

Mahaweli Authority of Sri Lanka - 2014

The audit of consolidated financial statements of the Mahaweli Authority of Sri Lanka and its subsidiaries for the year ended 31 December 2014 comprising the statements of financial position as at 31 December 2014 and the statements of financial performance, statements of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. The financial statements of the Subsidiaries were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub – sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion- Group

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Mahaweli Authority of Sri Lanka and its Subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

Qualified Opinion- Authority

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Mahaweli Authority of Sri Lanka as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Consolidated Financial Statements

2.2.1 Amalgamation of Financial Statements

(a) The consolidated financial statements had been prepared by amalgamating of the financial statements of the Authority and its four Subsidiaries. However, only one Subsidiary had submitted audited financial statements. The names and the ownership of the Subsidiaries are as follows.

Name of the Subsidiary	Percentage of Ownership
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Mahaweli Consultancy Bureau (Pvt) Ltd	100
Natural Resources Management Services (Pvt) Ltd	100
Mahaweli Venture Capital (Pvt) Ltd	100
Mahaweli Livestock and Agro Enterprises (Pvt) Ltd	100

(b) The Board of Directors had decided on 04 December 2014 to dissolve the Mahaweli Engineering Services (Pvt) Ltd and the Registrar of Companies has ensured that necessary action had been taken to liquidate the Subsidiary on 31 July 2014. However, Accounts of Dissolution had not been made available to audit.

2.2.2 Going Concern

The following matters were revealed in the examination of Accounts of the Subsidiaries amalgamated with the Authority.

- (a) The income of the Mahaweli Venture Capital (Pvt) Ltd for the year 2014 amounted to Rs.1,018,746 out of which, the deposit income amounted to Rs.328,046. The operating income amounted to Rs.690,700 and the annual operating loss and accumulated operating loss amounted to Rs.164,355 and Rs.7,295,954 respectively. As such, it was observed that the operating activities of the Subsidiary are not carried out efficiently and it affects the going concern of the Subsidiary.
- (b) In the examination of income and expenditure of the Natural Resources Management Services (Pvt) Ltd, the income received from operating activities amounted to Rs.2,412,855 and a sum of Rs.2,453,926 had been paid to external consultants and other parties relating to operating activities. As such, it was observed that the actual loss sustained from operating activities amounted to Rs.41,071. The net loss of the year under review amounted to Rs.106,560 and the other income amounted to Rs.1,000,605. A bank loan of Rs.600,000 as well existed in the Subsidiary. It was observed in audit that the operating activities of the Subsidiary are not carried out in a proper and efficient manner and as such, the going concern of the Subsidiary is problematic.

2.2.3 Accounting Policies

The following observations are made.

- (a) The Mahaweli Livestock and Agro Enterprises (Pvt) Ltd had prepared the financial statements in compliance with the Sri Lanka Accounting Standards and the accounting policies adopted in accounts submitted by the Mahaweli Venture Capital (Pvt) Ltd, Natural Resources Management Project and the Mahaweli Consultantancy Bureau (Pvt) Ltd. had not been disclosed.
- (b) A proper accounting system had not been introduced for 18 farms under purview of the Authority.

2.2.4 Accounting Deficiencies

The following observations are made.

- (a) The value of 03 blocks of land with an extent of 1 acre 2 roods and 13.6 perches costing Rs.67,440,853 owned by the Authority and located in Colombo, had not been shown in the accounts.
- (b) A sum of Rs.418,871,277 invested in the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd, had been shown under sundry debtors instead of showing under the investments in the financial statements of the Authority.
- (c) The retention money amounting to Rs.1,918,988 relating to the Project on Minimizing the Climatic Effects had been shown as expenditure in the statement of income and expenditure by the Residential Enterprises Management Office of the Zone "C". As such, the profit had decreased by the same amount.

- (d) Even though the bank had ensured the interest on fixed deposits receivable to the Residential Enterprises Management Office of the Zone “C”, the interests receivable had been understated by Rs.1,000,000 in the account.

2.2.5 Unexplained Differences

The following observations are made.

- (a) In the comparison of the lease rental income for the year under review and the outstanding lease rental income as at the end of the year with the Income Account and relevant schedules, there were differences amounting to Rs.143,741,000 and Rs.146,510,000 respectively. Nevertheless, the reason for that difference had not been explained. In the comparison of sundry stocks and fuel and stationery stocks of the Main Operations and Maintenance Division with the verification reports, differences of Rs.21,343,203 and Rs.1,177,434 were observed respectively.
- (b) Even though according to the financial statements of the Authority, investments made in the Mahaweli Venture Capital (Pvt) Ltd had been shown as Rs.9,800,000, the nature of the investment had not been clearly indicated. According to the accounts of the Mahaweli Venture Capital (Pvt) Ltd, investments made in the shares of the Subsidiary and the contribution for other capital had been shown as Rs.10,398,000 and Rs.351,000 respectively by the Authority. However, such an investment had not been shown in the financial statements of the company as such, reasons for those differences were not explained to audit.

2.2.6 Suspense Accounts

According to the accounts presented by the Mahaweli Consultantancy Bureau (Pvt.) Ltd, an unusual credit balance of Rs.2,134,832 and unusual debit balance of Rs.1,261,164 had been included in the accounts receivable and accounts payable respectively.

2.2.7 Lack of evidence for audit

Copies of certificates of investments and shares for the investment amounting to Rs.19,879,000 made in 04 Subsidiaries by the Authority had not been made available to audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the outstanding lease income amounting to Rs.704,516,782 receivable by the end of the year under review, a sum of Rs.342,753,000 had remained for over 05 years and a sum of Rs.325,187,000 had remained for over a period from 03 to 05 years. It was further observed that out of this amount, a sum of Rs.645,983,499 had been the outstanding lease income receivable from 04 Residential Enterprises Management Offices.

According to the audit test check carried out in the Victoria-Kothmale Residential Enterprises Management Office, the outstanding lease income recoverable from the

employees of the Authority for granted lands amounted to Rs.31,253,000 or 21.8 per cent from the outstanding lease income.

- (b) A sum of Rs.18,824,000 receivable from sundry debtors and trade debtors had remained outstanding for a period ranging from 1 to 3 years and a sum of Rs.11,849,000 had remained outstanding for more than 5 years.
- (c) Out of the mobilization advances recoverable, sums amounting to Rs.1,600,000 and Rs.7,357,000 had not been recovered for a period ranging from 1 to 3 years and for more than 5 years respectively. It was further observed that out of the above amount over 5 years, a sum of Rs.6,725,803 had related to the Mahaweli Consolidated Project and Mahaweli Reconstruction and Rehabilitation Project of the Zone “B” completed in the year 2005. Moreover, the Authority had sustained losses due to failure in taking action to recover those amounts in making payments for final bills by the relevant officers. It was further observed that action will be taken to write off the money in future which cannot be recovered, instead of taking action against the officers who were responsible for those losses.

2.4 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliances were observed.

Reference to laws, rules, regulations and management decisions	Non compliance
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(a) Public Administration Circular No.7/92 of 18 February 1992	A diesel motor vehicle belonging to the fleet of vehicles had been utilized for duties in addition to the motor vehicle allocated for the Director General and fuel valued at Rs.412,852 had been obtained thereon for a period of 09 months from January to September of the year under review.
(b) Public Enterprises Department Circular No.95 of 14 June 1994	Even though only benefits approved specifically by the Cabinet of Ministers, Ministry of Public Administration or the Treasury can be paid to employees with the approval of its Board of Control, the Victoria-Kothmale Residential Enterprises Management Office had paid a sum of Rs.1,272,791 to the staff of the Authority as incentives for the collection of lease rent in the year under review without such a proper approval. Further, it was revealed that the outstanding lease rent payable to the Authority as at 31 December 2014 by 11 Officers who obtained a sum of Rs.278,853 as incentives, amounted to Rs.2,427,600.
(c) The Gazette of 06 May 2009 of the Democratic Socialist Republic of Sri Lanka	A royalty of Rs.560 per cube of soil removed from the lands owned by the Authority should be paid by contractors. Nevertheless, it was revealed at audit test check that the royalty of Rs.9,929,360 receivable in the year under review to the Residential Enterprises Management Office of the Zone “B”, had

not been recovered in removing soil estimated at 17,731 cubes in respect of 16 contracts .

- (d) Internal Circulars and Financial Procedure Paragraph 1.5.1 of the Financial Procedure and Section 5 of the Internal Circular No.02/2012 of 15 March 2012 Fuel advances amounting to Rs.117,012 obtained by 15 officers in 15 instances had been fully resettled without being utilized. Thirteen instances of delays from 14 to 118 days thereon were observed.

2.5 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) A sum of Rs.1,501,960 had been spent in December 2014 to make ten officers to participate in a productivity building workshop through the emotional equilibrium held in India from 16 to 25 January 2015. Provisions had not been made in the budget for this programme which was not directly related to the functions of the Authority and this programme had not been included in the Action Plan as well. Further, an approval of the Board of Directors as well had not been obtained thereon. According to the Policy of the Authority, an officer who participated in a foreign tour is not given an opportunity for another tour till one year passes. However, two officers who were participated in this workshop had participated in foreign tours 06 months ago.
- (b) A sum of Rs.50,000 as course fees for the Director (Headquarters Operations) who participated in a training programme of the Sri Lanka Institute of Development Administration and a sum of Rs.242,148 for a foreign field trip affiliated to it, had been paid in the year under review without the approval of the Local Scholarship Committee and the Director General. Even though the maximum amount granted for such training programmes is Rs.30,000 according to the Policies of the Authority, it had not been done accordingly.
- (c) A one day programme for 500 Ayurvedic and Indigenous Medical Practitioners had been held by spending Rs.565,263 on 06 September 2014 at the auditorium of the Badulla Post Office. Even though the objective of the programme was to make the practitioners aware of preventing kidney and diabetic diseases spreading among Mahaweli colonists, particulars of the programme and resource persons had not been made available to audit. Even though only 69 practitioners had participated in the workshop, uniforms had been distributed for 460 persons.

3. Financial Review

3.1 Financial Results

According to the consolidated financial statements presented, the operations of the Authority and its Subsidiaries during the year under review had resulted in a deficit of Rs.492,686,000

as compared with the corresponding deficit of Rs.50,530,000 for the preceding year, thus indicating a deterioration of Rs.442,156,000 in the consolidated financial results.

3.2 Analytical Financial Review

The following observations are made.

- (a) Increase in Personal emoluments by 15 per cent, annual depreciation by 73 per cent and spending a sum of Rs.123,683,000 exceeding capital provisions received from the General Treasury in the year under review as compared with the preceding year had mainly attributed to the deterioration of the financial result. However, the annual lease income had increased by Rs.103,633,000 or 38 per cent as compared with the preceding year.
- (b) The 04 Subsidiaries amalgamated with the Authority had contributed 7 per cent to the income earned by the Authority, 2 per cent to the total expenditure, 0.37 per cent (profit Rs.1,859,000) to the total loss of the Authority and 3.67 per cent from the fixed assets to the Authority.

3.3 Legal Action instituted against or by the Authority

According to the information presented to audit by the Authority, 179 external institutions and persons had filed 179 cases in the Courts against the Authority due to reasons such as recovery of possession of houses.

The Head Office of the Authority and the Residential Enterprises Management Office had filed 143 cases in the Courts against 143 external institutions and persons in respect of recovery of possession of houses and lands and other matters.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Land Development Activities

According to the Mahaweli Master Plan, the total extent of lands expected to be developed within 14 Mahaweli Zones was 420,170 hectares. However, the total extent of lands developed as at 31 December 2014 was only 102,528 hectares and the extent of lands currently being developed under the Moragahakanda Project, is 81,422 hectares. Accordingly, a specific plan for the development of 236,220 hectares of lands had not been formulated up to 31 December 2014.

Even though the updating of the Mahaweli Master Plan had been completed in the year 2013 by taking into consideration the current needs, nature of the natural resources and their usage, necessary action had not been taken to implement it even up to 30 June 2015.

- (b) It was revealed in the examination of detailed Action Plans of 3 Residential Enterprises Management Offices, 3 projects and 5 Divisions of the Head Office that the total expenditure estimated for the year 2014 for those Divisions amounted to Rs.795 million and activities valued at Rs.76.397 million had not been implemented. Further, activities valued at Rs.33.18 million but not included in the Action Plan of the year 2014 had been implemented. It was observed that the completion level of 4 activities valued at Rs.88.37 million had been less than 10 per cent whereas the completion percentage of 14 activities estimated at Rs.5,930.082 million had been from 10 per cent to 40 per cent.

(c) Performance of the Land Division

A number of 899,605 targeted activities relating to 09 main activities of the Land Division existed from the year 2009 to the year 2014 due to setting impracticable targets and inefficiencies of the relevant Divisions out of which, 653,805 activities or 72.7 per cent had not been completed. Further, performance of those activities of 06 years from the year 2009 to 2014 had been from 11 per cent to 45 per cent.

Even though it had been planned in the year under review to distribute 19,647 blocks of lands for various purposes, 57,717 permits and deeds and 3,840 annual permits and 1,807 long term leases under the Land Development Ordinance and Crown Land Ordinance, only 4,343 blocks of lands, 28,819 permits and deeds, 1,258 annual permits and 542 leases had been granted.

4.2 Management Inefficiencies

The following observations are made.

- (a) The total cost estimate prepared for one purpose under the Mahaweli Consolidated “B” Project, had been divided into several parts and 11 contracts had been awarded to several persons so as to reduce one contract sum for Rs. two million and the total estimated value thereof was Rs.17,020,085.
- (b) Even though the purpose of construction of market route between Bodhiyagama Aaru and Malwenna which was one of the activities of the Mahawelitenna Project, had been divided into 11 parts and 07 contracts had been awarded to the same contractor and 03 contracts to another contractor, recommendations of the Regional Procurement Committee for the award of contracts had not been made available to audit. The contractor who had been awarded 07 contracts, had prepared estimates in terms of paragraph 8.13 of the Procurement Guidelines and constructed 06 culverts as additional works without obtaining a prior approval in addition to proposed activities.
- (c) The number of Board Papers submitted for 09 meetings of the Board of Directors held by the Authority during the year 2014 was 238. Out of them, 115 papers on granting appointments to officers, 103 on granting lands on lease basis and 6 on accounts and audit reports had been presented. However, number of papers submitted for other activities was only 14.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Even though the number of lands with an extent of 9369.4 hectares granted for agricultural and enterprises development purposes as at 31 December 2014 by the Enterprises Development Division had been 437, a specific and noticeable policy approved by the Board of Directors in respect of the methodology of granting lands, maximum extent of lands that can be used thereon and identification of persons, had not been made available to audit. Moreover, in identifying persons to whom lands are granted on long term lease basis, appropriate criteria had not been determined. Action had been taken by considering that only the submission of a project plan is the qualification and the investment plans submitted by the applicants had not been evaluated so as to be accepted by the Authority. The relevant development activities had not been carried out on lands with an extent of 404.56 hectares granted to 52 land recipients from the year 1991 to the year 2011 and no action had been taken to retransfer of those lands in terms of agreements.
- (b) Even though the mechanical workshop located at Ratmalana Kaldemulla, belonging to the Mahaweli Engineering Services (Pvt) Ltd which had been decided to dissolve in the year 2014 operated under the supervision of the Irrigation Department, no action had been taken to transfer those assets on lease or other basis and to regularize the functions thereof. Further, Irrigation Department had constructed a temporary building as well for erecting of spillway gates for tanks and reservoirs. As a separate electricity meter and a water meter had not been fixed for the mechanical workshop, the Authority had settled all bills. Expenses on electricity and water had increased by Rs.157,745 and Rs.43,780 respectively as compared with the year 2013 after inception of the mechanical workshop in the year 2014.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) A sum of Rs.451,038 had been granted improperly to five officers of the Ministry and the Ministerial Staff but not in the Authority as fuel expenses up to 30 September 2014.
- (b) Even though the project on operating of Chandrikaweve Mini Hydropower Station vested without the procurement procedure by the letter No. RBM/EIA/MH/10-5 of 28 December 2010 of the Director General, had been vested with the Mahaweli Consultant Services Bureau (Pvt) Ltd., it had not been operated even up to 30 November 2014. The approval had been granted at the 258 meeting of the Board of Directors held on 04 December 2014 to vest this project with the Chandrikaweve Hydropower (Pvt) Ltd, established on 30 October 2014 without following the procurement procedure but the Board of Directors had not considered the qualifications of the company.
- (c) An estimate valued at Rs.400,000 submitted by the Residential Enterprises Manager of Victoria Kothmale Zone to establish a Fitness Center which was not included in the Action Plan, had been approved by the Director General. No arrangement based on the

policy whatsoever had been made in respect of requirement, maximum expenditure limit, manner in which it should be maintained, control introduced on usage of this newly commenced activity. Goods valued at Rs.392,750 granted for this activity had been stored in the official quarter No.56 without transferring to a responsible officer and using those goods.

- (d) A 3D television had been purchased for Rs.149,900 on 29 November 2014 by adding the term “3D” improperly on the letter from which the approval had been granted to purchase a LED Television to the official quarter of the Residential Enterprises Manager of Victoria Kothmale Zone by the Director General. It was observed that granting a 3D television of a high cost is uneconomic.
- (e) An engineer – Grade ii had been recruited to the Authority with effect from 22 August 2012 by the Secretary to the Ministry for the Ratmalana Mechanical Workshop. The aforesaid officer had reported for duty at the mechanical workshop on 17 December 2013 under supervision of the Department of Irrigation without vesting the mechanical workshop with the Department of Irrigation properly. A total sum of Rs.726,674 had been paid as salaries and allowances and Provident Funds to this officer for the year 2014. The Authority had not taken action to reimburse that money from the Department of Irrigation.

4.5 Idle and Underutilized Assets

The following observations are made.

- (a) Two official quarters of Grade A belonging to the Victoria Kothmale Residential Enterprises Management Office had not been utilized due to failure in renovating those quarters since the years 2004 and 2011. Further, as an officer who was entitled to an official quarter of Grade A, was staying free of charge at the circuit bungalow belonging to the Authority from January 2014 to 31 August 2015, one room thereof could not be given to applicants. As such, the income that could have been obtained from the circuit bungalow at a rate of Rs.1,000 per day had been deprived of due to failure in providing an official quarter to the officer.
- (b) A total sum of Rs.48 million in 2 Revolving Funds Deposits of the Regional Development Bank since the year 2002 by the Residential Enterprises Management Office of the Zone “C” had not been utilized to fulfill the objectives thereof. Further, the bank had not computed the interests so as to receive interest by adding the annually computed interest to the initial deposit and the bank had certified the accumulated interest as Rs.24,998,107 payable to the Authority as at 31 December 2014.

4.6 Uneconomic Transactions

The following observations are made.

- (a) An expenditure of Rs.19,538,336 had been incurred by the Residential Enterprises Management Offices at Walawa and Welioya in two instances in the year 2013 for conducting two award ceremonies for the distribution of 3055 deeds without the

approval of the Board of Directors. Budgetary provisions of the year 2013 had not been made thereon and it had not been included in the Action Plan as well.

- (b) A sum of Rs.2,315,835 had been spent for the ceremony held for the distribution of 785 motor bicycles to field officers in the year under review.

4.7 Commencement of Projects on Lands not properly vested

The following observations are made.

- (a) The Authority had spent a sum of Rs.108,154,180 for the construction of the Mahaweli Centre on the land located at Ananda Coomaraswamy Mawatha, Colombo 07 belonging to a private company.
- (b) The training centre, motor vehicles service centre and the mechanical workshop had been constructed on a land with an extent of 0.45 hectares, located at Ratmalana, Kaldemulla belonging to the Divisional Secretary.

4.8 Resources of the Authority given to other institutions

Fourteen vehicles owned by the Authority were being utilized by the Government Ministries and Departments by 30 October 2015 contrary to the Public Enterprises Circular No. PED/12 dated 02 June 2003 and one motor vehicle was in the custody of the Courts, Nuwara - Eliya.

4.9 Personnel Administration

The Authority had released 34 officers on full time and part time basis for the Dam Safety and Water Resources Management Project by 31 December 2014. However, it was not confirmed to audit that those officers were deployed on release basis and they reported for duty properly to the Authority by the end of that period. Attention had not been paid to the Management Services Circular No. 33 of 05 April 2007 and the amended Circular No. 33(1) of 20 December 2007 in that connection.

5. Accountability and Good Governance

5.1 Action Plan

The officers responsible for each activity of the Action Plan prepared for the year under review, had not been identified.

5.2 Internal Audit

The post of the Director (Internal Audit) had fallen vacant from 30 November 2010 even up to 31 August 2015, the date of audit and internal audit reports had not been made available to audit.

5.3 Procurement Plan

Even though a Procurement Plan had been prepared for the year under review, it had not been adequately implemented.

5.4 Budgetary Control

Even though a budget had been prepared at the beginning of the year, the budget had been revised so as not to make changes to the budgeted expenditure considering the expenditure incurred at the end of the year and the approval of the Board of Directors had been obtained and as such, the budget had not been made use of as an effective instrument of management control.

5.5 Unresolved Audit Paragraphs

The following observations are made.

- (a) About 50 per cent of the total hydro power generation of the Ceylon Electricity Board is produced by hydro power stations constructed in association with the Mahaweli reservoirs and the Authority had paid their electricity bills to the Ceylon Electricity Board in respect of the electric lamps fixed on the dams of the Polgolla, Victoria and Kothmale reservoirs. Since payment of charges for the maintenance of reservoirs and water used by the Electricity Board are not made, attention of the Authority should be focused on securing electricity requirements of the major dams, free of charge.
- (b) It was revealed that there were 655 encroachers in the reservation areas of Pollgolla, Kothmale, Bowathenna, Mapakada, Maduruoya and Victoria reservoirs. However, the Authority had failed to evict those squatters and preclude the further arrival of such encroachers.
- (c) The Residential Enterprises Manager of the Zone 'H' had used another vehicle in addition to the vehicle allocated to him. It was observed as per the Gate Registers maintained by the Security Division that the above vehicle had not arrived at the office premises from May 2010 to December 2011. Nevertheless, the Residential Enterprises Manager had certified all trip specified therein placing his signature.

Even though the driver of this vehicle had stated that the daily travelling of the vehicle was started from Thambuththegama, he had not signed the Attendance Register maintained at the Thambuththegama office during the period from February 2010 to December 2011.

An expenditure of Rs.201,385 had been incurred in respect of repairs and replacement of 04 tyres to this vehicle during the period in which the vehicle was not used by the office and the Director General had informed that a preliminary investigation had been initiated in this connection.

- (d) The lease rent receivable per year from the lands granted for the use of farms at Niraviya and Kalankuttiya to the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd for their

use had not been computed and brought to account in the year under review. Even though the Director General had informed me by his letter of reply dated 04 December 2013 that action will be taken to recover lease rent for the relevant buildings since the year 2013, it had not been so done in the years 2013 or 2014.

- (e) According to the records of the Land Division, the number of blocks of lands that had been encroached, was 7,333. It was observed that, the Authority could be deprived of the income which could be earned from lands due to delaying of legalizing process of these lands.

6. Systems and Controls

Weaknesses observed in systems and controls during the course of audit were brought to the notice of the Director General of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets Control
- (b) Stores Control
- (c) Financial Control
- (d) Motor Vehicles Control
- (e) Contract Administration