

## **Report of the Auditor General on Head 198 – Ministry of Irrigation and Water Resources Management - Year 2017**

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The Appropriation Account and the Reconciliation Statements of the Head and subject number in the first schedule and third schedule of the Amended Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amended) Act No. 32 of 2017 had been presented to the audit by Ministry of Irrigation and Water Resources Management. The financial and physical performance indicated from that account and reconciliation statement was audited in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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

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As per Financial Regulation 124 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, 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 the supervision of all the financial operations of government. The Chief Financial Officers have been appointed for performing those duties as per Financial Regulation 124(2). In accordance with the Financial Regulation 125(1) (a), the Head of Department is the Accounting Officer in respect of all the financial transactions of his department and Revenue Accounting Officer is appointed by the Treasury. This responsibility includes the maintenance of accounts and the Reconciliation Statements that presented by performing own duties within the limits imposed by the Parliament 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, Government Financial regulations and Administrative Regulations, preparation and planning, implementation and maintenance of internal controls in relation to present fairly.

### **1.3 Scope of Audit**

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The audit of planning in respect of financial and physical performance, management of public income, public expenditure, human and physical resources, using of internal control provisions, compliance with laws, rules and regulations and maintenance of books, documents, reports and reconciliation statements by updating, preparation and presentation of accounts timely, issuing performance reports based on performance indicators to the related parties of the Head 198 – Ministry of Irrigation and Water Resources Management for the year ended 31 December 2017 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 31 July 2018. The audit observations, comments and findings were based on a review of the plans, accounts, reconciliations and performance reports presented to audit and substantive tests of samples of transactions. That review and the scope and extent of tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

## 1.4 Audit Observation

Audit observations revealed at the audit carried out of Ministry of Irrigation and Water Resources Management for the year ended 31 December 2017 had been stated in detail in the Management Audit Report mentioned in the above 1.3 paragraph. Material and significant audit observations had been mentioned in the paragraph 2.1 to paragraph 2.12 of this report out of those observations. Except for the audit observations that revealed when performing the provisions of Financial Regulation 127 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka so as to confirm the sufficiency of financial administration stated in the following note by summarizing, it was observed that the own accountability as the Chief Financial Officer had been accomplished in satisfactorily.

<b>Accountability of Chief Accounting Officer as per Financial Regulation 127</b>	<b>Non-compliance of those provisions by Chief Accounting Officer</b>	<b>Paragraph Reference to the report included the observation</b>
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Financial Regulations -----		
127 (1) (a)	All financial works should be planned so as to confirm that the works are in correctness and financial propriety. (Works in Ministry should be done not only in compliance with the financial and ministerial orders, but also compliance with the high standards on honesty in performing public works)	1. Non-utilization of provisions made by the parliament. 2.7 2. Payment of advance without provisions. 2.2.2 3. Non-maintenance of registers and books. 2.10 4. Deficiencies in internal audit. 2.11
127 (1) (b)	A system should be provided for adequate controls over expenditure and collection of public revenue	1. Unsolved audit paragraphs 2.6 2. Deficiencies in human resource management 2.12
127 (2)	Existing items of expenditure, as well as proposals for new or	1. Functions contrary to the main functions 2.1 2. Non execution of

	increased expenditure in the departments under own control, are closely examined in the Ministry from the points of view of economy and efficiency.	performance of the foreign funded projects. 3. Deficiencies in implementing procurement process	2.2.1 2.3
127 (3)	A way of all cases of doubt or difficulty is referred to him so that he may bring his own administrative experience and judgement to bear on them.	1. Hold annual Board of Survey. 2. Use of unassigned assets improperly.	2.4 (a) 2.4 (b)
127 (4)	Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them; and that important differences in the Estimates and the actual expenditure are critically investigated by him.	1. Make into obligations exceeding the annual budget limit. 2. Make into obligations without budget provision. 3. Deficiencies in monitoring bank accounts.	2.5 (a) 2.5 (b) 2.9
127 (6)	The collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	1. Deficiencies in advance account of government officers	2.8

## **2. Material and Significant Audit Observations**

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### **2.1 Performance**

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#### **Activities out of the objectives that contrary to the main functions**

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An amount of Rs. 13,003.3 million had been spent for importing Perasavi Buildings from the Government of China for public institutions from year 2012 to 2017 and the information of handing over by fixing those Perasavi Buildings had not been presented to the audit even by 30 June 2018.

## **2.2 Implemented Local and Foreign Funded Projects**

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A sum of Rs. 300 million of provisions for a project implemented by using local funds and a sum of Rs. 6,545 million of provisions for 04 foreign funded projects had been made by the Ministry in the year under review and Rs. 2,825 million had been utilized as Rs. 147 million and Rs. 2,678 million respectively. Accordingly, provisions of Rs. 4,020 million that is 58.73 per cent of the provisions made had been saved. Further, it had been spent Rs. 91 million by exceeding the provision of Rs. 502 million in one project.

### **2.2.1 Foreign Funded Projects**

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#### **Performance of Climate Resilience Improvement Project**

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Following observations are made.

- (i) Although it had been scheduled to prepare investment plans for 10 selected water basins, it had been prepared plans only for 04 water basins.
- (ii) Out of the 12 contracts, 10 had been commenced related to the landslides treats minimizing projects implemented in 18 schools by National Building Research Institute. 05 out of it had been completed and the progress of 05 was in the range of 06 per cent to 45 per cent.
- (iii) The contracts of 10 packages and 07 packages that identified had been awarded by Road Development Authority for the development of threatened bridges and culverts to avoid inconveniences to be occurred due to floods and landslides and development of threatened slopes respectively. The progress of contracts of roads such as Colombo-Wallawaya, Batticalo-Trincomalee and Peradeniya-Badulla out of it had been ranged from 27 per cent to 59 per cent.

### **2.2.2 Local Funded Projects**

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#### **Ging Nilwala Diversion Project**

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Following observations are made.

- (a) Rs. 3,008 million had been paid as Mobilization advance to a foreign company without provision in the year 2015 for the Ging Nilwala Diversion Project. That over expenditure had not been approved by the Parliament even by 30 July 2018.
- (b) It was not observed that the attention of the responsible parties had been paid in respect of preparation of plans properly, secure of transparency, compliance with regulations at the

matters of identification of project, selection of contractor, giving advances, implementation and post evaluation.

- (c) A considerable benefit had not been received compared to the amount that the government spent for this project and it was observed that the government resources had been utilized uneconomically.
- (d) It was not observed that proper actions had been taken for the responsible parties in respect of releasing funds for the payment of advances when confirming that insufficient provision for the payment of advances.
- (e) It was not observed that action had been done as per the agreement entered into and construction works of project had not been commenced even by the year 2018.

### **2.3 Obtaining supplies and services from procurement process**

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**Implementation of procurement Process**  
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Following observations are made.

- (a) Although the concrete cover with 100 mm thickness had been done by laying wire gauze in a land that threatened to be landslide in Dharmaraja College, Kandy, mana bushes had been grown in that part. Accordingly, it was not observed whether the concrete cover had been finished with precise standard.
- (b) Although works in drain that build to flow water below the granite dam that constructed near Ananda College, Kandy by 15 August 2017, it had not been finished even by 21 November 2017. It was not observed that the completed constructions had been done according to the precise standard.
- (c) Although the risk of falling down big granite on to the way in several places in Kandy – Mahiyangana road, it had not been identified by the Climate Resilience Identification Project.

### **2.4 Asset Management**

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Following observations are made at the sample audit test done in respect of assets in the ministry.

**(a) Conduct Annual Board of Survey**  
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Although Annual Board of Survey should be conducted as per Public Finance Circular No. 05/2016 on 31 March 2016 and submitted those reports to Auditor General before 15 June 2018 as per paragraph 3.2.6 of the Circular, the Board of Survey Report of Irrigation Management Division had not been presented to Auditor General even by 30 June 2018. Annual Board of Survey finally was conducted for the year 2016.

**(b) Improperly Use of assets not vested improperly**  
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International Training Institute of Irrigation and Water Management, Kothmale had been carried in the buildings owned to Mahaweli Authority and although building constructions and maintenance works had been done by spending Rs. 7,029,124 during the year under review, action had not been taken to vest the ownership of the land.

**2.5 Commitments and liabilities**  
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Following observations are made in relation to this.

**(a) Incurring Commitments Exceeding Annual Budget Provisions**  
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The commitments of Rs. 1,128,137 had been incurred by exceeding Rs. 752,715 from the provisions made of Rs. 48,452,925 for 06 expense objects without compliance with Paragraph 2 (a) of State Accounts Circular No. 255/2017 on 27 April 2017.

**(b) Incurring of Commitments without Provisions**  
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In contrary to Financial Regulations 94, commitments of Rs. 2,760,489 had been incurred for 11 expenditure objects without provisions.

**2.6 Unsolved Audit Paragraphs**  
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The reference for the paragraphs that are not finished the post evaluations matters out of the audit paragraphs that included in the reports of Auditor General related to the ministry are as follows;

**Reference to Report of Auditor General**

**Referred Subject**

<b>Year</b>	<b>Paragraph Number</b>	
2012	1.3 (e)	} Outstanding recovery of employee debts
2013	1.3 (g)	
2014	3.6	
2012	1.5 (a)	} Unrepaired vehicles parked in Madatugama Mechanic Workshop
2013	1.5 (a)	
2014	3.8 (a)	
2012	1.5 (c)	
2013	1.5 (c)	} Water bowsers and generators that not transferred the ownership properly.
2014	3.8 (c)	
2012	1.7 (a)	} Payment of incentives without Treasury approval
2016	3.10 (b)	
2016	3.11	
		Incurring expenditure by crediting income into General Deposit Account without crediting into Consolidated Fund.
		Obtaining subsistence and incidental allowance by two senior officers with the use of false documents.

**2.7 Utilization of Provisions made by Parliament for the Performing Functions**

The details of provisions made for the Ministry, utilization, savings and exceeds and audit observations on them for the period of 05 years ending for 31 December 2017 are as follows;

<b>Year</b>	<b>Expenditure Category</b>	<b>Net provision</b>	<b>Utilization</b>	<b>Savings/ Exceeds</b>	<b>Savings/ Exceeds as a percentage of net provision</b>
		Rs. Million	Rs. Million	Rs. Million	
2013	Recurrent	2,165.17	2,061.69	103.48	44.78
	Capital	31,019.35	21,330.98	9,688.37	31.23
	<b>Total</b>	<b>33,184.52</b>	<b>23,392.67</b>	<b>9,791.85</b>	<b>29.51</b>
2014	Recurrent	2,308.70	2,279.95	28.75	1.24
	Capital	34,948.44	29,815.11	5,133.33	14.69
	<b>Total</b>	<b>37,257.14</b>	<b>32,095.06</b>	<b>5,162.08</b>	<b>13.85</b>

2015	Recurrent	333.29	315.45	17.84	5.35
	Capital	6,881.77	8,824.48	(1,942.71)	(28.23)
	<b>Total</b>	<b>7,215.06</b>	<b>9,139.93</b>	<b>(1,924.87)</b>	<b>(26.68)</b>
2016	Recurrent	434.59	408.37	26.22	6.03
	Capital	13,268.62	5,184.62	8,084.00	60.93
	<b>Total</b>	<b>13,703.21</b>	<b>5,592.99</b>	<b>8,110.22</b>	<b>59.18</b>
2017	Recurrent	534.89	524.25	10.64	1.99
	Capital	9,672.43	5,324.68	4,347.75	44.95
	<b>Total</b>	<b>10,207.32</b>	<b>5,848.93</b>	<b>4,358.39</b>	<b>42.70</b>

Following observations are made in this regard.

**(a) Non-utilization of provisions Made**

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 Out of the total net provision of Rs. 2,502 million, it had been saved totally without utilizing any.

**(b) Made of Over Provisions**

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 Savings from the net provision made had been ranged from 6 per cent to 98 per cent due to the sum of Rs. 5,788 million of over provision made for 37 expenditure objects as the sum of Rs. 4,140 million was only utilized from the provision related to those expenditure objects.

**2.8 Advances to Public Officers' Account**

**Limits Authorized by Parliament**

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 The limits authorized by Parliament for the Advances to Public Officers' Account Item No.19801 relating to the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
25.00	20.95	7.00	11.22	54.00	34.47

Following observations are made in this regard.

**(a) Non- Recovery of Outstanding Debt Balances**

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As per Reconciliation Statement presented to audit, a sum of Rs. 1,323,349 was the outstanding balances as at that date except the debt balances of transferred out officers and although those outstanding balances had been remained for the periods ranging from 01 to 20 years, the follow up action for recovery of those outstanding balances had been at a weak level.

**(b) Non- Recovery of Debt Balances of Officers Transferred In**

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Although a sum of Rs. 614,763 of debt balances of officers who transferred to other ministries, departments and district secretariats from working in this ministry should be recovered through Monthly Accounts Summaries as per provisions of National Budget Circular No. 118 of 11 October 2004, action had not been done so.

**2.9 Deficiencies in Handling Bank Accounts**

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Action had not been taken as per Financial Regulation 396 (d) in relation to 11 cheques amounted to Rs. 299,149 that not presented but issued and expired 06 months.

**2.10 Non- Maintenance of Documents and Books**

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Ministry had not maintained following documents.

<b>Type of Document</b>	<b>Relevant Regulation</b>
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(a) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 on 28 November 2002
(b) Register of Fixed Assets	Treasury Circular No. 842 on 19 December 1978
(c) Register on Electric Equipment	Financial Regulation 454 (2)
(d) Register of Losses	Financial Regulation 110

**2.11 Internal Audit**

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Following observations are made.

(a) Sufficient officers had not been assigned to perform functions of internal audit division comparing to the functions of ministry.

- (b) As per management Audit Circular No. 02/2016 on 10 June 2016 of Secretary to Ministry of Finance, an internal auditor should be recruited without delaying for the development projects based on foreign funds with total cost of USD 10 million or above with the approval of Department of Management Services. But, in contrary to that, a internal audit committee consisted of 05 internal auditors that selected by Project Implementing Units had been established for the Climate Resilience Improvement Project with the project cost of USD 153.8 million. Also, the internal audit committee had not been performed the functions mentioned in Financial regulation 133.

## 2.12 Human Resource Management

### Assigned Cadre, Actual Cadre and Expenditure for Personal Emoluments

Approved, actual and vacant cadre details as at 31 December 2017 for the performing functions mentioned in above 2.1 paragraphs are as follows. The Ministry had spent Rs. 235 million for the expenditure object of Personal emoluments. Accordingly, the expenditure per one person was Rs. 583,126.

Employee Category	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
(i) Senior Level	89	29	60	-
(ii) Tertiary Level	47	27	20	-
(iii) Secondary Level	228	204	33	09
(iv) Primary Level	144	143	24	23
<b>Total</b>	<b>508</b>	<b>403</b>	<b>137</b>	<b>32</b>

Following observations are made in this regard.

#### (a) Made Cadre approved exceeding the Necessity

Although 137 vacancies were available by the end of year under review, availability of vacancies of cadre had not been reasoned mainly for the those savings as it had been saved provision made without utilizing according to the Appropriation Account prepared for the year 2017. Accordingly, it was observed in audit that the approved cadre had been over estimated.

**(b) Non- Recruitment of Approved Cadre**  
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- (i) The approval of Department of Management Services had been obtained for 230 posts to recruit 1,117 officers for Project Management Unit (PMU) and 06 Project Implementation Units (PIU) for the year 2017. But, 461 officers for 132 posts had not been recruited by the end of the year under review.
- (ii) 17 officers for 14 posts out of 21 posts had not been recruited that the approval from Department of Management Services had not been obtained to perform during the year under review functions of Road Development Authority which was a project implementing agency.

**(c) Recruitments Non- Compliance with the Scheme of Recruitment**  
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An environmental Specialist and 2 project engineers out of 03 by Road Development Authority which was a project implementing agency, Technical Officer, an Assistant Technical Officer and 4 drivers had been recruited by the project management unit non-compliance with the Scheme of Recruitment approved by Department of Management Services.

**(d) Human Resources Obtained from Other Parties**  
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The Ministry had deployed 06 employees in Department of Irrigation and an employee of Water Resources Board for the functions of the ministry in the year under review and the previous year. Further, 06 persons employed in the ministry had been assigned to the International Training Institute of Kothmale, Irrigation Management Division and Climate Resilience Improvement Project.