

Head 166 - Report of the Auditor General of the Ministry of City Planning and Water Supply – Year 2017

The Appropriation Account and a Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the Ministry of City Planning and Water Supply. The financial and physical performance reflected from those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Ministry of City Planning and Water Supply – Head 166 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 21 August 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Ministry of City Planning & Water Supply for the year ended 31 December 2017 revealed in audit had been mentioned in detail in the Management Audit

Report mentioned in paragraph 1.3 above. The material and significant audit observations out of those observations appear in paragraph 2.1 to 2.11 of this report. It was observed that the accountability as the Accounting Officer has been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 127 of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph included Observation	
----- Financial Regulation -----	-----	-----	
127(1)(a)	All financial works are planned to ensure that the business is transacted with correctness and financial propriety.	1. Non - planning of Procurement activities sufficiently. 2. Non – maintenance of Registers and books.	2.4 2.9
127(1)(b)	A system should be evolved that provides adequate control over expenditure and the collection of revenue.	1. Management Deficiencies 2. Non compliances 3. Deficiencies in Human Resources Management	2.7 (අ) 2.10 2.11
127(2)	Existing item of expenditure as well as proposals for new or increased	1. Projects commenced after a delay 2. Un-implemented Projects. 3. Preparation of a Master Plan for the upliftment of cities	2.2.1 (a) 2.2.1(b)

	expenditure are closely examined in the Ministry from the points of view of economy and efficiency.	4. Uneconomic Transactions	2.2.1(c)
			2.6
127(3)	An arrangement is made that all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them.	1. Pooled vehicles 2. Non Confirmation of security of assets. 3. Irregular use of vehicles belonging to other institutions	2.5 (a) 2.5 (b) 2.5 (c)
127(5)	Important variations between provisions in the estimates and expenditure receive critical examination at the Ministry.	1. Non – utilization of provisions made available 2. Non- Utilization of provision made by Supplementary Estimates 3. Saving of provisions made under financial regulation 66 entirely. 4. Transferring the entire estimated provisions to other objects 5. Underutilization of provisions 6. Water supply projects under implementation 7. Settlement of Custom Duties 8. Overestimated Provisions	2.8 (a) (i) 2.8 (a) (ii) 2.8 (a) (iii) 2.8 (a) (iv) 2.8 (a) (v) 2.8 (a) (vi)
			2.8 (a) (vii)
			2.8 (a) (viii)

2. Material & Significant Audit Observations

2.1 Major functions of the Ministry

Major functions are as follows.

- i. Formulation of policies programmes and projects, monitoring and evaluation with regard to the subjects of city planning and water supply and subjects in the departments and statutory organization that come under the preview of Ministry.
- ii. Special city planning and development activities.
- iii. Operation and implementation of all construction works on the basis of national physical plans for urban development activities.
- iv. Adoption of measures to ensure supply of clean drinking water for all citizens.
- v. Investigations, planning, designing, construction, operation and maintenance of Water supply services, drainage systems and sanitation facilities.
- vi. Adoption of necessary measures for the efficient and systematic execution of Community Water Supply and Sanitations Projects.
- vii. Execution activities relating to an other subjects, which had been assigned to National Water Supply & Drainage Board and Department of National Community Water Supply
- viii. Monitoring activities of National Water Supply and Drainage Board and Department of National Community Water Supply.

2.2 Performance

2.2.1 Non Accomplishment of Functions

Following observations are made.

a) Delayed Projects

Since budgetary provisions had not been allocated during the year 2015 and 2016 for Second Stage in pipe laying from ground water tank in Andaragasyaya to Gannoruwa in Hambantota District, supplementary provisions amounting to Rs. 214.93 million and Rs.100 million respectively had been made available. However the entire provisions had been saved. An estimate provisions amounting to Rs. 70 million had been made available for this project even during the year under review and out of that only Rs.12.43 million or 18 percent had been incurred.

b) Un implemented projects

- i.) Provisions amounting to Rs. 60 million had been made during the year under review for 2 water supply projects of Large Scale Water Supply and Sanitation Project under the finance code of Foreign Finance related Domestic cost (Code No.17). However those projects had not been implemented.
- ii) The entire provision amounting to Rs. 2,920 million had been saved, since activities relating to 5 projects out of 21 water supply projects implementing under foreign loans had not been commenced.

c) Preparation of Master Plan for the Upliftment of Cities (166-2-3-33-2506)

Provisions amounting to to Rs. 3,355.38 million had been made available by supplementary estimates during the year under review for the preparation of master plan for the upliftment of cities. Only Rs. 1,220.61 million had been incurred out of that.

Following observations are made in this connection.

- (i) Provisions had been provided for the purpose of developing a selected city from each district as a dummy city as per the action plan. However as per information provided to Audit, provisions amounting to Rs.2,454.44 million has been provided during the year under review and only Rs.1211.93 million had been incurred for various development activities.
- (ii) As per the information provided to audit, a sum aggregating of Rs.529.78 million had been provided for 12 Projects and fund utilization of which was amounting to Rs. Rs, 156.32 million. The physical progress of these projects was in a range between 10 percent to 60 percent.

2.3 Sustainable Development

Provision of Clean Water and Sanitation Services had been identified as sustainable development goals of the Ministry of City Planning and Water Supply and implementation of provisioning piped borned water and implementation of sewerage and Septage treatment had been targeted. Safe drinking water and sanitation for all had been identified as indicators. The interested parties on achievement of Sustainable Development goals and objectives had been identified and programmes and awareness through circulars had been conducted on them.

2.4 Procurement Plan

A procurement plan had been prepared for the Ministry and a vehicle, not included in the procurement plan amounting to Rs.41.05 million had been purchased during the year under review.

2.5 Asset Management

Following deficiencies were observed during the audit test check carried out with regard to the assets of the Ministry.

a) Pooled Vehicles

07 Vehicles and 04 Motor Cycles which were not in usable condition had been parked in the Ministry's premises.

b) Non-Confirmation of the Security of Assets

A motor vehicle included in the list of vehicles of the Ministry, but registered under a name of another government institution had been insured by the Ministry and paid Rs. 33,337 as insurance charges. However as per the arrival and departure registers of the Ministry it was observed that the above mentioned vehicle had not arrived to or departed from the Ministry even for a single day during the period from 10 January 2017 to 26 October 2017.

c) Use of Assets belonging to other Public Institutions

20 vehicles including 3 vehicles belonging to National Water Supply & Drainage Board and 17 vehicles belonging to other public institutions had been utilized by the Ministry without being acquired in a proper manner.

2.6 Uneconomic Transactions

10 officers who are not connected to the functions of the Water Supply Sanitation & Improvement Project implementing under the Ministry had participated to the programme conducted in Indonesia and Rs. 6.13 million had been incurred on those officers.

2.7 Management Weaknesses

The land located in front of the Munneshwaran water supply office had been acquired on 21 June 2013 under the sub sections 38 (a) of Land acquisition Act , and that land had been valued to Rs. 9.85 million by the letter of Divisional Secretary in Chillaw dated 16 November 2014. Accordingly it had been informed to National Water Supply & Drainage Board to

release Compensation as appropriate. However, the board had failed to do so and as a result a sum of Rs. 2,623,406 had been released on 11 April 2017 as interest accrued on valuation. Accordingly this additional cost had to be incurred due to the failure of payment of compensation promptly.

2.8 Utilization of Provisions Provided by Parliament for the Execution of Duties

a) Appropriation Account

The particulars relating for the provisions made for the Ministry during 05 years ending 31 December 2017, utilization & savings and audit observation thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of net provision
		Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
2013	Current	187.7	187.1	0.6	0.3
	Capital	34,771.0	25,888.6	8,882.4	25.5
	Total	34,958.7	26,075.7	8,883.0	25.4
2014	Current	214.8	210.0	4.8	2.2
	Capital	30,601.1	27,039.3	3,561.8	11.6
	Total	30,815.9	27,249.3	3,566.6	11.6
2015	Current	213.1	210.9	2.2	1.0
	Capital	39,122.7	30,080.2	9,042.5	23.1
	Total	39,335.8	30,291.1	9,044.7	23.0
2016	Current	171.2	167.0	4.2	2.5

	Capital	34,560.2	26,410.2	8,150.0	23.6
	Total	34,731.4	26,577.2	8,154.2	23.5
2017	Current	180.5	179.2	1.3	0.7
	Capital	33,814.1	26,908.2	6,905.9	20.4
	Total	33,994.6	27,087.4	6,907.2	20.3

(i) Non Utilization of Provisions made available

The total net provision made available for three objects and two projects amounting to Rs. 60.48 million had been saved entirely. The entire provision made available for 2 objects out of this three objects had been saved even in the year 2016.

(ii) Non Utilization of Provisions made by Supplementary Estimates

A sum of Rs. 250 million had been provided by supplementary estimate during the year under review for the project of removing salt from sea water in Jaffna and Puttalam region under Public Private partnership. However the entire provisions had been saved due to non-implementation of the project during the year.

(iii) Saving of provisions made available under Financial Regulation 66 entirely

In order to enhance the Bandarawela Water Supply Scheme in Uva Province, a provision amounting to Rs. 115 million had been transferred under finance regulation 66. However the entire provision had been saved due to non- implementation of the project during the year.

(iv) Transferring the Entire Estimated Provisions to Other Objects

The entire provision made available for four objects amounting to Rs.1.8 million had been transferred to other objects.

(v) Underutilization of Provisions

Saving as a percentage of net provisions relating to 09 objects ranged between 31 per cent to 97 per-cent. Further provisions had not been made available for 3 projects out of one of the above objects and savings of supplementary provisions provided had been amounting to 64,81, and 97 per cent respectively.

(vi) Water Supply Projects Under Implementation

As per information provided to audit regarding 21 water supply projects implemented under a foreign financing agreement during the year, a provision amounting to Rs.

15,000 million had been made and a sum of Rs.6,191.45 million had been estimated for 08 projects. However Rs. 4,099.32 had been incurred exceeding that amount.

(vii) Settlement of Custom Duties

Custom Duties amounting to Rs 927.6 million payable in respect of the year 2010 and 2012 relating 05 projects implemented under Large Scale Water Supply & Sanitation schemes (166 – 2 – 5) had not been disclosed under the liabilities in the Appropriation Accounts of proceeding years submitted to audit. Accordingly the total expenditure of this project was Rs. 1,215.09 million during the year under review. However only Rs. 287.46 million or 24 per-cent of total expenditure had been incurred during the year under review ,since custom duty settled with respect to the year 2010 and 2012 had been included in it.

(viii) Overestimated provisions

The estimated provision under the object of land acquisition was Rs. 1000 million. However it had been transferred Rs.700 million to settle outstanding custom duty and Rs. 115 million to a project for improvement of emerging water supply scheme under financial regulation 66. Accordingly, as excess provision had been made under this object, only Rs.162.82 million had been incurred out of net provision of Rs.185million after transferring a provision of Rs. 815 million or 81.5 per-cent.

2.9 Non – Maintenance of Registers & Books

In terms of sections 891 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, a security register containing the names of officers required to give security shall be maintained. However it had been failed to do so.

2.10 Non Compliances

Noncompliance with Laws, Rules and Regulations

Instances of non – compliance with the Provisions in laws, rules and regulations observed during the audit test checks are analysed below.

	Reference to Laws, Rules and Regulations -----	Value Rs.Million -----	Non Compliances -----
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		Flood donation received from an institution had been retained in the deposit account and spent on it without being credited to government revenue.
(i.)	Financial Regulation 170 (2)	10	Daily Running Charts and
(ii.)	Financial regulation 1646	-	

Monthly Summaries should be submitted to Auditor's General's Department before 15th day of succeeding month. However it had been failed to update and submit.

(iii.) Financial Regulation 891 -

Securities have not been given by officers required to give securities.

(b) Circulars of the Presidential Secretary Office

Although a maximum 03 number of vehicles allocated for the use and security of the Minister, it had been exceeded.

Paragraph 03 of the letter No. -
CA/1/17/1/2010 dated 14 May 2010

2.11 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

(i) In order to perform the functions mentioned in paragraph 2.1 above, the particulars relating to the approved cadre, actual and vacant cadre as at 31 December 2017 are given below. The Ministry had incurred a sum of Rs. 88 million for the object of personal emoluments for the year under review. Accordingly the per- capita expenditure had been Rs.830,189. Details are given below.

Category of Employees	Approve Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	27	19	08
(ii) Tertiary Level	05	02	03
(iii) Secondary Level	80	51	29
(iv) Primary Level	41	34	07
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Total	153	106	47
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(ii) As per the letter of Management Service Department No. DMS/7777/WASSIP/ dated 29 August 2017, 03 Programme Officers for four years contract basis had been approved for the Water Supply Sanitation Improvement Project. However contrary to the Management Service Circular No. 01/2016 of 24 March 2016, two officers of the Ministry had been employed part timely.

(a) Human Resources obtained by other Parties in an irregular manner

- (i) As per the information provided by Ministry of City Planning & Water Supply (letter No. 01/07/23 and dated 06 February 2018) 79 officers of National Water Supply & Drainage Board had been released to the Ministry.
- (ii) As per the letter No. 2/1/2015/09-1 of 01 June 2018 submitted by the Ministry to the audit, it was reported that only 38 employees / officers of National Water Supply & Drainage Board are working in the Ministry. It was observed that those employees / officers are working in the Ministry under different designations such as Engineer Assistant, Management Assistant, Meter Reader, Driver since the years of 1995, 2008, 2013 and 2017.
- (iii) A sum of Rs. 82,916,013 had been paid by the National Water Supply & Drainage Board for the period of two years from December 2015 to November 2017 as salaries and wages.