

Head 160 - Ministry of Mahaweli Development and Environment

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Mahaweli Development and Environment for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended, 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 provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Mahaweli Development and Environment was issued to the Chief Accounting Officer on 07 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 29 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Ministry of Mahaweli Development and Environment as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- It is not intended to express an opinion on the effectiveness of internal control of the Ministry to plan appropriate audit procedures in a timely manner.
- Evaluate Structure of Financial Statements Including Disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) As there was no need to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Ministry of Mahaweli Development and Environment to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been furnished.

1.6 Comments on Financial Statements

1.6.1 Statement on Financial Position

The following deficiencies were revealed.

Audit Observation	Recommendation	Comments Given by the Chief Accounting Officer
(a) There was a difference of Rs.205,000 and Rs.31,873,443 respectively in between the statement of non-current assets consisted in the financial statements and the balances of motor vehicle and other machineries in the fixed assets module in the CIGAS programme.	Actions should be taken to compare the differences of the financial statements and the balances remained as per the CIGAS Programme.	This difference exists in between the balance of the non-current asset register prepared from the year 2004 and the balance entered into the CIGAS programme. Balance comparisons are currently being carried out with the CIGAS programme and the non-current asset register by now and actions have been taken to complete that as soon as possible.
(b) Foreign aid project expenses amounted to Rs.1,139,259 had been included in the non-current assets.	Non-current assets and foreign aids should be identified and taken in to accounts separately.	A balance of Rs. 1,139,259 has been considered as foreign aids
(c) Even though the fixed assets amounted to Rs.20,975,201,524 had been reported as per the financial statements, the assets amounted to Rs.20,954,342,526 were not	The difference needs to be corrected by carrying out the reconciliations with the Treasury Books.	A balance amounting to Rs.20,858,998 was consisted in the new CIGAS programme by now. As a result of the technical defects exists in the CIGAS programme, the balance of the Mahaweli

observed under this head according to the new CIGAS module of the treasury.

Section (sub office) was impossible to include in so far. The officers of the Department of State Accountants are already made aware of this and that could be corrected immediately.

1.6.2 Imprest Balance

The following observation is made.

Audit Observation	Recommendation	Comments Given by the Chief Accounting Officer
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There was a balance of unsettled advance amounted to Rs.260,361 remained since the year 2007 relating to the account No. 7002/ 0000/ 00/0323/0017/000 .	Actions should be taken to check and settle the unsettled advances.	A complaint has been made to the police to recover these advances and the arrangements are being carried out to recover that amount.

1.6.3 Non - availability of Documents and Books

It was observed during the audit test checks carried out some of the following documents had not been maintained properly and updated manner by the Ministry.

Audit Observation	Recommendation	Comments Given by the Chief Accounting Officer
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(a) Inventory Book ----- An Inventory Book had not been maintained in terms of Financial Regulation 454 (1).	An inventory book should be maintained in an updated manner as per the general format 44 in terms of Financial Regulation 454 (1).	An inventory book has been maintained.

(b) Register of Losses

The Register of Losses had not been maintained in an updated manner in accordance with the Financial Regulations 110.	A Register of Losses should be maintained in an updated manner in terms of Financial Regulation 110 and the related Format.	The Register of Losses and Damages has not been updated since the losses were not reported relating to the Ministry.
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1.6.4 Certification that should be made by the Accounting Officer

Although the Chief Accounting Officer should certify regarding the following matters in terms of the provisions of Section 38 of the National Audit Act, No. 19 of 2018, actions had not been taken accordingly.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Ministry in terms of Section 38 of National Audit Act of No. 19 of 2018 and the effectiveness of the system should be periodically reviewed and the necessary modifications should be made to make the system effective. Even though these reviews should be made in writing and a copy of that	Actions should be taken in terms of the provisions of Section 38 of the National Audit Act, No. 19 of 2018.	Answers were not given.

should be furnished to the Auditor General, the statements as of such a review was carried out had not been furnished to audit.

1.6.5 Non -compliance with Laws, Rules and Regulations

Instances of non - compliances with provisions in Laws, Rules and Regulations observed during the course of audit test checks are analyzed below.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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Reference to Laws, Rules and Regulations	Non Compliance	
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(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation - 753	There were 1070 items that had not been taken in to inventory in the environmental section.	Actions should be taken to take these items in to inventory in terms of financial regulations. The board of survey has been instructed in this regard and it is informed that the report will be submitted to the audit as soon as the report presented by the annual board of survey.

- (ii) Financial Regulation 758
- Even though there were 260 and 190 items remained as excesses and deficiencies respectively in assets as per goods verification reports, actions had not been taken in accordance with the provisions.
- Measures should be taken in respect of the deficiencies and excesses in terms of financial regulations.
- The board of survey has been instructed in this regard and it is informed that the report will be submitted to audit as soon as the report presented by the annual board of survey for verification.
- (iii) Financial Regulation 804 and 753
- Although the assets in the old building premises had been handed over to other government institutions when the Ministry entered in to the new building, measures had not been taken as per the financial regulations for that.
- Relevant registers should be maintained in accordance with the financial regulations.
- Issuance orders have been issued for the items given to other institutions and receiving orders for this should be received from several institutions furthermore.
- (b) Treasury Operations Circular No. 06/2018 of 05 November 2018 Paragraph 01
- Actions had not been taken in terms of the circular whilst the settlement of final balance of the cash book maintained for the bank account No. 0007040898 as at 31 December 2018.
- The adjustment account should be prepared and submitted in terms of the circular.
- The balances of all accounts have been properly settled.

- (c) Paragraph 4.11 of the Public Finance Circular No. 266/2018 dated 19 October 2018 Even though it had been mentioned as any commitment or liabilities which was not reported to the Department of State Accounts should not be settled in the year 2019, the liabilities amounted to Rs. 1,103,666 was not so reported to the Department of State Accounts had been settled during the year 2019. Actions should be taken in accordance with the Public Finance Circular. These vouchers were not submitted for payment as at 31 December 2018 but furnished for payment at the beginning of the year 2019.
- (d) State Accounts Circular No. 267/2018 dated 21 November 2018 Although it should be prepared an imprest adjustment account in accordance with the circular and submitted it with the financial statements for the year under review, the Ministry had not prepared an imprest adjustment account and furnished with the financial statements. An imprest adjustment account should be presented with the financial statements as per the Circular. It was submitted on 29 April 2019.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
<p>(a) A sum of Rs. 5,557.64 million or 99.32 per cent out of the provisions made available had been saved due to the capital provisions made available without identifying of the requirements. capital expenditure amounted to Rs. 5 million made available for the 04 expenditure objects had been totally saved.</p>	<p>Actions should be taken to identify the necessity accurately to make proper allocations.</p>	<p>The reason for not incurring the allocations provided for the cabinet office and the State cabinet office was non-occurrence of repair requirements in the building and machineries. The Rs. 5 million allocated for the Maduru Oya Right Bank Development Project had saved due to the preliminary work of the project was not completed.</p>
<p>(b) Out of the provision totaled to Rs. 2,946.87 million allocated to 10 capital expenditure objects the savings totaled to Rs. 1,250.9 million or ranging from 23 per cent to 74 per cent had remained due to the provisions made without identifying the requirements and not carrying out the activities as planned.</p>	<p>It should be identified the necessity and take actions to obtain the allocation accordingly whilst preparation of estimates.</p>	<p>These savings have occurred due to unavoidable reasons such as not providing the imprest, practical problems occurred whilst implementation of project and there was no need to buy new equipment.</p>

- (c) Out of the provision of Rs. 4,000 million that had been transferred to 03 capital expenditure objects, the provision amounted to Rs. 2,262.58 million or ranging from 23 per cent to 100 per cent had been saved because of the budget estimates were not properly prepared. -do- -do-
- (d) The supplementary provision obtained for a capital expenditure object during the year under review amounted to Rs. 257 million had been totally saved. Out of the supplementary provisions obtained for 02 more expenditure objects amounted to Rs. 27.16 million the savings had remained ranging from 38 per cent and 86 per cent. It should be identified the necessity and obtain the provisions properly whilst obtaining supplementary provisions. -do-
- (e) It had been entered in to an agreement amounted to Rs. 1.3 million for a period of 10 months by the Central Environmental Authority (CEA) with the Department of Land Use Policy Planning for the implementation of the The measures should be taken to carry out the relevant activities as specified in timely manner and complete the related activities. The answer was not given.

final stage of the Programme for the preparation of a plan for the Management of the Welioya Catchment Area. Even though it had been entered in to this Agreement on 14 July 2016 the Integrated Land Use Zonal Maps had not been prepared and submitted even by the date of audit 2019.

2.2 Entered in to Liabilities and Commitments

The following observations are made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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<p>(a) Although except where otherwise provided to no expenditure of commitment shall be incurred for a work, service or supply unless there was provision exists therefore in the Annual Estimates in terms of 94 (1) of the financial regulation, it had been entered in to commitments exceeding approved provision amounted to Rs.213,730 for the year under review.</p>	<p>It should be act in accordance with the financial regulation 94 (1).</p>	<p>These payments have been made for travel and overtime and even if it was managed to the maximum to cover the expenses within the allocation limit for such expenses these payments have been made with in the practical situations.</p>

(b) The payment made to Sri Lanka Telecom on 26 February 2019 relating to the year 2018 amounted to Rs.137,925 had not been consisted in the Note IV of the Appropriation Account. Actions should be taken to include all liabilities in to the Register of Liabilities. A register of liabilities has been prepared based on the payment documents submitted by the accounts division up to 25 February 2019 for the Appropriation Accounts. however, this voucher was not included in the Register of liabilities since it was furnished to the accounts division after that day.

2.3 Operating Bank Accounts

The deficiencies revealed at the audit test checks carried out on the operation of bank accounts are shown below.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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(a) Information on bank accounts No. 7040482 and No. 7040979 of Bank of Ceylon had not been consisted in the quality report on bank accounts with financial statements and if the bank accounts were settled, any balance confirmation thereon obtained from the Bank had also not been furnished.	Information on all bank accounts should be included in the information quality report.	Inclusion in to the quality report was avoided due to a mistake.

<p>(b) The unidentified receipts valued at Rs. 7,167,900 No. SRE 483530 of 24 December 2018 had not been identified even by the date of audit as per the bank reconciliation statement prepared as at 31 December 2018 for the bank account No. 0007040911 of bank of Ceylon.</p>	<p>Actions should be taken to identify and account for the receipts obtained from all banks.</p>	<p>This amount was an unidentified receipt of the relevant project by 24 December 2018 and it had been sent to deposit in the general deposit account of the Department of Treasury operations on 11 March 2019 obtaining the information properly from the relevant project later.</p>
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3. Operating Review

3.1 Vision and Mission

The following observation is made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
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<p>There is a need to develop a grand mechanism for waste management with the contribution of all parties implementing under the Ministry of Environment, with the vision of a healthy and pleasant environment by sustaining the natural environment for the wellbeing of the people and the economy. Although the Ministry should follow a risk assessment methodology to identify areas where these environmental problems occur, whether it had</p>	<p>Actions should be taken to adopt a risk assessment methodology.</p>	<p>The answer was not given.</p>

acted in accordance with that was not observed.

3.2 Failure of Performing Activities

The following observation is made.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
Five sub projects of which were to be implemented as per the Action Plan of the year under review in Medirigiriya and Lankapura Divisions had not been implemented indicating as preparation of new estimates and not complied with the criteria.	It should be adhered to the Action Plan.	The answer was not given.

3.3 Delays in Implementation of Projects

The following observation is made.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
A provision of Rs. 76,512,353 had been allocated in the year 2017 for the construction of the additional building of Compost Project of Gampaha District Integrated Solid Waste Management Project. It had been	The desired objectives should be achieved by completing the construction work as prescribed.	The answer was not given.

entered in to an Agreement on 29 January 2018 with the Central Engineering Consultancy Bureau for this and although this construction should be completed within 180 days the related work had not been completed even by April 2019 the date of audit.

3.4 Projects that have been released Funds but Lack of progress

The following observations are made.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
(a) Project on Mainstreaming of Agro Biodiversity Conservation and Use in Sri Lanka Agro Eco System for Livelihoods and Adaptation to Climate Change was in due to be completed on 31 December 2017. Nevertheless, by failing to achieve the desired output and results the duration of the Project was extended up to 30 November 2019.	Completion of Projects during the due time period and achieving the intended goals.	Due to the inability to achieve the desired output and results, the time period of the project has been extended.
(b) Although the Mainstreaming Biodiversity Conservation and Sustainable Use Project for Improved Human Nutrition	-do-	-do-

and Wellbeing was in due to be completed on 31 December 2017, the Project duration had been extended up to 30 September 2018 due to failure to achieve desired output and results.

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| <p>(c) Due to the failure of continuing the Environmental Road Programme after the year 2017 it had been impossible to achieve the expected objectives of the Project.</p> | <p>It should be considered on required alternative measures to complete the relevant task.</p> | <p>It had been impossible to continue the related programme due to the unavailability of provisions.</p> |
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3.5 Foreign Aid Projects

The following observations are made.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
<p>(a) The financial performance of the Project for the Addressing Climate Change Impacts on Marginal Agricultural Communities Living in the Medirigiriya, Lankapura and Walapane near the Mahaweli River Basin in Sri Lanka was at a lower level of 52 per cent.</p>	<p>Actions should be taken to obtain the performance as per the Project planned.</p>	<p>A sum of Rs. 250 million had been allocated for the project and since the taking place of resignation of staff members and new recruitments of this project during the year caused the delay of carrying out the project.</p>

- (b) Since completion of all activities of Uma Oya Multipurpose Development Project was not carried out within the stipulated time frame it had been impossible to obtain expected results. Providing benefits for beneficiaries should be expedited through expediting the future activities of the Project. Since the time had elapsed to repair the huge water leak happened in the main tunnel, the construction activities have caused delays for a period longer than originally planned.
- (c) Even though a sum of Rs. 5.4 million had been paid to produce and broadcast the Tree planting programme which had been prepared as a public awareness strategy in line with the Forest National Plantation Program with the annual allocation provided from the Ecosystem Conservation and Management Project to the Department of Forest Conservation, those programmes had not been broadcast up to now. It should be achieved the intended objectives carrying out the relevant activities in accordance with the agreement within the prescribed time period as scheduled. Eight television programmes have been produced and available in good condition for the broadcast of the “Wanaropa” National Tree Planting Programme by now. For each of these programmes the production cost was only a sum of Rs. 5.4 million and arrangements have been made to broadcast the programme after finding the necessary provisions.

3.6 Procurements

The following observation is made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
Excluding the Supplementary 33 of the procurement guidelines, 04 computers valued at Rs.454,000 had been purchased considering as an urgent need.	Actions should be taken in accordance with the procurement guideline.	Actions will be taken in accordance with the relevant guidelines in future.

3.7 Assets Management

The following observations are made.

Audit Issue	Recommendation	Comments Given by the Chief Accounting Officer
(a) Even though it had elapsed about 1 ½ years after the construction of the new building of the Ministry, the Bills of Quantities relating to them had not been approved. Despite that 88 per cent of the estimated value or a sum of Rs. 991.22 million had been paid to the contractor.	Actions should be taken regarding the Bills of quantities relating to the contracts as per the provisions.	It has been pointed out that avoiding of the delays taken place was an uncontrollable matter to the Ministry.
(b) Two vehicles belonging to the environment division of the Ministry had remained in idle for a period of 06 to 11 years	Actions should be taken to repair the assets which are suitable for the usage and make them to a usable	The answer was not given.

and necessary steps had not condition or dispose been taken to repair and use appropriately. them or measures to be taken to dispose.

- (c) A jeep provided to the Presidential Secretariat had not been properly handed over. Necessary arrangements should be made to transfer properly. -do-
- (d) Eight vehicles remained at repairable and runnable condition had not been driven for a period from 02 years to 06 years. Necessary actions should be taken to repair the vehicles which are required to be repaired for the usage. -do-
- (e) Actions had not been taken to properly taken over the 14 vehicles which had obtained from the Mahaweli Authority, Department of Irrigation and six other institutions. Necessary actions should be taken to properly taken over. -do-

3.8 Uneconomic Transactions

The following observation is made.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
A sum of Rs. 2,967,777 had been incurred to introduce the Green Buildings Guidelines and Roofing System for Government Sector Buildings and out of that a sum of	Actions should be taken to manage expenses properly.	The answer was not given.

Rs. 1,814,684 for the launch of the Guidelines and a sum of Rs.1,153,093 had been spent for conducting an awareness programme for public institutions.

3.9 Management Inefficiencies

The following observation is made.

Audit Issue -----	Recommendation -----	Comments Given by the Chief Accounting Officer -----
A proper system had not been adapted in respect of E- Waste Management and it was limited only to policies.	Waste Management should be made properly by making the necessary policies.	Policy making has already begun and the Public Accounts Committee had also inquired about this. Similarly, making Policies on Waste Management had been referred to the Cabinet of Ministers for the approval and it is informed that the E-Waste Management also consisted as a part of that Policy.