

Head 166 –Ministry of Water Supply

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry Water Supply for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 summery report containing my comments and observations on the financial statements of the Ministry was issued to the Chief Accounting Officer on 25 June 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 29 June 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 give a true and fair view of the financial position of the Ministry of Water Supply as at 31 December 2020 and 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor’s Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer for 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 Ministry 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 Ministry 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, and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- 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 Ministry's internal control.
- 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.
- 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 Chief 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) of National Audit Act, No. 19 of 2018.

- (a) Financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
In terms of the paragraph 07 (vi) of Guideline No. 06 for the Preparation of financial statements under paragraph 10.1 of the Public Finance Circular No. 02/2020 dated 28 August 2020, since the value to be settled to the treasury at the end of the year or the amount to be received from the treasury will inevitably vary as per the Financial Performance Report and the amount to be settled to the treasury as per the cash book, an imprest adjustment account had not been prepared and submitted along with the financial statements in order to reconcile those balances.	It is accepted that the imprest adjustment account was not submitted with the final account and it was then submitted to the audit at the request of the auditors.	An imprest adjustment account should be accurately prepared and submitted with the financial statements in terms of paragraph 7 (vi) of Guideline No. 06 of the Public Finance Circular No. 02/2020 dated 10 October 2020.

1.6.2 Statement of Financial Performance

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) As per the statement of financial performance and statement of cash flow, the value of capital assets acquired during the year 2020 was Rs. 443,308. However, as per the schedule submitted for audit (ACA-6 format), it was Rs. 303,010, and hence a difference of Rs. 140,298 was observed.	The observation is accepted and action is taken to correct it.	The value of capital assets acquired should be accurately reconciled with the relevant schedules.
(b) As per the treasury final accounts statements, the imprests received from treasury was Rs. 2,019,711,521 for the year under review. However, it had been shown as Rs. 2,183,670,099 with an increase of Rs. 163,958,578 in the statement of financial performance of the Ministry.	Due to amalgamation with the Ministry of Housing during the first 08 months of the year, imprests had been received to that Ministry and Ministry of Water Supply received the imprest only in the last quarter.	Financial statements should be prepared in terms of paragraph 7 (vi) of Guideline No. 06 of the Public Finance Circular No. 02/2020 dated 10 October 2020.
(c) As per the information submitted by the Ministry for the audit, other receipts amounting to Rs.2,505,627,219 had not been shown in the statement of financial performance under other receipts.	An income collection of Rs.2,505,627,219 had not been made and identified income collection had been shown through ACA 3.	-Do-

1.6.3 Statement of Financial Position

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) As per the treasury final accounts statements a sum of Rs. 2,074,113,966 should have been recognised as the value of property, plant and equipment under non-financial assets. However, as per statement of financial position submitted by the Ministry it had been shown as Rs. 383,450,126 with a decrease of Rs.1,690,663,840. As a result the value of property, plant and equipment reserves had also been understated in the statement of financial position by same amount.	Both of the Ministry of Water Supply and the Ministry of Higher Education were done accounting activities under the head of 166 during the year 2020 and as the ministries had been separated after August 2020 the fixed assets owned by the Ministry of Higher Education had been handed over to that institute.	Financial statements should be prepared after reconciling the value of non-financial assets with treasury accounts statements as per paragraph 10.1 of Public Finance Circular No. 02/2020 dated 10 October 2020.
(b) As per the treasury final statements, the unsettled imprest balance as at 31 December 2020 was Rs. 2,378,366. However, it had not been identified in the statement of financial position as imprest to be settled to the treasury under current liabilities. Since, it had remained as transit balance as at 31 December 2020 even though as per the information submitted for audit by the Ministry the balance had been settled to the treasury as at 21 December 2020, it was observed in audit that it should have been identified as cash and cash equivalent under the financial assets in the statement of financial position.	The facts pointed out by the audit are correct.	The financial statements should be prepared in accordance with paragraph 7 (vi) of Guideline No. 06 of the Public Finance Circular No. 02/2020 dated 10 October 2020.

1.6.4 Statement of Cash Flows

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) As per the consolidated trial balance submitted by the Ministry, revenue of Rs.2,505,627,219 collected for seven revenue codes allocated to other accounting officers had not been shown in the statement of cash flows.	An income collection of Rs.2,505,627,219 had not been made and identified income collection had been shown through ACA 3.	Financial Statements should be prepared and in terms of paragraph 7 (vi) of Guideline No. 06 of the Public Finance Circular No. 02/2020 dated 10 October 2020.
(b) A sum of Rs.2,183,670,099 had been shown as imprest receipts under cash inflows from operational activities in the statement of cash flows. However, as per information submitted for audit the imprest receipts was Rs.2,176,192,738 and hence a difference of Rs.7,477,361 was observed.	No difference was observed as indicated by the audit.	-Do-
(c) An aggregate difference of Rs.4,532,317,064 was observed in values shown for items such as personal emoluments & operating expenses, subsidies and transfer payments, expenditure incurred on other heads and imprest settlement to the treasury under cash flows incurred on operating activities in the statement if cash flows and amount to be shown as per the information submitted for audit.	It had been correctly accounted for.	-Do-
(d) A sum of Rs.5,843,298 had been shown as recovery of advances under cash in flows from investing activities in the statement of cash flows. However, as per the information submitted to audit it was Rs.3,592,517 and a difference of Rs.2,250,781 was observed.	It had been correctly accounted for.	-Do-

- (e) It had been shown that a sum of Rs. 1,849,937,553 and Rs.8,564,602 respectively had been incurred for construction or purchase of physical assets and repayment of advances under cash flows incurred for investing activities. However, as per the information submitted to audit a sum of Rs. 443,308 and Rs. 4,110,979 had only been incurred on construction or purchase of physical assets and repayment of advances. Hence, a difference of Rs.1,849,494,245 and Rs. 4,453,623 respectively was observed. Expenditure incurred on rehabilitation and upgrading of capital assets had also been taken into account when showing the value of the construction or purchase of physical assets. The value of loans and advances paid to public officers during the year had been shown as advance payments under investment activities. -Do-
- (f) Rs.52,900,868 as deposits receipts under cash in flows from financing activities and Rs. 244,631,232 as deposits payments under cash outflows had been identified in the statement of financial position. However as per the information submitted for audit deposits receipts were Rs. 8,096,590 and deposits payments were Rs.17,356,836 and hence a difference of Rs. 44,804,278 and Rs.227,274,396 respectively was observed. Deposit receipt and payment information is provided by ACA4 and can be verified by checking the balance with the deposit ledger and CIGAS account. -Do-

1.6.5 Non – maintenance of Registers and Books

During the audit test check, it was observed that the following registers had not been maintained properly and update by the Ministry.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) A Security Register containing the details of officers and employees required to give security had not been prepared in terms of Financial Regulation 891(1).	The officers who are required keep securities will be informed and the relevant steps will be taken to keep securities.	A Security Register containing the details in financial regulation 891(1) of all officers required to give security should be maintained.
(b) In the event of goods to the warehouse, it had not been recorded in Goods Received Note.	When receiving goods to the warehouse, the number and page number of the relevant document is recorded and the signature of the officer in charge of the warehouse and date is affixed and action is taken to obtain the signature of the executive officer on the page where the goods are included in the relevant register.	Should act in accordance with the Financial Regulations.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The net provision of Rs. 121,000 for the object code (166-1-1-1403) had been entirely saved.	Since the official quarters were given to the Minister in December 2020, the bills for that had not been submitted for payment in the year 2020.	Expenditure estimates should be prepared accurately in terms of the Financial Regulations 50.

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| (b) | The provision of Rs. 934,000 for three recurrent expenditure subjects had been completely transferred to other expenditure subjects under financial regulation 66. | Planned programs could not be implemented due to the Corona epidemic. | -Do- |
| (c) | Out of the net allocation of Rs. 1,342,000 for five recurrent expenditure subjects, an amount ranging from 20 percent to 50 percent had been saved. | Provisions had been saved due to closure of the Ministry for a long time due to the Corona epidemic. | -Do- |
| (d) | Out of the estimated allocation of Rs. 4,163,000 for five recurrent expenditure subjects, allocations ranging from 19 percent to 53 percent had been transferred to other expenditure subjects through FR 66. | Provisions were not sufficient for certain expenditure items of the Ministry of Water Supply as the budget estimates requested for the Ministry of Water Supply were given to the Ministry of State from 01 September 2020 as the new budget when establishing the State Ministry. | -Do- |
| (e) | The net allocation of Rs. 463.37 million for six capital expenditure subjects had been entirely saved. | The Corona epidemic prevailed during 2020, the delay in receiving imprest, failure to settle the planned settlement in relation to the subject of expenditure 166-2-5-40-2201 (17) had been stated as the reasons for the savings of the provisions. | -Do- |
| (f) | Out of the net allocation of Rs. 20,072.6 million for 22 capital expenditure subjects, ranging from 21 percent to 98 percent had been saved. | Other provisions had been saved due to reasons such as the Covid 19 epidemic, VAT exemption for certain projects, delays in receipt of imprest from the treasury, issues relating to project's bills etc. | -Do- |

- (g) Net Allocation of 35 Provisions were saved due to -Do-
 Development Project during the Covid epidemic and delays
 the year under review was Rs. in receiving imprest from the
 75,179.62 million. However, treasury.
 the cost of those projects is
 only Rs. 64,891.39 million
 and hence Rs. 10,288.23
 million had been saved.
 Accordingly, the savings out
 of net provision had been 14
 percent.

2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules, and Regulations	Observation Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(a) Financial Regulation 751 (4) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka	With regard to the goods received to the warehouse, no actions had been taken to include to the stock records after being recorded in to the Goods Received Notes.	When receiving goods to the warehouse, the number and page number of the relevant document is recorded and the signature of the officer in charge of the warehouse and date is affixed and action is taken to obtain the signature of the executive officer on the page where the goods are included in the relevant register.	Goods received to the warehouse should be recorded in a Goods Received Note in terms of the Financial Regulations.

(b) **Public
Administration
Circulars**

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| (i) Circular No. 09/2009 (1) dated 17 June 2009 | Even though the arrival and departure of the ministerial staff to their place of work had to be confirmed by fingerprinting machines, it had not been done. | The Private Secretary to the Minister has stated that it is difficult to use the fingerprint machine practically. | Should act in accordance with the Public Administration Circulars. |
| (ii) Combined Service Circular No.03/2019 dated 27 June 2019 | It has been observed that 25 officers hold the posts of Development Officer and Management Service Officers who have been serving from the year 2007 are being continuously employed without any transfer even though officers who have served in the present place of employment for more than 05 years are subject to transfers. | The transfer process is currently unable to be implemented practically. | Transfers should be made in a timely manner in accordance with the Combined Service Circulars. |
| (iii) Combined Service Circulars No.13/2020,14/2020 ,15/2020,17/2020 dated 12 September 2020 | It was observed that five executive officers who have been working without transfer for over 05 years are still serving in the Ministry even at the end of the year under review. | The transfer process is currently unable to be implemented practically. | Transfers should be made in a timely manner in accordance with the Combined Service Circulars. |
| (iv) Section 3.1 of | No fuel combustion tests had | Necessary arrangements | |

Public Administration Circular No.30/2016 dated 29 December 2016	been carried out on Ministry's vehicles.	are being made to test the fuel combustion of vehicles belonging to the Ministry's pool.	Fuel combustion of vehicles should be carried out in accordance with Public Administration Circulars.
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(c) Public Finance Circulars

(i) Section 09(a) of Circular No. 02/2015 dated 01 July 2015	Measures had been taken to dispose 04 vehicles without taking over the ownership of the vehicles.	Actions had been taken to dispose vehicles handed over from completed projects from time to time and vehicles registered in the name of the Ministry due to changes in the name of the Ministry at that time.	Should act in accordance with the provisions in the Public Finance Circulars regarding disposal of vehicles.
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(ii) Circular No. 05/2016 dated 31 March 2016

<ul style="list-style-type: none"> • Section 3.1.4 	Necessary actions had not been taken regarding excesses, deficiencies identified during the board of survey in 2019.	Excesses/deficiencies identified during the board of survey in 2019 had been balanced prior to the board of survey in 2020.	Should act in accordance with the Public Finance Circulars.
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<ul style="list-style-type: none"> • Section 3.1.5 	Necessary action should have been taken before 26 February of each financial year with respect to the items listed in the General 47 report. However, those instructions had not been followed for items to be auctioned and disposed of identified in the 2019 board of survey.	Due to the Corona epidemic, the auction for items identified as to be auctioned and disposed during 2019 board of survey was delayed and had to be held on 18 September 2020.	Should act in accordance with circulars.
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2.3 Issuance and Settlement of Imprests

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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There was a delay ranging from 07 days to 3 months and 04 days in the settlement of advances amounting to Rs.141,010 which had been issued for various activities in 13 occasions from January to November of the year under review.	Arrangements will be made to settle and document advances without delay in the future.	Advances should be settled as soon as the work is completed.

3. Operating Review

3.1 Planning

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Even though action plans for the year 2020 had been prepared on a quarterly basis in terms of Public Finance Circular No. 2014/01 dated 17 February 2014, an annual procurement plan had not been submitted for the major development programs planned in terms of paragraph 3 of that circular. Further, the overall expected progress at the end of the year under review had not been shown for some of the projects mentioned in the action plan.	As the audit pointed out, I acknowledge that the Annual Procurement Plan for the year 2020 has not been completed.	An action plan should be prepared in accordance with the provisions of the Public Finance Circulars.

3.2 Non-achievement of expected Output Level

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) It was observed in audit that it had been failed to achieve the expected physical progress with respect of 11 large scale Water Supply and Sewerage projects as per the final quarter action plan 2020.	The expected physical progress could not be achieved due to the Covid 19 epidemic, the need to change the water source, public protests over lands, delays in calling for tenders, difficulties in excavating land and the banning of drone surveys etc.	Action should be taken to reach the relevant project progress as planned at the beginning of the year.
(b) Seven projects which were directly implemented by the Ministry and were supposed to be completed during the year under review could not be completed as expected even by the end of the year.	The aforementioned projects were delayed due to non-receipt of imprests from the treasury, land issues and the Covid 19 epidemic.	Action should be taken to reach the relevant project progress as planned at the beginning of the year.

3.3 Non-achievement of expected Outcome

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) It had been targeted to provide 650 new water connections in the Monaragala District under the Kidney Disease Prevention Program. However only 165 new water connections had been provided by the end of the year under review. The sum of Rs. 1,033,826 received for the	New water supply was provided to 880 consumers according to the recommended low income list, and the necessary financial allocations were received by the Monaragala District Secretary to the Water Supply Board.	Action should be taken to get the expected progress from the projects.

project in the year 2019 had been credited to the government revenue in the year 2020 without being utilized for the relevant purpose.

Hence the remaining amount of Rs. 1,033,826 in the Ministry was credited to the government revenue at the end of the year.

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| (b) | A sum of Rs. 337,050 and Rs. 159,109 kept in the General Deposit account in 2019 for a rapid action learning workshop with the participation of regional partners had not been used for the relevant purpose and had been credited to government revenue during the year 2020. | All the organizing activities of this workshop were done by the officials of the Development Division of the Ministry and as a result the money expected to be spent for this was saved. | Expenditure estimates should be prepared accurately in terms of the FR 50. |
| (c) | Out of the Rs. 1,065,500 kept in the General Deposit account in the year 2019 for the aforementioned purpose, Rs. 1,048,593 had been spent to purchase water tanks outside the relevant purpose. | Actions were taken to provide water tanks to schools to reduce the spread of Covid 19 using these provisions. | Funds received for projects should not be utilized for extraneous activities. |
| (d) | The sum of Rs. 100,000 received from the National Science Foundation for conducting a training course in the year 2018 had not been used for that purpose and had been credited to the government revenue in the year 2020. | No comments had been given. | Expenditure estimates should be prepared accurately in terms of the Financial Regulations 50. |

3.4 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) It was observed that extension of time exceeding the scheduled completion period had been given for 12 Foreign Funded Projects which are under the direct supervision of the Ministry due to poor performance of the contractors, delays in land clearance,	There were delays due to reasons such as legal issues, delays in obtaining approvals for excavations for pipe laying, delays in land acquisition, delay in awarding contracts, contractors	Actions should be taken to complete the projects as planned.

delays in contract awarding, delays in performance issues, environmental and resettlement etc. unpredictable hard rock As a result, it was observed that there encounters, adverse weather was a significant delay in the conditions, Easter attacks and completion of the projects ranging Covid 19 etc. from 82 days to 1460 days.

- (b) The Andaragasyaya project, a small-scale project commenced in 2017 and scheduled to be completed in April 2020. However, even after a delay of 245days as at 31 December 2020 it had been failed to complete the project.
- The project was delayed due to non-receipt of imprest from the treasury and the impact of the Covid 19 expansion.
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3.5 Projects abandoned without completing

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>The Tissamaharama Water Supply Project and the Trincomalee Water Supply Project, which had been implemented by the Ministry and scheduled to be completed by 31 December 2020, could not be completed as expected.</p>	<p>The project was delayed due to non-receipt of imprest from the treasury and the impact of the Covid 19 expansion.</p>	<p>Projects should be completed as planned.</p>

3.6 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) <u>Utilization of vehicles without approval</u>	This vehicle has been approved for use of Ministry by the Department of Public Enterprises.	Should act in accordance with the instructions given by the Presidential Secretariat.
Prior approval of the Ministry of Finance and Planning had not been obtained for the vehicle bearing number CBG-7786 belonging to the Water Supply and Drainage Board used by the Minister of Water Supply in terms of the paragraph 3.3 of the Presidential Secretariat Letter No. CA / 1/17/1 dated 14 May 2010 relating to Public Expenditure Management .		
(b) <u>Utilization of vehicles owned by other government institutions</u>	These vehicles have to be used until the provision is made to get the vehicles back.	When utilizing vehicles owned by the other government institutions actions should be taken to take over them properly.
Thirteen (13) vehicles owned by 7 other government agencies had been utilized by the Ministry during the year under review.		
(c) <u>Unused vehicles</u>	Arrangements had been already made to call for engineering reports regarding the complete repair of two engines. Provisions have been requested from the Ministry of Finance to repair the other two vehicles.	Actions should be taken to repair or auction vehicles that are not used.
As per the information provided for the audit and the on-site inspection done, the Ministry had parked five unused vehicles without any cover on the premises and had not taken the necessary actions to repair or dispose of those vehicles.		

(d) **Vehicles released to other institutions**

Vehicle bearing the number WP KB-2442 had been released to Water Supply and Sanitation Improvement Project from 08 May 2019 and 02 vehicles bearing the numbers WP GX-4230 and WP GX-4232 had been released to the Department of National Community Water Supply from 25 August 2020 by the Ministry.

The vehicles have been provided to the two institutions with the approval of the Secretary based on the requirement.

Action should be taken to get back the vehicles released to other institutions or to release them properly.

(e) **Vehicles Repair**

Vehicle bearing the number KS-8966 had been handed over to an external institution for repair in January 2020. However, actions had not been taken to bring the vehicle back to the institution even by the end of the year under review after its repair.

The repairs were delayed due to the Corona epidemic and lack of funds and repairs are currently underway.

Actions should be taken to repair it immediately and bring it to the Ministry.

3.7 Security of public officers

Audit Observation

**Comments of the Chief
Accounting Officer**

Recommendation

As per the 128 (1) (n) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka and paragraphs 05 and 06 of Public Administration Circular No. 1/99 dated 09 April 1999, officers who are bound to keep securities are required to keep securities under the prevailing law and regulations, but it had not been done so.

Actions are being taken to inform the officers who are required keep securities and keep the security deposits.

Actions should be taken to obtain securities from the officers who are required to keep securities and maintain the security register.

3.8 Uneconomic Transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The Secretary to the Ministry had entered into a new rent agreement with the supplier of the rented vehicle which was brought to the Ministry by the former Secretary of State when he was appointed to the Ministry. However, due to idling the vehicle from January to April 2020 after the relevant officer was transferred again, the sum of Rs. 837,772 paid as rent had become uneconomical.	Due to the lack of an officer to hand over the vehicle from January to April 2020, it had been used for pool operations and the contract period is due to expire in December 2021.	Actions should be taken to prevent uneconomical transactions.

3.9 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The money collected from the employees and the institution of the Ministerial staff on behalf and the Employees Provident Fund should be sent to the relevant institution without any delay. However, amount payable on 5 occasions from December 2019 to December 2020 on behalf of the contribution on Employees Provident Fund amounting to Rs. 837,351 had been transmitted with a delay.	There had been a delay due to the Corona epidemic and arrangements have been made to transmit without delay in 2021.	Statutory payments should be remitted to the relevant institutions without delay.

- (b) The highest bids for the two vehicles numbered KB-6850 and KB-2477, which were put up for auction in the year 2020 were rejected by the tenderers to purchase those vehicles. Subsequently the vehicles had been parked unsafely even by 20 May 2021 at the Ministry premises without taking any action to call for tenders and auction the vehicles again.
- The vehicles were not handed over to the second bidders due to information received that the first and second bidders were negotiating and trying to procure vehicles at lower prices.
- Action should be taken to call for tenders again and to auction immediately.

4. Achievement of Sustainable Development Goals

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Providing safe drinking water for all and confirming of the receipt sanitation facilities by 2030 had been identified as Sustainable Development Goals of the Ministry of Water and progress has been measured in terms of six key performance indicators (KPIs) in order to achieve those objectives. However, adequate water tests had not been carried out to ensure the quality of safe drinking water provided under the provisioning of expected drinking water.	In order to ensure the quality of drinking water, rural water supply schemes covering all 25 districts, a program to test the quality of water in tube wells and dug wells had been implemented and a total of 81947 water samples had been tested under that.	Adequate water samples should be tested to ensure safe drinking water supply.

- (b) Two officers had not been nominated for coordination activities to achieve the Sustainable Development Goals even by 31 December 2020 in terms of the Ministry of Sustainable Development and Wildlife Circular No. MSDW / 08/65 dated 27 April 2018. One officer had been appointed for this purpose and a letter had been sent to the Director General of the Sustainable Development Committee. Should act in accordance with the relevant circular.

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Approved cadre, Actual cadre and Expenditure on personnel emoluments</p> <p>(i) The total number of vacancies in the institute was 30 and there were 09 vacancies at the senior level, 03 vacancies at the tertiary level, 12 vacancies at the secondary level and 06 vacancies at the primary level in it.</p> <p>(ii) If employees are recruited on casual or contract basis for the posts mentioned in paragraph 2.2 of letter of the Presidential Secretariat CA / 1/17/1 dated 14 May 2010 entitled Public Expenditure Management, they should have fulfilled the qualifications of the government approved recruitment scheme. However, no evidences had been submitted to audit to prove that the above qualifications had been fulfilled in respect 10 employees recruited on behalf of Ministerial Staff for 04 posts.</p>	<p>Comments had not been given.</p> <p>It is not practical to check the relevant qualifications as appointments are made at the discretion of the Minister.</p>	<p>Action should be taken to fill the vacancies for essential posts expeditiously.</p> <p>If employees are recruited on casual or contract basis as per the instructions of the Presidential Secretariat, it should be ensured that they meet the qualifications of the government approved recruitment procedure.</p>

(b) **Human resources obtained from other parties**

- (i) As per the information received from the National Water Supply and Drainage Board, it was observed that 17 employees of the Board belonging to 5 posts had been released to the Ministry during the year under review. However, as per the information provided by the Ministry for the audit, 15 officers and employees of 08 posts from Water Supply and Drainage Board had been deployed by the Ministry and a sum of Rs. 37,988,182 had been paid as salaries to those employees and officers up to 31 December 2020.
- Released to the Minister's Staff at the request of the Personal Secretary to the Hon. Minister of Water Supply. Human resources obtained from other parties should be re-released to the relevant institutions.
- (ii) It was observed that the services of the officers of the Water Supply and Drainage Board had been obtained by the Ministry since 2012 and two of the officers who served in the Ministry in the year 2020 are serving in two posts in the Ministry outside the permanent post of those officers.
- These two officers had been formally attached to the Procurement Division and the Media Division. -Do-
- (iii) Seven drivers of the Water Supply and Drainage Board are working in the Ministry and accordingly it was observed that the total number of drivers is 16 and two drivers are working in excess of the approved number of drivers.
- Released to the Minister's Staff at the request of the Personal Secretary to the Hon. Minister of Water Supply. The approved number of employees should not be exceeded and human resources obtained from other parties should be re-released to the relevant institutions.