

Report of the Auditor General on Head 160 Ministry of Mahaweli Development and Environment – Year 2016

The audit of the Appropriation Account and Reconciliation Statements including the financial reports, books, registers and other records of the Head 160 Ministry of Mahaweli Development and Environment for the year ended 31 December 2016 were audited 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 Department on 14 July 2017. 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 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, Revenue Account and Reconciliation Statements in accordance with the provisions in Article 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: 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

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs. 65,546.94 million and out of that a sum of Rs. 42,315.00 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Department amounted to Rs.23,231.94 million or 35.44 per cent of the total net provision. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. millions	Rs. millions	Rs. millions	
Recurrent	3,775.65	3,757.92	17.73	0.47
Capital	61,771.29	38,557.08	23,214.21	37.58
Total	65,546.94	42,315.00	23,231.94	35.44

2.2 Advance Accounts

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by the Parliament for the Advances to Public Officers Account of Object number 16001 of the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
12.00	11.94	5.50	9.11	48.00	35.11

2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0323/0016/000 under the Ministry as at 31 December 2016 totalled Rs. 260,361.

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Mahaweli Development and Environment have been prepared satisfactorily subject to the observations appearing in the Management Audit Report referred in paragraph 1.1. The material and sufficient observations out of the observations appeared in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

It was observed in audit sample checks that following registers had not been maintained and three registers had not been maintained updated properly by the Ministry.

Type of Register	Relevant Regulation	Observation
(a) Register of Losses	Financial Regulation 110	Not maintained a register
(b) Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978	Not updated

(c) Register of Fixed Assets On Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 dated 28 November 2002	Not updated
(d) Inventory Register	Financial Regulation 454	Not updated

3.2 Replies to Audit Queries

Replies to 03 Audit queries issued in the year under review had not been furnished even by 30 June 2017 and the value of quantifiable transactions relating to those audit queries amounted to Rs.755,122,397.

3.3 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.8,085.50 million made for 04 objects had been saved.
- (b) Excess provisions had been made for 13 Objects and as such the savings thereunder after utilization of the provisions ranged between 42.79 per cent to 97.63 per cent of the net provisions of the respective Objects.
- (c) The entire provision obtained from supplementary provisions had been made for an Object totalled to Rs. 43.00 million had been saved without utilization. Supplementary provisions amounted to Rs. 15.39 million had been made for 04 Objects and such savings thereunder after utilization of provision ranged between 28 per cent to 62 per cent of the supplementary provision.

3.4 Good Governance and Accountability

Annual Procurement Plan

The Annual Procurement Plan in terms of Circular No. 128 of 24 March 2006 of the Department of National Budget had not been prepared.

3.5 Assets Management

A motor vehicle belonging to the Ministry valued for Rs. 19,900,000 had been released irregularly to Ministry of power and Energy by the Ministry.

3.6 Committed into Liabilities Exceeding the Provisions

The liabilities had been committed exceeding savings after the utilization out of Provision made for 09 Objects amounted to Rs.2,657,679. Even though provisions had not been made for 04 Objects liabilities totalled to Rs. 1,391,233 had been committed on those objects at the end of the year under review.

3.7 Non-compliances

Non-compliance 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 analysed below.

References to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>		
(i) Financial Regulations 371(2)(c)	304,200	The ad-hoc Imprests issued on various purposes had been settled after a delay of more than one month.
(ii) Financial Regulations 371 (4)	1,261,184	Ad-hoc imprests had been issued for officers in 74 instances more than the required amount.

3.8 Foreign Funded Projects

The Ministry had implemented 21 Projects under foreign financed during the year under review. The estimated costs thereof totalled Rs. 30,345.99 million. A sum of Rs. 18,746.43 million had been utilized on such Projects during the year under review. The following observations are made in connection with these Foreign Aid Projects.

(a) Enhancing Bio Diversity Conservation and Sustenance of Eco System Services in Environmentally Sensitive Area

Following observations are made on the above Project.

- (i) Following activities which had been planned for the year 2016 had not been done as per the progress report submitted to the audit.
 - Amending the wild elephant management policy strategies and action plan.
 - Capacity building for planning and implementing.
 - Demarcation of boundaries in un-demarcated forests
 - Preparing the management plan of Kahalle Pallekele.

- (ii) Even though it was planned to procure office equipment and furniture for Rs.1.34 million by the Project Management as per the action plan of 2016, office equipment and furniture had been procured for Rs. 1,003,016 in the year 2016 without preparing a procurement plan for the year 2016.

(b) Strengthening Capacity to control the Introduction and Spread of Alien Invasive Species in Sri Lanka

Following observations are made in this connection.

- (i) Contrary to the Financial Regulation 371(2)(b) amended from the Public finance circular No. 03/2015 dated 14 July 2015, advance totalled to 2,105,925 had been paid to non-staff level officers and officers out of the Project for various training programmes and workshops
- (ii) Four officers have participated for the study tour regarding controlling and managing Invasive Alien Species conducted in South Africa from 22 October 2016 to 01 November 2016. Two officers who were not in Project Cadre had been participated to that training. A sum of Rs. 85,404 for incidental allowances and Rs. 27,079 for Warm cloth allowances had been paid to those officers from Project Fund.

- (iii) The value of Multimedia Projector amounted to Rs. 112,500 had been included in the “Workshop on Control and Management of Invasive Alien Species in Sri Lanka” conducted in the Sri Lanka Forest Institute from 28 March to 02 April 2016. Total expenditure for this programme had been shown as Rs. 923,308 as expenses of Rs. 831,809 and Value Added Tax of Rs. 91,499 thereon spent under 14 items.

(c) Project on Addressing Climate change impacts on Marginalized Agricultural Communities living in the Mahaweli River Basin

Following observations are made in this connection.

- (i) The Project Director has travelled on a foreign tour for participate to the programme of “Smart city selection” conducted in France. A sum of Rs. 506,904 (US \$ 3,420) had been paid as compound allowance and incidental allowances without confirming the expenses spending from the donor institute.

- (ii) Even though 20 per cent from the total contract value could be paid as mobilization advance in terms of Government Procurement Guidelines, contrary to that advance of Rs. 12,030,000 or 60 per cent from the total contract value had been paid for purchase of cattles, knives and axels each 10,000 from a Government Corporation for distribution of agricultural equipment for the farmers of Medirigiriya, Lankapura and Walapane.

(d) Ozone Project

Following observations are made in this connection.

- (i) Department of Management services had been informed that employees for the Project staff should be recruited from the staff of the Ministry. Two officers for the vacancies of Coordinator Officer and technical Officer had been recruited on contract basis for full salary payment from outside as per the decision taken in the coordinating committee meeting on 12 November 2013.
- (ii) The United Nations Organization had been invited only to the Director Ozone Project for the conference of “37th Meeting of the open-ended Working Group of the parties to the Montreal Protocol” conducted in Geneva, Switzerland from 04 to 08 April 2016. However, a sum of Rs. 707,511 had been spent from the Project regarding incidental allowances, compound allowances and air tickets due to participation of the Additional Secretary to the Ministry.
- (iii) The United Nations Environmental Programme had been informed that they will spend for one agent for the Data Conference conducted in the Vienna, Austria from 15 to 23 July 2016. But an additional expense of Rs. 885,658 had been spent as incidental allowances, compound allowances and air ticket for one officer due to participation of two officers.
- (iv) Hon. Deputy Minister has participated for represent the extra ordinary meeting of Montreal Protocol Parties. Even though United Nations Environmental Programme had been informed that they will pay for the air ticket charges, a sum of Rs. 278,000 had been spent for air tickets by the Ministry.

(e) Uma Oya Diversion Project

A sum of Rs. 49,736.39 million had been spent for Uma Oya Diversion Project from the beginning up to the end of the year under review. A sum of Rs. 901.30 million had been spent from the local fund for the affected people from activities of the Project and sudden water leak. People had been faced for several difficulties regarding housing, land, other properties and drinking water due to project activities. Compensation amount paid up to 14 July 2017 had been shown below.

Particular -----	Amount -----
	Rs.
Compensation paid to settling	7,698,500
Compensation for loss of houses and lands	868,498,057
Compensation for alternative livelihood, loss of cultivation, goods transportation, allowances and other.	25,105,237

Total	901,301,794 =====

3.9 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2016 is as follows.

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	Number of Vacancies -----
(i) Senior level	92	37	55
(ii) Tertiary level	36	35	01
(iii) Secondary level	200	153	47
(iv) Primary level	102	84	18
(v) Other (Casual/ Temporary/ Contract basis)	02	02	-
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Total	432 =====	311 =====	121 =====