

Head 160 - Ministry of Mahaweli Development and Environment

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Mahaweli Development and Environment for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Mahaweli Development and Environment was issued to the Chief Accounting Officer on 29 May 2020 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 24 August 2020 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 prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Ministry of Mahaweli Development and Environment as at 31 December 2019 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 and 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Ministry, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.

- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures 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(I) (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) The financial statements correspond to the previous year.
- (b) The recommendations pointed out in my report on the financial statements submitted previous year regarding the observation contained in paragraphs 1.6.1, 1.6.2 and 1.6.3 of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Non - availability of Documents and Books

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
Inventory Book -----	Inventory book should be maintained regularly and up to date	Steps were being taken to take necessary action.
Inventory Book had not been maintained in in a properly and upto date manner.		

1.6.2 Certification that should be made by the Accounting Officer

Audit Issue

The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Ministry in terms of Section 38 of National Audit Act of No. 19 of 2018 and the effectiveness of the system should be periodically reviewed and the necessary modifications should be made to make the system effective. Even though these reviews should be made in writing and a copy of that should be furnished to the Auditor General, the statements as of such a review was carried out had not been furnished to audit.

Recommendation

Actions should be taken in terms of the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

Comments Given by the Chief Accounting Officer

Answers were not given.

1.6.3 Non -compliance with Laws, Rules and Regulations

Instances of non - compliances with provisions in Laws, Rules and Regulations observed during the course of audit test checks are analyzed below.

Audit Issue -----	Recommendation	Comments Given by the Chief Accounting Officer
Reference to Laws, Rules and Regulations -----	Non Compliance -----	-----
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation - 880	Employees in charge of the government cash, checks and assets were required to deposits security deposits in accordance with financial Regulation but no such deposit was made	Answers were not given.
(b) Treasury Circular No. 05/2019 and dated 11 November 2019	Although the Secretary to the Ministry had informed that by 31 December 2019, a staff officer responsible for the settlement of accounts should be authorized in the name of that officer and the relevant copies should be sent to the Auditor General but no action had been taken accordingly.	Answers were not given.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
(a) According to the estimated allocation Rs.3,999,000 had been transferred to other Expenditure subjects out of the provision of Rs.4,000,000 for rent and local Authorities.	Identify the need in preparing estimates and accordingly, action should be taken to obtain provisions.	Due to non - submission of requests, it had to be transferred to another Expenditures Head.
(b) Due to the provisions without necessity out of the provision for 10 recurrent expenditure subjects Rs.29,965,778 was saving and this savings ranged from 15 per cent to 100 per cent.	The need identified and action should be taken to obtain allocations accordingly.	The reason was delay in staff recruitment.
(c) Allocation of funds without identifying priorities in the preparation of estimates, and due to the inability to carry out the planned activities accordingly, during the year under review 51 capital expenditure provision of Rs.15,186,816,547 remained in the range of 15 per cent to 100 per cent.	The need identified and action should be taken to obtain allocations accordingly.	Caused other Practical problems when carrying out the Projects.
(d) The local foreign loan provision was Rs.11,960,000 million which 57 per cent of Rs.6,860,490 had not been utilized.	- Do -	This is reasons for unresolved and problematic issues in the procurement process.

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| (e) Although the net allocation for the Ministry was Rs.41,676,388,000, 38 per cent of the provision of Rs.15,961,865,587 had been saved. | - Do - | Answers were not given. |
| (f) Additional provisions had been made for two Capital expenditure under program No. 2 for the year under review, and Ministry had not been taken action to utilize that provisions. | - Do - | -Do - |
| (g) The total amount of Rs.346,500,000 as final payment bills and project liabilities for the construction of the new building of the Ministry had not been disclosed in the Financial Statements. | Relevant values should be disclosed in the Financial Statements. | -Do - |
| (h) Unsettled advances balance of Rs.1,418,652 had been remained in respect of Accounts No.7002/0000/00/0323/0017/000. | Unsettle advances should be investigated and settled. | Legal action has been taken to recover the advance. |

2.2 Entered in to Liabilities and Commitments

Audit Observation	Recommendation	Comments Given by the Chief Accounting Officer
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Payable to the State Timber Corporation of Rs.1,731,821 had not been mentioned as liabilities.	liabilities must be properly identified.	Answers were not given.
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2.3 Operating Bank Accounts

Audit Issue

Appropriation accounts notes relating to two bank accounts were not included in the status report.

Recommendation

Relevant Values should be included in the status report of the financial statements.

Comments Given by the Chief Accounting Officer

Not included in the financial statements.

3. Operating Review

3.1 Vision and Mission

Audit Issue

There is a need to develop a grand mechanism for waste management with the contribution of all parties implementing under the Ministry of Environment, with the vision of a healthy and pleasant environment by sustaining the natural environment for the wellbeing of the people and the economy. Although the Ministry should follow a risk assessment methodology to identify areas where these environmental problems occur, whether it had acted in accordance with that was not observed.

Recommendation

Actions should be taken to adopt a risk assessment methodology.

Comments Given by the Chief Accounting Officer

Answer was not given.

3.2 Delays in Implementation of Projects

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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A provision of Rs. 76,512,353 had been allocated in the year 2017 for the construction of the additional building of Compost Project of Gampaha District Integrated Solid Waste Management Project. It had been entered into an Agreement on 29 January 2018 with the Central Engineering Consultancy Bureau for this and construction should be completed within 180 days. Further the related work had not been completed for the year under review.	The desired objectives should be achieved by completing the construction work as prescribed.	Answer was not given.

3.3 Foreign Aid Projects

The following observations are made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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(a) Solid Waste Management Project ----- Estimated total cost US\$ 33,536,000 the project to build a functional solid waste disposal facility with Korean loan assistance from the Economic Development Cooperation Fund was scheduled to be completed 29 June 2015. But only the	Actions should be taken to obtain the performance related to the project as planned.	Answer was not given.

planning phase of the project had been completed as at May 2020. As a result, the project period was extended to 2021. Also 6 ½ years have passed since the commencement of this project, but the construction work of 4 Landfills had not yet commenced.

(b) Uma Oya Multipurpose Development Project

The physical progress of this project was about 89 per cent as at end of the year under review and it was planned to be 100 per cent progress as at October 2020. By the end of 2020 the project had requested Rs.970 million, but the total amount received was Rs.368 million. As a result, suppliers and contractors were unable to terminate their obligations. Contract work has been slow at the time and the rewards have been delayed.

- Do -

- Do -

(c) Ecosystem Conservation and Management Project

The system has not yet included the physical performances data required to submit the action plan of the financial management software system prepared for this project.

The action plan should be designed that It should be physical performances data can be obtained. Further, since the time remaining for one year the completion of the project, steps should be taken to increase the physical performance up to 100 per cent.

- Do -

3.4 Procurements

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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Provision of Rs.4,300,000 had been made for the Ministry to supplies and services as per the Government Procurement Guidelines out of that Rs.773,062 had been utilized. Accordingly Rs.3,526,938 equivalent 82 percent of the provision had been made savings.

Act in accordance with the National Procurement Guidelines.

The relevant guidelines will be followed in future.

3.5 Assets Management

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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Constructions of the new building for the Ministry had been completed by the Central Engineering Consultancy Bureau nearly 3 years. However due to non – completion of repairs during the warranty period, the contract withholding amount of Rs.30,737,540 could be released or the final bills could not be paid.

Arrangements should be made to carry out repairs properly.

Answers were not given.

3.6 Management Inefficiencies

The following observation is made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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(a) A proper system had not been adopted in respect of E- Waste Management and it was limited only to policies.	Waste Management should be made properly by making the necessary policies.	Policy making has already begun and the Public Accounts Committee had also inquired about this similarly, making Policies on Waste Management had been referred to the Cabinet of Ministers for the approval and it is informed that the E-Waste Management also consisted as a part of that Policy.
(b) Although the environmental damage caused by the mixing of Clinical waste and hazardous waste into government hospital may adversely affect the health of the people today as well as in the future, attention to it has been kept to a minimum.	Necessary steps should be taken to prevent the environmental damage caused by the mixing of Clinical waste and hazardous waste in government hospital.	Manner Sicily Honaro (pvt) Ltd, under the full supervise of the Central Environment Authority, for the disposal of Clinical Waste in a systematic manner. has installed an incinerators machine in Muthurajawela that can incinerate 8 – 10 metric tons of Clinical waste. It was scheduled to commence operation on 23 April 2019, but due to the adverse situation prevailing the country in recent days, the work could not commence on time due to the absence of employees.

4. Human Resources Management

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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(a) 36 vacancies had been remained in the Administration services and Engineering services as at end of the year under review.	Action should be taken timely manner to recruit the approved staff or to revise it as required.	Answers were not given.
(b) There were 139 vacancies in posts that directly affect the day to day operations of the tertiary, secondary and primarily Levels.	- Do -	- Do -