

Head 166 – Ministry of Water Supply and Drainage
Report of the Auditor General Year 2012

1:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Water Supply and Drainage for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 24 December 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations

According to the Financial Records and the Books for the year ended 31 December 2012 it was observed that except for the effects of the general observations appearing at (a) to (c) and other major audit findings appearing in paragraphs 1.3 and 1.8 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Water Supply and Drainage had been prepared satisfactorily.

(a) Budgetary Variance

The following matters were observed.

- (i) The entire net provision of Rs.561,550 made for 07 Objects had been saved.
- (ii) Excess provision had been made for 25 Objects and as such the savings thereunder after the utilization of provisions amounting to Rs.1,540,548,346, ranged between 22 per cent and 98 per cent of the net provisions made for the respective Objects.
- (iii) Even though provisions amounting to Rs.127,000,000 had been made from the Supplementary Estimates allocation in addition to the provisions made for two Objects from the Annual Budget Estimates the entirety of such provisions had been saved.
- (iv) Even though provision amounting to Rs.2,980,000,000 had been made in the Annual Budget Estimates in 18 instances to two Objects for foreign funded projects, the entire provision had been transferred under Financial Regulation 66 for other projects.
- (v) Liabilities amounting to Rs.75,248 had not been included in the Appropriation Account for the year under review.

(b) General Deposit Accounts

Balances totalling Rs.1,049,416 as at 31 December 2012 in the General Deposit Accounts of the Ministry were observed. The details thereon are given below.

Account Number -----	Balance as at 31 December 2012 -----
	Rs.
6000/0000/00/0015/0076	906,783
6000/0000/00/0011/0575	142,633

Total	1,049,416
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A sum of Rs.5,500,000 had been credited to the Deposit Account No. 6000/0000/00/0011/0575 in the year 2012 for making payment for a motor vehicle. The balance out of that amounting to Rs.142,633 had not been credited to Public Revenue even by 31 May 2013.

(c) Reconciliation Statement of the Advances to Public Officers Account

According to Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 16601 the balances that remained outstanding as at that date totalled Rs.38,095. No action had been taken in the year under review for the recovery of those outstanding balances.

1:4 Good Governance and Accountability

1:4:1 Annual Procurement Plan

The Annual Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared even by 31 December 2012.

1:4:2 Internal Audit

The following observations are made in this connection.

- (a) According to paragraph 03 of the Management Audit Circular No. DMA/2009(i) dated 09 June 2009, an Internal Audit and Investigation Unit headed by a Senior Officer of the Accountants' Service under the direct supervision of the Chief Accounting Officer should be maintained in every Ministry. Nevertheless, the Internal Audit Unit of the Ministry had been maintained for about one year with an officer of the Public Management Assistant Service and a Graduate Trainee without an Internal Audit Officer.
- (b) A summary of the Internal Audit Reports had not been prepared quarterly and submitted for discussion by the Audit and Management Committee in terms of paragraph 09 of the circular referred to at (a) above. In addition, the copies of the Internal Audit Reports for the year under review had not been furnished to the Auditor Genial in terms of Financial Regulation 134(1) and (3).
- (c) The Internal Audit Programme had not been prepared in accordance with the Annual Action Plan for the year under review.

1:5 Assets Management

The following observations are made in this connection.

- (a) A Board of Survey for the year 2012 had not been conducted in terms of the Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010 of the Director General of Public Finance.
- (b) Even though a period exceeding 28 years had elapsed from the commencement of land acquisitions for the 31 December 2012, that had not been finalized even by 12 May 2013. In this connection, a sum of Rs.560,000 had been deposited in the year 2006 in the Divisional Secretariat, Kotapola.

- (c) A sum of Rs.1,731,875 had been deposited in the Divisional Secretariat, Chilaw on 30 April 2010 for the acquisition of the block of land on which the pipelines of Chilaw Water Supply Scheme had been laid. The Water mains carrying water had been laid across the access road reservation to a private house and the acquisition had been stalled due to the objections of the owner of the house. A course of action whatsoever had not been taken in this connection even during the year under review.

1:6 Non-compliances

 Non-compliance with Laws, Rules and Regulations, etc.

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

(i) Financial Regulation 1646	The originals of Daily Running Charts and the Monthly Performance Summaries had not been furnished to the Auditor General before the fifteenth day of the month following.
(ii) Financial Regulation 1647	A Register of Motor Vehicles of the Ministry had not been maintained.
(b) Public Administration Circulars	

(i) Circular No. 41/90 of 10 October 1990	Even though the fuel consumption of motor vehicles should be tested and reported once in every six months, it had not been done in respect of 11 motor vehicles inspected.

- (ii) Circular No. 7/92 of 18 February 1992. A Register of Allocated Motor Vehicles containing the registration number of the motor vehicle, name of the officer and the approval for the use had not been maintained.
- (iii) Circular No. 22/99 of 08 October 1999. Contrary to the Circular 02 motor vehicles had been released to the District Co-ordination Officers of the Community Water Trust under the purview of the Ministry.

(c) Public Finance Circulars

- Circular No. 438 of 13 November 2009 Four condemned motor vehicles had been parked in the Ministry premises and those had not been disposed of or other suitable action taken

1:7 Weaknesses in the Implementation of Projects

The observations revealed during the course of audit test checks of project delays excluding the Foreign Aid Projects are given below.

- (a) Even though 53 small and medium scale projects of the National Water Supply and Drainage Board had been commenced several years ago, action had not been taken to complete those despite the elapse of a long period. Out of those, 12 projects expected to be completed in the year 2012. But only 07 had been completed. Twenty one projects had taken more than 10 years and the original estimates of 21 projects amounted to Rs.2,593 million while the total expenditure by 31 December 2012 amounted to Rs.6,268 million. As such the expenditure incurred on the 21 projects had exceeded the original estimate by 142 per cent. In view of the number of years taken for the completion of the projects and the escalation of the costs due to inflation, it had not been possible to achieve the benefits expected from the investment made on the projects. Instead of completing the projects expeditiously, new projects as well had been commenced.

- (b) Several instances of delays in the completion of projects due to the implementation of projects without carrying out underground tests through feasibility studies are given below.

Name of Water Supply Scheme	Expenditure up to 31 December 2012	Reasons for the delay
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	Rs.Millions	
Pelmadulla Water Scheme (Intake)	348.00	Rocks found in the intake of the Thalamuwa Well.
Yatiantota Water Scheme	179.35	Delay in laying pipelines due to rocks found.
Beannavista Hill Water Scheme	44.03	Rocks found in laying pipelines.

1:8 Human Resources Management

- (a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	24	13	11
(ii) Tertiary Level	04	03	01
(iii) Secondary Level	82	61	21
(iv) Primary Level	39	24	15
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Total	149	101	48
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Action had not been taken to fill 348 vacancies even by the end of the year under review.

(b) Human Resources Irregularly obtained from other Parties

The matters revealed in connection with the human resources irregularly obtained by the Ministry are given below.

Category of Employees	Number	Other Party	Period
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Tertiary Level	01	National Water Supply and Drainage Board	From the year 2007 up to date
Primary Level	02	National Water Supply and Drainage Board	From August 2012 up to date.