

Report of the Auditor General on Head 198- Ministry of Irrigation and Water Resources Management- Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 198 Ministry of Irrigation and Water Resources Management for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) 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 09 August 2016. 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.

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 Article 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. The 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 Account

Total Provision and Expenditure

The total net provision made for the Ministry of Irrigation and Water Resources Management amounted to Rs.7,215.06 million and Rs.9,139.93 million had been utilized by the end of the year under review. Accordingly, the over- expenditure out of the net provision of the Ministry amounted to Rs.1,924.87 million or 26.68 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a percentage of Net Provision
	Net Provision	Utilization	Savings/ (Surplus)	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	333.29	315.45	17.84	5.35
Capital	6,881.77	8,824.48	(1,942.71)	(28.23)
Total	7,215.06	9,139.93	(1,924.87)	(26.68)

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 Item No.198011 of the Ministry of Irrigation and Water Resources Management 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
20.00	0.01	0.03	0.59	24.00	22.51

2.3 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0446/0015/000 of the Ministry of Irrigation and Water Resources Management as at 31 December 2015 amounted to Rs.4.15 million.

2.4 General Deposit Account

The balance of the General Deposit Account No.6000/0000/00/0012/0075/000 of the Ministry of Irrigation and Water Resources Management as at 31 December 2015 amounted to Rs.9.3 million.

2.5 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Irrigation and Water Resources Management for the year ended 31 December 2015 had been prepared satisfactorily subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Over- expenditure

Even though provisions amounting to Rs.40 million had been made under the Object 198-2-3-2502, a sum of Rs.3,012.48 million had been utilized under that Object. As such an over-expenditure of Rs.2,972.48 million had been reported under that Object. Such over- expenditure of Rs.2,972.48 million in that Object had affected the over- expenditure of Rs.1,954.78 million in the Project, an over- expenditure of Rs.1,944.38 million in the relevant Programme and the over-expenditure of Rs.1,924.88 million in the Head.

3.2 Reconciliation Statement on Advances to Public Officers Account

According to the Reconciliation Statement of the Advances to Public Officers Account bearing Item No.19801 the outstanding balances as at that date totaled Rs.1,769,920. Even though those outstanding balances remained over periods ranging from 1 year to 20 years the follow- up action on the recovery of the outstanding balances had been at a weak level.

3.3 Good Governance and Accountability

Internal Audit

Even though 04 institutions had been established under the Ministry, the Internal Audit Unit of the Ministry consisted only of the Chief Internal Auditor and two Engineering Assistants. However, it was observed that the number of officers attached for the execution of the function of the Internal Audit Unit as compared with the functions of the Ministry is not sufficient. Any internal audit queries relating to the Ministry had not been issued in the year 2015.

3.4 Assets Management

Unsettled Liabilities

Liabilities amounting to Rs.38,956,243 remained unsettled by the Ministry as at 31 December 2015. An age analysis on those liabilities had not been furnished to Audit.

3.5 Non- compliances

Non- compliance with Laws, Rules and Regulations

The instances of non- compliance with the provisions in laws, rules and regulations observed at the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non- compliance
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
Financial Regulation 264	4,011,054,982	The contractor company had not confirmed by a stamped receipt that the money had been paid to the Company.
(b) Management Services Circulars		
Circulars No.33 of 05 April 2007 and No.33(1) of 20 December 2007	-	Three Senior Officers who had not fulfilled the specific qualifications had been recruited to the staff of the Climate Resilience Improvement Project.

3.6 Foreign Aid Projects

A project had been implemented under foreign financial loans by the Ministry in the year under review. According to the loan agreement, its estimated cost had been a sum of Rs.14,617 million and, a sum of Rs.1,842 million had been utilized for that project in the year under review. In addition, a project that should be completed in the year 2013 as well belonged to the Ministry. The following observations are made relating to these foreign aid projects.

(a) Performance of the Climate Resilience Improvement Project

The audit observations relating to the financial progress and the physical progress of the foreign aid projects are given below.

- (i) The progress of the renovation activities of the Nedimale- Boralesgamuwa Bridge out of the contracts awarded by identifying 07 programmes for the stabilization of the endangered slopes and 09 programmes for developing 12 bridges and culverts which

cause situations vulnerable to floods by the Road Development Authority for avoidance of transport difficulties due to floods and landslides had been at a minimal level.

- (ii) Even though an Internal Audit Unit consisting of 05 persons selected from the Implementation Agencies had been established, a sufficient internal audit had not been conducted.
- (iii) The following matters were observed during the inspection of the Office of the Director of Irrigation, Southern Province.
 - The sidewall of a distribution canal belonging to the Tissa Wewa and Yoda Wewa Project had a water leakage and there was a water leakage in the field canal, constructed above that distribution canal as well.
 - Sixteen constructions out of 25 constructions belonging to the Weeraketiya Regional Engineering Office under the Project had not been completed in the year under review.

(b) Pro- poor Infrastructure Development Project

The following deficiencies were observed at the audit test check conducted relating to this project.

(i) Liquidation of Foreign Aid Projects

Even though liquidation activities should be carried out by winding up foreign aid projects, action had not been taken accordingly on the above project completed on 22 October 2012. The following observations are made in this connection.

- The Liquidation Plan of the Project had not been prepared up to 31 May 2015. However, a sum of Rs.25,420,885 had been spent by the Project during the period from 01 July 2013 to 31 December 2013.
- Assets such as motor vehicles, machines, laboratory and survey equipment procured for a cost of Rs.484,877,148 had been handed over to various Government Agencies after the completion of the Project. However, written evidence such as lists of takeover of assets, motor vehicle registration books in support of takeover of those assets by the relevant Government Institutions, had not been furnished to Audit.
- According to the information gathered by the Audit, 23 motor vehicles had been distributed among the Government Agencies. However, those vehicles were not included in the list furnished to Audit with the financial statements.

- Even though 46 motor cycles had been handed over to the Rambewa Workshop of the Department of Irrigation, the reasons for handover of those motor cycles had not been explained.
- The fixed assets distributed among the Government Agencies could not be compared with the financial statements due to failure to indicate the values in the distribution lists prepared by the Project.
- Sums of Rs.7.30 million and Rs.15.67 million respectively had been spent for a Fuso Cab motor vehicle and for a Milk Production Unit consisting of a refrigerator and a chassis to the Niraviya Farm of the Mahaweli Authority, which do not fall under the project activities.

3.7 Activities contrary to Key Functions

An agreement had been entered into with a Chinese Company on 05 July 2012 for the purchase of prefabricated buildings for the Ministry of Defence for the distribution to the Tri- forces and to Sri Lanka Police and for making the payment by 07 installments. A sum of Rs.2,774.80 million had been paid in the year 2015 and a total sum of Rs.11,351.39 million had been paid from the year 2012 to 31 December 2015. The purchase of those prefabricated buildings was not a function falling under the scope of the Ministry and it had not been included in the Action Plan of the Ministry as well. Moreover, action had not been taken to furnish to audit the total number of houses handed over to the Tri- forces and to the Police and the certificates obtained from the Heads of the Institutions that those houses were satisfactorily installed even by 31 December 2015.

3.8 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 audit test checks appear below.

(a) Gin Nilwala Diversion Project

A sum of Rs.998.58 million in the year 2014 and a sum of Rs.3,012.48 million in the year 2015 totalling Rs.4,011.06 million had been paid to a foreign company as mobilization advances for the Gin Nilwala Diversion Project by the Ministry of Irrigation and Water Resources Management. Treasury provisions had been made for the payment of a sum of Rs.1,038.58 million out of that amount and, provisions had not been made available for the payment of a sum of Rs.2,972.48 million. The following observations are made in this connection.

- (i) Even though the Director General of National Budget had, by his letter No.BD/EE/144/09/21 dated 04 September 2015, informed that additional provisions could not be made available for the settlement of the advance amounting to Rs.3,012.48 million in the year 2015 for the Gin Nilwala Diversion Project and expenditure exceeding the limit of the provisions should not be incurred, irrespective of the provision of Rs.40 million made available for the year 2015, a sum of Rs.2,972.48 million exceeding that limit had been spent.
- (ii) According to the letters No.MI/IRRIDEV/02/20/GNDP dated 13 February 2016 and 14 March 2016 of the Secretary to the Ministry addressed to the Secretary to the Prime Minister and the Chief Accountant of the Ministry, the Secretary to the Ministry had been informed that the Ministry had agreed to pay 5 per cent of the contract amount as the mobilization advance. As such, US\$34.50 million being 5 per cent of the contract sum of US\$690.00 million had to be paid to the contracting company before the commencement of work. Instead of making payments accordingly sums totalling US\$29.99 million (Rs.4,011.05 million) comprising US\$7.5 million (Rs.998.58 million) on 30 December 2014, US\$ 7.49 million (Rs.1,000.14 million) on 06 January 2015 and US\$ 14.99 million (RS.2,009.34 million) on 07 January 2015 had been paid as mobilization advances. The reason for making those payments was not revealed to audit.
- (iii) The contracting company did not have the capacity to commence work even after the payment of mobilization advances amounting to US\$ 34.50 million. Mobilization Advances paid up to 08 January 2015 had been US\$4.51 million less than that payable. as such, a foreign company had been given the opportunity of irregular utilization of Government money over 1 ½ years due to the payments made by the Ministry.
- (iv) If the prevailing fixed deposit interest rate was considered as 10 per cent and if the Mobilization Advances was invested in a Fixed Deposit Account for 1 ½ years, it had the ability to earn an interest income amounting to Rs.601.66 million. As such, a financial disadvantage amounting to Rs.601.66 million had been caused to the Consolidated Fund. The appropriate action for the recovery of the total sum consisting of the amount paid, the reduced exchange value of the currency during the entire period and the interest thereon and to take disciplinary action against the officers responsible for causing a loss to the Consolidated Fund had not been taken even by 09 August 2009
- (v) Stamped receipts had not been furnished by the company in acknowledgement of the advances amounting to Rs.4,011.05 million paid to that Company on three occasions in the years 2014 and 2015.
- (vi) Even though the Secretary to the Ministry had, by his letter No.MI/IRRI.Dev/02/2015/GNDP dated 02 December 2015 addressed to the contractor, requested for the return of the Mobilization Advance, the Ministry had not obtained the money even by 09 August 2016.

- (vii) Even though the Director General of the Department of Management Audit had, by his letter No.DMA/IA/2015/41 dated 26 October 2015 and the Secretary to the Ministry of Mahaweli and Environment had, by his unnumbered letter dated 11 December 2015, informed that action should be taken before the expiry of the Bank Guarantee, that is 09 December 2017 for the recovery of the Mobilization Advance and the loss relating thereto such action had not been taken.

3.9 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	04	02	02
(ii)	Tertiary Level	13	07	06
(iii)	Secondary Level	40	31	09
(iv)	Primary Level	30	19	11
	Total	87	59	28

Even though the provisions made according to the Appropriation Account prepared for the year 2015 had been saved without being utilized when there were 28 employee vacancies by the end of the year under review, the existence of vacancies of the staff did not have an impact on those savings. As such, an over-estimation of the Approved Cadre was observed in audit.

(b) Irregular release of Human Resources to other Parties

The particulars of human resources irregularly obtained by the Ministry from other parties during the year under review are given below.

Category of Employees	Numbers	Other Party	Period of Release
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(i) Driver	01	Department of Irrigation	From 29 June 2015 up to date
(ii) Labourer	01	Water Resources Board	From 09 September 2015 up to date
(iii) Labourer	01	Water Resources Board	From 27 January 2016 to 21 June 2016
(iv) Office Assistant (Casual)	01	Water Resources Board	From 22 September 2015 up to date
(v) Office Assistant (Contract Basis)	01	Water Resources Board	From 13 November 2015 to 02 December 2015
(vi) Office Assistant	01	Water Resources Board	From 11 February 2016 to 11 March 2016
(vii) Manager (Control) (Contract Basis)	01	Water Resources Board	From 18 June 2015 up to date

The salary and allowances of the Driver deployed in the work of the Ministry without approval for the year under review amounting to Rs.197,340 had been paid from the Head of the Department of Irrigation. The salaries and allowances of the Labourers, Office Assistants and the Manager for the year under review amounting to Rs.437,444 had been paid by the Water Resources Board.