

Report of the Auditor General on Head 166 – Ministry of Water Supply and Drainage Year 2014

Paragraphs 1 and 2 of this Report contained the general information on the accounts of the Ministry and the Audit Observations of the Head appear in paragraph 3.

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Water Supply and Drainage 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 Secretary to the Ministry on 27 July 2015. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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.

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

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and 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 Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs. 30,815.85 million and out of that a sum of Rs. 27,249.28 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Ministry amounted to Rs.3,566.57 million or 11.57 per cent of the total net provision. Details appear below.

Expenditure	As at 31 December 2014			
	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
	Rs. millions	Rs. millions	Rs. millions	
Recurrent	214.75	209.99	4.76	2.22
Capital	30,601.10	27,039.29	3,561.81	11.64
Total	30,815.85	27,249.28	3,566.57	11.57

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Account of Object number 16601 of the Ministry and the actual amounts are given below.

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
4.80	4.75	2.00	2.91	20.00	13.10

2.3 General Deposit Account

The debit balance of the General Deposit Account No. 6000/0000/000/0015/0076/000 of the Ministry as at 31 December 2014 amounted to Rs. 18.71 million.

2.4 Audit Observation

According to the Financial Records, 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, the Appropriation Account and the Reconciliation Statements of the Ministry of Water Supply and Drainage had been prepared satisfactorily. The material and important observations out of the observations included in that Management Audit Report appear in paragraph 3 below.

3. Material and Important Audit Observations

3.1 Appropriation Account

Under Utilization of Provision

The total net provisions made for 22 Objects amounted to Rs.5,335 million and out of that a sum of Rs.2,107 million had not been utilized. Those savings had been occurred due to not insufficient Imprests from the Treasury, weaknesses on awarding contracts and delay on reporting expenditure to the Treasury.

3.2 Reconciliation Statement of the Advances to Public Officers Account

A loan balance of Rs. 38,095 recoverable from an interdicted officer from 10 December 2005 had been brought forward continuously. According to the letter of Director General of Combined Service D.P./4/08/2006 dated 07 June 2013, that officer was not an interdicted officer, but action had not been taken to recover the arrears of loan balance from the guarantors as per the reply letter dated 12 August 2015 from the Secretary of the Ministry as that officer was dismissed from the service.

3.3 Project Allocations Spent for the Activities Contrary to the Objectives

Following observations are made in this connection.

- (a) A sum of Rs. 493,500 had been paid for purchases and installs 3 Multimedia Projectors for the Ministry on 31 December 2014. That expenditure had been accounted under an Object which is under the financing source of Domestic Cost relating Foreign Financing (17) of the Water Supply Project of Jaffna and Kilinochchi in Development Project. Accordingly, allocations relating to a Foreign Project had been utilized for the purpose of the Ministry.
- (b) A sum of Rs. 13,830,204 had been spent under the Object 166-2-3-17-2502(II) of Development Project for Establishing the Department of National Community Water Supply and related activities. Out of that Rs. 5,093,356 had been spent for the Special Meeting of Agents of the Community Based Organizations headed by the His Excellency the President on 17 November

2014 at Bandaranayaka Memorial International Conference Hall. That is 36.8 of the expenditure of the relevant Object.

- (c) Although Sanitary Activities had not been included in the scope of Kalu Ganga Water Supply Project, a sum of Rs. 5 million obtained to the Ministry from the Domestic Fund of that Project and out of that a sum of Rs. 4.3 million had been spent for toilet facilities to the House of Lower Income persons in Colombo District. A sum of Rs.670,800 had been included in that expenditure paid for toilets facilities in Gampaha District where the water supply is not included under the Kalu Ganga Water Supply Project.
- (d) A sum of Rs. 3,240,560 had been received from a foreign institution as Grant for supply and installation of Reverse Osmosis Plant (Water Filtering Machines) on 07 October 2014, out of that Rs. 152,000 had not been utilized for the related matter and it was spent for purchase a Note Book Computer, a Mobile Phone, and a Samsung Galaxy Tab for the Ministry. Another sum of Rs. 1,107,392 had been remained in the General Deposit Ledger up to end of June 2015.

3.4 Weaknesses in Implementation of Projects

Following Observations are made.

- (a) Even though Estimated Provision of Rs. 3 million from Domestic Funds (17) and Rs. 3 million from Foreign Loans made for the Power Protection Project of Ambathale Water Treatment Plant (166-2-5-71) for the year 2014, no any expenditure had been made during the year. Further, provision of Rs. 50 million from Domestic Funds and Rs. 150 million from Foreign Loans had been made for the above project (166-2-5-39) in 2013, as well no expenditure had been made even in that year.
- (b) A sum of Rs. 569 million had been estimated from Domestic Funds for 6 Projects under the Major Water Supply and Sanitary Project of the Ministry. The net provision at the end of the year was Rs. 610.9 million after providing an additional provision of Rs. 41.9 million under the Financial Regulations 66. Out of that a sum of Rs. 239.4 million had been saved at the end of the year and it was 39 per cent of the net provision. This saving had been occurred due to as a result of made excess provision.
- (c) The entire net provision of Rs. 581.20 million made for 09 Objects relating to 8 projects had been saved.

- (d) Provisions under 03 Objects relating to 03 Projects made for Domestic Cost relating to Projects under Foreign Loans, Foreign Grants and Foreign Financing amounted to Rs. 700 million had been transferred to other Objects through Financial Regulations 66, due to management weaknesses such as delay in commencing the Project works, and delay in contract awarding.
- (e) Out of the provisions totalling Rs. 519 million transferred to 8 Project Objects under the Financial Regulations 66, entire provision or exceeding the provision made amounted to Rs. 1,304 million had been saved. Reasons for obtaining additional provisions were baseless because of the savings were 251 per cent from the additional provision.
- (f) A sum of Rs. 498,322,854 had been saved out of the provisions made for 4 projects. The reasons for that saving had been shown as delay in contract awarding. It was revealed in audit that the delay in awarding contracts had caused to delay of completion the projects at the expected time and accordingly it was caused to extent the time and increase the expenses of Projects.

3.5 Non-compliance with Laws, Rules and Regulations

Instance of non-compliance with the Provision of laws, rules and regulations observed during the audit test check are analyzed below.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations 1646	Daily Running Charts and Monthly Summary Reports of pool vehicles of the Ministry had not been presented to the Auditor General.
(b) Public Finance Circular No. 02/2014 dated 17 October 2014.	Board of Survey for the year 2014 had not been done as per the circular.

3.6 Idled Assets

Seven three wheelers and 02 motor vehicles which are not in running condition, had been parked without security at the Ministry premises from the year 2014.

3.7 Assets Using by the Ministry belonging to other Institutions

Following observations are made.

- (a) Eleven vehicles belonging to National Water Supply and Drainage Board had been used by the Ministry up to 31 December 2014. A sum of Rs. 1,108,564 had been incurred for Insurance, Revenue License, Maintenance and Diesel Tax by the National Water Supply and Drainage Board in the year 2014.
- (b) When examine the vehicle list of the Ministry and vehicle registration book presented to the audit 26 vehicles belonging to 2 Projects had been used by the Ministry without being properly transferred.

3.8 Human Resources Management

(a) Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i) Senior Level	25	19	06	-
(ii) Tertiary Level	05	01	04	-
(iii) Secondary Level	80	53	27	-
(iv) Primary Level	37	25	12	-
(v) Other (Casual, Temporary, Contract Basis)	04	06	-	02
Total	151	104	49	02
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(b) Human Resources obtained from Other Parties

Details of human resources obtained from the National Water Supply and Drainage Board by the Ministry are as follows.

Category of Employees	Number	Period
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Senior	01	From August 2012 to September 2015
Tertiary	02	From 2007 and 2014 to September 2015
Primary	04	From 2012 to 2015

Total	07	
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