

Head 152 - Ministry of Irrigation and Water Resources Management and the Department under that Ministry Auditor General's Report - Year 2013

This report consists of two parts.

Part 1 – Summary report on accounts of the Ministry and the Department under that Ministry.

Part 2 – Detailed Report relevant to Each Head.

Part 1

Summary report relating to the Ministry of Irrigation and Water Resources Management and the Department under that Ministry.

1. Department under the Ministry

Head	Department
282	Department of Irrigation

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

While the total net provision made for the Ministry and the Department under the Ministry amounted to Rs.41,336,420,741 out of that a sum of Rs.30,898,578,088 had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and the Department out of the net provision had been Rs.9,791,851,237 and Rs.645,991,416 or had been 29 per cent and 8 per cent of the net provision respectively. Details are shown below.

Head	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
152	33,184,515,741	23,392,664,504	9,791,851,237	29
282	8,151,905,000	7,505,913,584	645,991,416	08
Total	41,336,420,741	30,889,578,088	10,437,842,653	25

(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling Rs.1,470,559,769 had been made available for Department of Irrigation by other Ministries and Departments for various activities. The particulars of utilization of such provisions are given below.

Ministry/ Department	Provision Obtained as at 31 December 2013	Utilization as at 31 December 2013	Savings as at 31 December 2013	Savings as a Percentage of Gave Provisions
	Rs.	Rs.	Rs.	
Ministry of Irrigation and Water Resources Management	1,596,194,845	1,328,118,749	268,076,096	17
Ministry of Land and Land Development	18,000,000	11,917,708	6,082,292	34
Department of Agriculture	10,677,339	7,585,617	3,091,722	29
Ministry of Economic Development	58,086,000	52,759,968	5,326,032	09
Total	1,682,958,184	1,400,382,042	282,576,142	17

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorized by the Parliament

Limits Imposed by the Parliament on the Ministry and the Department under the Ministry relating to Advances to Public Officers Accounts and actual values are shown below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
15201	11,000,000	9,379,359	5,500,000	7,133,339	38,000,000	32,029,419
28201	146,000,000	94,284,048	102,000,000	114,550,385	500,000,000	334,941,255

2.3 Imprest and General Deposits Accounts

2.3.1 Imprest Account

Balance of the Imprest Account of the Ministry as at 31 December 2013 was Rs.513,909.

2.3.2 General Deposits Accounts

Total balance of the Deposits Accounts of the Ministry and the Department under the Ministry as at 31 December 2013 was Rs.438,874,298. Details are shown below.

Ministry / Department	Deposits Account Number	Balance as at 31 December 2013
		Rs.
Ministry of Irrigation and Water Resources Management	6000/0000/00/0015/0063/000	31,052,622
Department of Irrigation	6000/0000/00/0001/0022/000	11,222,229
	6000/0000/00/0015/0137/000	392,599,447
Total		434,874,298

Part 2

Detail Report relevant to each Head

1. Head 152 – Ministry of Irrigation and Water Resources Management

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 Resources Management and Irrigation for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154(1) 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 27 January 2015. 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 Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observation

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (g) and major audit findings appearing in paragraphs 1.4 to 1.10 herein, the Appropriation Account and the reconciliation statements of the Ministry of Water Resources Management and Irrigation had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books.

In test checks it was observed that the following registers had not been updated and properly maintained by the Ministry.

Type of Register	Relevant Regulation
-----	-----
Votes Ledger	Financial Regulation 156(5) and 447(2)
Cash Book	Financial Regulation 156(5)
Register of Losses and Damages	Financial Regulation 110

(b) Lack of Evidence for Audit

A sum of Rs.84,941,778 had been reimbursed during the year under review to the Mahaweli Authority, stating as expenditure incurred for removal work of mud clots. It was not possible to carry out a satisfactory vouching relating to these payments as the relevant bills or vouchers had not been obtained by the Ministry. However, a sum of Rs.156,896 relating to Niraviya Farm and another sum of Rs.1,387,782 relating to Thambuththegama Mechanical Workshop were included in this expenditure and therefore it was not possible confirm whether whole of this expenditure had been incurred for work relating to removal of mud clots.

(c) Replies to Audit Queries

Replies had not been furnished to 11 audit queries raised during the year under review and 05 audit queries raised during previous years even as at 31 March 2014.

(d) Budgetary Variance

Following observations are made.

- (i) The entire net provision of Rs.2,045,000,000 made available for 03 Objects had been saved.
- (ii) Due to excessive provision made for 14 Objects balance left after utilization of provision was in a range between 26 per cent and 93 per cent of the relevant net provision.

(e) Imprest Accounts

An Imprest of Rs.60,500,000 had been released from the Umaoya Multi-Purpose Project to the Director of Irrigation, Bandarawela during the year under review. According to the accounting records of the Umaoya Multi-Purpose Project for the year 2013, that Imprest had been fully utilized. However, according to information available in the Office of the Director of Irrigation, Bandarawela expenditure incurred had been Rs.61,088,962, overstating in a some of Rs.588,962 while according to the vouchers submitted to the audit it had been Rs.58,348,499, understating in a sum of Rs.2,151,501. Accordingly, it was observed that there were differences and action had not taken to reconcile.

(f) General Deposits Account

The total of balances of the Deposits Accounts of the Ministry as at 31 December 2013 had been Rs.31,554,475.

Following observations are made in this connection.

- (i) Action had not been taken in terms of Financial Regulation 571 with regard to 04 deposits amounting to Rs.38,935 that had elapsed a period of 2 years.
- (ii) An un-reconciled difference of Rs.501,853 was observed between the Ministry Books and the Treasury Entries as at 31 December 2013.

(g) Advances to public Officers Account

While the total of recoveries in arrears according to the Reconciliation statement relating to Advances to Public Officer Account - Item No.15301 amounted to

Rs.1,387,400, follow up action for the recovery of that balance in arrears was had been weak.

1.4 Good Governess and Accountability.

Implementation of Audit and Management Committee

Following Observations are made.

- (i) Only 3 meetings of the Audit and Management Committee had been held by the Ministry for the year under review.
- (ii) Effective steps had not been taken by the Audit and Management Committee to reatify the lapses, malpractices and non-compliance with laws and rules pointed out through the audit queries.

1.5 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Ministry.

(a) Idle and Under-utilized Assets

It was observed during the course of audit test checks that certain assets had been either idle or underutilized. Details are shown below.

- (i) While 15 vehicles in irreparable condition up to the year 2013 had been carried to the Mechanical Workshop in Madatugama, had been parked there without any action being taken for disposal by the Ministry even up to 31 December 2013.
- (ii) A jeep belongs to the Mahavali Authority which is about 30 years old and withdrawn from running had been handed over to the Mechanical Workshop in Madatugama on 16 September 2013 for repairs and painting. Repair work of that vehicle had not been complete even as at 21 May 2014.
- (iii) Five Poultry Sheds had been put-up at the Niraviya Farm having spent a sum of Rs.8,513,972 out of funds of the Project for Improvement and Strengthening the Underprivileged Individuals (PEACE). Those Sheds were covered with weed and getting deteriorated due to non-utilization even up to 31 December 2013.

(b) Conducting Annual Board of Survey.

The following observations are made.

- (i) The Board of Survey for the year under review had been carried out by the Ministry and the report had been submitted to Audit on 01 April 2014.
The following observations are made.
- The Board of Survey had not been carried out covering Irrigation Management Section, Umaoya Project, Moragahakanda Project, the Underprivileged Individuals (PEACE) project, Resident Engineer's Office Murunkan.
 - Further, the inventory items, stocks, spare parts, tools, office equipment machinery, vehicles, animals etc. in 5 mechanical workshops, 5 farms and Kotmale Training Institute, maintained by utilizing the resources of the Ministry had not been surveyed.
- (ii) Action in terms of Financial Regulations had not been taken with regard to the recommendations made in the Board of Survey Report for the year 2012.
- (iii) Instead of carrying out a survey and submitting a report in the Form 66 – Audit, with regard to the Machinery and Equipment and 80 Vehicles valued at Rs.97,996,000 purchased by the Ministry, a schedule obtained from the officers in the two mechanical workshops in Madatugama and Thambuththegama who claim to be in charge of those assets had been submitted as a Board of Survey Report. These assets had not been included in the Movements of Non-current Assets in the Appropriation Account for the year 2013.

(c) Assets given to Outside Parties

Instances of certain assets released to outside parties by the Ministry of Irrigation and Water Resources Management was observed. Details are shown below.

Type of Asset	No. of Assets/Units /Quantity	Institution provided with Asset	Value	Period
-----	-----	-----	-----	-----
(i) Motor Vehicles	07	Irrigation Department	Rs. Information not available	Since 2010
	01	Ministry of Postal	-do-	-do-
	03	Ministry of Wild Life and Agrarian	-do-	-do-

	01	Central Engineering Consultancy Bureau	-do-	-do-
	02	Mahavali Authority	-do-	-do-
(ii) Machinery	01	Madatugama/Thambuththegama Mechanical Workshop	-do-	-do-
	11	Deduruoya Project	-do-	Since 2012
	15	Office of the Irrigation Engineer	-do-	-do-
	05	Office of the Zonal Director of Irrigation	-do-	-do-
	01	Farm (Niraviya)	-do-	-do-
	03	Umaoya Project	-do-	-do-
	02	Zonal Project Management Office	-do-	-do-
	02	Uthuru Wasanthaya	-do-	-do-
(iii) Machinery (Welding Transformer Machines)	04	Irrigation Department	-do-	Since year 2013

(d) Un-settled Liabilities

While the un-settled liabilities by the Ministry as at 31 December 2013 were Rs.99,318,935, it was related to a period less than one year.

1.6 Non-compliance

(a) Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
(a) Financial Regulation of Democracy Socialist Republic of Sri Lanka		
(i) Financial Regulation 139(4) and 264(i)	76,201,103	Acknowledgments of cash in respect of payments of Umaoya, Multipurpose Development

			Project had not been confirmed through receipts obtained from the payees.
(ii)	Financial Regulation 237(b)	2,143,995	Certificates to the effect that 02 Manioc Slashing Machines, 04 Welding Transformers, purchased through the Head office of the Ministry and a stock of Office Equipment purchased through Umaoya Multipurpose Scheme were recorded in the stock book had not been attached to the payment vouchers.
(iii)	Financial Regulation 272(3)	751,357	Vouchers of the Moragahakanda Project Office relating to the payment made during year under review had not been submitted to the audit.

1.7 Transactions of Contentious Nature

Certain transactions made by the Ministry were of contentious nature. Particulars of such transactions revealed in test checks are shown below.

- (i) Advances amounting to Rs.12,341,651 given to the Water Resources Board in 10 instances for incurring expenditure for the Construction of Tube Wells, Geological Water Surveys, Quality Tests of Water and Deyata Kirula Projects had been reimbursed only on the Invoices issued by the water Resources Board without conforming through bills and payment vouchers.
- (ii) During the first half of the year 2013 towards the end of the agreement period of the Project for Improvement and Strengthening the Underprivileged Individuals (PEACE), an Electrical Generator valued at Rs.2,352,000 and 06 Water Bowser valued at Rs.22,780,500 had been purchased. Objectives of those purchases were not explained to audit. Out of these assets, the Electrical Generator had been handed over to the Niraviya Farm under the Mahavali Authority while the 06 Water Bowser had been handed over to the Madatugama Mechanical Workshop under that Authority.
- (iii) After the end of the agreement period of the Project for Improvement and Strengthening the Underprivileged Individuals (PEACE), that is, during the second half year of 2013, a Fooso Type Cab attached with a Refrigerator had been purchased having spent a sum of Rs.7,300,000 and machinery required for Processing Unit of Milk related Products had been purchased having spent a

sum of Rs.15,675,310 for the Niraviya Farm. Further Milk Factory of the Niraviya Farm had been repaired having spent a further sum of Rs.1,973,876. The Niraviya Farm functioning under Mahavali Authority has no relevancy to the Project for Improvement and Strengthening the Underprivileged Individuals (PEACE) and therefore incurring expenditure for that is a contentious matter.

- (iv) Maintenance and rehabilitation works of the tanks and irrigation systems are performed by the Irrigation Department and therefore provisions required for such work should be made available under the irrigation Department. However, provision of Rs.1,525 million had been made under the provisions of the Ministry for proposed major and medium rehabilitation works during the year under review. It was further observed that an estimate had not been prepared for that in making the provisions.
- (v) Although it had not been reported to audit the existence of a farm called Walawa, Kandaketiya, under the Ministry, 02 Manioc Slashing Machines had been provided to that farm and the Niraviya Farm having spent a sum of Rs.64,229 out of funds of the Ministry.

1.8 Improper Transactions

Certain transactions entered into by the Ministry were improper. Few such transactions observed are shown blow.

- (a) A sum of Rs.2,835,177 had been provided to the Director of the River valley Management Division of the Mahavali Authority, out of provisions of the Moragahakanda Project for payments to be made to the Local Agents in settlement of the bills relating to machinery and equipment services for the Project for Removal of Mud Clots of the tanks, implemented under the supervision of the Ministry. It was observed that utilization of funds of the Moragahakanda Project for this work is improper.
- (b) It was observed that a sum of Rs.130,873,403 had been spent out of provisions made available for Rehabilitation of Major and Medium Irrigation Schemes, for work not relevant to that Programme, such as the purchase of machinery, purchases for Micro Irrigation System, building repairs , vehicle repairs, payment of salaries of the Niraviya Farm, maintenance of expenditure of Kotmale International Training Institute.
- (c) A sum of Rs.103,309,125 had been paid out of provisions for the Moragahakanda Kaluganga Development Project for payment of staff salaries of the Niraviya Farm, Madatugama Mechanical Workshop and Thambuththegama Mechanical Workshop functioning under the Sri Lanka Mahavali Authority.
- (d) It was revealed that payments amounting to Rs.12,422,667 had been made for repairing vehicles, settlement of telephone bills, purchase of drinking water bottles,

purchase of office equipment, payment of building rent, publication of paper advertisements, payment of rates and course fees of officers, out of provisions made available for Feasibility Studies in the Annual Estimates.

- (e) Three contracts amounting to Rs.71,750,000 for establishment of Micro Irrigations System in Rajanganaya, Niraviya and Moragahakanda farms had been assigned to Mahavali Consultancy Service Bureau (Private) Company deviating from the Procurement Procedure by the Ministry during the year 2012.

1.9 Management Weaknesses

Following weaknesses were observed in audit test checks.

- (a) In spite of the fact that there was possibility to utilize the stock of 80 Machineries such as Excavators, Back loaders, Vibrating Rollers etc. purchased for the deployment of work relating to removal of mud clots in the reservoirs and tanks under the Project for Providing Relief to People Affected by the Drought during the year 2012, without paying attention to that, machinery had been obtained for the Chief Resident Engineer' Office, Murukkan on hire basis bearing a cost of Rs.7,250,200 during the year under review.
- (b) Out of the advances provided to the Chief Engineer's Office for the works relating to Umaoya Multipurpose Development Project, a sum of Rs.751,357 had been utilized for the payment of salaries of the Machine Operators and Assistants in the Thambuththegama Mechanical Workshop belongs to the Sri Lanka Mahavali Authority.
- (c) Provisions had been transferred under Financial Regulation 66 for Objects in 8 instances during the year under review giving explanations as essential, very urgent, cannot be postponed etc., It was observed that a sum of Rs.584,946,482 out of provisions so transferred had not been utilized during the year under review.

1.10 Human Resources Management

(a) Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior level	41	33	08
(ii) Tertiary Level	50	41	09
(iii) Secondary Level	227	165	62
(iv) Preliminary Level	127	124	03
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Total	445	363	82
	===	===	===

Following observations are made.

- (i) Action had not been taken by the Ministry to fill 82 vacant posts as at the end of the year under review.
- (ii) Although the approved cadre had been confirmed as 445 in audit, according to the Estimates for the year 2013, it had been 291. Reasons for the difference of 154 had not been explained.
- (iii) Although employees had been recruited on temporary, casual and contract basis to Institutions such as Niraviya Farm, Guruwela Farm, Thambuththegama Mechanical Workshop, Madatugama Mechanical Workshop, Kotmale International Training Institute for Irrigation and Water management, Umaoya Multi-Purpose Development Project and Moragahakanda Kaluganga Project, Ministry failed to furnish detailed information to audit. It was observed that there were 806 such servants had been deployed during the previous year.

(b) Human Resources released improperly to Other Parties

It was observed that two drivers had been improperly released to the Sri Lanka Mahavali Authority (Mahavali Centre) during the years 2011 and 2012, by the Ministry.

(c) Human Resources obtained from Other Parties

Details relating to the Human Resources obtained from Other Parties are shown below.

Employee Category -----	Number of employees -----	Other Party -----	Period -----
Driver	09	Ministry of Health	Since 2010
Labour	03	Ministry of Health	Since 2010

2. Head 282 - Department of Irrigation

2.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Department of Irrigation for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of Irrigation on 12 January 2015. 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.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation statements

The Chief Accounting Officer and the Accounting Officer are 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 Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (e) and major audit findings appearing in Paragraphs 2.4 to 2.15 herein, the Appropriation Account, and the reconciliation statements of the Department of Irrigation had been prepared satisfactorily.

(a) Lack of Evidence for Audit

Four Payment Vouchers valued at Rs.735,042 relating to the Department in respect of the years 2011 and 2012 were misplaced and action had not been taken in terms of financial Regulation 272(2).

(b) Replies to Audit Queries

Replies had not been furnished to 10 audit queries issued to the Department during the year under view even as at 31 March 2014.

(c) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.29,755,904 made available for 04 Objects had been saved.
- (ii) Savings of 36 Objects after utilization of net provision ranged from 5 per cent to 100 per cent due to excess provisions made for those Objects.

(d) General Deposits Account

The following observations are made.

- (i) Action had not been taken in terms of financial Regulation 571 with regard to deposits amounting to Rs.53,769,297, that had exceeded 2 years.
- (ii) A List of Deposits had not been prepared in terms of Financial Regulation 571(1) relating to all lapsed deposits at the end of each half year.

(e) Advances to Public Officers account

The following observations are made.

- (i) While the total of recoveries in arrears according to the Reconciliation statement relating to Advances to Public Officer Account - Item No.28201 amounted to Rs.18,258,380, follow up action to recover those outstanding balances was at a weak level.
- (ii) A sum of Rs.637,050 was due to be recovered from 07 officers who had left on transfers. Loans of two officers left on transfers to Provincial Councils were being recovered in installments, and a sum of Rs.180,920 was outstanding to be recovered further.
- (iii) A sum of Rs.151,615 was due to be recovered from 03 officers who had gone abroad on no-pay leave. A sum of Rs.146,240 was due from two officers out of them, had been in arrears during a period of 18 years and another sum of Rs.5,375 had been in arrears during a period of 12 years. Although it had been reported during the last year that necessary action will be taken to write-off distress loans of Rs.32,172 due from two officers, from books in terms of Financial Regulations 113, the Department had failed to write-off that balance or to settle.
- (iv) Recovery of loan balance totalling Rs.15,147,328 due from 186 deceased and retired officers/employees had stood as at 31 December 2013. Among those, there were old loan balances of which recovery had stood over a period such as 19 years. The settlement of these balances had got delayed due to administrative delays in the Department such as inadequacy of the relevant pension gratuity to settle the loan balances, inability to prepare the pension payments due to lapses in the pension files, non-handing over of Government Quarters and delays in finalizing disciplinary inquiries. Although this position had been pointed out in the Audit Report for the preceding year, it was not possible to satisfy in audit with regard to progress made in settlement of loan balances.

- (v) While loan balances totalling Rs.519,775 were outstanding from 12 interdicted officers, among those, there were loan balances old such as 21 years. As the Department had not taken action to identify the reason for interdiction and to recover the loan balances of these offices there balances were outstanding for a long period.
- (vi) Loan balances totalling Rs.1,802,612 were outstanding from 36 officers who had vacated post. It was observed that among those, there were loan balances that had been outstanding such as for 18 years. This had been due to failure in taking timely action by the Department for recovery of the loan balances due from these debtors, from their property, guarantors or heirs.
- (vii) A sum of Rs.36,886 over recovered from 23 debtors during the year 2012 had not been included in the accounts for the year under review. Any note had not been made in the accounts; as to how those balances were settled.
- (viii) A difference of un-reconciled balance amounting to Rs.496,020 was observed between the year-end individual loan balances and the balance shown in the Treasury Printout, due to erroneous statement of individual balance in one Office of the Zonal Director of Irrigation and 03 Offices of the Irrigation Engineers.

2.4 Good Governance and Accountability

Implementation of the Audit and Management Committee

Although the Audit and Management Committee should meet at least once in a quarter in terms of the Circular No. I.A.I/2000/1 dated 12 June 2000 of the Secretary to the Treasury, only three meetings had been held during the year under review.

2.5 Assets Management

The following deficiencies were observed during the course of audit test checks of the assets of the Department.

(a) Idle and Underutilized assets

The following observations are made.

- (i) According to the Board of Survey Report for the year 2013, 267 Government Quarters had not been used due to lack of officers for occupation or and deteriorated conditions of the quarters.

- (ii) While 47 guns, 83 S.G. shots and 272 rifles belong to the Office of the Irrigation Engineer, Padaviya had not been utilized.
- (iii) According to the Board of Survey Report for the year 2013, it was observed that 13 vehicles and machinery belong to 2 Zonal Offices of the Directors of Irrigation and 7 Offices of the Engineers of Irrigation, remained idle and were getting corroded.

(b) Conducting Annual Board of Survey

Following observations are made.

- (i) Although the Board of Survey for the year 2013 should be carried out before 31 March 2014 and report should sent to the Auditor General, in terms of Circular No.441 dated 09 December 2009 as amended by letter No. PF/FS/Board of Survey dated 17 December 2010, Board of Survey Reports of 36 Irrigation Offices had not been forwarded to audit even as at 31 May 2014.
- (ii) Out of the 36 Offices referred in Paragraph (i) above, the Board of Survey Reports for the year 2012 too, had not been carried out in the Office of Zonal Director of Irrigation, Kandy, Irrigation Engineer's Office, Hambanthota and the Mechanical Engineer's Office Ratmalana and the vehicle unit of the Head Office.
- (iii) Although a person who has a knowledge with regard to the stocks and goods etc. should be included in the Board of Survey to be carried out in terms of Financial Regulation 756(2)(a), recommendations had been made by the Board of Survey to sell and destroy items such as computers and assessors, fax machines in the Residence Engineer's Offices Deduruoya, Kalugaloya Project , Zonal Directors' Offices, Ampara and Anuradhapura without participation of such an officer.
- (iv) Action in terms of Financial Regulations had not been taken with regard to the excesses and shortages and other recommendations pointed out in the Boards of Survey relating to the year 2013.
- (v) It was observed according to the Board of Survey Reports, that issues noted in the stock books had been more than the issues stated in the Issue Orders.

(c) Assets given to Outside Parties

The following observations are made.

- (i) Although un-authorized persons were in occupation of 43 official quarters belong to the Department as mentioned in the Board of Survey Reports for the year 2013, legal action had not been taken to eject them
- (ii) It had been mentioned in the Board of Survey Reports for the year 2013, that 58 official quarters were provided to other Government Departments and Institutions.

(d) Un-settled Liabilities

Following observations are made.

- (i) While the un-settled liabilities by the Department as at 31 December 2013 were Rs.635,836,768, that balance related to a period less than one year.
- (ii) Liabilities amounting to Rs.257,021,523 had been committed in excess of the net provision, contrary to the Financial Regulation 94.
- (iii) Liabilities amounting to Rs.7,039,884 had not been disclosed in the Appropriation Account for the year 2013.

(e) Leasing of the Iron Barge

An Iron Barge valued at more than Rs.10 million, abandoned near the Magollagoda Pump House by the Foreign Contract firm at the time of abandonment of construction work of the Nilwala River Project, Matara had been taken to the custody of the Department and protected. In the meantime, this Barge had been leased out for 10 years to private company at Maharagama by the Sri Lanka Southern Development authority. Lessee's activities had been stopped by the Police on the basis of a complain made by the Irrigation Department against the lessee. Lessee had filed a case in the Civil Commercial High Court in the Western Province nominating the Sri Lanka Southern Development authority, Director General of Irrigation and the Matara District Secretary requesting compensation of Rs.158 million. While the Department had not taken action against Sri Lanka Southern Development authority for leasing out the Barge for which it had no ownership, the Department had failed to explain to the Court that there was no legal acceptance to the lease agreement signed with the private company.

2.6 Non-compliance

Non- compliance with Laws, Rules, Regulations etc.

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

Reference to laws, rules and regulations -----	Value ----- Rs.	Noncompliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 137	149,239	Payments had been made without approval for three vouchers of the Colombo Head Office and Ratmalana, Mechanical Workshop.
(ii) Financial Regulation 227	655,550	Expenditure of Recurrent Nature in Head Office, Ratmalana, Mechanical Workshop, Office of the Director of Irrigation, Ampara and Offices of the Irrigation Engineers under that, had been erroneously accounted having classified as Capital Expenditure.
(b) Public Administration Circulars -----		
Circular No. 30/2008 dated 31 December 2008. Paragraph 02	1,165,541	Although the distress loan Entitlement of an officer is 10 months consolidated salary or Rs.250,000 whichever is less, distress loans had been paid to four officers exceeding Rs.250,000.
(c) Treasury Circulars -----		
Circular No. BD/A/AO/BC dated 08 October 2012.	5,565,022	Although it is required to get it confirmed that the officers obtaining the Fuel and Transport Allowance are utilizing those for the relevant work, once in 03 months through a check by the Internal Audit, such confirmation had not been made.
(d) Treasury Operations Circular -----		
Circular No. 04/2013 dated 18 November 2013.	198,619	Although the Cash Book should be closed on 31 December 2013 and balance cash should be banked, the Cash Book in the Office of the Zonal Director of

Irrigation, Trincomalee, had not been closed and the cash balance had not been banked.

2.7 Weaknesses in Implementation of Projects

Instances of Abandonment of Projects, without Commencement and Delays in implementation of Projects revealed in audit test checks are shown below.

(a) Abandonment of Projects without Commencement

It was revealed that the following Projects had not been commenced by the Department according to the Internal Audit Reports.

Project	Estimated Cost	Due to be Completed	Reasons for not Commencement
	Rs.		
(i) Dambulla Irrigation Engineer's Office			
• Improvement of Main Channel of the Devahuwa Scheme from 11000 Meters to 12000 Meters	92,665	25.12.2013	Not indicated
• Improvement of Main Channel of the Devahuwa Scheme from 12000 Meters to 13000 Meters	138,200	25.12.2013	Not indicated
• Improvement of Main Channel of the Devahuwa Scheme from 13000 Meters to 14000 Meters	112,434	25.12.2013	Not indicated
• Improvement of Main Channel of the Devahuwa Scheme from 14000 Meter to 15000 Meters	100,170	25.12.2013	Not indicated
(ii) Hiriyala Irrigation Engineer's Office			
• Flood Damaged Repairs at 750 Meter Point of the Water Outlet Channel of the Bathalagoda Project.	97,998	17.12.011	Not indicated
• Improvement of Left Bank Main Channel of Hakwatunaoya Scheme	1,039,000	--	Not indicated

- Improvement of Field Channel No. 06 of the Left Main Bank Channel of Diyathure 102,020 21.11.2012 Not indicated
- Improvement of Left Bank Main Channel of the Rathmale Tank, Kimbulwana Oya Scheme 1,785,747 02.11.2012 Not indicated

(b) Delays in Implementation of Projects

Following delays were observed in performance of Projects by the Department.

Project	Estimated Cost	Year of Commencement	Year to be Completed	Expenditure As at 31 December 2013	Reasons for the Delay
	Rs. Million			Rs. Million	
Yan Oya	8,700	2007	2012	532	Non-approval of Environmental Evaluation Reports
Lower Uva Reservoir	550	2005	2012	293	Problems relating to obtaining earth and land acquisition problems for the Mallipotha Tank construction
Mahagona Wewa	169	2008	2016	7	Delay in getting Environment approval
Galoya Navodaya	1,260	2009	2012	589	Inability in finalizing other components
Morana Reservoir	1,700	2012	2014	140	Dearth of Imprest
Ellewewa	467	2012	2013	Nil	Land problems
Digilioya	1,460	2012	2014	Nil	Delay in getting the Environmental approval
Kalugaloya	1,481	2012	2015	39	Delay in getting the Environmental approval
Kumbukkanoya	10,000	2012	2013	Nil	Delay in getting the Environmental

Gurugaloya	400	2009	2012	334	approval Delay in laying the foundation of the bund due to bad weather conditions
Napeuda Wathura	40	2007	2012	15	Delay in earth works due to bad weather conditions and inadequacy of Imprest
Vilakandiya	81	2011	2012	15	Deficit of Imprest
Gonagala Thanna	55	2012	2013	0.5	Delay in acquisition of land due to lack of permission from the Wildlife and Archeological Departments

2.8 Performance

----- Main Functions not Adequately Performed -----

Although a provision of Rs.607 million had been made available through the Annual Appropriation Act for 09 Projects relating to Diversion of Ellewewa, Digilioya, Kumbukkanoya, and Mahavali Water to Northwest, Construction of Wemedilla Reservoir, Hekiththa Minor Flood Protection Scheme, Extension of Kaudulla Channel Stage II up to Damsopura, Expansion of Mahagalgamuwa Tank and Construction of Pethiyagoda Water Tank, those Projects had not been commenced during the year 2013 due to reasons such as lack of evaluation reports, problems relating to payment of compensation and resettlement, Incomplete Preliminary Works and Non-finalization of Land Acquisition. A sum of Rs.602 million had been transferred to other projects, out of those provisions.

2.9 Lapses in the Operation of Bank Accounts

----- Balances to be Adjusted -----

Analysis of the adjustments shown in the bank reconciliation statements prepared by the Department for the month of December 2013 revealed the following information.

- (a) Action in terms of Financial Regulation 396(d) had not been taken with regard to 30 time lapsed cheques issued from 19 bank accounts, but not presented to the bank, totalling Rs.85,894.

- (b) Action had not been taken to close 07 dormant current accounts in the Zonal Irrigation Offices of Anuradhapura, Ampara, Bandarawela, Kandy, Kurunegala, Trincomalee and Vavunia.
- (c) Value of 08 cheques amounting to Rs.225,925 issued, but not presented to the Bank had not been included in the Situation Report relating to Bank Accounts, in the Appropriation Account for the year 2013.

2.10 Transactions of Contentious Nature

Certain transactions made by the Department were of Contentious Nature. Particulars relating to such transactions revealed in audit test checks are shown below.

- (a) A sum of Rs.5,493,285 had been utilized for the purchase of material required for construction of the Maternity Building of the Mahaoya Hospital, out of provisions for Rambukkanoya Irrigation Project.
- (b) While a sum of Rs.2,143,527 had been paid to the Sri Lanka Transport Board for the transportation of General Public from areas such as Moneragala, Badulla, Dehiattakandiya for the opening function of the Rambukkanoya Irrigation Project, objective of transporting General Public in outside provinces for this opening function was not clear.

2.11 Improper Transactions

Certain transactions made by the Department were improper. Certain such transactions are shown below.

(a) Unauthorized Transactions

Following observations are made.

- (i) A sum of Rs.4,539,306 had been paid as Transport and Fuel Allowance to 12 Offices who had not been duly appointed to the Class one of the Sri Lanka Engineering Service and Posts of Director of Irrigation, contrary to Public Administration Circulars Nos.14/2008 and 13/2008 (IV).
- (ii) In terms of Series of Regulations in Chapter VII of the Manual of Procedure published by the Secretary to the Public Service Commission through the Extra Ordinary Gazette No 1589/30 dated 20 February 2009 Notification, appointments to 44 Posts consist of Additional Directors of Irrigation, Directors of Irrigation, (Civil and Mechanical), Director of Land Utilization and Chief Financial Officer should be given through the Public Service Commission. However, these appointments had been made by the Director General of Irrigation subject covering approval of the Secretary to the Ministry of Irrigation and Water Management.

- (iii) In terms of the Letter No.DMS/G2/56/15/01/VOL/1 dated 08 January 2013 of the Director General of Management Services Department, Special Grade Officers of the Sri Lanka Engineers Service and the Sri Lanka Accountants Service Special Classe should be appointed for 03 Posts of Additional Director General of Irrigation and for the Post of Chief Financial Officer respectively, and also Class 1 Officers of the Sri Lanka Engineers Service should be appointed to the 09 Posts of Director (Mechanical and Civil) However, Officers who had not fulfilled such qualifications had been appointed to those posts.

2.12 Transactions of Fraudulent Nature

Particulars relating to Transactions of Fraudulent Nature observed in audit test checks are shown below.

- (a) Monthly Transport and Fuel Allowances amounting to Rs.646,388 had been paid during the year 2013 to three Directors of Irrigation who had reported for work from own residences located outside Colombo, who had obtained Concessionary Railway Season Tickets.
- (b) Four Female Labourers not entitle to *Concessionary* Railway Season Tickets in terms of Section 1 of Chapter XVII of the Establishments Code had obtained Concessionary Railway Season Tickets by entering false designations. They had been continuously engaged in service and salaries amounting to Rs. 604,159 had been paid to them without taking legal action. Instead of taking disciplinary action against them, they had been made permanent in the service. Action had not been taken to recover the loss of Rs.124,436 occurred to the Government due to preparation of fake documents and to take disciplinary action against the officer who supported for that as well.

2.13 Un-resolved Audit Paragraphs

Reference to paragraphs relevant to the Department and included in the Auditor General's Report for which follow up action had not been finalized is shown below.

Reference to Auditor General's Report		Subject Referred
Year	Paragraph Number	
2006	3.1 (a)	Malpractices done by an Engineering Assistant under the Sugaladevi Tank Project.
2006	3.1 (b)	Malpractices taken place under Velioya Project.
2006	2.4.1	Obtaining Property Loans through submission of fake documents.
2006	7.2. (a)	Purchase of Concrete Mixing Machines for Veheragala Project.
2008	7(c)(1)	Loss amounting to Rs.210,000 occurred due to an accident to a vehicle.

2.14 Management Weaknesses

Following weaknesses were observed in audit test checks.

- (a) Action had not been taken to amend the Irrigation Ordinance No. 32 of 1946 and amendments made from time to time to suit the present conditions
- (b) A correct Organization Chart had not been prepared after adjustment of cadre of the Irrigation Department during the year 2013.
- (c) List of Duties had not been given to 85 officers shown below who were appointed under scheme of restructure made during the year 2013.

Designation	Number of Posts
Additional Director General of Irrigation	03
Chief Engineer	40
Director of Irrigation (Civil)	36
Director of Irrigation (Mechanical)	03
Chief Engineer (Mechanical)	03
Total	--- 85 ==

2.15 Human Resources Management

(a) Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior level	408	265	143
(ii) Tertiary Level	180	30	150
(iii) Secondary Level	2,703	1,562	1,141
(iv) Preliminary Level	2,386	1,550	836
Total	5,677	3,407	2,270
	=====	=====	=====

Following observations are made.

- (i) The Department had not taken action to fill 2,270 vacant posts at the end of the year under review.

- (ii) In addition to actual number of employees, 187 individuals had been engaged in various services on contract basis and further additional employees had been engaged on casual and substitute basis. However, the correct information was not available in the Department with regard to those employees.
- (iii) Although it had been confirmed to audit that the actual permanent cadre as 5,677, in the Government Annual Estimate it had been included as 4,598. Reasons for the difference of 1,079 had not been explained.

(b) Human Resources released Improperly to Outside Parties

Particulars relating to Human Resources Improperly released to outside Parties during the year under review by the Department are shown below.

	Category of Employees	Number of Employees	Other Party	Period Released
(i)	Irrigation Engineer	05	Ministry of Irrigation and Water Management	Not mentioned
(ii)	Irrigation Engineer	01	Ministry of Irrigation and Water Management	From 06.08.2013
(iii)	Irrigation Engineer	01	Umaoya Project	From January 2013
(iv)	Draughtsman	01	Ministry of Irrigation and Water Management	From January 2008
(v)	Engineering Assistant	01	Ministry of Irrigation and Water Management	From April 2012
(vi)	Draughtsman	01	Presidential Investigation Unit	From March 2005
(vii)	Draughtsman	01	Presidential Investigation Unit	Not mentioned

(viii)	Drilling Assistant	01	Presidential Investigation Unit	From May 2001
(ix)	Drilling Assistant	01	Presidential Investigation Unit	From march 2005
(x)	Draughtsman	01	Department of Registrations of Persons	From January 2013
(xi)	Draughtsman	01	Mahavali Authority of Sri Lanka	From October 2013
(xii)	Driver	01	Ministry of Irrigation and Water Management	Not mentioned
(xiii)	Mechanical Engineer	01	Ministry of Irrigation and Water Management	Not mentioned