

Report of the Auditor General on Head 282 – Department of Irrigation - Year 2015

The audit of the Appropriation Account, and the Reconciliation Statements including the financial records, books, registers and other records of the Head 282 – Department of Irrigation 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 Director General of the Department on 08 August 2016. The audit observations, comments and findings on the accounts and the 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 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 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

(a) Total Provision and Expenditure

The total net provision made for the Department of Irrigation amounted to Rs.13,397.22 million and out of that, a sum of Rs.13,198.16 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Department amounted to Rs.199.06 million or 1.49 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	2,848.87	2,821.11	27.76	0.97
Capital	10,548.35	10,377.05	171.30	1.62
Total	13,397.22	13,198.16	199.06	1.49

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

Provisions totalling Rs. 2,545 million had been made available by other 2 Ministries and 4 Departments for various activities and out of that Rs. 1,504 million had been utilized by the end of the year under review. Accordingly Rs.1,041 million or 40.90 per cent out of the provisions received had been saved.

2.2 Advances Account

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.28201 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
143.78	137.37	115.00	136.84	500.00	356.86

2.3 General Deposit Accounts

The balances of 05 Deposit Accounts under the Department as at 31 December 2015 totalled Rs. 556.29 million. Details appear below.

<u>Deposit Account Number</u>	<u>Balance as at 31 December 2015</u>
	Rs. Millions
6000/0000/00/0001/0022/000	13.15
6000/0000/00/0001/0041/000	3.24
6000/0000/00/0016/0008/000	258.12
6000/0000/00/0018/0010/000	279.92
6000/0000/00/0013/0036/000	1.86
Total	556.29

2.4 Audit Observation

The Appropriation Account, and the Reconciliation Statements for the year ended 31 December 2015 of the Department of Irrigation had been satisfactorily prepared 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 the Management Audit Report, appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

The Register of Liabilities had not been maintained by the Department in the proper and updated manner in terms of Financial Regulation 214.

3.2 Lack of Evidence for Audit

As reported two payment vouchers relating to the Department valued at Rs. 711,312 were misplaced of those action had not been completed in terms of Financial Regulation 272(2).

3.3 Appropriation Account

3.3.1 Budgetary Variance

The following observations are made.

- (a) The Department of Treasury Operations had not issued sufficient imprests to be utilized, out of the provisions made for 14 Objects. Therefore, provisions ranging from 6 per cent to 61 per cent of the net provisions of those 14 Objects had been saved by the end of the year under review.
- (b) Entire provisions made for 05 Objects under Development Programmes amounting to Rs. 340,000,000 had been transferred to other Objects. The provisions had been made for the projects which could not be implemented and subsequently those were transferred to other projects.

3.3.2 Utilization of Provisions made available by other Ministries and Departments

Out of the provisions made available by Ministry of Mahaweli Development and Environment, Ministry of Irrigation and Water Resources Management, Department of Wildlife Development, Department of National Zoological Gardens and Department of Agriculture, provisions of Rs. 675,812,469 or 60 per cent, Rs. 353,768,084 or 26 per cent, Rs. 4,110,630 or 94 per cent Rs. 3,199,477 or 33.5 per cent and Rs. 4,020,150 or 100 per cent respectively had been saved due to non - utilization of provisions for execution of respective purpose.

3.4 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 08 deposits older than 02 years (except land deposits) totalling Rs. 39,904,408.

3.5 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 2015 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. 14,995,956. Even though, those outstanding balances remained over a period ranging from 1 year to 21 years, the follow – up action on the recovery of the outstanding balances had been at a weak level.
- (b) A difference of Rs. 977,250 was observed between the value of the individual balances shown in the Members Loan Registers and the value of the Individual Balances furnished with the Reconciliation Statement.
- (c) The loan balances amounting to Rs. 345,414 remained recoverable by the Department from 14 officers retired in the year 2014 and in previous years had not been recovered even by 31 December 2015.

3.6 Good Governance and Accountability

Internal Audit

The permanent cadre of the Irrigation Department had consisted with 6,029 staff as at 31 December 2015. The functions of the Department had been executed by the Head Office and 14 Zonal Offices which scattered throughout the country. Nineteen officers had been approved to execute the internal audit functions in respect of the internal control systems according to the laws, rules and regulations established in the Department and on economy, efficiency and effectiveness of the various projects implemented by the Department. Eight posts had been vacant by 31 December 2015. Further, the Department had failed to provide adequate training during the year under review to improve the effectiveness of the internal audit staff.

3.7 Assets Management

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

(a) Idle and Underutilized Assets

The following observations are made.

- (i) Thirty nine official quarters belonging to the Department had destroyed due to non – maintenance of the quarters properly. Further, 118 official quarters had remained idle for a long period due to dilapidated condition and the officers are not willing to accept the quarters for occupation.
- (ii) Twenty seven guns, 83 SG bullets and 272 rifles belonging to the Irrigation Engineer’s Office, Padaviya had not been utilized for over a period of 25 years, and action also had not been taken to dispose them.

(b) Assets given to External Parties

Instances of 16 official quarters belonging to the Department released irregularly to external parties were observed. Details appear below.

- (i) Even though, it was identified that unauthorized persons had occupied in 16 official quarters belonging to the Department, legal actions had not been taken to remove them.
- (ii) Forty two official quarters had been given irregularly to the Government Departments and other Government Institutions.

(c) Irregular use of Assets belonging to other Institutions

Ten Motor Vehicles received from other institutions had been utilized by the office of the Zonal Director of Irrigation, Anuradhapura and the offices of the Regional Directors of Irrigation without a formal authority.

(d) Unsettled Liabilities

The unsettled liabilities of the Department less than one year old as at December 2015 amounted to Rs. 2,342.76 million. Contrary to the provisions of the Financial Regulation 94(1) the liabilities incurred had exceeded the savings after the utilization of provisions made for 19 Objects by a sum of Rs.2,060.33 million.

3.8 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 analyzed below.

Reference to Laws, Rules and Regulations

Non - compliance

(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka

Chapter XII Section I

The Accountant of the office of the Zonal Irrigation Engineer, Anuradhapura had not reported for work for 130 days in the year 2015 without an approval. That period had also not been recorded in the leave register as the leave that he obtained. Further, the said officer had signed the arrival for 100 days, but the departure had not been signed without attending for outside duty.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 104

Inordinate delays were observed in taking actions in terms of the Financial Regulations in respect of 15 vehicle accidents caused during the period from the year 2009 to 2014 in the office of the Regional Irrigation Engineer, Ampara.

(ii) Financial Regulation 262

Twenty payment vouchers had been entered into the cash book without writing cheques by the office of the Regional Irrigation Engineer, Akkaraipattu.

(iii) Financial Regulation 316

Cash belonging to office of the Regional Irrigation Engineer, Akkaraipattu had been kept unsecurely in the table drawer of the Management Assistant of the subject without keeping in a safe.

3.9 Implementation of Projects under Domestic Financing

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

(a) Projects Abandoned without Commencing

Even though the following projects should have been commenced by the Department during the year under review, those projects had not been commenced.

Project	Estimated Cost	Reasons for not Commencing (briefly)
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	Rs.	
Construction of Water Pump House - Pethiyagoda	50,000,000	Failed to remove unauthorized occupants.
Ellapothana Anicut	25,000,000	Non - completion of Land acquisition activities.
Elleweva Tank	30,000,000	Problems regarding resettlement and acquisition of lands.
Rugama - Kitul Tank	60,000,000	Lands and technical Problems.

(a) Projects Abandoned without Completing

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

Project	Estimated Cost	Date of Commencement	Expenditure upto 31 December 2015	Reasons for Abandoning
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	Rs.		Rs.	
Construction of Dembaraara Feeder Canal	31,635,771	2010	18,406,471	Not furnished
Rehabilitation of Thalakola Weva	2,685,354	21 December 2011	2,059,773	Not furnished

3.10 Deficiencies in the Operation of Bank Accounts

(a) Non – preparation of Bank Reconciliation Statements

The Bank Reconciliation Statements in respect of 07 bank accounts of the 06 Offices of Zonal Directors of Irrigation for the year 2015 had not been prepared and furnished.

(b) Long delays in the Preparation of Bank Reconciliation Statement

Long delays were observed in preparation of Bank Reconciliation Statements of the offices of Zonal Directors of Irrigation, Anuradhapura and Ampara.

3.11 Transactions of Contentious Nature

The following transactions of contentious nature had revealed during the audit test checks carried out relating to the transactions made by the Department.

The value of the shortage of measuring equipment of a Store Keeper in his service period before 2002 had been reported as Rs. 4,313,239. That officer had worked in the Water Strengthen Division and he had been sent on the compulsory retirement 09 May 2002. According to the decision of the case filed against him relating to the shortage, a sum of Rs. 411,051 only had been recovered from the officer. The Department had failed to furnish the final report to be submitted within 03 months in terms of the Financial Regulation 104(4) even by 31 August 2015. Proper follow - up action had not been taken to recover this shortage occurred before 13 years. Further, disciplinary action whatsoever had not been taken against the officers who had not taken action to recover this shortage.

3.12 Irregular Transactions

Transactions without Authority

In terms of the Public Administration Circular No. 25/2014 dated 12 November 2014, permanent appointments had been awarded to 1,755 employees by stating that they were recruited to the Department of Irrigation on the basis of temporary, casual (daily based) substitute, contract or concessionary basis. Two hundred and thirty employees out of the 1,755 employees had left from the posts on various reasons by 31 December 2015. The employees so deployed and in service as at 31 December 2015 were 1,525. The following deficiencies were observed during the course of audit checks on those employees.

- (a) In terms of paragraph 1 of the above Circular, the permanent appointments should be awarded to the employees who recruited to the Department and deployed in the service even at that time. Nevertheless, the employees who were not recruited by the formal appointment letters had been given permanent status as well. Since most of the employees, out of them had been deployed in the service as adhoc basis, it was observed that the recruitment of that employees was not covered by the above Circular and the permanent status could not be given to them.
- (b) Audit test checks revealed that the permanent status had been given to 16 employees who had not completed the continuous service of 180 days as at 24 October 2014 in terms of paragraph 2 of the above Circular without considering that requirement.
- (c) The all adhoc 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 the service break had been given. The permanent appointments had been awarded to such employees by considering that they had a continuous period of service in terms of paragraph 2 of the above Public Administration Circular.

3.13 Transactions in the Nature of Financial Frauds.

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

(a) Fake Appointments

It was observed in audit that the signatures shown in the appointment letters issued relating to awarding appointments for 15 posts of Stores Assistants and Labourers in the offices of the Directors of Irrigation, Ampara and Batticaloa, had not agreed with the signature of the former Director General of Irrigation and this type of appointments had not been awarded by the Head Office of the Department.

(b) Preparing False Documents for awarding Appointments

The following observations are made in this connection.

- (i) In terms of the paragraph 2 of the Public Administration Circular No. 25/2014 dated 12 November 2014, the permanent status should have only been given to the employees who had completed satisfactory service of 180 days continuously. Nevertheless, the permanent appointments had been awarded to 04 employees who had not completed the required service period in the offices of Regional Irrigation Engineer, Hiriyala, Nachchaduwa, Wariyapola, Inginitiya and Kandy and Head Office, Colombo. Instances of submitting of forged documents such as applications with false information, preparation of false history sheets, false medical reports, false diagnosis cards were revealed during audit test checks carried out thereon.
- (ii) It was revealed during audit test checks that 07 employees who had not been deployed in the service of the Department even one day, had been confirmed in the service of the Regional Irrigation Office of Padaviya and Hiriyala and in the Head Office, Colombo by preparing applications and history sheets by including forged information such as number of days of the service period, salaries paid, checkroll numbers etc.
- (iii) An employee had been deployed in the service on contract basis for 06 months as a Technical Work Inspector in the Dry Zone Urban Water and Sainitation Project implemented by the National Water Supply and Drainage Board in the Puttlam and Chilaw District (implemented under the supervision of the Department) on the Asian Development Bank grants and the salaries had been paid from project funds. A false appointment letter for that employee had been prepared mentioning that he was an employee of the Department and the permanent status for the post of Technical Assistant of the Department had been awarded in terms of the Public Administration Circular No. 25/2014 dated 12 November 2014.

3.14 Losses and Damage

A sum of Rs. 301,408 has to be recovered further, from the cash frauds made in 3 instances as at 31 December 2015. Out of that 02 frauds amounting to Rs. 261,777 occurred prior to period of 19 years and 36 years. A sum of Rs. 40,131 has to be recovered further from a cash fraud made in the year 2014. The Department had failed to recover the loss incurred in terms of Financial Regulation 104.

3.15 Unresolved Audit Paragraphs

Reference to the audit paragraphs on which the Department had not rectified the deficiencies out of those 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

Year	Paragraph Number	Subject under Reference
2006	3.1 (a)	Irregularities done by an Engineering Assistant under the Sugaladevi Weva Project.
2006	7.2(a)	Obtaining a concrete mixture for Veheragala Project.

3.16 Management Weaknesses

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

- (a) Action had not been taken to amend the Irrigation Ordinance No.32 of 1946 and amendments made thereto from time to time, in a manner to suitable at present.
- (b) A correct Organization Chart relating to the rescheduling made after the adjustments of the cadre of the Department of Irrigation made in the year 2013 had not been prepared. The duty lists for each post in respect of 42 posts of Civil and Mechanical Directors of the Department had not been furnished to audit.
- (c) Even though, the provisions of Rs.525,000,000 had been made for construction of Kumbukkanoya Tank Project from the year 2012 to 2015, a feasibility study and an environmental study thereon had not been carried out.
- (d) Thirty nine official quarters belonging to the Department were destroyed due to non – maintenance of those properly. The offices of the Army, Police and other institutions had been established in 42 official quarters whereas action had not been taken by the Department to settle those matters. Further, 16 official quarters belonging to 09 Regional Engineering offices had been dwelled by the unauthorized persons.
- (e) An official quarters in the area of Ampara, Weeragoda had been given to a farmer because his house was broken as the floods occurred due to an irrigation canal was broken and that quarters had not been acquired back.
- (f) Even though 10 motor vehicles received from other institutions had been used by the office of the Director Irrigation and the office of the Regional Engineer, Anuradhapura action had not been taken to vesting those vehicles to the Department.
- (g) A Register had not been prepared to list out the vehicles belonging to office of the Director Irrigation, Anuradhapura and the vehicle maintenance files had not been

updated. Monthly Vehicle Running Charts had been prepared incompletely and had not been furnished to audit.

- (h) Nine agreements had been entered into with 04 contractors to construct Debaraara Feeder canal in the year 2010. But those constructions had not been completed even by 31 December 2015. Even though a sum of Rs. 2,749,000, out of the advances granted to the contractors should have been recovered, action had not been taken to recover those money even by 31 December 2015. The quantifiable value of the expenditure of the respective constructions amounting to Rs. 18,406,471 had become a fruitless expenditure.
- (i) An agreement amounting to Rs. 2,685,354 had been entered into with a private institution on 21 December 2011 for the rehabilitation of the Thalakolaweve tank. Sections of work amounting to Rs. 2,059,773 only had been completed by the end of the year under review and the Department had failed to complete the entire work even by 30 June 2016.
- (j) There was a possibility to prepare one estimate, for the Development of Kimbulode, Irrigation Road to the length of 946 meters despite that, 2 estimates had been prepared. Thirty meters length had been included in both estimates and as such the estimated expenditure was increased by Rs. 52,439. Even though the estimate should be prepared before commencing of the work, the work of the above project had been commenced in June 2015 and the preparing estimate was delayed up to September 2015. According to the estimate, the soil for 4.76 meters should be removed from the surface, the soil had been removed only for 04 meters. Further, according to the estimate, the width of the Road should be 8 meters. But in the field inspection it was observed that the average width of the road had been less than 07 meters.
- (k) The authorized limit of Rs. 2,000,000 of the Regional Irrigation Engineer for construction of Galamuna Anicut, had been exceeded and entered into an agreement for a sum of Rs. 2,695,000. The procurement procedure to select the respective contractor for this project had not been followed.
- (l) When preparing estimates for the reconstruction of the sections of 139 metres of Pallayadiyan right side which was washed away due to floods, the estimate had been prepared 9 metres less. Even though, this estimated value of Rs.750,000 had been sanctioned, the respective plans had not been approved by the office of the Director, Irrigation. Nine months had been spent for this work, and the most of the soil used for the road had washed away by the date of audit. The soil used had not been compacted and the soil mixed with sand had been put on the road was observed.

3.17 Human Resources Management

(a) Approved Cadre and Actual Cadre

Even though it was stated that the Approved Cadre amounted to 6,453 and the Actual Cadre amounted to 5,417 as at 31 December 2015, the particulars according to the Category of Employees had not been furnished to audit.

The following observations are made.

- (i) The vacancies had been 1036 by the end of the year under review. According to the Appropriation Account prepared for the year 2015, the provisions had been saved without being utilized. But the remaining staff vacancies had not affected to those savings. Therefore, overestimation of approved cadre was observed in audit.
- (ii) Action had not been taken by the Department to obtain a formal approval for the 612 excess cadre recruited.
- (iii) Even though, it was reported to the Department of Management Services that the number of employees who had been given permanent appointments according to the Public Administration Circular No. 25/2014 dated 12 November 2014 amounted to 1,686, it was mentioned in the report furnished to audit in June 2016 that the recruited employees had been 1,755 employees. But action had not been taken to include those employees to approved cadre of the Department even by 30 June 2016. The permanent appointments had also been given to the employees who were not qualified as the erroneous particulars submitted by certain employees had been confirmed by the officers as accurate.

(b) Irregular Release of Human Resources to other parties

Even though, the details relating to the human resources released irregularly to other parties in the year under review by the Department had been requested by the letter No. IEN/A/SA/16/15 dated 05 April 2016, no reply for the request had been given even by the end of the year under review. But 09 officers of the Department had been irregularly released to the external institutions by 31 December 2014.