

Report of the Auditor General on Head 282 – Irrigation Department - Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, registers and other records of the Head 282, Irrigation Department, for the year ended 31 December 2016 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 Director General of the Irrigation Department on 31 August 2017. 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 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 Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, and the Public Finance and Administrative Regulations. This responsibility includes the 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.

2. Accounts

2.1 Appropriation Account

(a) Total Provisions and Expenditure

The total net provision made for the Department amounted to Rs. 16,583.78 Million and out of that, a sum of Rs. 13,223.11 Million had been utilized by the end of the year under review. Accordingly, the savings of the total net provision had been Rs. 3,360.67 Million or 20.26 per cent. Details appear below.

Expenditure	Net Provision	As at 31 December 2016		
		Utilization	Savings of total Net Provision	Saving as a percentage
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	Rs. Million	Rs. Million	Rs. Million	
Recurrent	3,012.35	2,869.12	143.23	4.75
Capital	13,571.43	10,353.99	3,217.44	23.71
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Total	16,583.78	13,223.11	3,360.67	20.26
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(b) Utilization of Provisions made available by other Ministries and Departments

Provisions totalling Rs.1,545.60 Million had been made available by 03 other Ministries and 02 Departments to the Department for various purposes, and a sum of Rs. 1,234.30 Million had been utilized by the end of the year under review. Accordingly, the savings of the provisions had been Rs. 311.30 Million or 20.14 per cent.

An additional sum of Rs. 5.58 Million had been utilized exceeding the provision of Rs.1,200.00 Million made by the Ministry of Mahaweli Development and Environment for the Uma Oya Development Project

2.2 Advances to Public Officers' Account

Limits authorized by Parliament

Limits authorized by Parliament for Advances to Public Officer's Account Item No: 28201 relevant to the Department and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit balance</u>	
<u>Maximum Limit</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum limit</u>	<u>Actual</u>
Rs Million	Rs Million	Rs Million	Rs Million	Rs Million	Rs Million
148.00	147.80	105.00	138.39	500.00	365.90

2.3 General Deposit Account

The balances of the 05 General Deposit Accounts under the Department as at 31 December 2016 totalled Rs. 548.28 Million. Details appear below:

<u>Deposit Account Number</u>	<u>Balance as at 31 December 2016</u>
	Rs Million
6000/0000/00/0001/0022/000	12.09
6000/0000/00/0001/0041/000	4.04
6000/0000/00/0016/0008/000	266.61
6000/0000/00/0018/0010/000	1.27
6000/0000/00/0013/0036/000	<u>264.27</u>
	<u>548.28</u>

2.4 Audit Observation

The Appropriation Account and Reconciliation Statements of the Irrigation Department for the year ended 31 December, 2016, had been prepared satisfactorily, subject to Audit 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 that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3:1 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the registers shown below.

	<u>Type of Register</u>	<u>Relevant Regulation</u>
(a)	Register of Fixed Asset	Treasury Circular No.842 of 19 December 1978 and Financial Regulation 502 (2)
(b)	Register of Fixed Assets regarding computer accessories and software	Treasury Circular No. IAI/2002/02 of 28 November 2002
(c)	Security Register	Financial Regulation 891(1)
(d)	Register of Liabilities	Financial Regulation 214

3.2 Lack of Evidence for Audit

Even by 31 July 2017, there had been a failure to submit to audit information about 43 motor vehicles given by the Department to external agencies.

3:3 Replies to Audit Queries

Even by 31 July 2017, replies in respect of 02 Audit Queries issued to the Department had not been replied. The value of quantifiable transactions relating to those Audit Queries amounted Rs 6.38 Million

3.4 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) Based on the annual budgetary estimates for the year 2016, the Department had made a request to the Treasury Operations Department based on the limit of the required imprests. The Treasury Operations Department had approved those limits. It had not become possible to utilize the provisions apportioned from the annual budgetary estimates for the purposes planned under 16 Objects as the Treasury Operations Department had not issued the expected imprests for the respective months according to the approved limits.
- (b) Out of the provision of Rs. 50.00 Million for the construction of the Rugam-Kitul reservoir under the Development Programme, Rs.45.00 Million had been transferred to another Object, and the balance provision of Rs. 5.00 Million had been saved entirely.
- (c) Provisions had been transferred among various Objects under Financial Regulation 66 making use of 03 applications in the year 2016, citing reasons such as the actual

expenditure being lower than the estimate, delay in clearing the jungle and postponing construction activities to the ensuing year. Out of these provisions, Rs. 2,131.85 Million had not been utilized.

3.5 General Deposit Account

Action had not been taken in accordance with Financial Regulation 571 in respect of 83 deposits totalling Rs. 55.52 Million exceeding two years.

3.6 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December, 2016 relating to the Advances to Public Officers Account No.28201.

- (a) According to the Reconciliation Statement presented to audit, while the balances that remain outstanding as at that date totalled Rs. 24,174,162, even though those outstanding balances remained over periods ranging from 1 year to 25 years, the follow up action on the recovery of the outstanding balances had been at a weak level.
- (b) The total of the summary of single balance classification was Rs.365,904,846, and the balance of the control account of the Department showed an excess of Rs.71,161 as Rs.365,833,685.
- (c) There was a difference of Rs.782,729 between the value of single totals shown in the members loan registers, and the value of single balances submitted with the Advance Account.

3.7 Good Governance and Accountability

Internal Audit

Even though a staff of 19 had been approved for the Internal Audit Unit the actual cadre was 11 to audit the activities of the Irrigation Department, comprising the Head Office, 14 Zonal Offices and permanent cadre of 6,159. Accordingly, it was observed that the cadre of the Audit Unit was not sufficient, and also action had not been taken to provide training.

3.8 Assets Management

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

(a) Idling and under utilized assets

The following observations are made.

- (i) During the physical inspection of the quarters in the Ratmalana Housing Scheme of the Department of Irrigation, 23 houses which were in a usable condition were lying idle.

- (ii) A Clerk of the Department had been sent on compulsory leave from 10 June 2014 up to the end of the year under review. Without holding any inquiry whatsoever, a sum of Rs.1,300,566 had been paid as salary for a period of 2 years and 07 months from that date up to the end of the year under review without any purpose. Before the completion of his disciplinary procedure, he had also been given Rs.149,158 being arrears of increment, in contravention of Section 14:12 of Chapter XLVIII of the Establishment Code.
- (iii) According to the Stock Book of the Irrigation Engineer's Office, Weeraketiya, 28 items received between the 1991 up to September 2015 were lying idle, without being issued.

(b) **Conduct of the Annual Board of Survey**

The following observations are made.

- (i) Even though according to Public Finance Circular No 05/2016 of 31 March 2016, the Board of Survey for 2016 should be conducted and the reports thereon should be furnished to the Auditor General before 15 June 2017, reports in respect of two Irrigation Officers were not produced to audit.
- (ii) Action had not been taken in accordance with Financial Regulations in respect of excesses and shortages and other recommendations pointed out by the Board of Survey Reports relevant to the year 2016.

(c) **Assets given to external parties**

It was observed that 40 individuals working in external agencies and 04 Officers who had retired from the Department were in occupation of the quarters. Legal action had been filed to recover possession of 30 such quarters.

(d) **Improper use of assets of other institutions**

Even by 31 July 2017 action had not been taken to formally vest in the Department 131 vehicles received from other institutions.

(e) **Unsettled Liabilities**

The value of liabilities unsettled by the Department as at 31 December 2016 was Rs.2,311.91 Million, and such a value was relevant for a period of less than a year, and the following observations are made.

- (i) Even though according to provisions of Financial Regulation 94, the liabilities and expenditure incurred should not exceed the provisions of that year, the Department had entered into liabilities for Rs.57.25 Million, exceeding the net provisions limit.
- (ii) Liabilities of Rs.21.23 Million had not been disclosed in the accounts

- (iii) Under the Yan Oya Project Development Programme, a foreign company had to be paid 86 per cent or a sum of Rs.1,989.08 Million of the liabilities of Rs.2,244.72 Million. Even though there was a net saving of Rs.2,013.84 Million under that Vote, no action had been taken to pay the liability and settle same.
- (iv) Even though all expenditure has to be recorded in the Votes Ledger in accordance with the provisions of Financial Regulation 447 (4), details of expenditure in respect of all the liabilities agreed to by the Department had not been recorded in the Votes Ledger.

3.9 Non-compliances

Non compliance with laws, rules, regulations etc

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

<u>Reference to laws, rules, regulations etc</u>	<u>Value</u>	<u>Non compliance</u>
	Rs.	
(a) <u>Parliamentary Acts</u>		
Offences against Public Property Act No. 12 of 1982	-	The Circuit Bungalow at Giritale belonging to the Polonnaruwa Irrigation Zone had been used by the State Minister of the Ministry of Irrigation and Water Resources Management for a private purpose of his, from 02 October 2015 to the end of the year under review, without making any payment whatsoever.
(b) <u>Cabinet Memorandum</u>		
Cabinet Memorandum No.13/1166/508/017 - 11 October 2013	-	169 Officers who had served for dated a long time under contract basis had completed a course at the NVQ 5 level in the Kotmale and Galgamuwa Training Institutes. After obtaining the relevant Certificates, by Cabinet Memorandum No. 13/1166/508/017 dated 11 October 2013, it had been ordered to recruit them as Technical Assistants as applicable only to that situation. However, up to 31 July 2017, action had not been taken in accordance with that order.

(c) Establishment Code of the Democratic Socialist Republic of Sri Lanka

- (i) Section 7:1 of Chapter V - Even though an Accountant had not reported for work for 192 days in the years 2015, 2016 and 2017 without informing or obtaining leave, disciplinary action had not been taken in accordance with the provisions of the Establishment Code.
- (ii) Sections 7 and 9 of Chapter XIX - Action should be taken to recover Quarters given to Officers who had worked in the Department when they die or retire. However, the Department did not possess an active procedure for the Department to quickly recover the quarters, when Officers of the Department retire, get transferred or die.
- (iii) Section 4:2:1 of Chapter XIX 12 instances were observed where only the Officer/Employee was occupying the quarters and the Department had not paid Attention to refer the single persons who were occupying the quarters to function halls/entertainment houses or to provide them with quarters on the basis of given marks/a point system, as stated in Section 4:2:1 of Chapter XIX of the Establishment Code.

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- (i) Financial Regulation 207 (1) 443,619 Even though the authority to spend the provisions estimated for the respective financial year lapses at the end of each financial year, contrary to it, purchases had been made in 11 instances during the year 2017

from the provisions for the year 2016.

(ii) Financial Regulation 207 (3) 305,541 Provisions apportioned through annual expenditure estimates for votes should be utilized to achieve the specific objectives for which provisions had been allocated. Nevertheless, in 07 instances money had been spent extraneous to the objectives for which provisions had been allocated.

(iii) Financial Regulation 445 Internal Audit Queries had pointed out that the files and records to be maintained in the Zonal Director of Irrigation Offices and Regional Director of Irrigation Offices had not been maintained updated and correctly. No effective course of action had been taken to rectify these weaknesses and shortcomings.

(e) Procurement Guidelines – 2006

(i) Guideline 5:4:1 1,292,336 When making payments for the Value Added Tax, even though payments have to be made after obtaining a Value Added Tax invoice, Value Added Tax had been paid through 6 vouchers in the absence of invoices.

(ii) Guideline 5:4:12 4,310,624 Even though details about the payment of Value Added Tax must be submitted to the Commissioner General of Inland Revenue, with copy to the Auditor General on or before the 15th of the ensuing month, action had not been taken accordingly in respect of the payment of Value Added Tax from the year 2014 up to the year 2017.

3.10 Implementation of Projects under Domestic Financing

Projects abandoned without commencing

Even though provisions of Rs.50,000,000 and Rs.30,000,000 during the previous year and Rs. 50,000,000 during the year under review had been apportioned for the construction of the Pethiyagoda Pumping Station and the Elle Wewa Reservoir respectively, these constructions had not commenced even during the year under review.

3.11 Deficiencies in the Operation of Bank Accounts

The following observations are made.

- (a) 04 Bank Accounts operated by 03 Zonal Director of Irrigation Offices had been dormant from 04 December 2007, 31 December 2013, 31 January 2014 and 30 September 2016.
- (b) Even though 06 months had elapsed since the issue of 18 cheques relevant to 11 bank accounts totalling Rs.160,788, action had not been taken in that behalf in accordance with Financial Regulation 396 (c).
- (c) 29 unidentified debit balances totalling Rs.10,195,180 and 07 unidentified credit balances totalling Rs.170,065 as at 31 December 2016, had been shown in the Bank Reconciliations without being identified and entered in the accounts.

3.12 Transactions of Contentious Nature

Certain transactions entered into by the Department had been of contentious nature. Particulars of several such instances observed during the course of test checks appear below.

- (a) It had been reported that Rs.4,313,239 had been the value of the deficiency of survey equipment that had taken place prior to the year 2002 during the service of a Store Keeper who had served in the Hydraulics Unit and been sent on compulsory retirement on 09 May 2002. In accordance with the judgement of the case filed in this respect, only a sum of Rs. 411,051 had been recovered from him. There has been a failure to submit the full report within 03 months in accordance with Financial regulations 104 (4) even by 31 July 2017. No proper follow up action had been taken to recover this deficiency that had taken place 14 years earlier.
- (b) Verification of the qualifications had not been done in respect of an Engineer who had been recruited based on qualifications obtained from a foreign University, and even though it had been declared that he was a Chartered Engineer, in the course of the Audit, it was revealed that it was not so. Accordingly, it was observed during the Audit that qualifications had not been verified during recruitments and promotions.

3.13 Losses and Damages

Losses and damages amounting to Rs.3,865,424 relating to 85 instances had been written off from the books, and action had not been taken to recover losses and damages valued at Rs.7,682,799 in accordance with Financial Regulation 104. Even by July 2017, recoveries had not been made in respect of 02 financial frauds amounting to Rs.481,291 which had taken place during a period ranging from 19 years to 36 years.

3.14 Unresolved Audit Paragraphs

Reference to the audit paragraphs relating to the Department included in the Reports of the Auditor General on which rectifications had not been done, is given below.

Reference to Report of Auditor General

Subject under reference

<u>Year</u>	<u>Para No</u>	
2006	3.1 (a)	Irregularities committed by an Engineering Assistant under the Sugala Devi Tank Project.
2006	3.1 (b)	Irregularities that had taken place under the Weli Oya Project.
2006	2.4.1	Obtaining property loans submitting false documents.
2006	7.2 (a)	Obtaining a concrete mixer for the Weheragala Project.
2008	7 (c) (1)	Rs.210,000 loss sustained as a result of a vehicle meeting with an accident.
2011	2.8	Operating a tourist boat service.
2015	3.12	Acting contrary to Public Administration Circular No. 25/2014
	3.13	Making forged documents for the grant of permanent appointments.

3.15 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Steps had not been taken to amend the Irrigation Ordinance No 32 of 1946 and amendments made thereto from time to time, appropriate to the present.
- (b) While there were 6 unauthorized structures in the quarters allotted for 6 employees in the Ratmalana Housing Complex, information revealed that even outsiders were living in those quarters.
- (c) Even though provisions amounting to Rs.545 Million had been apportioned for the construction of the Kumbukkan Oya Reservoir Project from the year 2012 to the year 2015, a feasibility study and an environmental study pertaining to it had not been done.
- (d) A sum of Rs.30,648 had been overpaid to the contractor due to the wrongful calculation of the Value Added Tax paid by the Irrigation Engineer's Office, Puttalam.

- (e) Even though a long time had lapsed since entering into agreements on 07 occasions with individuals and institutions for carrying out development working belonging to the Irrigation Engineer's Office, Weeraketiya, action had not been taken to get the respective work done.
- (f) Even though disciplinary inquiries had been initiated against 25 Officers of the Department of Irrigation, it had not become possible to take disciplinary action against the respective Officers, as these inquiries had not been finalized.

3.16 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows:

	<u>Category of employees</u>	<u>Approved Cadre</u>	<u>Actual Cadre</u>	<u>Number of Vacancies</u>	<u>Excess</u>
(i)	Senior Level	433	300	133	-
(ii)	Tertiary Level	180	24	156	-
(iii)	Secondary Level	2,752	1,948	804	-
(iv)	Primary Level	<u>2,774</u>	<u>3,887</u>	<u>-----</u>	<u>1,113</u>
		<u>6,139</u>	<u>6,159</u>	<u>1,093</u>	<u>1,113</u>

The following observations are made.

- (i) By the end of the year under review, there were 1,093 vacancies. Even though the provisions apportioned in accordance with the Appropriation Account prepared for the year 2016 had been saved without being utilized, the existence of vacancies in the cadre had not made an impact on such savings. Accordingly, there had been an over estimation of the approved cadre.
- (ii) 1,113 employees had been recruited in excess of the approved cadre for the Primary Level.