executed by the farmer organisation.
හ/වාරි/ගෘහ/LAS/2013/116(සුහද) Supplying and laying precast hume pipe in LSA Programme	212,720	Not mentioned	Even though estimates had been prepared according to the request of the farmer organisation, the work had not been executed by the farmer organisation.
හ/වාරි/ගෘහ/ මෙන/2014/33 Improvements to SLB CPO 35 and SLB CPO 36 Cannel	124,135	Not mentioned	Due to delay in commencing of crop season in the area of farmer organisation, the work could not be executed during that period.

(b) Projects Abandoned without Completion

Even though the Department had commenced the following projects those projects had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure up to 31 December 2014	Reasons for Abandoning
	Rs.		Rs.	
IE/T/SSC/2012/125 Construction of canal lining at 3+730 km Lunugamwehera LBMC	1,612,650	15.10.2012	1,150,296	As the lower area was not washout after distributing water it was considered as the constructions had been completed.
IE/T/SSC/2012/166 Improvement Diyasyayaya Basnawa in Tissa Tank Scheme	286,370	05.11.2012	99,679	Construction had been carried out at slow pace and distribution of water commenced at the completion of the canal land. Even though it was advised to carry out balance work during the calendar water period, it was informed by the farmer organisation that the exsisting culvert is sufficient and the problem had solved after cleaning of the canal.
IE/T/SSC/2013/02 Rehabilitation of DC 03 from 1+300 km to 3+090 in RB Track in Thissa Division	1,237,702	21.01.2013		Due to the dispute arising between contractor and farmer organisation in carrying out constructions the work had been stopped halfway.

IE(HAM) 1,975,012
 MS/RUH/UNUPURA/2014/07
 Construction of Retaining wall
 for NCB Canal from 200 m to
 350 m (LB Side) Ridiyagama
 Scheme

Issuing Water.

(c) Delays in Execution of Projects

Delays in the execution of the following projects by the Department were observed.

Project	Estimated Cost	Date of Commencement	Due date of Completion	Date of Completion	Expenditure as at 31 December 2014	Reason for Delay
-----	-----	-----	-----	-----	-----	-----
	Rs.				Rs.	
EDB/E1/RRM1/AMB/53 /2014 Construction of 30 m long canal lining at 1+200 km in RB main canal (part 2) in Ambewela Schene	746,000	07.07.2014	21.09.2014	05.12.2014	-	Not furnished.
EDB/E1/RRM1/AMB/54 /2014 Construction of 30 m long Canal lining at 1+230 km in RB main canal (part 2) in Ambewela Scheme	733,000	07.07.2014	21.09.2014	03.12.2014	-	Not furnished.

EDB/E1/RRM1/AMB/55 /2014 Construction of 30 m long canal lining at 1+260 km in RB main canal (part 2) in Ambewela Scheme	746,000	07.07.2014	21.09.2014	03.12.2014	-	-	Not furnished.
EDB/O&M(SP)DMW 72/2014 Construction of 96 m long canal lining along FC – 01LB main canal Dambavinna Scheme	976,000	25.07.2014	03.10.2014	-	-	-	Not furnished
HD/HO/LUNUPOTHTH AWA TANK/2014/1 Construction of Lunupoththawa Tank	7,424,810	01.09.2014	-	-	-	343,110	It could not be carried out the work due to deficiencies in designs of the foundation of the plans of this work.
HD/HO/HELAMULLA TANK/2014/1 Construction of Helamulla Tank	8,498,810	01.09.2014	-	-	-	1,699,763	The work had been stopped due to non – availability of provisions. The work had been started again at present.
RBW/W/UO/CATCH/R OSSET/BD/03/2014 Construction of Rossetwaththa Tank	3,260,580	01.09.2014	-	-	-	-	Due to resistance of the occupants of the Rossetwaththa, portion of this work had been stopped at present.

4.10 Transactions of Contentious Nature

Certain transactions entered into by the Department had been of Contentious Nature. Particulars of several such transactions revealed during the course of audit test checks appear below.

- (a) The value had been reported as Rs.4,313,239 relating to the shortage of measuring equipment which occurred during the service period of a store keeper who worked in Water Strengthen Division before the year 2002 and got compulsory retirement on 09 May 2002. According to the decision of the case filed thereon, a sum of Rs.411,051 only had been recovered from him. The full report that should be submitted within three months in terms of the Financial Regulation 104(4) had not been submitted even by 31 August 2015. A follow up action had not been carried out on the recovery of the shortage occurred before 13 years.

- (b) The Director of Irrigation (Mechanical) employed in the Head office had been recruited to the Department considering a degree as his qualifications obtained from a University in Russia. The officer had submitted a membership certificate from an Australian Engineering Institution mentioning him as an Chartered Engineer. Based on that certificate, he was promoted to class II in terms of Service Minute of the Sri Lanka Engineering Service and recommended him to class I in the year 2014 as well. But it was not confirmed by the Department whether the first degree which he obtained is similar to the Mechanical Engineering Degree of Sri Lanka. Further, it was observed in audit that he has not obtained the Chartered Engineering Membership of the Australian Engineering Institute. Accordingly, the recruitment of the said officer to the Department as a Mechanical Engineer was a matter of contentious nature and it was observed that he was not fulfilled the required qualifications for the all promotions he obtained and promotions recommended to him as at 31 December 2014.

- (c) Four Ad hoc labourers of the Department had made forge application for concessionary monthly season tickets mentioning them as clerks to the Department of Railways and the service of the labourers had been ceased on the allegation based on preparing forge documents by them. But formal disciplinary action had not been taken against the Director of Irrigation (Mechanical) who recommended the applications.

4.11 Irregular Transactions

Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

- (a) Transactions without Authority

Permanent appointments had been granted to 1,686 employees mentioning them as employees recruited to the Department of Irrigation on the basis of temporary, casual (daily paid), substitute, contract or concessionary basis in the year 2014 in terms of the provisions of the Public Administration Circular No.25/2014 dated 12 November 2014. The following matters observed during the audit examination carried out in this connection.

- (i) In terms of the paragraph one of the above circular, permanent appointments should have been given for the employees already recruited to the Department and deployed in the service. Nevertheless, the employees who had not been recruited by formal appointment letters also had been confirmed. Most of them had been deployed in the services on ad – hoc basis and it was observed that those employees are not covered by the above circular and as such they could not be confirmed in the service.
- (ii) It was revealed during audit test checks that permanent appointments had been awarded to 16 employees who had not completed the service period of 180 days continuously as at 24 October 2014 in terms of the paragraph 02 of above Circular without considering the said deficiency.

- (iii) All ad – hoc employees recruited in terms of the Circular No.03/2013 (Administration 04) of the Department of Irrigation dated 30 January 2013 had been deployed in the service for maximum of 05 months and discontinuation of the service had been made. In terms of the paragraph 2 of the Public Administration Circular, the permanent appointments had been given to those employees considering their service period as continued service.

- (iv) In terms of the Paragraph 04 of the above Public Administration Circular, permanent appointments should be given only to the posts recruited. However, contrary to that provisions, employees recruited as ad-hoc labourers had been appointed permanently for the posts such as Clerks, Planning Assistants, Technical Assistants, Stores Assistants, Drivers and Technicians. The Director Irrigation had been informed by the letter of the Director General of Management Services No.DMS/1217/VII dated 18 March 2015, that the permanent appointments had been made contrary to the provisions of the Public Administration Circular and that fault should be corrected and report. But proper actions had not been taken thereon. It was informed by the letter No.EST-4/PEMNT/0227 of the Director General of Establishments dated 24 March 2015 it was not possible to take actions by the Director General superceding the provisions of the Public Administration Circular.

- (v) Even though the maximum age limit for the recruitments had been 45 years in terms of the provisions of the recruitment procedure of the Department of Irrigation, the employees who exceeded the age limit had been confirmed for the posts such as Labourers, Geezers, Water Controllers, Watchers, Technicians, Welders, Fitters, Carpenters, Tinkers, Masons etc. Out of them, there were certain employees who were about to go on compulsory retirement of the age ranging from 55 years to 58 years.

- (vi) Clerical posts had been abolished with the concurrence of the Department by the cadre approval letter of the Director General of Department of Management Services No.DMS/G2/56/15/01 (vol.1) dated 08 January 2013. But 181 employees worked in the Department had been confirmed in the clerical posts without being paid attention thereon.

- (vii) In terms of the decision of the Cabinet of Ministers No.CM/13/1166/508/017 dated 11 October 2013, 136 employees recruited from 14 February 2014 for the Post of Trainee Technological Assistant based on granting permanent posts with pensions after a training period of one year duration, had been granted permanent appointments under above Public Administration Circular violating all recruitment conditions. These employees had not completed the proposed Training course in the Irrigation Training Institute, Galgamuwa as well up to 31 August 2015.

4.12 Transactions of the Fraudulent Nature

The particulars of transactions of fraudulent nature observed during the course of audit test checks are given below.

(a) Fraudulent Appointments

It was observed during the course of audit that action had been taken by the Department to give appointments based on following false documents.

- (i) It was revealed in audit that the signatures shown in the appointment letters issued in respect of appointments given for 15 posts of Stores Assistants and Labourers in the offices of the Director, Irrigation Ampara and Batticaloa were dissimilar to the signature of the former Director General of Irrigation and such type of appointments had not been granted by the Head office of the Department. Nevertheless, action had not been taken by the Department to ascertain bonafide of those appointment letters.

- (ii) As the Departmental Letter Heads and the Official Seal of the former Director General of Irrigation had been used to prepare appointment letters, it was done by certain officers in the Department to prepare fake documents. But it had not been referred to relevant authorities to take necessary actions to ensure that it had been a corrupted or fraudulent activity.

(b) Making False Documents to grant Permanent Appointments

The following observations are made in this connection.

- (i) Even though the employees who had completed satisfactory service of 180 days continuously should be confirmed in the service in terms of the Paragraph 02 of the Public Administration Circular No.25/2014 dated 12 November 2014 thirteen employees who had not completed required number of days of Regional Irrigation Engineer's offices of Hiriya, Nachchaduwa, Wariyapola, Inginimitiya, and Colombo Head Office, Kandy had been granted permanent appointments. Instances were observed in audit that applications had been made including false particulars such as history sheets, false medical reports, prescriptions for illnesses to ensure the number of dates expected. No further action whatsoever had been taken by the Department for those audit queries.
- (ii) It was observed during audit test checks that 07 employees who had not worked even one day in the Department had been given permanent appointments in Regional Irrigation Engineer's offices Padaviya and Hiriya and the Colombo Head Office by preparing history sheets and applications which included false particulars such as number of days worked, salary paid, check roll numbers etc.

- (iii) An employee who had been deployed in the service by the Water Supply and Drainage Board on contract basis for 06 months as Technical Works Inspector in Dry Zone Urban Water and Sanitation Project (Implemented under the supervision of the Department) implemented in the Puttalam and Chilaw Districts on the Asian Development Bank Grant and paid salaries from the project funds had been granted the permanent status in the Post of Technological Assistant in terms of the Public Administration Circular No.25/2014 by preparing a false appointment letter as an employee of the Department.

4.13 Losses and Damage

A total amount of Rs.475,033 should have been recovered as at 31 December 2014 from 3 instances of cash frauds. Even though a period ranging from 5 years to 34 years had elapsed after these cash frauds, the Department had failed either to recover the loss or write off from the books in terms of Financial Regulation 104. This amount had been shown as Rs.666,585 in the Appropriation Account erroneously.

4.14 Unresolved Audit Paragraph

Reference to the audit paragraphs on which the Department had not rectified the deficiencies pointed out in the Paragraphs included in the reports of the Auditor General on the Department is given below.

Reference to Report of the Auditor General		Subject under Reference
Year	Paragraph Number	
2006	3.1 (a)	Irregularities made by an Engineering Assistant under Sugala Devi Tank Project
2006	3.1 (b)	Irregularities made under Welioya Project.
2006	2.4.1	Obtained property loans by submitting false documents.

2006	7.2 (a)	Purchase of a Concrete Mixture Machine for Veheragala Project.
2008	7 (c) (1)	Loss incurred amounting to Rs.210,000 due to a vehicle accident.

4.15 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Action had not been taken to revise the Irrigation Ordinance No.32 of 1946 as suitable for present institution.
- (b) After making adjustments to the cadre of the Irrigation Department in the year 2013, a correct Organisation Chart had not been prepared suitable for the restructure. There are 42 posts of Directors of Civil and Mechanical in the Department while duty lists relating to the each post had not been furnished to audit.

4.16 Human Resources Management

- (a) Approved Cadre and Actual Cadre
-

The position of the cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
-----	-----	-----	-----	-----
(i) Senior Level	410	275	145	10
(ii) Tertiary Level	180	29	151	-
(iii) Secondary Level	2,799	2,330	638	169
(iv) Primary Level	3,060	3,756	194	890
(v) Others (Casual/ Temporary/ Contract Basis)	-	272	-	272
	-----	-----	-----	-----
Total	6,449	6,662	1,128	1,341
	=====	=====	=====	=====

The following observations are made.

- (i) The Department had failed to obtain the formal approval for the excess cadre recruited.
 - (ii) Even though the Director of General Irrigation had confirmed to audit that, the permanent and approved cadre as 6,449, it was included in the annual Budget Estimate of 2014 as 4,869 by the Director of Irrigation. However, the reason for the difference of 1,580 had not been explained.
 - (iii) Even though the Director General had reported to the Department of Management Services that number of employees who had been granted permanent appointments under the Public Administration Circular No.25/2014 dated 12 November 2014 amounted to 1,686 it was mentioned as 1,728 in a report made available for audit. Accordingly, the reason for the difference of 42 employees was not explained. Similarly, it was unable to include these employees to the approved cadre due to deficiencies in the recruitment.
- (b) Irregular Release of Human Resources to Other Parties

Particulars of irregular release of human resources to other parties during the year under review by the Department are given below.

Category of Employees	Number	Other Party	Period of Release
-----	-----	-----	-----
(i) Draftsman	01	Presidential Investigation Unit	Not mentioned
(ii) Draftsman	01	Presidential Investigation Unit	From March 2005
(iii) Drilling Assistant	01	Presidential Investigation Unit	From May 2001
(iv) Drilling Assistant	01	Presidential Investigation Unit	From March 2005
(v) Draftsman	01	Irrigation Management Section	From January 2008
(vi) Draftsman	01	Department of Registration of Persons	From January 2013
(vii) Draftsman	01	Sri Lanka Mahaweli Authority	From October 2013
(viii) Engineering Assistant	01	Sri Lanka Mahaweli Authority	From March 2012
(ix) Engineering Assistant	01	Irrigation Management Section	From April 2013

Total	09		
	=====		