

## **Head 198 - Ministry of Irrigation and Water Resources Management**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Ministry of Irrigation and Water Resources Management for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended, 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. The Summary Report containing my comments and observations on the financial statements of the Ministry of Irrigation and Water Resources Management was issued to the Chief Accounting Officer on 06 June 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 06 June 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Ministry of Irrigation and Water Resources Management as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

---

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 opinion.

#### **1.3 Responsibilities of Chief Accounting Officer on Financial Statements**

---

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

#### **1.5 Report on Other Legal Requirements**

---

I declare the following matters in terms of Section 6 (d) and the Section 38 of the National Audit Act No. 19 of 2018.

- (a) As there was no need to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.

- (b) As there was no need for the Ministry of Irrigation and Water Resources Management to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

## 1.6 Comments on Financial Statements

-----

### 1.6.1 Submission of Accounts

-----

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
-----	-----	-----
<b>Annual Financial Statements</b>		
-----		
Even though it is required to submit by ACA-2 (v) format in financial statements the manner in which the expenditure financing has been presented according to the each programmes projects, it had not been so act in relation to the Development Programme -02 .	It should act in accordance with the Circular No. 267/ 2018 of 21 December 2018 of the Director General of State Accounts.	Agree with the points shown in the audit. Although the manner of financing was prepared under the Development Programme No. 02, the relevant forms were omitted when assembling the financial report. After the submission of the Financial Statements to audit, the form was handed over to the Superintendent of Audit.

### 1.6.2 Statement of Financial Performance

-----

The following observations is made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
-----	-----	-----
Even though the expenditure made by the Ministry of Irrigation for other Ministries and Departments was Rs. 7,197,513 as per the Adjustment Account, according to the Monthly Account Summaries and other information, thus it was Rs. 7,302,120 and a difference of Rs. 104,607 was observed.	Financial Statements should be prepared accurately.	This difference had occurred due to surcharges . It does not affect the balance.

### 1.6.3 Statement of Financial Position

-----  
The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
(a) Even though the value of the property, plant and equipment owned by the Ministry was stated as Rs. 219,005,345 in the financial statement as at the end of the year under review, the value of property, plant and equipment shown in the statement of non-financial assets had been stated less by a sum of Rs. 45,926,459 or as Rs. 173,078,887 by that date.	The value of assets should be properly calculated and included in the financial statements .	Agreed. Since the advices received that the ledger balances of all asset accounts as per the Treasury Prints should be matched with balances of the Departmental Books whilst preparation of financial statements for the year 2018, the adjustments were made by transfer notes to the Treasury Books to match as such.
(b) Even though the 129 vehicles belonging to the Ministry had been given to other Departments, Ministries and Water Resources Board, action has not been taken to transfer the ownership to these institutions and though the value of those vehicles should be calculated and included in the statement of non-financial assets, it had not been so complied with.	Actions should be taken to hand over or to obtain back the vehicles assigned to other institutions.	Out of the 314 vehicles, 148 vehicles have been handed over to the entities those used and actions are being taken to transfer the balance number. Further, actions will be taken to acquire the vehicles of the projects once the project is completed.

### 1.6.4 Reconciliation statement of Advance Account to Public Officers

-----  
The following observations is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
An unidentified loan amounted to Rs. 434,066 had been included in the Annual Reconciliation Statement of the	Unidentified account balances should be settled.	It was impossible to identify the balance of Rs. 434,066 older than 15 years yet. Further actions will be taken obtaining advices

Advance 'B' Account and actions had not been taken to settle this even by the end of the year under review.

from the General Treasury in future.

### 1.6.5 Imprest balance

-----

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
<p>Although a sum of Rs. 22,146,127 had been shown as other receipts as per the Imprest Account submitted as at 31 December 2018, the other receipts had been shown in the statement of financial performance as Rs. 13,794,298 . Accordingly, a difference of Rs. 8,351,829 was observed and there was no comparison had been made.</p>	<p>Actions should be taken in terms of the Circular No. 267/2018 dated 21 November, 2018.</p>	<p>It has been shown as other receipts in the Statement of Financial Performance that the receipt value under Revenue Heads when reduce of receipts of Treasury Imprest Deposits and the receipts under Advance 'B' Accounts are from the total receipts</p>

### 1.6.6 Non-maintenance of Documents and Books

-----

It was observed that during the course of the audit test checks the below mentioned Registers were not maintained by the Ministry and certain Registers had not been maintained properly and in an updated manner .

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
<p>(a) <b>Register of Fixed Assets on Computers, Accessories and Software</b></p> <p>-----</p> <p>An updated Register for Computer, Accessories and Software had not been maintained at the Irrigation Management Division and the International Training Institute for Irrigation and Water Management at</p>	<p>A Register of Fixed Asset should be maintained in respect of computers, accessories and software in terms of the Treasury Circular No. IAI / 2002/02 dated 28</p>	<p>A Register for Computers, Accessories and Software is currently started and being updated.</p>

Kotmale in terms of the Treasury November 2002 .  
 Circular No. IAI / 2002/02 dated 28  
 November 2002 .

**(b) Register of Security Deposits**  
 -----

The details of the officers and employees who should keep securities had not been prepared in accordance with the Financial Regulation 891 (1) .

A Register of Security Deposits should be maintained in respect of the officers who are required to keep securities as per the information appear in the Financial Regulation 891 (1) .

It is accepted. The officials have been instructed to follow the recommendations.

**1.6.7 Non-compliance with Laws, Rules and Regulations**  
 -----

Instances of non-compliance with the Laws Rules and Regulations observed during the audit test checks are analyzed below.

<b>Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	
-----	-----	-----
<b>(i)</b> Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the arrangements should be made to take the cheques which had exceeded 06 months after the issuance to the revenue, actions had not been so taken in respect of 12 expired cheques valued at Rs. 36,115 .	Actions will be taken to settle.
Financial Regulation 396 (d).		
<b>(ii)</b> Budget Circular No. 118 dated 11 October 2004	Even though the loan receivable amounted to Rs. 886,631 from 07 officers who had transferred out of the Ministry should be recovered within 02 months of being transferred, actions	Actions have been taken to recover the loans to settle those balances from the officers who have already been transferred
	It should act in accordance with the Budget Circular No. 118 of the Director of the Department of National Budget	

had not been so taken.

and the Budget Circular dated 11 October 2004.

and the rest of the loan will be remitted recovering from the monthly salaries of the relevant officers.

## 2. Financial

Review

### 2.1 Imprest

Management

The following observations is made.

#### Audit Observation

#### Recommendation

#### Comments given by the Chief Accounting Officer

The planned imprest requirement to fulfill the functions which were planned to be implemented by the Ministry in the year under review was Rs. 9,131,157,730 . The total imprest requirement applied from the Treasury was Rs. 6,596,954,000 and the imprest issued by the Treasury was a sum of Rs. 680,302,000 . The imprests not received from the Treasury were 89.69 per cent out of the requested imprests. Due to that reason, the total provision made for Object 03 and 05 under programme 01 and 02 were underutilized respectively.

Actions should be taken to obtain and deploy the imprests as planned.

The points shown in the audit query is accepted.

## 2.2 Deposit

## Balances

-----  
The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
(a) There were deposit balances amounted to Rs. 1,113,533 older than 2 years old and although the actions should be taken to get those deposits to the revenue in accordance with Financial Regulation 571, it had not been so done.	Actions should be taken in accordance with Financial Regulation 571 .	The contractors have been informed to make requests of the retained money . All the Heads of the institution will be notified to ensure that they comply with the Financial Regulations 571.
(b) The Employees Provident Fund Contribution of Rs. 927,580 deducted from the salaries of employees of Kotmale International Training Institute in the years 2017 and 2018 had been retained in the Deposit Account without remittance.	Actions should be taken to comply with the Public Service Provident Fund Ordinance No. 18 of April 1942.	This contribution is the reduction from the salaries of casual labourers recruited on contract basis for the years 2017 and 2018 . The institution had not paid 12 per cent of its outstanding funds due to inability to obtain the required funds. Actions should be taken immediately to pay it.

## 3. Operating Review

### 3.1 Activities in contrary to the Main Functions

-----  
The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
-----	-----	-----
(a) Three tanks owned by the Department of Agrarian Development had been reconstructed	When developing assets of other institutions, the formal approval of the	The approval has been granted by the letter of Commissioner General of



- incurring a sum of Rs. 54,828,946 from the provisions made available to the Ministry from the year 2015 to 2018 to reconstruct Major and Medium Irrigation Schemes. Nevertheless, the 15 acres of land that had been cultivated from the Mudiyanneagama Tank which was reconstructed by incurring a sum of Rs. 3,709,955, fourteen acres had been reclaimed and converted into a landfill.
- Treasury should be obtained and the expenditure made from the Head of the Ministry should be investigated and act properly.
- Agrarian Development No. 7/3/13 ජ.කා.ලී.කුරු 2017 dated 21 September 2017 to the Ministry to reconstruct the Mudiyanneagama Tank mentioned in the audit query. The consent of the Regional Agrarian Services Officers has been obtained to reconstruct the other tanks also as requested by farmer organizations.
- (b) The causes to obtain the policy decision for the reconstruction of Mudiyanneagama Tank, Kudagale Tank and Pambadenigama Tank by the Department of Irrigation through the provisions of the Ministry of Irrigation and Water Resources Management were not consisted in the relevant files.
- All the information should be included in the file.
- Since there are a large number of such small tanks under the Department of Agrarian Development, the Department does not have sufficient funds and technical capabilities to repair them. Further, these small tanks are located in the main irrigation system of the Department of Irrigation, well function of these small tanks also affect for their efficiency and effectiveness.
- (c) The shortcomings such as the concrete slab placed on top of the sluice constructed to deliver water to the paddy fields was cracked and non- construction of canals to carry water from the tank to the paddy fields were also observed that during the reconstruction of the Pambadenigama Tank.
- Actions should be taken to looking up in respect of substandard constructions.
- That subsidence is being monitored and a special cement mixture is expected to be used to for the cracks. The Engineering Estimates of the canal to be built up from Pambadenigama tank to the paddy fields have been prepared.
- (d) There were shortcomings such as cracking about 1 meter from the top to the bottom of the spill gate from 09 places which was under construction, one place cracked from the base to top and the main drawback and not curing the concrete used for the construction of spill gate.
- do-
- The cut-off wall of the spill gate is being under construction by now and as stated in the audit query, there were cracks in the crest wall which was built in the year 2017. They are surface cracks and although the tank was spilled during the recent

rainy season, no water leaks were seen from the cracks.

The surface cracks occurred in the construction done during the period of high temperatures have been renovated using a special cement mix. The water is filled with below one foot of water less than the supply level by now.

- (e) Constructing a road by adding soil to the tank bund and laying soil connecting to the bund of the tank where vehicles can travel around the Mudiyannegama Tank and the catchment area of the lake where the water is flowing was blocked. By constructing a path on the upper part of the tank around the tank, the Cascade system had also been damaged.
- Action should be taken to protect the Cascade system when rehabilitation of the tanks.
- Inquiries have been made from the Department of Irrigation.
- (f) Even though a sum of Rs. 6,195,216 had been spent by the Ministry in 2016, 2017 and 2018 to renovate the Kudagale tank which belongs to the Department of Agrarian Development, as the sluice of the tank was broken, the water collected in the tank could not be used for cultivation. Out of the 95 acres of paddy fields fed by the Kuda Gale Tank, 32 acres, 3 roods and 3 perches were purchased by an individual farmer from ancestral farmers. It was 34 per cent of the total paddy fields. At the field inspection conducted on 09 January 2019, the entire 95 acres of paddy fields were not cultivated and the total expenditure incurred on the reconstruction of the tank amounted to Rs. 6,195,216 had become an idle expense.
- Action should be taken to obtain approval for incurring of other Expenditure Heads under the Expenditure Head of the Ministry and arrangements should be made to cultivate the proposed paddy lands.
- The approval has been granted to the Secretary, Ministry of Irrigation and Water Management to reconstruct the tanks by the letter of the Commissioner General of Agrarian Development No. 7/3/13/ඒ.කා.ලී.කුරු 2017 dated 21.09.2017 and accordingly, the sludge removed during the reconstruction of the tank has been given to produce organic fertilizer at the request of the farmer organizations. Since there was no problem with the opening of the sluice at the time of preparing the estimates for the reconstruction works, the Department of Irrigation has

not made any estimate or reconstruction work for that. This may be due to the fact that the sluice gates have not been opened for several years and once the sluice is restored, the cultivation can be done with the water collected in the tank.

### 3.2 Assets Management

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
Actions had not been taken to acquire the assets valued at Rs. 640,354 given to the former Minister in the year 2017.	Actions should be taken to acquire the assets.	The relevant assets have been requested to be returned and actions will be taken to acquire them in future.

### 3.3 Losses and Damages

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
There was no proper procedure followed to report and recover the damages and losses incurred in the Ministry.	A systematic programme should be followed to cover the losses and damages.	Steps are being taken to formulate a formal mechanism for reporting and recovering the losses and damages of the Ministry.

### 3.4 Management

#### Weaknesses

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Chief Accounting Officer</b>
Despite a relevant authority had not been obtained for the acquisition of ownership and reconstruction of Kumbukkadawala	Functions that do not fall under the Head of the	Inquiries have been made from the Department of Irrigation in this regard.

Tank owned by the Department of Agrarian Development to the Ministry of Irrigation, the Galgamuwa Divisional Irrigation Engineer's Office had prepared an estimate of Rs. 11,535,000 and 140 trees on the bund of the tank were marked for removal. Ministry should not be implemented.

#### 4. Human Resource Management

The following observations are made.

Audit Observation	Recommendation	Comments given by the Chief Accounting Officer
(a) The number of approved cadre of the Kotmale Training Institute was 30 and thus the actual staff was 14 , there were 16 posts in vacant.	Actions should be taken to fill the vacancies promptly or take action to suppress any unnecessary posts.	Agreed.
(b) Fifteen persons had been recruited exceeding the approved number in 06 posts. Recruitments had not been made for the 04 approved labourer posts and a sum of Rs. 19,577,330 had been paid as salaries and allowances for recruited 28 on contract basis for the year under review.	Actions should be taken as per the Circular of the Department of Management Services.	The Head of the Institute of the Kotmale International Training Institute has been contacted to answer the details given in the audit query and actions will be taken to submit as soon as the clarifications received .
(c) Although the Minister's personal security officers cannot be paid the allowances from the Ministries and Departments in terms of the Paragraph 2.1 of the Circular No. CA / 1/17/1 of the Secretary to the President dated 10 May 2010, a sum of Rs. 3,115,611 had been paid as Rs. 2,200,000 and Rs. 915,611 respectively from the Ministry and the Department respectively.	It should act in accordance with the instructions of the Circular.	Accept the facts presented in the audit query as true and it is observed that the then officials had to pay for these private security officers at the strict request of the then Hon. Minister in charge of the subject.
		On the assertion of the

Minister that the Minister should use trusted persons for his protection and handling the public who arrive to meet the Hon. Minister, and I kindly inform that these private security personnel have been employed and paid with the approval of the then Secretary. It is further stated that measures will be taken not to do so in future.

- |   |  |   |
|---|--|---|
| <p>(d) Without obtaining the approval of the Department of Management Services, 6 persons for 05 designations were recruited to the International Training Institute on Irrigation and Water Management in Kotmale and although 1 post of management assistant had been approved, 10 for that and 25 labourers were also recruited on casual basis for this.</p>  | <p>Actions should be taken in accordance with the Letter No. DMS / 1285 dated 01 July 2016 of the Director General of the Department of Management Services.</p> | <p>Agreed.</p>  |
| <p>(e) Even though the 07 lecturer posts had been approved for the International Training Institute on Irrigation and Water Management in Kotmale, without taking actions to recruit those lecturers, the external lecturers had been deployed for that. A total of Rs. 1,800,235 as Rs. 1,100,835 and Rs. 699,400 had been paid to 25 and 11 external lecturers in the years 2017 and 2018 respectively.</p> | <p>Actions should be taken in accordance with the Letter No. DMS / 1285 dated 01 July 2016 of the Director General of the Department of Management Services.</p> | <p>Accepted. Requests have been taken to make necessary recruitments.</p> |