

Report of the Auditor General on Head 198 – Ministry of Irrigation and Water Resources Management - Year 2016

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 2016 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Secretary to the Ministry on 11 September 2017. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and substantive 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, Public Finance and Administrative Regulations. This responsibility includes; designing, implementing and maintaining internal control necessary to enable 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.13,703.21 million and out of that a sum of Rs.5,592.99 million had been utilized by the end of the year under review. Accordingly, savings out of the net provisions of the Ministry amounted to Rs.8,110.22 million representing 59.18 per cent of the total net provision. Particulars are given below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	434.59	408.37	26.22	6.03
Capital	13,268.62	5,184.62	8,084.00	60.93
Total	13,703.21	5,592.99	8,110.22	59.18

2.2. Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Account Item No.19801 relating to the Department 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
8.5	8.47	6	6.96	31	24.75

2.3 General Deposit Account

The total balances of 3 general deposit accounts under the Ministry as at 31 December 2016 amounted to Rs.8.55 million. Particulars are given below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. millions
6000/0000/00/0013/0148/000	0.18
6000/0000/00/0016/0133/000	3.30
6000/0000/00/0018/0123/000	5.07
Total	<u>8.55</u>

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Irrigation and Water Resources Management for the year ended 31 December 2016 have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. Out of the observations, the material and significant observations appear in Paragraph 3 herein.

3. Significant and Material Audit Observations

3.1 Non-maintenance of books and records

The Ministry had not maintained the following registers.

Type of Registers	Relevant Regulation
Register of fixed assets	Financial Regulation 502 (2)
Register of Losses	Financial Regulation 110.
Inventories of Electrical Fittings	Financial Regulation 454 (2)
Register of Fixed Assets of Computers, Appliances and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.

3.2 Replies to audit queries

Replies to 4 audit queries issued to the Ministry in the year under review had not been presented even by 31 July 2017. The computable value of transactions relating to those audit queries amounted to Rs.54.57 million.

3.3 Reconciliation Statement of the advances to Public Officers Account

According to the reconciliation statement presented to audit the outstanding balances as at 31 December 2016 totalled Rs.1.60 million. Although those balances had remained outstanding for periods ranging from 01 to 20 years the follow up action of recovery had been at a weak level.

3.4 Good Governance and Accountability

Internal Audit

Even though 4 institutions had been established under the Ministry, the Internal Audit Division of the Ministry had consisted of the Chief Internal Auditor and 2 Engineering Assistants. However, the number of officers attached to the Internal Audit Division had been insufficient, in considering the functions of the Ministry.

3.5 Assets Management

Audit test check carried out in respect of the assets of the Ministry observed the following weaknesses.

(a) Idle and Under utilized Assets

Six motor vehicles belonged to the Ministry in running condition but not being run and 5 motor vehicles to be repaired had been parked in the Irrigation Department premises for a long period.

(b) Conducting annual Board of Surveys

In terms Public Finance Circular No.05/2016 dated 31 March 2016, the Board of Survey for the year 2016 should be conducted and the reports therein should be submitted to the Auditor General before 17 March 2017. However, such reports had not been submitted to audit by the Ministry even up to 30 June 2017.

(c) Assets given to external parties

Sixty seven motor vehicles and 5 motor vehicles had been given to the Department of Irrigation and the Water Resources Board respectively, without being properly transferred the ownership.

(d) Improper utilization of assets not aquired

Kothmale International Training Institute belonging to the Ministry had been operated in a land and buildings belonged to the Mahaweli Authority and constructions works had been carried out in those lands and buildings but action had not been taken to get them transferred even by 11 September 2017.

(e) Unsettled Liabilities

The unsettled liabilities as at 31 December 2016 by the Ministry amounted to Rs.100.67 million and an age analysis of those liabilities could not be ascertained as a register of liabilities had not been maintained. Further, the liabilities of Rs.564.18 million had not been disclosed in the appropriation account prepared as at the end of the year under review.

(f) Incurring of commitments without net provision

According to the provisions in Financial Regulation 94, no expenditure or commitments shall be incurred, unless financial provision exists therefor and at no time shall the commitments and the expenditure incurred, exceed such provision for the financial year. Nevertheless, the ministry had incurred commitments of Rs.1.98 million in excess of net provision and liabilities of Rs.1.43 million without net provision.

3.6 Non-compliances

Non-compliance with Laws, Rules and Regulations

Non-compliances with laws, rules and regulations observed at audit test checks are analysed below.

Reference to Laws, Rules, Regulations etc.	Value	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 133 - Even though important matters such as functions and scope of the work of Internal Audit Units are

			stated in Financial Regulations, the internal audit committee set up for internal audit functions of the minimization of Climate Resilience Improvement Project had not so performed its duties.
(ii)	Financial Regulation 139	104,997,160	Payment vouchers of minimization of Climate Resilience Improvement Project had not been checked by an authorized officer before making payments.
(iii)	Financial Regulation 371	569,850	Sub-imprest in the Kothmale International Training Institute had been granted to non-staff grade officers.
(b)	Public Administration Circulars		

	Circular No.09/2007 of 11 May 2007.	51,948,177	Action had not been taken to recruit officers required for training functions in the Kothmale International Training Institute and service of retired officers had been obtained by entering into an agreement with a private company and made payments in excess of the limit specified in the circular. Furthermore, it was stated in the circular that the maximum age limit for the re-employment of retired government officers was 67 years but the Kothmale International Training Institute had employed 2 officers, exceeding that age limit.

3.7 Foreign Aids Projects

The Ministry had implemented a project under the foreign financing in the year under review and its estimated cost amounted to Rs.3,054 million, out of which a sum of Rs.2,552.22 million had been utilized during the year under review. In addition, the Ministry had a project which should have been completed in the year 2013 as well. The following observations are made in this foreign aid projects.

3.7.1 Minimisation of Climate Resilience Improvement Project

(a) Performance of the Project

The following observations are made.

- (i) Even though it was intended to establish a planning unit in order to prepare investment plans for 10 selected water basins and flood and drought conditions and to prepare plans by a Local Board with a team of specialists attached to that unit, investment plans had been prepared only for 2 water basins by 31 December 2016.
- (ii) Out of 12 contracts for the minimization of earth-slip prone schools, implemented by the National Buildings Research Organization, 4 contracts had been commenced and only 01 thereof had been completed. The progress of other contracts had ranged from 06 per cent to 90 per cent.
- (iii) The Road Development Authority had awarded 9 packages identified to improve impending bridges and culverts and to prevent inconveniences which might cause due to flood and earth-slips and to improve 7 impending slopes. The progress of the reconstruction of Nedimala- Boralesgamuwa Bridge and the development activities of Batticalow – Trincomalee Road and Kandy Mahiyanganaya Road had ranged from 35 per cent to 85 per cent.

(b) Site inspection in respect of construction works carried out by the project in the North Central Province

The following observations are made.

- (i) Cracks in 5 places in the left side bund of the Nuwara Lake right spill-way canal and water leaking in 5 places of the bund, 1 ½ feet height from the bottom in the same place had existed.
- (ii) Even though the road leading near Nuwara Tank spill-way canal should be crushed by gravelling 850 meters in length, 100 meters at the beginning and 250 meters at the end had not been constructed. A suitable drainage system had not been put up to seep rain water into the spill-way canal even in the part of road constructed.
- (iii) In the construction of the 7th Keth Ela and the agro-road under the work of construction and improvement of Thisa tank main creation, it had been under estimated by 14 meters and as a result, the people did not get the real benefit of development.
- (iv) In the development of Abhaya Tank spill-way canal, it was estimated to deepen the spill-way canal and squeeze sufficiently by filling earth, besides the bonds and to develop agro-road parallel thereto. However, the

Department of Archaeology had stopped construction of 3,117 meters stating that there were archaeological monuments along this canal, 4,925 meters in length, but the Department had subsequently informed how to do these construction works. However, the Department of Irrigation had failed to take action as per these instructions. Furthermore, the last part of 1,045 meters of agro-road between 3,880 meters and 4,925 meters of the canal had not been constructed.

- (v) Concrete in the sluice gates and passenger bridges constructed to remove excess rain water from D16 and D17 canal of the Padaviya Tank and surrounding areas had not been used up to the specific standard and as a result, iron wires had come out therefrom and subjected to be corroded.

- (c) Incurring expenditure, contrary to objectives

The objective of the project is to minimize sufferings of people and assets open to climate risk and to improve the recipient capacity enabling to response effectively for disasters. Nevertheless, at a workshop in Nuwaraeliya for 3 days for the awareness of peasantry in Polonnaruwa District, one-hour lecture on requirement of survival bad weather impact had been delivered to make aware of peasantry and an expenditure of Rs.621,300 had been incurred out of the project Fund.

3.7.2 Pro-poor Economic Advancement and Community Enhancement Project

Liquidation of the Project

The following observations are made.

- (a) The project had been completed as at 22 October 2013 but winding up activities had not been completed even by 30 June 2017.
- (b) In the winding up of the project, a Fuso cab costing at Rs.7,300,000 and a refrigerator with a chassis and a milk production unit costing at Rs.15,675,310 had been purchased to the Nirawiya Farm of the Mahaweli Authority which did not come under project activities.

3.8 Performance

Activities contrary to main functions

Irrelevant to the scope of the Ministry of Irrigation and Water Resource Management, and relevant to the scope of the Ministry of Defence, out of the provision of Rs.1,097.08 million made for the year 2016 for the import of Perasavi Buildings contract from the government of China, a sum of Rs.1,091.15 million had been spent. The Ministry had incurred a total expenditure of Rs.12,442.54 million as at 31 December 2016 for this purpose.

3.9 Transactions of contentious nature

Certain transactions carried out by the Ministry had been of contentious nature. Particulars of some such transactions are given below.

- (a) Even though, a mobilization advance of Rs.4,011.05 million had been paid to a foreign company for the diversification of Ging and Nilwala Project, any works whatsoever had not been carried out by that company up to the end of the year under review. Even though, a sum of US\$ 34.5 million should have been paid to commence the work as an advance, an under payment of US\$ 4.51 million had been made. Payment to a foreign company from the Consolidated Fund without any benefit for a period nearly 2 ½ year had been controversial. If it takes the interest rate for fixed deposits at 13 per cent, an interest income of Rs.1,303.59 million could have been earned if the mobilisation advance paid to the foreign company had been deposited in fixed deposits for 2 ½ years.
- (b) Fifty trainees had been enrolled to the Kothmale International Training Institute as the first batch and their results had been released in June 2016. However, it was observed in audit that the attachment them to the service even by 8 March 2016 was problematic in audit.
- (c) According to an agreement entered into with the Mahaweli Consultancy Services Ltd. a retired Engineer had been attached to the Institute for Training activities on contract basis, and a sum of Rs.592,232 had been paid in the years 2016 and 2017 only for fuel and repair expenses by giving him a motor vehicle with a driver without any authority. Even after the termination of the service agreement with the Mahaweli Consultancy Services Ltd. since November 2016, a sum of Rs.22,135 had been paid for the supply of fuel for the month of December.
- (d) In supplying lunch to officers who had participated in the “Siri Dalada Yal Harvest Puja”, they had been provided 200 buffet lunch valued at Rs.2,500 per person and 2,000 lunch Purcell to farmers’ representatives at Rs.250 per packet purchased from the Grand Kandian Hotel. While a Lunch Packet valued at Rs.250 had been provided to peasantry who were the Kore group of the Siri Dalada Yal Harvest Puja the provision of a buffet Lunch at Rs.2,500 per officer was not explained to audit.

3.10 Irregular Transactions

The following observations are made.

- (a) Deviating from Procurement Process

 - (i) A Procurement Plan had not been prepared in terms of Guideline 4.2 of the Procurement Guidelines and a register to indicate the particulars of Procurements had not been prepared.

- (ii) Procurement decisions should be taken by all members of the Procurement Committee, together but goods valued at Rs.1,429,372 had been procured in 19 instances in the year 2016, without taking collective decisions.

(b) Transactions without Authority

A revenue of Rs.9,309,225 had been earned during the year 2016 by conducting 36 in Service Training Programs in the Kothmale International Training Institute. Contrary to the Financial Regulation 149, such revenue had been credited to the general deposit account and incurred expenditure therefrom without being credited to the Consolidated Account.

3.11 Transactions of financial discrepancy nature

Two higher officers in the Ministry who had made a foreign tour had taken a sum of Rs.1,290,982 as combined allowance and incidental allowances by utilising a sinister document.

3.12 Management Weaknesses

Audit test checks observed the following weaknesses.

- (a) Even though the Nissan bus and a Jeep had been handed over to the Mechanical Workshop at Madatugama in the year 2014 for repair, it had not been repaired even after a lapse of over 3 years. The follow up action in this regard had not been taken even up to 31 July 2017.
- (b) A motor vehicle repaired from the Madatugama Mechanical Workshop in the year 2014 had been returned back to the workshop, as it had not been properly repaired. Action had not been taken to get it repaired even up to 31 July 2017.
- (c) Even though, an advance of Rs.467,100 had been paid on 27 November 2013 for an estimate of Rs.778,500 in respect of repairs to the Madatugama Mechanical Workshop, it had not been repaired and handed over even up to 31 July 2017. The follow up action had also not been taken in this regard up to that date.
- (d) A motor vehicle had been handed over to the Madatugama Mechanical Workshop for repairs in the year 2013 and paid an advance of Rs.448,200 for an estimate of Rs.330,000. However, it had not been repaired and returned even up to July 2017.
- (e) A Super Luxury Circuit Bungalow with all facilities had been maintained within the Kothmale International Training Institute premises. Even though, it had been given to various officers and persons for official purposes, holidays and various festivals, no any fees whatsoever had been recovered for those functions.
- (f) The place where brass alms bowls purchased by incurring an expenditure of Rs.37,000 for Siri Dalada Yal Harvest Puja and the folding hut purchased by incurring an expenditure of Rs.57,000 had been stored was not opened for audit. Even

though a total sum of Rs.306,226, comprising a sum of Rs.275,826 collected from 26 farmers societies and a sum of Rs.25,400 collected from government officers for this Puja, the acknowledgement receipts for this money had not been issued and this money had not been shown in the accounts as well.

3.16 Human Resources Management

(a) Approved and Actual Cadre

Cadre position as at 31 December 2016 is given below.

	Posts	Approved Cadre	Actual Cadre	No. of Vacancies
(i)	Senior Level	28	14	14
(ii)	Tertiary Level	04	02	02
(iii)	Secondary Level	54	32	22
(iv)	Primary Level	36	23	13
	Total	122	71	51

(b) Human Resources obtained from external parties

Six employees had been taken by the Ministry from the Water Resources Board during the year under review and the previous year and a sum of Rs.1,354,613 had been paid as salaries and allowances of them by the Water Resources Board.

(c) Recruitment of a Human Resources Manager

The following observations are made.

- (i) A Human Resource Manager had been recruited for the Minimization of Climate Resilience Improvement Project and salaries had been paid, contrary to the Management Services Circular No.33 and 33-1.
- (ii) Even though, the service station of the Human Resource Manager recruited was the project Management Unit, he had been attached to the Director of Irrigation Office, Monaragala for the period from 25 May 2015 to 2017 and a sum of Rs.2,932,799 had been paid as salaries.
- (iii) The salary of Rs.103,000 payable in the 3rd year in terms of Management Services Circular No.01/2006 dated 24 March 2016, had been paid from the 1st year and as such an overpayment of Rs.96,000 had been paid for the period from May 2016 to May 2017.