

Head 332 – Department of National Community Water Supply

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Community Water Supply 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 to be read in conjunction with provisions of the National Audit Act No. 19 of 2018. The summary report including my comments and observations on the Financial Statements of the Department of National Community Water Supply was issued to the Accounting Officer on 29 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 and the Annual Detailed Management Audit Report related to the Department of National Community Water Supply was issued to the Accounting Officer on 29 July 2020 in terms of Section 11 (2) of the National Audit Act. This report is tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements prepared in terms of the provisions of State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of National Community Water Supply as at 31 December 2019, and of its financial performance and its cash flows 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 qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer in relation to the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the 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 summary 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 scepticism 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 Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) and section 38 of National Audit Act, No. 19 of 2018.

- (a) Financial statements were consistent with the preceding year.
- (b) Recommendations made by me with regard to financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although an imprest of Rs.580,342,440 had been received from general treasury, it had been shown as Rs.580,179,000 in the statement of financial performance with a decrease of Rs.163,440.	The financial statements should be prepared in terms of State Accounts Circular No.271/2019 dated 03 December 2019.	The amount of Rs.163,440.00 received under foreign grants source of fund No. 13 had not been accounted under the imprest received and the entire amount had been spent.
(b) As per the financial statements of the treasury the advance receipts were Rs.5,976,146. However it had been shown as Rs.5,802,907 in the statement of financial performance with a decrease of Rs.173,239. Similarly advance payments were Rs.7,754,132 had been shown as Rs.7,580,893 with a decrease of Rs.173,239.	The financial statement should be prepared in terms of State Accounts Circular No.271/2019 dated 03 December 2019.	Total payments under No. 2 in Advance B Account reconciliation statement were Rs.7,754,132.00 and the correct payment was Rs.7,580,892 after removing adjustments of Rs.173,240 to it under No.3. as per F.R. 503 (1) Further the correct receipts were Rs.5,802,906.00 after adjusting Rs.173,240 to 5,976,146.00 which was shown as receipts as per the accounts. It is an offsetting error when making correction as per accounting system.

- (c) The department had incurred Rs.163,440 under the object of expenditure 332-1-1-2-2506-13 during the year under review. However, it had not been shown under other capital expenditure in the statement of financial performance. As a result, the total capital expenditure had been shown as Rs.435,600,801 with a decrease of Rs.163,440.
- The financial statements should be prepared in terms of State Accounts Circular No.271/2019 dated 03 December 2019.
- This amount received under foreign grants had not been added to the capital expenditure.
- (d) Although there was a difference of Rs.263,795 and Rs.161,990 respectively with regard to advance receipts and payments as per the balance shown in financial statements of the General Treasury and balance as per the books of accounts of department, had not been recorded in the imprest adjustment account.
- A correct imprest adjustment account should be prepared and submitted in terms of the section 7.6 of State Accounts Circular No.271/2019 dated 03 December 2019.
- There is no difference between the balance as per treasury financial statements which includes advance receipts and payments and advance B account reconciliation statement submitted by me. The closing balance had also be the same and the offsetting debits and credits errors amounting to Rs.173,240 made by another government institution had only been rectified.
- (e) A sum of Rs.187,386 had been incurred by the department under the object code of 253-1-2-4-1502-11. However, it had been recorded as Rs.120,184 in the imprest adjustment account with a decrease of Rs.67,202
- A correct imprest adjustment account should be prepared and submitted in terms of the section 7.6 of State Accounts Circular No.271/2019 dated 03 December 2019.
- Agreed.
- (f) As per the trial balance of department, the expenditure was Rs.29,410,342 under the object code of 332-1-1-0-1003-11. However, it was Rs.29,455,362 as per financial statements of the treasury. Hence a deference of Rs.45,020 was observed. However, the difference had not been adjusted in the imprest adjustment account.
- A correct imprest adjustment account should be prepared and submitted in terms of the section 7.6 of State Accounts Circular No.271/2019 dated 03 December 2019.
- The balance of Rs.29,410,342 in the trial balance as per the books of the department under the object code of 332-1-1-0-1003-11 is correct. However, Rs.29,455,362 which was shown in the trial balance of the treasury print includes the fees on railway warrant of Rs.45,020 given to the departmental officers by the Sri Lanka Railway Department.

1.6.2 Statement of Financial Position

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>As per the statement of financial position and the ACA 6 format, the value of vehicles and equipment owed by the department was Rs.37,967,000. However, during the audit of fixed assets registers, it was observed that 17 motor vehicles value that Rs.37,050,000 owed by other institutions had also been included in it. Further, as per the information submitted to the audit, it was observed that a stock of motor vehicles costing Rs.36,800,000 purchased during the year 2016 and registered under the department had not been included in to either fixed assets register or to the account. Accordingly, the value of fixed assets included in the statement of financial position had been overstated by Rs.250,000 and due to the deficiencies mentioned above, the accuracy of the value of fixed assets of the department cannot be reasonably satisfied.</p>	<p>Value of assets not taken to the financial statements should be included in the financial statements accurately.</p>	<p>Since the department is not the registered owner of the motor vehicle purchased during the year 2016 to the value of Rs.36,800,000, the verbal instructions were given by the Department of State Accounts, not to update the value of those assets through the SIGAS system.</p>

1.6.3 Statement of Cash Flows

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) A sum of Rs.741,520,868 had been shown as cash generated from operating activities in the statements of the cash flows of the department. However, as per the information furnished to audit it was</p>	<p>The financial statements should be prepared in terms of State Accounts Circular No.271/2019 dated</p>	<p>Non-revenue receipts of Rs.161,341,868 had been shown in the statement of cash flows. it includes revenue collected for the other heads of Rs.10,495,190 and this is correct even as per the monthly</p>

Rs.590,837,630 as such, 03 December 2019.
 Rs.10,495,190 as revenue collected
 for the other heads, Rs.580,342,442 as
 treasury imprest. Accordingly cash
 flows generated from operating
 activities had been overstated by
 Rs.150,683,238.

account summaries. Although you
 have stated that cash generated from
 operating activities had been
 overstated by Rs.150,683,238 in
 statements of cash flows, it is as
 follows.

	Rs.
Non-revenue receipts	150,846,678
Revenue collected for other heads	10,495,190
Imprest recieved	580,342,440

	<u>741,684,308</u>

Accordingly, an amount of
 Rs.741,520,868 had been shown as
 cash generated from operating
 activities in the account. In this case
 the difference is imprest released
 under foreign grants amounting to
 Rs.163,440.

(b) A sum of Rs.152,681,456 and
 Rs.45,020 had been shown as
 expenditure incurred for personal
 emoluments & operating expenses
 and expenditure on other heads
 respectively in the statement of the
 cash flows of the department.
 However, as per the information
 furnished to the audit a sum of
 Rs.588,306,843 had been incurred on
 personal emoluments & other
 operating expenses and
 Rs.47,467,043 had been incurred on
 other heads. Hence a difference of
 Rs.435,625,387 and Rs.47,422,023
 respectively was observed.

-do-

A sum of Rs.152,681,456 shown as
 personal emoluments and other
 operating expenses in the statements
 of cash flows of the department was
 correct. This is the summation of note
 5 and 6 of the ACA 2 (ii) format and
 it had been correctly shown in the
 statement of financial performance
 and ACA (ii) format.

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|-----|---|------|--|
| (c) | Although a sum of Rs.5,802,907 had been shown as recovery of advances under the cash flows from investment activities, it was Rs.5,712,351 as per the information furnish to audit. Hence a deference of Rs.90,556 was observed. | -do- | Recovery of advance was Rs.5,802,907 which is correct according to the ACA 2-5 format, advance reconciliation statement and even 2019 final account. |
| (d) | As per the statement of cash flows no expenditure had been incurred on acquisition of physical assets under cash out flows incurred for investing activities. However a sum of Rs.138,855 had been incurred by the department on acquisition of physical assets as such Rs.103,365 on furniture, Rs.30,200 on communication equipment, Rs.5,290 on office equipment during the year under review. | -do- | Agreed. |
| (e) | A sum of Rs.7,580,893 had been shown as advance payments under cash flows incurred for investing activities. However as per the information furnished to audit it was Rs.7,592,142 and a difference of Rs.11,249 was observed. | -do- | Advance payments of Rs.7,580,893 was correct. It was correct as per the ACA5 format and advance reconciliation statement and 2019 account. |
| (f) | The balance of net movement in cash for the year ended 31 December 2019 should be zero in the statement of cash flows. However due to the differences of the above adjustments, a sum of Rs.538,835,065 had been shown as net movement in cash in the statement of cash flows furnish to audit by the department. | -do- | Not commented. |

1.6.4 Non – maintenance of Registers and Books

During the audit test checks, it was observed that some of the following registers had not been maintained by the department and some of them had not been maintained properly and update.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Security Register</p> <p>A Security Register containing the information of officers and employees required to give securities had not been maintained.</p>	<p>A security register of persons responsible to keep securities should be maintained so as to include information mentioned in the section 891 (1) of the financial regulation.</p>	<p>Necessary actions will be taken in terms of the circular of Secretary to the Internal, Home Affairs, Provincial Councils and Local Government Affairs No.07/2019 dated 23 March 2019.</p>
<p>(b) Records of damages and losses</p> <p>Even though the department had maintained a records of damages and losses, it had not been kept up to date.</p>	<p>The record of damages and losses Should be kept update in terms of the section 110 of the financial regulation.</p>	<p>Eventhough record of damages and losses had been prepared, it had been failed to record recent damages. The reasons were that the relevant investigations had not been completed. In future action will be taken to record losses as soon as it occurs as per F.R.110.</p>
<p>(c) Vehicle log books</p> <p>During the audit test check of vehicle log books relating to five (05) vehicles, it was observed instances of failure to record the fundamental information of vehicles, such as the amount of the fuel burned, annual licenses and monthly running summaries.</p>	<p>Vehicle log books should be updated and maintained.</p>	<p>Actions had been already taken to avoid deficiencies since fuel burned, annual licenses and details of running summery had not been included as per fundamental information of vehicle log books.</p>

1.6.5 Non-compliance with Laws, Rules and Regulations

The no-compliances with the provisions in Laws, Rules and Regulations observed during the audit test checks are analyzed below.

Reference to Laws, Rules, and Regulations	Observation Non-compliances	Recommend ation	Comments of the Accounting Officer
(a) Financial Regulation -----			
i. Financial Regulation 571 (3)	Although deposits remained for more than two years should be credited to the consolidated fund, 37 deposits relating to general deposits of department excluding deposits on application for land and project fund deposits aggregating Rs.20,995,493 had been retained in the deposit account for more than two years without taking action to settle or credit to the government revenue.	Should act in accordance with financial Regulation 571.	Action will be taken to release the projects funds retained in the General Deposit account within the next 02 months with the recommendations of the district offices and retention of ongoing projects will be credit to the government revenue after the completion of the projects.
ii. Financial Regulations 104	(i) An investigation report had been submitted regarding the loss of computer equipment valued at Rs.203,600 in the Padukka and Nuwara Eliya Officer Incharge Offices of the Department. However, the Secretary to the Line	Should at accordance with the financial regulations with regard to losses and damages.	Investigations have been resumed as the Secretary to the Ministry did not approve the investigation reports prepared in relation to the loss of computers and equipment at the Padukka and Nuwara Eliya district offices.

Ministry had recommended to conduct a formal inquiry as the persons responsible for the loss had not been identified in it. However, the investigation had not been commenced even by 31 May 2020.

(ii) Determination of losses and submission of final report for the accident which occurred on 10 November 2018 at the office of Anuradhapura officer in charge had not been completed even by 31 May 2020.

(iii) In terms of the financial regulation 104 (b) the losses on damages should be recovered as soon as possible. However, losses had not been recovered and actions had not been taken in terms of financial regulations for accident occurred on 10 November 2018 and 18 August 2019 respectively with regard to two vehicles used for running in the Department of National Community Water Supply even by 07 February 2020.

-do-

Although a preliminary investigation has been carried out and an investigation report has been received, the report of losses had not been received yet.

-do-

Vehicle bearing the number GA - 1691 belongs to the above mentioned Anuradhapura district.

As the report regarding the vehicle bearing number CAR - 5337 had already been received, action will be taken in future.

(b) Public Finance
Circulars

Section 3.2.2 of
the Public
Finance Circular
No. 05/2016
dated 31 March
2016

Physical verification of
stocks for preceding year
should be completed before
31 March 2020. However,
It was revealed that
physical verification
relating to 05 district
offices had not been
commenced even by 10
June 2020.

Should act in
accordance
with the
Public
Finance
Circular
dated 31
March 2016.

Due to prevailing Corona
epidemic in the country
and non-attendance at
offices after 13 March
2020, only 5 out of 25
districts were delayed
before 31 March 2020, and
physical verification had
been completed in those
five districts by now.

(c) Finance
Ministry's
Circular

Section 07 of the
Asset
Management
Circular No.
01/2017 dated 28
June 2017 of
Ministry of
Finance and
Mass Media.

Details of all assets owned
by the institution should be
submitted to the
Comptroller General's
Office, However as of 31
May 2020, that has not
been done.

Should act in
accordance
with the
provisions in
the Circular.

Actions had been taken to
submit this report to the
Comptroller General by
my letter of dncws/ ac/
01057 dated 26 May 2020.

(d) Public
Administration
Circulars

Paragraph 3.1 of
Public
Administration
Circular No.
30/2016 dated 29
December 2016

During audit test check of
log books relating to
vehicles owned by the
department, it was
observed that fuel
consumption had not been
tested in terms of the
circular.

Should act in
accordance
with the
provisions of
the circular.

Action will be taken to
decide fuel consumption
by appointing a board
since the test for fuel
consumption had not been
conducted relating to
vehicles of the department.

2. Financial Review

2.1 Imprest Management

Audit Observation	Recommendation	Comments of the Accounting Officer
The Net provision received for capital expenditure during the year under review was Rs.1,706 million and the net expenditure was Rs.435.76 million. Hence Rs.1,270.23 million had been saved. Accordingly, the saving out of the net provision had been 74 percent.	Expenditure estimates should be prepared correctly in terms of the Financial Regulations 50.	The provision for capital expenditure had been saved due to inability of the treasury to release imprest. However, the agreements for projects had been entered and works had been completed for entire allocation.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The percentage of saving out of net provision relating to eight (08) object code of recurrent and capital nature had taken a range from 26 percent to 94 percent.	Expenditure estimates should be prepared correctly in terms of the Financial Regulations 50.	The provision for capital expenditure had been saved due to inability of the treasury to release imprest. However, the agreements for projects had been entered and works had been completed for entire allocation made.
(b) The net provision of Rs.1,600,000 under the acquisition of machinery and equipment object code number 322-1-1-0-2103 had been saved entirely.	-do-	Although the allocation had been made by treasury for the purchase of capital assets during the year 2019, the allocation had been saved due to non-payment of imprest.

2.3 Issuance and Settlement of sub imprest

Audit Observation

Recommendation

Comments by the Accounting Officer

In terms of the financial regulation 371 (5) the sub imprest issued should have been settled within within 10 days after completion of activity. However sub imprest issued in 30 instances during February 2019 to December 2019 aggregating Rs.360,328 had not been settled as soon as completion of relevant activities.

Should act in accordance with the section 371 (5) of the Financial Regulation.

All officers were informed to settle sub imprest given for various programmes immediately after completion of the program.

3. Operational Review

3.1 Planning

Audit Observation

Recommendation

Comments of the Accounting Officer

As per the Public Finance Circular No. 2014/01 dated 17 February 2014, an action plan for the year 2019 had been prepared. However, it was observed that the following matters that should be included in it in terms of the section 3 of the circular had not been included.

- (a) The updated organizational structure for the year under review, details of approved and existing cadre.

The annual action plan should be prepared in terms of the circular.

As per the instructions given by the Secretary of the Ministry of Policies and Economics Affairs of his letter No. MNPEA/ PLN/ APG/ 15 dated 2015/10/14 and the cabinet decision taken on 2015/09/20 for the preparation of annual action plan, the annual action plan for the year 2019 had been prepared using prescribed formats and a copy of it had also been delivered.

- (b) Imprest requirement Plan for annual activities.
- (c) Annual procurement plan for major development programs planned.
- (d) Internal Audit Plan.

A format for preparation of action plan had not been given as per the circular number 2014/01 dated 17 February 2014 and matters that should have been included in the action plan as per it had been included in above plan.

However, actions are being taken these days to prepare a five year action plan at the district level to include all the development requirements of the registered community water projects of the department. It is possible to provide a copy of it within the next 2 months.

3.2 Abandonment of projects without completion

Audit Observation

Recommendation

Comments of the Accounting Officer

 324 inactive water projects of Community Base Organizations in 18 districts registered under the department were inactive since the year 2000 to the end of the year under review. However, it was observed that adequate measures had not been taken to reactivate the inactive water projects in the Matale, Matara, Ratnapura and Puttalam districts out of them.

 Immediate actions should be taken to reactivate the inactive water projects.

 The Department is working to activate the existing inactive water projects at the district level using the limited resources available and it is not possible to take immediate actions within a short period of one year.

3.3 Delays in project implementation

The following observations are made.

Audit Observation	Recommendation	Comments by the Accounting Officer
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(a) It was observed that out of 160 projects initiated in 2018 and 2019 under the departmental allocations, works of 32 projects costing Rs.59,774,352 should be completed by 31 December 2019, had not been completed even by the end of the year under review.	Action should be taken to complete the projects as planned.	Provisions for these projects have been approved after the budget was passed in May 2019. The department is working to activate the water project as required and it is not possible to take immediate actions within a short period of one year.
(b) Construction works of 17 community water projects in Hambantota District were commenced in 2017 and 2018 with the allocations of the Ministry of Housing and Construction. However, out of the 05 projects which were to be completed by 15 December 2018 and 31 March 2019 at a cost of Rs.142,635,532, one project had not been completed even by the end of the year under review and the other project had not been nationalized eventhough they had been completed.	Action should be taken to complete the projects and nationalize them within the planned time period.	Except for a very few activities of one project which is being implemented on provisions of the Ministry of Housing, the remaining projects have been completed.
(c) Out of 123 projects costing Rs.1,782,992,419 implemented under National Praja Jala Abhimani Project in 25 districts during the year under review and expected to be completed by 31 December 2019, only 03 projects costing Rs.16,187,182 had been completed by the end of the year under review. It was observed that the progress of 46 projects costing Rs.785,058,909 implemented in 16 districts was less than 75 percent.	Actions should be taken to complete the projects as planned.	It was scheduled to complete the project as at 31 December 2019 as allocation for the projects will end within the year. However, the practical implementation of the projects has been delayed due to inclement weather and lack of funds. All these projects are scheduled to be completed within the next two months of this year.

3.4 Annual Performance Report

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of the Public Finance Circular No. 402 of 12 September 2002, Performance Report for the year under review should be table by department within 150 days after the end of the financial year, However, Annual Performance Reports for the year 2015 to 2019 had not be tabled in Parliament even by 31 May 2020.

Should act in accordance with the Public Finance Circular.

Performance reports for the years 2015, 2016, 2017, 2018 had been prepared. Arrangements will be made to submit within the next 03 months.

3.5 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments by the Accounting Officer
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(a) As per the paragraph 4.2.1 (a) and (b) of the Government Procurement Guidelines of National Procurement Agency, a master procurement plan including expected procurements for forthcoming three (03) years period had not been prepared by the department.

Should comply with the procurement guidelines of the National Procurement Agency.

The procurement plan for the year 2019 had been prepared based on the amount of allocations received annually. It is informed that, action will be taken to prepare the procurement plan covering forthcoming three (03) years in future.

- (b) Out of the funds received for the Wewgam Pubuduwa project which is being implemented under the United Nations Development Fund, 04 cabs had been procured on rent basis for district offices in Kurunegala, Anuradhapura, Vavuniya and the head office of the department. However, instead of 04 vehicles agreed upon by the bidders selected for the supply of these vehicles, 04 another vehicles were put into operation before obtaining the approval of the Procurement Committee or the Technical Evaluation Committee and agreements were entered for the same. Further, Rs.1,200,603 had been paid to the contractor on 28 February 2020 for 03 vehicles deployed for duty during the months of August and September. Further, It was also observed that the supplier did not own the vehicle which had been procured for the Kurunegala district Office at the time of entering into the agreement.
- The provisions of the Procurement Guidelines should be followed in the procurement process.
- It is noted that it is possible to supply another vehicle with similar specifications instead of the vehicle purchased according to the procurement process. Accordingly, 04 another vehicles were used for the service in accordance with the specifications of the selected vehicles and action was taken to obtain the recommendation of the Technical Evaluation Committee and the approval of the Procurement Committee before making the payments.
- (c) Without identifying the requirements of the main items such as PVC pipes and fittings, pumps, GI pipes etc. required for the community water supply projects implementing all the districts of the department at once and awarding one contract for that whole requirement, arrangements had been made to procure the materials from time to time publishing periodic advertisements. However, the prior approval of the Procurement Committee or the Secretary to the Ministry had not been obtained by submitting formal reasons as per the provisions in paragraph 4.4 of the
- The overall requirement of PVC pipes and fittings of the department should be planned in advance and procurement should be done more efficiently and effectively accordingly.
- The estimated cost of purchasing PVC and accessories is Rs.530 million and it should be done by a Procurement Committee nominated by the Cabinet of Ministers as the departmental and ministry procurement limit will be exceeded if quotations were called through one advertisement. This work may take longer time period than this.
- Separate contract awarding is the most effective, efficient and profitable process as explained above. According to supplement 32 of the Procurement Manual,

Procurement Guidelines. Further, separate contracts awarded for the purchase of the same item were evaluated under several procurement committees and allowances had been paid separately for the committee members.

payments to Procurement Committees and Technical Evaluation Committees are made on the basis of the value of each contract. Accordingly, separate payments can be made for each contract. Therefore, no overpayment has been made as per paragraph 2.9.1 of the Procurement Manual. The payments for 22 construction industries of the department had been made during 2017 in this way.

3.6 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments by the Accounting Officer
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(a) Unused vehicles -----	Action should be taken to auction the condemned vehicles if it is impossible to repair.	Regarding the cab No. 57-0015, the motor vehicle technician was of the opinion that it was useless to repair it and the inspector of the Department of Motor Vehicle who was a member of the board appointed to value motor vehicles obtain the motor insurance certificates for the year 2019 decided that it was appropriate to auction it. Repair works of the cab bearing the number WP-GB-0066 cannot be completed due to insufficient funds allocated for repairs.

The repair of the WP-GD 2233 cab has been delayed due to insufficient provisions and it was decided by the motor vehicle technician officer that rupees four lakhs will have to be incurred for repairs need to the done.

(b) **Use of vehicles owned by other government institutions**

According to the information submitted to audit by the department, seventeen (17) vehicles belonging to other institutions including ten (10) vehicles of Community Water Supply and Sanitation Project belonging to the Ministry of Housing and Construction had been used during the year under review.

Action should be taken to take over these vehicles properly or release them to the relevant institutions.

Necessary arrangements had been made to take over these to the department and the registered persons of vehicles had already given their approval to take over 13 vehicles. The approval had been given by the present registered institution and the transfer was delayed due to the delay in obtaining the approval. However, actions are being taken to forward the transfers to the Commissioner of Motor Traffic. The acquisition of the remaining 04 vehicles mentioned in the report is in progress and there is a possibility of verifying the ownership of them in future as well.

(c) **Underutilization of departmental assets**

While out of the pool vehicles deployed at the head office of the department during the year 2019, 03 vehicles had been used less than 500 km during 08 months of the year under review, two vehicles which were rented had also been used for the duties of the head office. However, those rented vehicles had also been run lesser distances than the agreed distances during the year under review.

Action should be taken to fully utilize vehicles owned by the department.

This department is involved as a party to the number of development projects under the Wewgam Pubuduwa Project in Puttalam, Kurunegala, Anuradhapura, Vavuniya, Trincomalee and Mannar Districts under the Ministry of Irrigation and Mahaweli. Funds have been allocated under the project to hire vehicles on rent basis to provide

the required transport facilities to the officers on duty in the projects, and although the distances traveled has been somewhat less since the inception of the project, the situation has now changed. At present, only that vehicle had been given to the head office officials to monitor the project and the agreed distance is being utilized.

3.7 Security of public officers

Audit Observation

Recommendation

Comments of the Accounting Officer

In terms of the section 128 (1) (n) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka officers who are bound to keep securities in accordance with applicable law and regulations. However, the relevant officers of the department had not done so and the security register had not been maintained in terms of section 891 (1) of financial regulation.

Should act in accordance with financial regulations.

Action will be taken in accordance with the circular of Secretary to the Ministry of Internal, Home Affairs, Provincial Councils and Local Government Affairs No. 07/2019 dated 23 March 2019.

4. Achievement of Sustainable Development Goals

Following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Water for all, sustainability management and confirming the receipt of sanitation had been identified as sustainability development goals of the Department of National Community Water Supply. However, any internal circulars, guidelines and workshops had not been conducted by the department to aware in this regard.	The department should work towards achieving the Sustainable Development Goals.	Establishing relevant goals, providing contribution of all stake holders under provision of safety water & sanitation for all in sustainable development goals had been undertaken by the Ministry of Water Supply. Hence, the officers of the department had been participated to meeting and workshops organized by the Ministry.

5. Human Resource Management

Audit Observation	Recommendation	Comment by the Accounting Officer
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A sum of Rs.117.51 million had been incurred for the personal emoluments during the year under review in order to accomplish the functions of the department. Accordingly, the per capita expenditure was Rs.529,326. It was observed that the percentage of vacancies ranging from 30 per cent to 100 per cent of the approved number of employees under each category of employees as at 31 December 2019. It accounted as high as 52 percent of the total approved cadre.	Action should be taken to fill the vacancies in the essential posts.	Approval had been sought for recruitment to departmental posts. However, approval had not been received from the Department of Management Services so far to recruit for those posts. However, it was able to fill 06 vacancies out of vacancies existed in the year 2019 and steps have been taken to avoid those vacancies by recruiting 124 trainee graduates.