

Head 166 - Ministry of Water Supply

1. Financial Statements

1.1 Qualified Opinion

Head 166 - The audit of the financial statements of the Ministry of water supply for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 was issued to the Chief Accounting Officer on 26 April 2023 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 09 May 2023 in terms of Section 11(2) of the National Audit Act. 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 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 2022, and its financial performance and 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 Responsibilities of the Chief Accounting Officer and the 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement 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 was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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 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 Requirements

I express the following matters in terms of Section 6(1)(d) of the National Audit Act, No.19 of 2018.

- (a) The 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 Accounting Deficiencies

(a) Non-revenue Receipts

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though it should be ensured that figures that indicated in financial statements of the Reporting Entity are tallied with information appeared in the Final Treasury Accounting Statements as per the paragraph 3.2 of State Accounts Guideline No.2022/05 dated 13 December 2022, Deposit receipts of Rs.1,712,060 and deposit payments of Rs.1,589,597 including in the treasury accounting statements relating to the year under review had been recorded as Rs.1,482,085 and Rs.1,478,947 respectively in the Statements of Financial Performance. Accordingly the sum of Rs.340,625 of deposit receipts and payments had been recorded with a decrease in the Statements of Financial Performance.	The Statements of Financial Performance had been prepared including deposit receipts and payments during the year as per the Final Trial Balance as at 31 December 2022.	Financial Statements should be prepared in accordance with State Accounts Guideline.

(b) Recurrent Expenditure

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though supplementary allocation of Rs.500,000 had been made for vote no	The final accounts had been prepared without	Financial Statements

166-01-01-1102/11 as per the Supplementary allocation number 134 dated 17 October 2022, that value had not been recorded in the Statement of expenditure ACA 2(ii) of financial statements.

those figures since it is not included in treasury printouts SA-XXX as at 31 December 2022

should be prepared in accordance with State Accounts Guideline No.05/2022.

(c) Property, Plant and Equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The total loss of Rs.1,965,742 to the government, due to damage of 02 vehicles and 03 office equipment during the year under review, and information about the balances that remained uncharged had not been shown under the paragraph (i) and (ii) in the statement of losses and waivers in the financial statements note (i).	There was no cost to the government since the repair costs for one vehicle accident had been reimbursed by insurance claims. The driver had been informed to pay the damages related to the accident of the other vehicle. There had not been disclosed because no information related to office equipment.	Financial Statements should be prepared in accordance with State Accounts Guideline No.05/2022.

(d) Operation of Bank Accounts

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
According to the bank statement as at 31 December 2022, the balance of the bank account number 7042707 of the State Ministry of Water Supply was Rs.13,232,474 and that value had not been shown in the status report on the bank accounts in Annexure (viii) of the financial statements.	I accept the facts pointed out in the audit.	Financial Statements should be prepared in accordance with State Accounts Guideline No.05/2022.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even though Supplementary Provisions should be allocated only for necessary expenses on unforeseen circumstances according to financial regulation 74 of the Democratic Socialist Republic of Sri Lanka, Irrespective of that, due to the allocation of supplementary estimate provisions, the supplementary estimate allocation sum of Rs.2,740,000 allocated under 08 votes remained unutilized and the savings of the provisions allocated for 07 votes were ranged from 17 percent to 93 percent by end of the year under review.	All provisions had not been utilized related to the minister's staff of the Ministry of Water Supply, Covid pandemic, the changes of ministers in three times, circulars of public expenditure management, fuel crisis and the proper management of expenses with good supervision and the approval for fewer number of staff than planned to be recruited.	Should be act in accordance with Financial Regulation when receiving Supplementary Estimate Provisions.
(b) Due to preparation of estimates without paying attention to economy and efficiency according to the Financial Regulations 50 of the Democratic Socialist Republic of Sri Lanka, allocations had been remained the range of 12 percent to 100 percent of the allocations allocated for 79 votes. Out of that, the total allocation sum of Rs.83,698,829 allocated for 16 votes had been remained.	Control expenditures according to the National Budget Circular No.03/2022, fuel crisis, Not received imprest during the quarter, change of minister's staff in three times, Not started new projects according to the public expenditure management circulars, other contracts have not been completed within expected time period due to scarcity of raw materials and rising prices.	Annual expenditure estimates should be prepared by ascertaining the need for provision in accordance with the financial regulations.

2.2 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Contrary to the instructions given in paragraph 02 of the Public Accounts Circular No.255/2017 dated 27 April 2017, liabilities of Rs.4,622,422 had been incurred in excess of the provision made under the vote No.166-2-16-5-2506-0/11.	The estimated amount required to exempt the water treatment system from custom could not be included in the action plan. Therefore, this provision had to be spent by exceeding the limit.	Should be act as per the circular instructions.

2.3 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 Value Rs.	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Paragraph 3.3 of the letter of the presidential secretariat No.CA/1/17/01 dated 14 May 2010 regarding public expenditure management and paragraph 2(iv) of asset management circular No.02/2017 dated 21 December 2017.	-	04 vehicles belonging to the National Water Supply and Drainage Board had been deployed for the use of the minister's staff for more than 02 years without obtaining prior approval from the Ministry of Finance and Planning according to the circular instructions.	Requests had been made for obtaining the approval from the Ministry of Finance and Planning and further necessary information had also been provided.	Should be act according to the circular instructions.

2.4 Irregular Transactions

Transactions without Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though the date of appointment is 27 June 2022, according to the appointment letters given to 15 assistant staff officers appointed as the personal staff of the Minister of Water Supply in the year 2022 and their acceptance letters, By giving reasons that they have worked since 24 May 2022, Salaries and other allowances sum of Rs.1,402,827 had been paid related to the period from that date to 27 June 2022 without obtaining formal approval.	Salaries had been paid from 24 May 2022 since they were on duty from 24 May 2022. The appointments had been made on 27 June 2022 with effect from 24 May 2022.	Losses should not be incurred to the government due to negligence of officers.

3. Operating Review

3.1 Delays in the Execution of Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Menikkadawara Water Supply Project had been started on 24 October 2019 at an estimated cost of Rs.68,097,893 under the Rural Water Supply and Sanitation Service Improvement Programme. Even though Rs.28,530,317 had been paid for the completion of 14 tasks of the project by the audited date of 02 March 2023, but the project had not been properly planned for completion, and although it had been started for 03 years by the end of the year under review, its physical progress had been only 50 percent.	Due to unexpected landslides, the construction work of the project had not been completed as planned.	A feasibility study should be done before starting a project and disciplinary actions should be taken against the responsible officials regarding this loss, which had been caused due to the negligence of the officers. .

3.2 Assets Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The mobile water quality testing vehicle worth Rs.39,183,806 (USD 211,142.40) which had been handed over to the Ministry of Water Supply as a grant by the government of China, It had been parked idle in the ministry premises without being used for any inspection purposes until 31 December 2022.	Reminders had been made to the stakeholders in three times through the Ministry to utilize this facility under the Secretary of the Ministry.	Necessary actions should be taken immediately to use this mobile water quality testing vehicle.

3.3 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although 01 to 05 years have been passed since the relevant accidents happened, regarding the accidents that had happened to 04 vehicles of the Ministry in 05 occasions, Responsible persons had not been identified for the losses sum of Rs.492,280 by acting in terms of the regulations 104(1), 104(3) and 104(4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	F.R.104 inquiries had not been done regarding the vehicle accidents that happened before the year 2022 and repair cost had been paid by insurance. Actions have been taken F.R. 104 inquiries on all the accidents that occur from the year 2022 onwards.	Should be act according to the Financial Regulations regarding this accident and the resulting losses to the government.
(b) A vehicle valued at Rs.12,000,000 given to the Minister's private secretary had been handed over to the Ministry on 20 June 2022 after the cancellation of the State Ministry from 09 May 2022 and it had been identified that the vehicle had been involved in an accident. The insurance company had been rejected to pay the estimated vehicle repair	According to the Inquiry Committee report of F.R 104, Time has been given until 30 April 2023 to recover the relevant amount from the driver because the insurance company does not reimburse repair cost.	Action should be taken to cover the losses incurred to the government by proceeding as per financial regulations.

cost of Rs.572,700 relating to the accident due to not informing to the police and the insurance company with in the period. However, in accordance with the Financial Regulation of the Democratic Socialist Republic of Sri Lanka, Actions had not been taken to recover afore said loss incurred to the government by identifying responsible person by 27 March 2023.

- (c) It had been informed to the Ministry by the letter of officer-in-charge police station Arachchikattuwa (Acting) dated 22 November 2022, the total value of Rs.1,387,192 for camera instruments, a printer, and a laptop that had been given to minister's office for official work which was in the minister's political office had been destroyed due to disturbances in the country on 09 May 2022. It was revealed as per the police report that had been informed to the police after 196 days after the destruction and according to Section 104(1) of the Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka, the relevant officers had not informed in accordance with Financial Regulations 103(1)(a) to carry out investigations immediately. Also, it was not possible to carry out the necessary inquiry according to the financial regulations and identify those responsible persons even by the audited date of 02 May 2023.
- The Board of Inquiry had been appointed in terms of Finance Regulation 104 and will take necessary action will be taken after receiving the report.
- Action should be taken to cover the losses incurred to the government by proceeding as per financial regulations.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the Ministry's approved carder, a surplus of 01 senior level post and 06 secondary level posts was observed as at 31 December 2022. Also, there were 14 driver posts in the approved carder and the actual carder was 10, but there was a shortage of 04 in that position, but 07 drivers obtained from the National Water Supply and Drainage Board were also employed in the ministry to that date, so an excess of 03 drivers was observed.	As there are not enough drivers for the vehicles allocated to the staff officers of the Ministry, drivers had been assigned from the Water Supply and Drainage Board. The drivers will be reassigned to the board after the vacancies are filled.	Positions should be approved as per requirement.
(b) 15 assistant staff officers who were recruited on casual and contract basis for the personal staff to the Minister of Water Supply in the year 2022, Relevant information was not in the files to confirm that the officers had met the qualifications mentioned in the recruitment procedure according to the paragraph 2.2 of the President's Office letter no CA/1/17/1 dated 14 May 2010 regarding public expenditure management.	Confirmation letters for educational qualifications and professional qualifications had not been received to the Ministry.	Should be act in accordance with the circular instructions.
(c) Even though the Hon. Minister's staff should not be exceeded maximum of 15 according to paragraph 2.1 of the President's Office letter no CA/1/17/1 dated 14 May 2010 regarding public expenditure management, 18 officers had been employed as the Minister's staff by 24 May 2022.	Paying attention to the request by the Minister's private secretary and the need for urgent duties, appointments had to be made for more 03 posts of driver for the duration of the Minister's only.	Actions should be taken to cover the loss incurred to the government through these appointments made against the circular instructions.