

Report of the Auditor General on Head 160 - Ministry of Mahaweli Development and Environment– Year 2015

The audit of the Appropriation Account, including the financial records, reconciliation statements, books, registers and other records of the Ministry of Mahaweli Development and Environment Head 160 for the year ended 31 December 2015 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 14 July 2016. 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 and 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 Accounts

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.35,886.83 million out of that a sum of Rs.28,720.47 million had been utilized as at the end of the year under review. Accordingly, the savings out of the net provision of the Ministry amounted to Rs.7,166.36 million or 19.97 per cent. Details appear below.

Expenditure	Net Provision	As at 31 December 2015			Savings, as a Percentage of Net Provision
		Utilization	Savings		
	Rs.millions	Rs.millions	Rs.millions		
Recurrent	3,534.73	3,516.46	18.27	0.52	
Capital	32,352.10	25,204.01	7,148.09	22.09	
Total	35,886.83	28,720.47	7,166.36	19.97	

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under the Item No 16001 of the Ministry and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
9.30	7.65	5.80	10.42	45.00	30.82

2.3 Imprest Accounts

The balances of 02 Imprest Accounts of the Ministry as at 31 December 2015 totalled to Rs.307.57 million. Details appear below.

<u>Imprest Account Number</u>	<u>Balance as at 31 December 2015</u>
	Rs. millions
7002/0000/00/0323/0015/000	234.05
7003/0000/00/0091/0015/000	73.52
Total	307.57

2.4 General Deposit Account

The balances of the 04 General Deposit Accounts of the Ministry as at 31 December 2015 aggregated to Rs.60.37 million. Details appear below.

<u>Deposit Account No.</u>	<u>Balance as at 31 December 2015</u>
6000/0000/00/0015/0070/000	6.51
6000/000/00/0013/0074/000	0.65
6000/000/00/0018/0061/000	52.98
6000/000/00/0016/0061/000	0.23
Total	60.37

2.5 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Mahaweli Development and Environment for the year ended 31 December 2015 have been prepared satisfactorily subject to the audit observation appearing in the Management Audit Report referred to in paragraph 1.1. The material and significant observations out of the observations included in the Management Audit Report appear in paragraph 3 herein.

3. Material and Significant Audit observations

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 Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002	Not maintained
Security Register	Financial Regulation 891 (1)	Not maintained
Register of Fixed Assets	Treasury Circular No.842 dated 19 Dated 1978	Not updated

3.2 Replies to Audit Queries

Replies to 08 Audit queries issued to the Ministry in the year under review had not been furnished even by 31 May 2015. The value of quantifiable transactions relating to those audit queries amounted to Rs. 5,615,629.

3.3 Appropriate Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.1,059.95 million made for 08 Objects had been saved.

- (b) Excess provision had been made for 40 Objects and as such the savings after the utilization of provisions had ranged between 10 per cent to 89 per cent of the net provision relating to the respective Objects.
- (c) Provisions totalling Rs. 18.62 million received for 05 Objects under the Financial Regulation 66 and allocations of Supplementary Estimates had been entirely saved without being utilized.

3.4 General Deposit Account

Action had not been taken in terms of Financial Regulation 571 with regard to 21 deposits aggregating Rs.6.66 million which had exceeded a period of 2 years.

3.5 Good Governance and Accountability

Annual Procurement Plan

Parliament had approved the provisions amounting to Rs.307.7 million according to the Annual Budget Estimate in order to obtain goods and services in compliance with the Government Procurement Guidelines. A detailed Procurement Plan in terms of the National Budget Circular No.128 of 24 March 2006 had not been prepared for the utilization of allocated provisions.

3.6 Assets Management

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

(a) Idle and Underutilized Assets

It was observed that, 04 vehicles owned by the Ministry had remained idle over a period of 02 years.

(b) Conduct of Annual Board of Survey

In terms of Public Finance Circular No. 02/2014 dated 17 October 2014, although the Annual Board of Survey for the year 2015 should be conducted and the reports thereon should be furnished to the Auditor General before 17 March 2016, a physical verification on the vehicles owned by the Ministry had not been conducted.

(c) Unsettled Liabilities

The following observations are made in this connection.

- (i) The unsettled liabilities existed over a period of less than 01 year of the Ministry as at 31 December 2015 amounted to Rs.8.53 million.
- (ii) Liabilities totalling Rs.6.35 million relating to the year 2015 had not been entered in the Register of Liability.
- (iii) A sum of Rs.284,491 relating to the year 2016 had been identified as the liabilities relating to the year 2015.
- (iv) Commitments totalling Rs.5.55 million had been incurred exceeding the total net provision made for 13 Objects for the year 2015.

3.7 Non-compliances

Non-compliance with Laws, Rules and Regulations

Instances of non-compliances with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
	----- Rs.	-----
(a) <u>Circulars of the Presidential Secretariat</u>		
(i) Circular No.CA/1/1/16/01 dated 09 July 2010	-	A report on the foreign tour had not been submitted within 07 days from the arrival at the island following the foreign tour.
(ii) Circular No.CSA/P01/40 dated 28 February 2007	1,216,102	Payments had been made for 03 hotels in respect of conducting 03 workshops.

(b) Public Administration Circular

Paragraph 02 of the Circular 96,000
No.18/2015 dated 26 June 2015

Both the professional allowance paid for the peculiarity of each service and the Engineering Allowance had been obtained.

(c) Public Finance Circular

(i) Section (i) of Paragraph 5 of 62,475
the Circular No.01/2010/01
dated 11 October 2010.

Three officers had been paid Casual Allowance in respect of 03 workshops.

(ii) Sub-paragraph 06 (viii) in 50,999
the Circular No.03/2014
dated 30 December 2014.

A mobile phone had been purchased on Government expenditure for an officer.

(iii) Sub-section 3 (a) in the 157,819
Circular No.01/2015/01
dated 15 May 2015.

Casual Allowance paid for the officers participate in the foreign studies, trainings, discussions and seminars had been overpaid for 02 officers in respect of two workshops.

(d) Management Services Circular 406,008

Paragraph 4.2.1 of the Circular
No.33 dated 05 April 2007.

In the appointment of the staff for the projects, high salary had been paid for the officers without placing them on the initial salary step, and as such overpayments had been made.

3.8 Foreign Aid Projects

The Ministry had implemented 20 Projects under foreign financing during the year under review. The estimated cost thereof according to the projects totalled Rs. 24,697.91 million and a sum of Rs. 17,986.37 million had been spent on such projects during the year under review. The following observations are made on those Foreign Aid Projects.

(a) Project Performance

The following observations are made.

- (i) For the implementation of the Convention on Biodiversity, although the project for the preparation of National Biodiversity Strategy Action Plan should have been completed on 31 July 2015, the project period had extended up to June 2016.
- (ii) The Persistent Organic Pollutant National Action Plan Updating Project was scheduled to be completed by July 2015. Although it had been extended up to December 2015, updating had not been completed even by the end of May 2016.
- (iii) Although the term of the Dam Safety and Water Resources Planning Project had come to end in the year 2015, the following activities valued at Rs.2,179 million required to be carried out under the Project had been entrusted to the Additional Financing Project as it was not even possible to commence such activities.
 - Changing the paints of the dam gates of Randenigala, Rantambe , Dambuluoya and Kandalama dams.
 - Formulation of a system for the collection and displaying of data (SCADA)
 - Remedial works of Victoria dam and Polgolla tunnel.
 - Installation of Earthquake Monitoring and Early Warning System
 - Purchase of Sluice Barrel Inspection Instrument.
- (iv) Even though the term of project had been extended by two years by the year 2015, out of 32 dams in which remedial works were carried out, works of 27 dams had been completed after a delay of a period from 2 to 29 months. In the completion of these contracts, the percentage of cost variance had ranged from (22) per cent to 44 per cent and it was observed to be a poor contract administration. Similarly, according to the project performance report presented by 30 June 2015, it had been stated that the works of 15 dams had been completed and settled all the payments. Nevertheless, the retention money and the final payments for the aforesaid dams had yet to be settled and as such the reliability of the information included in the performance report was doubtful.
- (v) According to the 1st schedule of the Section 1(k) of the Project Financing Agreement, although provisions amounting to Rs.52.47 million had been made to conduct a special study on the issues of the Senanayaka Reservoir, Samanala Tank and the Victoria Dam and to recommend the proposals on the remedial measures, this special study had not been included in the project performance report.

- (vi) Even though a sum of Rs.518.3 million had been spent for the supply of consultation service for the remedial works under this project, contracts valued at Rs.812.51 million had been awarded again for rectifying the erroneous remedial works of 14 dams. Accordingly, it was questionable as to whether the provision of consultation services had been properly carried out.
- (vii) In order to establish 122 places for taking measurements for the construction of Hydro Climatic Information System under the project, a sum of Rs.628.94 million had been allocated and only 70 places had been established by spending Rs.813.57 million. Although a sum of Rs.184.63 million exceeding the estimated amount had been spent, works of 52 places had not been completed and as such those activities had been entrusted to the Additional Financing Project.
- (viii) Under the Multi-Sectorial Water Resources Planning, the plans such as National Water Utilization Plan, Updated Mahaweli Water Resources Plan and Mundeniaru River basin Plan had been prepared. Out of Rs.742.75 million allocated for this purpose, a sum of Rs.526.25 million had been spent and of which Rs.492.08 million had been spent for obtaining consultation service for the preparation of plans. At the World Bank Meeting held from 01 to 06 October 2015, although it had been decided that the approval of the Cabinet of Ministers should be sought before the end of the year 2015 to obtain the policy clearance in order to implement this plans as the recognized plans, that approval had not been obtained even by 31 December 2015.
- (ix) Although 02 contracts valued at Rs.99.08 million for civil works and electric mechanical works of the Castlereagh Reservoir of the Electricity Board had been awarded to the State Engineering Corporation, this work scheduled to be completed in the year 2013 had not been completed even by 31 December 2015. As the contractor had failed to properly install an instrument required to resist the flood conditions of the dam, it had been decided to complete this contract as another contract combining the Electricity Board and the Project Management Unit and to state it under the expenditure of the Additional Financing Project.
- (x) According to the Section 01 (j) of the loan agreement of the project, action should be taken to amend the Sri Lanka Disaster Management Act, No.13 of 2005 by incorporating the matters relating to the dam safety required to be carried out under the project, no activity whatsoever relevant to that matter had been carried out despite the lapse of a period of 07 years.
- (xi) In the arrangement of remedial and basic security facilities of 80 dams under the dam safety and efficiency building, which is one activity of this project, 15 Emergency Action Plans had to be prepared for selected 15 dams. Nevertheless, preparation of Emergency Action Plans of 08 dams had been entrusted to a consultancy company and as such those activities of 08 dams had been completed by 30 June 2015.

- (xii) Under the Dam Safety and Water Resources Additional Financing Project, provisions amounting to Rs.80 million had been made for the works of 14 dams, of the Irrigation Department in which the remedial works were identified, for the year 2015. The contracts for the commencement of works of any dam had not been awarded by 31 December 2015. One dam had been eliminated from remedial works. Similarly, provisions amounting to Rs.635 million had been made for 10 dams of the Mahaweli Authority, in which the remedial works had been identified. Nevertheless, the remedial works of 02 of the above dams had been eliminated and contract for the remedial works of 04 dams had not been awarded. Although provisions amounting to Rs.05 million had been made for the remedial works of one dam belonging to the Electricity Board, contract had not been awarded for that purpose.

The draft Cabinet Memorandum for obtaining policy decision for the implementation of 03 water utilization plans for which Rs.506.13 million had been spent by the main project under the component No. 03 of the project by the year 2013, had not been presented to the government and final approval had not been obtained. As such, it had not been possible to commence “the preliminary feasibility studies” required for the implementation of those 03 plans.

Although this task had been entrusted to the Additional Financing Project, and the Additional Financing Project was in operative since September 2014 it had not been fulfilled even by April 2016. Therefore, provisions amounting to Rs.13 million made for the preliminary feasibility study in the year 2015 had not been utilized.

(b) Abandonment of Certain Works Included in the Foreign Aid Projects

(i) Dam Safety and Water Resources Planning Project

The following observations are made in this connection.

Although provisions amounting to Rs.475.7 million had been made for the dam remedial works of the Tissa tank, Nachchaduwa tank, Nuwara tank etc. in the year 2011, only a sum of Rs.278.19 million out of that amount had been spent by 30 June 2015. As the contractors had not completed the works on due date and sub-contracts had been awarded without approval, the contracts had been abandoned halfway in the year 2015. Subsequently, the remaining works of the contracts had been entrusted to the Irrigation Department.

In terms of Section 01 (n) of the loan agreement of the project, it had been stated that the Project should take action to carry out a research in order to identify the remedial works of the Polgolla Tunnel and Lakshapana New Tunnel. Nevertheless, the researches required for the identification of remedial works of the Pogolla Tunnel had not been commenced even by 31 December 2015. According to the international standards requirements, although inspections of

the Tunnel should be carried out within a period from 20 to 30 years, steps had not been taken to carry out the inspection of the Polgolla Tunnel despite the lapse of 28 years. Further, this matter had been continuously discussed at the World Bank Projects Reviewing Committees held in the years 2013,2014 and 2015. According to the Reviewing Committee held on 22 and 23 July 2014, it had been stated that the Irrigation and Water Resources Ministry had instructed not to implement this activity as it may cause additional inconvenience to the people under the drought weather condition if the Polgolla Tunnel would be closed down for research activities.

At the World Bank Project Reviewing Committee held from 01 to 07 October 2015, it had been decided not to discuss again the matters on this Tunnel. Although this work had been abandoned under the drought weather condition in the year 2014, not even a future plan had been prepared to carry out this work up to 31 December 2015. It was revealed in audit that the loss incurred due to the failure to carry out these remedial works was extremely higher than the inconveniences caused as a result of closing down of the tunnel.

(ii) Dam Safety and Water Resources Additional Financing Project

The following observations are made in this connection.

According to the cost estimate prepared to obtain provisions for the Dam Safety and Water Resources Additional Financing Project, provisions had been requested to carryout research activities for the identification of remedial works of the Polgolla Tunnel by the Additional Financing Project. However, this work, which had not been possible to initiate even by the main project had been entirely abandoned by the Additional Financing Project as well by the year 2016. According to the international standard requirements, inspection of this tunnel should be effected during a period from 20 years to 30 years. Nevertheless, steps had not been taken to carry out the relevant inspections despite the lapse of 28 years. As the people might undergo more inconveniences as a result of closing down of this tunnel during the drought season, this work had been abandoned in the year 2014. Thereafter, the Project had not paid attention on the implementation of the relevant activity even by April 2016.

It was observed in audit that the failure to prepare the plans relevant to commencement of remedial works of the tunnel by taking into consideration the alternative proposals relating to the renovation of this tunnel during the project period and to take future steps was a negligence of the Project to take necessary steps.

According to the performance report of the Project presented as at 31 December 2015, although provisions amounting to Rs.80 million had been made for the preparation of Supervisory Control and Data Acquisition (SCADA) system and landslide reviewing and prior warning system, which had been assigned to this

project as it was not possible to commence under the component No.01 of the Dam Safety and Water Resources Planning Project, those activities had been abandoned by the Additional Financing Project as well.

- (c) Non-utilization of the Funds made for the Project.

Provisions amounting to Rs.1,046.95 million made under the foreign financing for 05 projects during the year under review had not been utilized for any purpose.

3.9 Performance

The observations of the progress of the Ministry in terms of the Annual Budget, 2015 and the Action Plan are given below.

(a) **Activities Contrary to the Key Functions (Deviating from the objectives)**

Instances of action deviating from the objective taken by the Ministry were observed. Several such instances revealed during test checks are given below.

- (i) Although the Ozone Project should be implemented with the objective of preparing technical accesses required to be utilized by the Government and private sector for the improvement of system on weather changes for the period from 01 January 2015 to 31 December 2016, the activities relating to the achievement of those objectives had not been included in the Action Plan.
- (ii) According to the Action Plan, only 07 places had been nominated to establish reclamation centres by the Ozone Project, whereas a Technical College had been established in Polonnaruwa contrary to the plan.

(b) **Key Functions not Executed Adequately**

The key functions of the Ministry had not been executed adequately and several instances so revealed are given below.

- (i) Although 15 fields had been interpreted as the agreed services supply institutions, under the Objects Classification No.721600 of the Annual Work Plan of the United Nations Ozone Project, arrangements had been made to conduct workshops and operative programmes so as to cover only 03 fields.
- (ii) Under the Pure River Programme initiated by the Ministry of Environment in the year 1998, its objective was to minimize the pollution of the Kelani river from Avissawella to Modara and maintain the quality of the water at a favourable level. Although it had been planned to prepare policies and strategies for this purpose, it had not been carried out up to date.

- (iii) Although 13 local authorities had been informed to submit the project proposals in order to implement under the Pure River Programme in the year 2016, only one local authority had responded.
- (iv) Even though it had been planned to construct 07 Sustainable Villages under the Sustainable Villages Programme 2015, by the Action Plan, field studies had been conducted only in 02 villages.

(c) Planning

Non-compliance with the Annual Action Plan

It was observed that action in compliance with the Action Plan prepared as per the Public Finance Circular No.01/2014 dated 14 February 2014 had not been taken in the following instances.

- (a) Although plans had been drawn to prepare the National Timber Policy, it had not been prepared.
- (b) The data collection activities and the activities relating to the development of web site planned under the Island Biodiversity Pricing Project had not been carried out.

3.10 Transactions of Contentious Nature

Certain transactions entered into by the Ministry had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (i) According to the Annual Work Plan of the Montreal Protocol Implementation (Ozone Project) the agreed services had been separated into two accounts as Personal Staff Payments and Domestic Consultancy Services. Nevertheless, a sum of Rs.419,985 had been paid to the Director in- Charge of the Project and the Accountant as allowances up to October 2015 and those payments had been brought to account under the local consultancy services.
- (ii) A vehicle belonging to the Ministry had been run for 9,626 k.m after 31 December 2014 and the Daily Running Charts thereon had not been furnished to audit. According to the fuel register, a vehicle had been run for 8,327 k.m without issuing fuel.
- (iii) As the incentive which is paid for the enhancement of the efficiency of the officers of the Engineering Bureau, a sum of Rs.424,576 had been paid to an officer for a period of 07 months even after the change in the posts.
- (iv) Without placing an officer on the salary scale entitle to the post , he had been paid a sum of Rs.688,877 in respect of 7 months.

3.11 Irregular Transactions

Destation from the Government Procurement Guideline

The following observations are made on the procurements carried out by the Ministry.

- (a) Without calling for competitive bids in terms of Guideline 3.4 of the Government Procurement Guideline, a private institution had been selected for the conduct of three days' workshop held for the update of Action Plan for Haritha Lanka Programme and Pure Air Quality Plan by spending a sum of Rs.795,594.
- (b) Although the estimate relating to the conduct of the above workshop was Rs.980,000, a Procurement Committee had not been appointed subject to the limits of authority in terms of Guideline 2.14 of the Government Procurement Guidelines.

3.12 Uneconomic Transactions

The particulars of transactions entered into devoid of economy revealed during the course of test checks are given below.

- (a) Although there were adequate number of vehicles belonging to the Ministry, a high luxury bus had been obtained on a rental of Rs. 40,100 in order to attend the workshop for the implementation of the three years plan on the Environmental Conservation.
- (b) A sum of Rs.72,450 had been over paid for the accommodation, meals and lecture hall fees for the conduct of three days' workshop for the update of Action Plan for Haritha Lanka Programme and Pure Air Quality Plan.
- (c) Even though the Ministry had an adequate number of vehicles, a vehicle had been obtained on rental paid of Rs.4,020 for the transport of the officers of the Ministry for the Ozone Day Programme.
- (d) Two workshops relating to the implementation of Ozone Project had been conducted from 20 to 24 April 2015. Even though it had been specified that the expenditure for one representative of the Sri Lanka Government would be borne by the United Nations Organization, an additional officer had participate in those workshops exceeding the minimum representation of the Sri Lanka Government and a sum of Rs.961,891 had been paid as casual and combined allowances.
- (e) A vehicle belonging to the Ministry had been repaired at a cost of Rs.421,139 and even before the lapse of 06 months, it had been repaired again by spending a sum of Rs.230,819. In order to attend the repair on the second time, the vehicle had been retained in the garage for 01 year and 08 months. Nevertheless, no step whatsoever had been taken in this connection. The vehicle had not been deployed in the service subsequent to

the second repair. Accordingly, expenditure amounting to Rs.651,958 incurred by the Ministry had become fruitless.

3.13 Unresolved Audit Paragraph

The Ministry had not rectify the deficiencies pointed out by the audit paragraphs included in the Auditor General's Report relating to the Ministry. The references to such paragraphs are given below.

Reference to the Auditor General's Report		Subject Referred
Year	Paragraph No.	
2014	3.5	Office equipment and 71 other items had remained either idle or underutilized.
2014	3.9	There were 02 losses and damages amounting to Rs.588,278 brought forward from the period before 2010.
2014	3.11	Action had not been taken to fill 112 vacancies.

3.14 Human Resources Management

Approved and Actual Cadre

The position relating to cadre as at 31 December 2015 is as follows.

Category of Employee	Approved Cadre	Actual Cadre	No of Vacancies
(i) Senior Level	54	24	30
(ii) Tertiary Level	34	34	-
(iii) Secondary Level	173	113	60
(iv) Primary Level	76	54	22
(v) Others (Casual/ Temporary/ Contract Basis)	01	01	-
Total	338	226	112