

Report of the Auditor General on Head 166 - Ministry of City Planning and Water Supply - Year 2015

The audit of Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of City Planning and Water Supply Head 166 - for the year ended 31st December 2015 was carried out in pursuance of provisions of 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 of the Ministry on 21 July 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and the 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 Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public, Financial and Administrative Regulations. This responsibility includes the planning, 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.

2. Accounts

2.1 Appropriation Account

(a) Total Provisions and Expenditure

The total net provision made for the Ministry of City Planning and Water Supply amounted to Rs. 39,335.87 million and out of that a sum of Rs. 30,291.07 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry amounted to Rs 9,044.80 million and represented 22.99 per cent of the net provisions. Details are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net provision	Utilization	Savings	
	Rs.millions	Rs.millions	Rs.millions	
Recurrent	213.13	210.87	2.26	1.06
Capital	39,122.74	30,080.20	9,042.54	23.11
	39,355.87	30,291.07	9,044.80	22.90

2.2 Advance Accounts

2.2.1 Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Account under Item No 16601 relevant to the Ministry of City Planning and Water Supply and the actual values are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions
6.14	3.80	2.94	4.89	27.00	11.52

2.3 Imprest Account

The balance of imprest account No 7002/0000/00/0399/0015/000 of the Ministry of City Planning and Water Supply as at 31 December, 2015 was Rs.87.35 million.

2.4 General Deposit Account

The balances of the 04 General Deposit Accounts of the Ministry of City Planning and Water Supply as at 31 December 2015 totalled Rs.18.98 million. Details are given below.

Deposit Account No	Balance as at 31 December 2015
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	Rs. Million
6000/0000/00/0002/0146/000	0.16
6000/0000/00/0013/0101/000	2.65
6000/0000/00/0016/0092/000	15.84
6000/0000/00/0018/0096/000	0.39

Total	18.98
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2.5 Audit Observation

The Appropriation Account and the Reconciliation Statement of the Ministry of City Planning and Water Supply for the year ended 31 December, 2015, have been prepared satisfactorily, subject to the observations appearing in the management audit report referred to in paragraph 1.1 above. The material and significant audit observations out of the audit observations included in the management audit report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

During audit test checks regarding the maintenance of books by the Ministry of City Planning and Water Supply, it was observed that the Register of Cheques had not been maintained according to Financial Regulation 451 and the Telephone Register had not been updated according to Financial Regulation 845.

3.2 Appropriation Account

3.2.1 Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs 504.61 provided for 11 Objects had been saved.
- (b) Due to excess provisions made for 22 Objects, the balance after the utilization of provisions ranged between 21 to 97 per cent of the net provisions relating to the respective Objects.

3.2.2 Differences between the Appropriation Account and the Project Financial Statements

The following differences were observed in respect of the Financial Statements submitted to audit relating to two projects and the expenditure relating to those two projects in the Appropriation Account.

Project	Expenditure as at 31 December 2015 According to Project Financial Statements (Foreign Loans)	Expenditure According to Appropriation Account
	Rs.millions	Rs.millions
Water Sector Development -11 Project	2,577.34	3,206
Anuradhapura North Water Supply Project – Stage I	94.05	172.4

3.3 Reconciliation Statement of the Advances to Public Officers Accounts

It was observed at the audit test check of the Reconciliation Statement as at 31 December 2015 of the Advances to Public Officers Account, Item No. 16601, there was an outstanding loan balance of Rs.38,095 due from an officer dismissed from service with effect from 07 June 2013, was continued to be carried forward without being settled.

3.4 General Deposit Account

Even though Rs12.75 million, being the security deposit under the Greater Colombo Water Rehabilitation Project, had been sent to the Ministry in the year 2014 after the completion of the project, that amount of money had not been credited to Government revenue even by the end of the year under review.

3.5 Good Governance and Accountability

3.5.1 Annual Performance Report

Even though the Ministry should have tabled the Performance Report in Parliament within 150 days of the end of the financial year in accordance with Public Enterprise circular No 402 of 12 September 2002, that report had not been tabled in Parliament even by 11 July 2016.

3.6 Assets Management

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

(a) Conduct of Annual Board of Survey

Even though according to Public Enterprise circular No 02/2014 of 17 October 2014, the Annual Board of Survey for the year 2015 should be held and the respective report sent to the Auditor General before 17 March 2016, the Ministry had not sent these reports to the Auditor General even by 08 July 2016.

(b) Irregular use of Assets belonging to other Institutions

The following observations are made.

- (i) The Ministry of City Planning and Water Supply had used 02 vehicles belonging to the Metro Colombo Urban Development Project and 02 vehicles belonging to the Ministry of Defence.
- (ii) Even though the Ministry had reported to audit that 03 vehicles belonging to the National Water Supply and Drainage Board were being used, the Board had reported to audit that 09 vehicles belonging to the Board had been released to the Ministry. The Board had spent Rs.421,459 for these vehicles in the year 2015 for expenditure such as revenue licenses, insurance, repairs etc.

(c) Human Resources obtained from other Parties

Details of human resources obtained from other parties by the Ministry are shown below.

Category of Employees	No of Employees	Other Party	Period
Primary Level	24	National Water Supply and Drainage Board	From year 2008 to year 2015
Secondary Level	10	National Water Supply and Drainage Board	From year 1995 to year 2015
Tertiary Level	02	National Water Supply and Drainage Board	From year 1995 to year 2015
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The salaries and allowances in respect of the above mentioned 36 employees had been paid by the National Water Supply and Drainage Board, and that expenditure had not been reimbursed by the Ministry to the Board.

3.5 Non - compliances

Non-compliances with Laws, Rules and Regulations

Instances of non-compliances 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	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		

(i) Financial Regulation 571	11,100	Retention money relating to the construction of the rain water tank had been retained in the General Deposit Account for a period more than 2 years.
(ii) Financial Regulation 1646	-	The Daily Running Charts and monthly summary reports relevant to the pool vehicles of the Ministry had not been sent to the Auditor General before the 15 of the ensuing month by the Transport Officer.
(b) Public Administration Circulars		

Circulars No.41/90 of 10 October 1990	-	No fuel consumption checks had been done once in every 06 months relating to vehicles belonging to the Ministry.

3.8 Foreign Aid Projects

The Ministry had implemented 13 projects under foreign financing during the year under review. According to the Appropriation Account of the year 2015, the net provision for those projects was Rs 10,300.42 million, and a sum of Rs 3,062,42 million had been utilized during the year under review for those projects. The following observations are made regarding these projects.

(a) Performance of Foreign Aid Projects

The financial performance and the physical performance as at 31 December 2015 in respect of the foreign aided projects are as follows.

	Project	Date of Project Planned to be Completed	Percentage of Financial Performance	Percentage of Physical Performance
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(i)	Jaffna Kilinochchi Water Supply and Sanitation Project	30.06.2016	8.70	38.96
(ii)	Dry Zone Urban Water Supply and Sanitation Project	30.06.2016	54.00	76.00
(iii)	Greater Colombo Water and Waste Water Management Promotion Investment Programme – Project I	31.12.2016	21.68	6.45
(iv)	Greater Colombo Water and Waste Water Management Promotion Investment Programme – Project 2	31.12.2019	0.04	1.51

(b) Abandonment of certain Works Included in Foreign Aid Projects

It was expected to utilize credit facilities from the French Development Agency for the construction of a place to obtain fresh water in the Iranamadu Reservoir, installation of a transmission line to carry unrefined water, construction of the water purification plant

and the construction of transmission lines to carry refined water relevant to the Jaffna Kilinochchi Water Supply and Sanitation Project. A decision had been taken to abandon the option of obtaining water from the Iranamadu Reservoir due to problems that arose regarding the sharing of water and a sum of, Rs 124.64 million had been utilized by 31 December 2015 out of the loan from the French Development Agency (AFD). Even though the total of the additional expenditure being incurred on the contribution of the Government of Sri Lanka was Rs 27.11 million, there had been no benefit either to the Water Supply and Drainage Board or to the national economy.

(c) Retained Project Money

As the loans obtained on the basis of paying interest according to the loan agreements under the Jaffna Kilinochchi Water Supply and Sanitation Project and the Anuradhapura North Potable Water Supply Scheme had not been utilized in accordance with the Action Plan, Rs.76 million and Rs.13 million respectively had to be paid as Commitment Charges up to 31 December 2015.

3.9 Uneconomical Transactions

A surcharge of Rs.18,071 had been paid as the electricity bills of the Ministry had not been paid before the due date.

3.10 Human Resource Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 is as shown below

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	27	20	07
(ii) Tertiary Level	05	-	05
(iii) Secondary Level	81	53	28
(iv) Primary Level	40	36	04
Total	153	109	44