

Mahaweli Authority of Sri Lanka and its subsidiaries – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Mahaweli Authority of Sri Lanka and its Subsidiaries for the year ended 31 December 2018 comprising the statements of financial position as at 31 December 2018 and the statements of comprehensive income, statements of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements of the Authority and its Subsidiaries give a true and fair view of the financial position as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Auditor's Responsibility in Auditing Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority ;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non - compliance with Applicable Standards	Reference to	Comments of the Management	the Recommendation
(a) Even though the Authority had followed the Sri Lanka Public Sector Accounting Standards and its subsidiaries had followed the Accounting Standards for the Small and Medium Sized Enterprises , the impact to the financial statements due to the basis adopted by the Companies had not been disclosed .		Actions will be taken to disclose the basis of following the Accounting Standard for the Small and Medium Sized Enterprises by the Subsidiaries through the consolidated financial statements of 2019 .	The impact occurred to the consolidated financial statements as a result of the accounting standards followed by the Companies should be disclosed .
(b) Even though the fixed assets cost at Rs. 3,058,326 and Rs. 20,713,263 respectively were fully depreciated due to not reviewing the useful life annually for non-current assets in accordance with the Sri Lanka Public Sector Accounting Standard No.3 were still being used, in the Mahaweli Consultancy Bureau (pvt) ltd and the Mahaweli Livestock and Agro Enterprises (pvt) ltd . Actions had not been taken to rectify the estimated error occurred accordingly .		The relevant Companies have been advised to review the useful life and re-value those fixed assets and to take actions to adjust them to accounts.	Actions should be taken to re-value the useful life of fixed assets performing in accordance with Accounting Standards .

- (c) The manner in which the assessment of the value of the stock of agricultural and livestock included in the consolidated financial statements amounting to Rs. 156,572,000 had not been disclosed in a Note in terms of Sri Lanka Public Sector Accounting Standards No. 01 .
- Actions will be taken to disclose the value of the stock and the way of the assessment made to be disclosed by a Note in the consolidated financial statements of year 2019 .
- Actions should be taken to disclose the stock evaluation details in the financial statements.

1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
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(a) The two lands which had not owned by the Authority had been valued at Rs. 466,325,000 and taken in to accounts. Further, the two plots of lands purchased at a cost of Rs. 64,320,853 by the Authority during the period of 1984-1989 had not been taken in to accounts.	Both of these lands are state owned lands. Since there was no ownership to the Authority, actions will be taken to remove from the books in the year 2019.	Steps should be taken to properly account for the assets belonging to the Authority.
(b) The overstatement of the final stock of the Aralaganwila seed farm in the year 2016 had been corrected in the year 2017. However, as a result of adjustment of that overstatement again in the accounts in the year under review , profit of the year under review had been overstated by a sum of as Rs. 5,286,227.	Corrections will be made in the financial statements of the year 2019 .	Arrangements should be made to correct the financial statements.
(c) The amount of loan provided out of the Rs. 147,750,000 received from the Treasury and handed over to the bank for lending to colonists had not been taken in to accounts as a debtor balance and the rest as a bank balance. The disclosures with regard to the amount of loans granted	Corrections will be made in the year 2019 .	The details with regard to the Treasury Grants should be disclosed in the financial statements.

from the Fund, the amount of the loan recovered and the interest income earned had also not been stated in a Note.

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| <p>(d) Even though a portion amounted to Rs. 201,640,037 had been revalued and taken into accounts out of the of the fixed assets cost at Rs. 671,503,748 which had been entrusted to the Authority by the Dam Safety and Water Resources Planning Project, the remaining assets had not been accounted for. Further, the assets amounted to Rs. 4,369,384 received to the Authority from various contracts under the project management facilities of the Project, had also not been taken in to accounts.</p> | <p>Actions will be taken to assess all the assets received from Dam Safety and Water Resources Planning Project and to adjust to relevant accounts immediately after receiving the assessed values.</p> | <p>Arrangements should be made to revalue and account for all the assets belonging to a particular class and to disclose the details of the respective assets in the financial statements in terms Accounting Standards.</p> |
| <p>(e) The arrears which was receivable of System - C during the year under review had not been computed and adjusted.</p> | <p>Actions will be taken to correct this in the financial year 2019 .</p> | <p>The arrears of lease receivable should be calculated and taken in to accounts.</p> |
| <p>(f) Although the Authority had received a sum of Rs. 2,188 million in capital grants during the year under review, since unavailability of an accounting policy to account for these grants, the deferred income had not been systematically recognized as income. As a result, the accumulated fund had grown and it had become to Rs. 24,647 million by the end of the year under review.</p> | <p>Actions will be taken to introduce an accounting policy to account for government grants and to implement it from the year 2019 .</p> | <p>Arrangements should be made to develop a specific policy for accounting for government grants in accordance with generally accepted accounting principles and to account for the Government Grants accordingly.</p> |
| <p>(g) The investments had been made amounting Rs. 1,000,000 in 02 seven-day call deposits per Rs. 50,000 each with an annual interest rate of 3 per cent and 10.5 per cent respectively in the</p> | <p>The bank had informed that the interest on the seven day deposits will be paid only when the deposit is withdrawn.</p> | <p>The investments should be made accurately and with a definite purpose and to follow up on them so can get more productive</p> |

years 2009 and 2010. Its' interest income had not been taken in to accounts even by the year 2018, from the date it was invested.

- (h) Although when making corrections of the error in the arrears lease income amounted to Rs. 20,960,226 received in the year 2016 for the preceding year taken in to the income of the year should be debited to the accumulated loss account and credited to the receivables lease account, since the accumulated loss account was debited and the lease receivable account was credited in the preceding year and the year under review, the accumulated loss had decreased by Rs. 83,840,904 and lease receivable account had increased by that amount at the end of the year.
- (i) The royalties receivable from Mini hydro power stations amounted to Rs. 5,373,634 had not been brought to accounts during the year under review.
- (j) A suitable accounting policy had not been introduced to identify and account for the capital nature assets generated from rehabilitation and improvement expenses. The expenditure made for rehabilitation and improvement during the year under review was Rs. 2,182 million.
- It has been advised to identify the relevant leases properly and to take in to accounts accordingly from the year 2019 .
- Actions should be taken to correct the financial statements.
- This will be corrected in the year 2019 .
- The royalties receivable should be taken in to account as per the revenue recognition accounting policy.
- It has been informed that this will be corrected in the year 2019 .
- An accounting policy should be introduced to identify and account for capital assets generated by capital expenditures.

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| <p>(k) The maintenance and renovation works of 637,810 hectares, 12 reservoirs, 8708 km of canals, 463 number of tanks, 1127.5 km of roads and 1,046 number of different water sources are being carried out in 10 Systems administered by the Authority and those assets were vested with the control of the Authority. However, the details of those assets had not been disclosed even by a Note in the financial statements.</p> | <p>It has been informed that this will be corrected in the year 2019 .</p> | <p>As these assets are involved with the main operations of the Authority and also the controlling power of those assets was handed over to the Authority, the necessary actions should be taken to demonstrate from the financial statements by carrying out an assessment of those assets. Similarly, actions should be taken to introduce a clear policy carrying out discussions with other parties involved in the use of these assets.</p> |
| <p>(l) The cost of 03 houses , a holiday resort and a building belonging to the Udawalawa system had not been identified and taken in to accounts.</p> | <p>This will be taken in to accounts in the year 2019 .</p> | <p>The assets belonging to the Authority should be identified and taken in to accounts.</p> |
| <p>(m) The assets such as 12 motor bicycles, 02 multi chopper machines, a milk transport lorry, 03 tractors, 04 poultry sheds, 02 electric weighing equipment and 01 bailing machine, received from the Moragahakanda Project and the Riverbasin Office to the Nirawiya Farm during the period of 2010-2016 had not been taken in to accounts.</p> | <p>Three motor bicycles and the milk transport lorry have been taken over by the Authority. The remaining assets will be acquired and accounted for in the year 2019.</p> | <p>The assets belonging to the Authority should be identified and taken in to accounts.</p> |

1.5.3 Unreconciled Accounts or Reports

Item	Value as per Financial Statements	Value as per Corresponding Records	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
value of the Investment of Mahaweli Livestock Company	418,871,000	416,176,219	2,694,781	Reasons for the differences have been identified. This will be corrected in the year 2019	Actions should be taken to check the differences and to correct.

1.5.4 Suspense Accounts

Item	Value	Period of Contingent	Comments of the Management	Recommendation
	Rs.			
Mahaweli Livestock and Agro Enterprises Company	14,117,550	05 years	The suspense account shown in the financial statement of the Company will be corrected in the year 2019 .	Actions should be taken to settle unidentified accounts.

1.5.5. Lack of Evidence for Audit

Item	Amount	Lack of Evidence	Comments of the Management	Recommendation
	Rs.			
(a) Investment	20,477,000	Certificates of Shares	A Balance confirmation letter is obtained from the Company Secretaries and will be forwarded herewith.	Relevant balance confirmations should be submitted to audit.

(b)	Savings Account	2,632,908	Balance Confirmations and Book	Actions will be taken to Pass out and report.	-do-
(c)	Fixed Deposits	727,481	Certificates of Deposits and Balance Confirmations	-do-	-do-

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

Audit Observations	Comments of the Management	Recommendations
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(a) Even though it had been informed to recover the rent recoverable according to valuation reports for 13 buildings which are being used by external parties located in the Jawatte premises, a sum of Rs. 35,112,000 had not been recovered until September 2019. A sum of Rs. 10,616,946 that had been paid as electricity and water bills for these buildings by the Authority had not been reimbursed from the respective parties.	A sum of Rs. 1,815,490 has been reimbursed from the payments made as electricity and water bills and the relevant institutions has been notified for the reimbursement of the balance of Rs. 8,801,455 .	Actions should be taken to recover the rent recoverable and to reimburse the expenses incurred .
(b) There was a receivable lease rent income amounted to Rs. 896,499,000 by the end of the year under review and of which a sum of Rs. 428,065,000 had exceeded 05 years period and a sum of Rs. 157,225,000 had been in between a period of three to five years. Non-implementation of the Terms and Conditions relating to lease rent income collection had resulted in an annual increase in arrears lease rent income.	Actions will be taken to correct.	Action should be taken to recover the lease rent income properly in accordance with the Terms and Conditions relating to collection of lease rent income.

- (c) There were mobilization advances amounted to Rs. 454,398,000 by the end of the year under review and although of which a sum of Rs. 3,467,000 had exceeded five years, actions had not been taken for the recovery. Actions will be taken to correct. Arrangements should be made to perform in accordance with the agreements and to recover mobilization advances .

1.6.2 Accounts Payable

----- Audit Observations -----	Comments of the Management	----- Recommendations -----
<p>(a) The balance payable as at 31 December 2018 was Rs. 651,986,000 and out of that, a sum of Rs. 46,443,000 had exceeded 05 years. Actions had not been taken to settle the retention confirming the completeness of contract work related to the retention money amounted to Rs. 7,747,000 included in those balances.</p>	<p>The retention amounted to Rs. 7,747,000 for over 05 years had not been applied by contractors until now and arrangements will be made to taken into revenue.</p>	<p>Actions should be taken to release the retention money or to identify the balances for which there is no longer liability and taken in to revenue.</p>
<p>(b) Actions had not been taken to identify and settle the work commencement advance amounting to Rs. 780,070 shown under the current assets of the Head works Administration Operation and Maintenance unit and the balance of Rs. 460,701 for more than 05 years period.</p>	<p>This will be corrected in 2019 .</p>	<p>Actions should be taken to identify outstanding balances that have not been settled for a long time or to identify the balances that are no longer liability and credited to the revenue .</p>

1.7 Non- compliance with Laws, Rules , Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non- compliance	Comments of the Management	Recommendation
(a) Section 10 (b) of the Value Added Tax (Amendment) Act No. 17 of 2013	If the total value of goods and services providing exceeds the Rs.12 million over a period of 12 months should be registered for Value Added Tax under the Act. However, Even though a sum of Rs. 93 million in the previous year and a sum of Rs. 152 million in the year under review had been collected from the revenue sources of the Authority, actions had not been taken to register for the Value Added Tax.	Actions will be taken to register for the Value Added Tax in future.	- Actions should be taken to register for the Value Added Tax.
(b) Section 6.5.1 of the Public Enterprises Circular No. PED 12 dated 02 June 2003	The Financial Statements accompanying with the Draft Annual Reports should be submitted to the audit within 60 days of the end of the financial year. The Financial Statements for the year under review had been submitted on 31 July 2019 for audit delayed in 05 months. The Draft Annual Report had not been submitted accompanying with that.	Submission of accounts was delayed due to non-functioning of a computerized accounting system and having to re-value the assets.	Actions should be taken to furnish the Financial Statements and Draft Annual Report to the audit as per the Circular stipulations.
(c) Section 2.3.3 of the Department of Management Services Circular No. 01/2016 dated 24 March 2016	An officer can be released for a project on the government's requirement for a period of 05 years on a full-time basis or on a non-salary	Actions will be taken in accordance with the Circular in future and releasing of employees attached to projects	Arrangements should be made in accordance with circulars when releasing employees for

basis only at the request of the employee for a period of 05 years. However, 03 officers had been released from work for the service of Dam Safety and Water Resources Planning Project for more than 10 years period.

that are in the final stages after the completion of such projects and the approval has been applied from the Department of Management Services to deploy the employees attached to the Dams Safety and Water Resources Planning Project to work in the Integrated Watershed and Water Resources Management Project on the abundance of experience.

- (d) Paragraph 1.5.1 of the Financial Procedure of the Authority and Section 05 of the Internal Circular of the Director General No. 02/2012 of 15 March 2012
- Although the advance payment should be settled within 7 days after the completion of the task , there was an unsettled supply advance amounted to Rs. 175,963,000 for more than one year relating to 10 Systems and two Divisions .
- The relevant officers were instructed to perform in accordance with the Government Procurement Guidelines.
- Action should be taken to settle the advance immediately after the completion of the task .
- (e) Section 4.2.1 (b) and (c) of the Government Procurement Guidelines
- A Master Procurement Plan should be prepared by the procurement entity including expected procurement activities for at least three years. Although the procurement activities for the following year should be prepared in detail, the Authority had not done so. The Procurement Plan for the following year had not
- The relevant officers were instructed to perform in accordance with the Government Procurement Guidelines.
- Actions should be taken in accordance with the Government Procurement Guidelines.

been prepared before the commencement of the year and the approval of the Board of Directors had not been obtained.

- (f) Guidelines 4.1 (d) of Procurement Manual Although the preliminary Procurement Plan needs to be constantly regulated and updated, the Procurement Plan for the year under review had not been updated by the Authority and there were differences in the functions included in the Procurement Plan with those in the Action Plan. -do- -do-

02. Financial Review

2.1 Financial Results

Operating results for the year under review was a loss of Rs. 423,600,000 and the corresponding loss was Rs. 437,478,000 as compared to the preceding year. Accordingly, an improvement in financial results amounting to Rs. 13,878,000 was observed . The decrease of expenditure in rehabilitation and improvement had mainly attributed for this growth.

03. Operating Review

3.1 Uneconomic Transactions

Audit Observations

Comments of the Management

Recommendation

Even though a sum of Rs. 48 million had been deposited in the Regional Development Bank to establish a Revolving Fund for lending in the year 2002 , actions had not been taken to grant loans even by the year 2019 . The value of the deposit as at the end of the year under review was Rs. 88.2 million and the long-term

The Regional Development Bank has been asked to return the money as per the decision of the Board of Directors. The Bank has stated that it was submitted to the Bank's "Assets and Liabilities Management Committee" for approval to pay the interest.

Actions should be taken to withdraw the longly held funds of the bank and to utilize it for economically productive purposes.

retention of these funds at an interest rate of 4 per cent lower than the ordinary savings interest rate was an uneconomic activity and actions had not been taken in this regard.

3.2 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
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(a) Since a crane which had been repaired at a cost of Rs. 8,550,788 in the year 2014 belonging to the Engineer In-charge Office of the Kotmale was not repaired properly, had remained in idle from 29 December 2017 to May 2019 .	Due to lack of provisions in the years 2014 and 2015, repairs could not be carried out and the engine, which had been re-estimated in 2016 and imported on 29 December 2017, had been installed and activated. There were no errors reported and two major pipes had exploded when the BOOM of the crane was activated. All the spare parts of the system had to be fixed therein.	Actions should be taken to be properly repaired and utilized.
(b) The old Dam Model of the Kotmale Engineer In Charge Office had been removed and even though a contract had been awarded for a sum of Rs. 6,990,000 in the year 2017 to prepare a new Dam Model and reconstruction of the existing Observation Room, the Dam Model, which was planned to be completed at a cost of Rs 2,060,000, had not been completed even by May 2019 .	The relevant activity could not be carried out due to provisions were not made.	Actions should be taken to complete the contract during the relevant period.
(c) Due to the Licensee of the land bearing No. 6758 located in Sooriyawewa Block Management Area was not paid lease rent, the permit had been given back to two persons without a proper cancellation in terms of Sections 107 to 112 of	The lessees have been informed that the legal action would be taken against them due to non -payment of arrears.	Actions should be taken in terms of the provisions of the Land Development Ordinance and actions should be taken to recover the lease amount.

the Land Development Ordinance. Even though one of them had paid the lease rent on the gross assessment from the year 2013, there was a sum of Rs. 53,600 to be recovered from the other person.

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| <p>(d) The permit issued by the Sooriyawewa Block Manager for the land bearing No. 6438 had been stated by the Resident Project Manager as a fake permit. Even though, 80 perches of this land had been given to someone else under the legalization of unauthorized lands, the lease rent had not been paid since the date of receipt and the arrears lease rent receivable on the gross assessment was Rs. 111,680. Even though the lease rent was not paid, necessary actions had not been taken to cancel the lease of the land.</p> | <p>There has been a dispute between the two parties with regard to this land and as a result, it has not been able to collect the lease rent. The Resident Project Manager (Walawa System) has been informed to take legal actions.</p> | <p>Arrangements should be made to recover arrears lease rent and to take necessary action.</p> |
| <p>(e) The land bearing No. 6407 in the Sooriyawewa Block Management Area is being illegally occupied by a person and the Authority had not taken actions required for that by the year 2019.</p> | <p>The Residential Project Manager (Walawa System) has been informed to take legal actions.</p> | <p>Necessary legal actions should be taken to clear the encroached lands.</p> |
| <p>(f) Even though the income of the Agricultural Management Center of the System - C had not been remitted to the Head Office monthly and a sum of Rs. 87,856,695 had remained in the bank account as at 31 December 2018. That money had remained in idle without making any investment.</p> | <p>It has been advised to credit as money income to the revenue account of the Head Office.</p> | <p>Actions should be taken to utilize the money effectively.</p> |

- (g) Although the Authority has estimated an income of Rs. 1,193,155,190 for the year under review it had really earned only a sum of Rs. 753,493,183 or 63 per cent out of that. Of which, from the estimated revenue in the H, Udawalawe and C Systems the progress of earning of revenue was less than 50 per cent.
- Action has been taken providing targets to relevant authorities in progress review meetings and in writing as well, in order to enhance the Authority's income and to review the progress with regard to that regularly.
- Actions should be taken to earn estimated revenue and analyze the reasons for not achieving the earning goals of revenue and to take corrective actions for that.
- (h) Even though, the Mahaweli Authority had estimated to generate income of Rs. 330 million from Mini Hydro Power Stations in the year under review, of which only 60 per cent had been earned. Any of 70 Mini Hydro Power Stations in the Upper Mahaweli Catchment Area which were observed in previous -audit queries and the three Moragahakanda Mini Hydro Power Station had not been considered in revenue estimates and the Mahaweli Authority had failed to generate any revenue from these power stations up to the date of audit. Even though a sum of Rs. 496.8 million should be received from the Ceylon Electricity Board for the 28,566,405 KW of electricity generated by the three Mini Hydro Power Stations in Moragahakanda, during May to December of the year under review, that money had not been recovered by the date of audit. The total amount due by May 2019 had been Rs. 964.1 million including the amount recoverable for the year 2018.
- Invoices have been sent to the Ceylon Electricity Board. The receivables for generating electricity had not been received to the Authority from the Ceylon Electricity Board by now and actions are being taken to obtain that money with the intervention of the General Treasury.
- Actions should be taken to recover the receivables as per the agreement.

- (i) Although funds have been allocated from the Annual Budget Estimates for the Maduru Oya Right Bank Development Project (System B), there were no details reported that the work was carried out. Utilizing that money since 2014 the Resettlement Project had been carried out at Mahawelitenna and Malwenna units in the Sinhapura Block of the Maduru Oya Left Bank (System B) for an estimate of Rs. 935 million. The approval of the Treasury had not been received for this project. Although, the project period had ended from the year 2016, the time period had not been extended and a request had been made from the Secretary of the Ministry in the year 2018 to extend the period up to 2019. An sum of Rs. 5,145,000 had been allocated from the Annual Estimate, in order to implement the Maduru Oya Right Bank Development Project in the year 2018 as a Local and Chinese Foreign Funded Project.
- The approval of the Department of National Planning in the year 2013 was applied for the development of the area belonging to the Malwenna and Mahawelitenna units on the left bank of Maduru Oya in System B and the Treasury had given the approval for that. The instructions have been given to implement it as a sub-division of the Maduru Oya Right Bank Project when implementing that Project.
- The allocations should be incurred for the project that has been approved
- (j) The Welioya Integrated Development Project from the year 2013 to 2018 had been approved for an estimate of Rs. 3,957 million and although the project period was over, there was no evidence that the approval of the Line Ministry and the Treasury for the extension of the time period. Only a request had been made from the Secretary of the Ministry to extend the period up to 2021. The accumulated cost of the Project was Rs. 2018.2 million and physical progress
- Requests have been made to extend the period of the Project and the provisions for the year 2019 have also been approved. Reports have been submitted to the Ministry and other institutions on the progress of the Project. The allocation of Rs. 12.8 million was not made for the functioning of the Kivul Oya Reservoir and it was for the development “Weli Ela” located in the System - L . The works on the Kivul Oya Reservoir which was a proposed Project for the water problem in the System – L , has not begun. The above development
- Actions should be taken to obtain the approval to extend the Project period and to prepare progress reports to review progress.

was at lower level of 66 per cent as at 31 December 2018 . The project progress reports and performance reports had not been prepared so as to monitor the progress of resettling 6,963 landless families displaced by the war, development of 6,258 hectares of land, development of 150 kms of roads and 132 kms of by roads development which were the objectives of this Project. A sum of Rs. 12,800,000 had been spent on the Kiwul Oya reservoir project which was not approved by the Treasury as per the financial statements for the year under review.

work was carried out deploying the staff by Deputy Director (Kiwul Oya) whilst the work is being done for the settlement of Environmental Assessment Report .

- (k) Any development activity had not been carried out in six lands out of the eight lands that had been handed over for investment projects in the Welikanda Residential Project Management Area. The expected objectives of the Authority had not been met by granting land accordingly. The proposal to lease granting the opportunity for public protests was not made to public by the Gazette Notifications when disposing of lands in terms of Section 199 (3) of the Crown Land Ordinance No. 08 of 1947 and the recommendations of the Land Use Planning Division of the Head Office were not obtained to determine whether it is appropriate to dispose of such lands for the expected purpose of investment by carrying out a study on proposed land locations of Mahaweli Structural plans and land use patterns before disposal of lands.

Allotment of plots of land under the State Land Ordinance has been made without the Gazette Notification for the public protests but with the approval of the Minister in charge of the subject for the lands granted for special reasons. Actions have been taken to cancel undeveloped lands. Due to the terrorist attacks, it has been settled on lands near the road.

Actions should be taken as per the Circular to be able to achieve the objectives of the Authority by granting lands.

Although four of these lands were earmarked as highland for the colonies of the colonists in the Rideetenna and Jayanthiyaya units in the structural plans, the lands had been disposed for investment projects in contrary to that purpose. Although there were several instances of carrying out reconsideration of selectivity due to the lack of proper development of 3 plots of land, selectivity had not been properly cancelled until the date of the audit.

- (I) The land with 35 acres in extent had been given to Sri Lanka Hira Foundation in order to construct a Vocational Training Center in the year 2013 with the approval of the Minister in charge of the subject, subsequently, a long term lease deed had been issued in the name of the Chairman of the Company, changing as Batticola Campus (Pvt) Ltd. which was a private company without the prior approval of the Minister in charge of the subject by the Mahaweli Authority of Sri Lanka in the year 2016. Although it was revealed during the field inspection that more than 35 acres had been were being used illegally, that portion had not yet been taken over by the Authority. Another 45 acres had been requested by the Hira Foundation in the year 2017 and the Secretary to the Ministry had applied the prior approval from the Minister in charge of the matter to be functioned. The Minister had only put his signature and accordingly the
- The Sri Lanka Hira Foundation has requested to open a Vocational Training University in the year 2013 and the approval of the Board of Directors has been given for that. The approval of the Board of Directors has been given in 2016 to change the name of the Project as Batticaloa Campus (Pvt.) Limited on the registration requirement of the Project in the University Grants Commission. Accordingly, the approval of the Minister in charge of the subject has been obtained in the year 2017 and it has been approved in 2018 to grant land under four leases. The approval for another 45 acres has been applied.
- Disciplinary actions should be taken against the members of the Board of Directors for granting permission to dispose of lands without proper authority and arrangements should be made to take over the encroached lands back to the Authority. Alienating of state lands should be done in accordance with the State Policy and the State Land Ordinance.

Board of Directors of the Authority had given the approval to hand over the 45 acres.

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| <p>(m) There was a sum of Rs. 31,114,866 receivable from t for the he lands that had been given investment projects in the Welikanda System as at 31 December 2018 .</p> | <p>A sum of Rs. 31,114,866 has been in recoverable as lease rent from the lands within the System - B that have been handed over for the projects.</p> | <p>Actions should be taken to recover the arrears lease rent .</p> |
| <p>(n) The lease rent to be recovered from the year 2016 to 2018 amounted to Rs. 9,450,000 for the land which is being used by the Department of Irrigation located at Kaldemulla, Ratmalana and building and machinery had not been recovered and also a proper programme for the calculation and charging of fees had not been implemented for the using of electricity and water.</p> | <p>A discussion was held between the Mahaweli Authority of Sri Lanka and the Department of Irrigation in this regard and as stated by the Director General of Irrigation therein, the Department of Irrigation has been in lack of funds and allocations by now and has requested to make necessary arrangements to pay 50 per cent of the lease rent.</p> | <p>Steps should be taken to recover the lease rent, electricity and water charges.</p> |

3.3 Procurement Management

Audit Observations	Comments of the Management	Recommendation
<p>A sum of Rs. 2,580,000 had been spent for the construction of a model of the Moragahakanda Reservoir in front of the Authority's Head Office which was not included in the Annual Procurement Plan of the Authority and in the approved plan of the Moragahakanda Project. An estimate had not been prepared in this regard and although the Secretary of the Ministry had requested to submit a gross estimate to allocate provisions for this purpose, it was not so</p>	<p>Preparation of a gross estimate was practically impossible because this is a special artistic creative artwork. Prices were invited from 06 institutions and the Technical Evaluation Committee has selected the lowest bidder. The Authority has incurred expenses and has requested for the reimbursement of that from the project.</p>	<p>Procurements should be carried out in accordance with the provisions of the Government Procurement Guidelines.</p>

done. Even though there are plans to reimburse from Moragahakanda Project, since a gross estimate had not been submitted to the Secretary to the Ministry, it had not been reimbursed by the Project.

The approval for the above procurement process had been granted by the procurement committee on 10 July 2018 in contrary to the Paragraph 2.5.1 (a) of the Government Procurement Guidelines and without an approved cost estimate and the payments had been made by the Authority.

3.4 Resources Released to Other Organizations

----- Audit Observations -----	----- Comments of the Management -----	----- Recommendation -----
Nineteen buildings in the System – B , 11 buildings in the Head Office, 07 in the Walawa System and 49 buildings in the Head works,Administration, Operations and Maintenance Division had been handed over to the external parties without entering in to agreements by the Authority.	Actions have been taken to make notice to pay lease rent for 05 buildings at the Head Office, granting approval to hand over 02 buildings on long term lease and to re-assess 5 buildings. The approval of the Cabinet of Ministries has been received to provide to the Environmental Protection Authority on a long term lease basis. Actions are being taken to evacuate one quarters in System - B and to sign contracts for 17 buildings.	Agreements should be entered into when handing over lands and buildings to external parties.

3.5 Human Resources Management

----- Audit Observations -----	----- Comments of the Management -----	----- Recommendation -----
(a) Forty four employees of the Mahaweli Security Crop belonging to the Authority had been released to various state institutions from the year 2015 and of those, 12 had reported back to	It has been informed by letters to reimburse the overtime and travelling expenses paid to the officers who have been	Actions should be taken to reimburse the relevant payments.

the Security Crop in the year 2018. The Authority had failed even by 13 February 2019 to reimburse the salaries paid to the above officers amounted to Rs. 66,141,532 and overtime and travel expenses amounting Rs. 31,448,940 by 31 December 2018 from the relevant institutions.

released to the government institutions serving in the Mahaweli Security Crop as at 31 December 2018 amounted to Rs. 31,448,940.00 .

- (b) Twenty eight Officers of the Head Office belonging to the Authority, one officer from the Moragahakanda System and 03 officers from the System - B, 33 officers including one officer in Huruluwewa System had been released to the Line Ministry and other external institutions. Actions had not been taken to reimburse, the salaries, overtime and travelling expenses of 19 and 14 officers who were released to the Line Ministry and external institutions amounted to Rs. 22,732,617 and Rs. 12,761,670 respectively even by 31 December 2018 .
- Salaries have been reimbursed and it has been informed as salaries, overtime and travelling expenses of the officers released to Line Ministries and other Ministries.
- Actions should be taken to reimburse the relevant payments

04. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observations	Comments of the Management	Recommendation
<p>An every government agency should act in accordance with the United Nations 2030 Agenda for Sustainable Development and the necessary information to check how the functions coming under its purview have been implemented for the year under review by the Authority were not submitted to the audit.</p>	<p>The relevant information has been belonging with the Director (Planning and Monitoring)</p>	<p>Steps should be taken to act in accordance with the Agenda for Sustainable Development</p>