

## **Head 282 - Department of Irrigation**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Department of Irrigation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Department of Irrigation was issued to the Accounting Officer on 01 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department of Irrigation was issued to the Accounting Officer on 23 July 2020 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 prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the Department of Irrigation as at 31 December 2019 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 qualified opinion.

#### **1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements**

---

The Accounting Officer is responsible for 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.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department of Irrigation 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 Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department of Irrigation 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 scepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Department, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures 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(i)(d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) The financial statements correspond to the previous year.
- (b) The recommendations pointed out in my report on the financial statements submitted previous year, regarding the Observation contained in paragraphs 1.6.2 and 1.6.3 of this report had not been implemented.

## 1.6 Comments on Financial Statements

-----

### 1.6.1 Statement of Financial Performance

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
The value of 398 items of land and buildings owned by the Department were not included in the Financial statement under Non- Financial Assets.	The value of non - financial assets should be calculated and included correctly in the financial statements.	Agreed.

### 1.6.2 Non – maintenance of Documents and Books

-----

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(i) Cash Book		
----- The Cash Book of 4 Regional Irrigation Engineer’s Offices had not been maintained up to date in accordance with the provision of Financial Regulation 446	The Cash Book should be updated in accordance with the provisions of Financial Regulation 446	Agreed.

**(ii) Inventory Books**  
-----

The Inventory Books at the Muthukeliyawa Irrigation Work Shop had not been updated in accordance with the Financial Regulation 751 and Financial Regulation 763

The Inventory Books should be updated in accordance with the Financial Regulation 751 and 763

Agreed.

**(iii) Cheques Handover Register**  
-----

In the handing over of Cheques under Financial Regulation 139(5) of 4 Regional Irrigation Engineer's offices, cheques hand over register had not been maintained confirming the identity of the recipient.

According to the Financial Regulation 139(5) the cheque handover Register should be maintained to prove the identity of the recipient.

Agreed.

**(iv) Register of Security**  
-----

A Register of Security had not been prepared including the details of officers and employees who should keep securities in terms of Financial Regulation 891.

A Register of Security should be maintained in respect of officers who should keep securities including the details consisted in Financial Regulation 891.

Agreed.



provision of the Establishments Code had not been complied with regarding the recovery debts.

**(iii)** Section 4.4 of Chapter XXIV

The loan receivable from 150 retired officers as at 31 December 2019 was Rs.13,306,578 and actions had not been taken in terms of the Establishments Code in this regard. Out of this, the loan balance of Rs.627,486 receivable from 10 officers were older than 05 years.

Actions should be taken in accordance with Establishments Code. Agreed.

**(iv)** Section 4.5 of chapter XXIV

Out of the 14 deceased officers, the outstanding loan to the government was Rs.1,636,392, out of which the outstanding balance for the period between 02 and 03 year was Rs.281,647. The loan balance for more than 5 years period was Rs.301,669.

Accordingly, it was observed that in cases where the amount due to the government could not be recovered from the main debtors, action had not been taken in accordance with the Establishment code.

Actions should be taken in according to the section 4.5 of chapter XXIV Of the Establishments Code. Agreed.

(b) Financial Regulation  
of the Democratic  
Socialist Republic of  
Sri Lanka.

- 
- (i) Financial Regulation 127
- Although the head office has not provided provision, the Monaragala Zonal Director of Irrigation office area is in two relevant function 5 suppliers of amounting to Rs.9,980,060 were issued five cheques.
- Action should be taken in accordance with financial Regulation No. 127
- Agreed.
- (ii) Financial Regulation 213
- In the case 08 site removal regarding industry in the left bank canal of Bathmadilla, check rolls had to be kept on regarding to the worker who was paid daily. Further such inspection should be carried out by the officers specially assigned the task of recording attendance. However the audit observed that the Kandaketiya Regional Irrigation Engineer's office had not fulfilled the above requirement.
- Action should be taken in according to the financial Regulation No 213
- Agreed.
- (iii) Financial Regulation 260, 139
- The employees who were employed as laboures and watchman in the silt removal industry in the left bank canal of the
- Action should be taken in according to the financial Regulation No 260 and 139.
- Agreed.

Bathmadilla were paid without verification of the identity of the recipient at the time of salary payment.

**2. Financial Review**  
-----

**2.1 Imprest Management**  
-----

The following observations were made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments given by the Accounting Officer</b> -----
(a) Although the total imprest requirement for the Treasury to apply for the function planned to be performed by the department during the year under review, was Rs.18,726,342,000 the treasury had been released Rs.14,307,927,000. Accordingly the imprest that was not received from Treasury was 23.6 percent of the imprest that was planned to be applied.	Action should be taken to obtain the maximum as planned.	Agreed.
(b) The imprest balance of Rs.5,853,293 had not been settled with in respect to the account No 7002/0000/00/0040/0017/000.	The unsettled balance in the imprest account should be settled.	Agreed.

## 2.2 Expenditure Management

-----  
The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) Out of the local net allocation of Rs.28,000,000 allocated under program 1 for payment of lease installments for vehicles purchase under the operational Leasing scheme, Rs.15,442,184 had been transferred to another subject under Financial Regulation 66 and a net allocation of Rs.12,557,816 had been remained savings.	Spending provisions and obtaining the imprest account balance should be done as planned.	Agreed.
(b) Because of reasons such as making allocation without identifying the requirements in the formulation of the Estimates and not carrying out the works as planned, out of the total net provision of Rs.12,827,920,894 allocated for nine subjects, a total of Rs.4,123,919,568 had been saved. Those savings had ranged from 16 percent to 35 percent.	Should be obtained and spent provision as planned.	Agreed.
(c) Due to the transfer of funds between the subjects of expenditure without properly identifying the requirement of Rs.86,059,000 had been transferred from two other subjects for capital expenditure.	Provisions should be Obtained and spent as planned.	Agreed.
(d) Supplementary estimate for land and land improvement under capital expenditure Rs.300,000,000 had been obtained, the total net allocation had been saved.	Plans should be made to perform correctly before provision can be obtained.	Agreed.

### 2.3 Reconciliation of the Advance to Public Officers Account

---

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) There were erroneous “debits” of Rs.10,000 and erroneous “ credits” of Rs.13,621 in the Individual Balance Classification Summary	Accounting should be done correctly.	Agreed.
(b) As at 31 December 2019, the receivable loan amount of Rs.583,316 due from 07 deceased employees who had been in existence for more than 2 years, had not been dealt with in accordance with Paragraph 4.4 of Chapter XXIV of the Establishments Code. Out of this, the loan receivable from 02 debtors amount of Rs.301,697 had been remained more than 05 years old.	Should be act in Accordance with Section 4.4 of Chapter XXIV of the Establishments Code and the Budget Circular No. 118 dated 11 October 2004 and the National Budget Department.	Agreed.

### 2.4 Issuance and Settlement of Advances

---

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
It had been delayed to settle the ad hoc sub imprests which were given 66 officers of the Department totaled to Rs.1,229,100 for a period from over one month.	The advances should be settled immediately upon the completion of the task	Agreed.

## 2.5 Deposit Balances

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
Although the public Deposit Account No 6000/0000/00/0016/008/000 was Rs.4,156,503 more than 5 years had elapsed. Action had not been taken to income in accordance with Financial Regulation 570.	Action should be taken in accordance with the Financial Regulation 570.	Agreed.

## 3. Operational Review

-----

### 3.1 Planning

-----

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) Although a preliminary estimate of Rs.4,726,000 was prepared and approved for the construction of the main sluice at Yudhaganawa tank ,an estimate of Rs.5,978,000 including extra works was later approved. Due to the preparation of estimate without full supervision and planning. The estimates amount was 126.5 percent higher than original estimate.	Estimates should be prepared with full supervision and planning.	Agreed.
(b) A amount of Rs.2,000,000 had been allocated for the construction of the main sluice in the original estimate for the reconstruction of the Rathri Wawa(Tank). The estimate cost of completion of the this work and the extra works of the sluice was Rs.16,906,000 , which 845 percent had been exceeded the original Provision	Proper planning must be done.	Agreed.

- (c) Before commence of construction of the Radana Tank, it was prepared estimates without preparing the relevant plans and without determining a time frame for completion work had commenced on 1 June 2019. Due to this, the time taken to complete the reconstruction of the tank was not specified. Plans must be made correctly. Agreed.

### 3.2 Failure to Perform Duties

-----

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) A bridge built by the residents of Yudhaganawa Lake had been obstructed the flow of water from the outlet to the low lying areas. Removed of that bridge or there had not been implemented system in place to allow the outflow water to flow unimpeded.	Should be prepare plan accurately	Agreed.
(b) Although an estimate of Rs.4,000,000 had been prepared in 2017 for the repair of the kesellanda tank outlet, the construction work had not commenced until 19 September 2019, the date of the audit.	Should be work as planned	Agreed.

### 3.3 Activities contrary to the main functions

---

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
The Cabinet Memorandum submitted during the cabinet decision making process for the Wellassa Navodaya Project included external matters which were not included in the subject of Irrigation Expenditure. Accordingly, agricultural extension services including training and exhibition programs trade and storage facilities and rural and urban infrastructure development.	Functions not relevant the scope should not be included in the cabinet Memorandum.	The Wellassa Navodaya Project is designed to improve the living standards of the farming community in the district by enhancing agricultural productivity. Cabinet approval has been obtained under Irrigation CM/06/2015 Accordingly, the relevant components are covered in the above Cabinet Memorandum.

### 3.4 Failure to Obtain the Desired Output Level

---

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
(a) Out of the allocation made for the Wellassa Navodaya Project, six projects values of Rs.196,878,000 had not been completed. Due to this, the expected results had been delayed for the farmers in the area.	Project planning start - up and implementation should be done with proper management.	Agreed.
(b) Although a sum of Rs.11,336,978 has been released for long period for the construction of canals at Unagolla Gevalwawa under the Wellassa Navodaya Project work had not been completed until July 2019.	The project should be initiated and implemented under proper planning and supervision.	Agreed.

- (c) Bill of quantity item No. 1.6 for preparation of Kesellanda tank bund amount of Rs.2,082,888 had been reserved. Although the slope of the tank bund had to be adjusted to a ratio of 1:3 and compaction had to be done to the standard the compaction had been done without the standard and relevant compaction report had not been obtained. Should be carried out the work of the project as planned Agreed.
- (d) Item No. 1.8 of under the bill of quantity relating to the Reconstruction of Kesellanda Wewa provision of Rs.4,871,650 had been obtained for the construction of the upstream rip – rap of the tank bund. The rip - rap had not been erected until 19 September 2019, the date of audit. Tasks must be performed as planned. Agreed.
- (e) Under the bill of quantity item 1.10 related to the reconstruction of Kesellanda tank, the bund of the tank has been constructed for an inclination of 1:3 and turfing of properly allocation of was Rs.854,762. The bound of the tank had been severely eroded due to non-compliance with that standard. Tasks must be performed as planned. Agreed.

### 3.5 Failure to Obtain the Expected Outcome

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
----- Due to the delay in the Construction of the rip – rap of the Yudhaganawa tank bund and the preparation of the bed of the tank, the farmers in the area could not cultivate for five seasons.	----- Should be development work on tank and reservoirs expeditiously.	----- Agreed.

### 3.6 Delays in Execution of Project

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
----- Estimated cost of Rs.35,883,000 for the construction of the rip – rap of the Yudhaganawa tank in the year 2017, provision of Rs.33,372,000 had been provided for the preparation of the bed of the tank and the work had not been completed until September 2019.	----- Should be expedited rehabilitation of tanks and reservoirs.	----- Agreed.

### 3.7 Procurement

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
----- Monaragala Zonal Director of Irrigation’s Office registered supplies were invited quotation for the purchases of 12 mm tor steel and 5 supplies submitted quotation. Details were not submitted for audit, on how many registered supplies were invited to quotation. Prices were mentioned in the letter requesting quotation and it was not confirmed that the letter was sent to the relevant institution.	----- Should be follow the procurement Guidelines	----- Agreed.

### 3.8 Assets Management

-----

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) 45 vehicle belonging to the department had been handed over to external parties and 12 vehicle valued at Rs.37,700,000 Obtained from external institution had not been settled the Ownership.	Actions should be taken to transfer or takeover the vehicle given to the external institution and vehicle obtained from the external institutions to those institutions.	Agreed.
(b) In the year 2019, there were 21 vehicles that have low millage of 5000 km and the estimate value of those 21 vehicle was Rs.24,675,000.	Assets must be used efficiently.	Agreed.
(c) According to the field inventory record book maintained by the Assistant Engineer in charge of the Yudhaganawa site, it was stated that 01 MT of the remaining tor steel value of Rs.137,100 had been handed over to the store keeper. There was no record in the stock book that the stock had been delivered to the warehouse and no receipt had been issued stating that the stock of tor steel had been received by the warehouse.	Stores Inventory books/ documents should be kept up to date.	Agreed. It had been hand over to the Assistant Engineer in charge of the Radana site.
(d) Accordingly, what the size of the land in the camp and the boundaries could not be clearly ascertained as a result it has been threatened the security of (Acquisition of the land by outsiders) the land.	Action should be taken to protect government land and assets	Agreed.

- (e) Two bowsers, a Bowser trailer, a caravan vehicle, Baby dumper had been abandoned without using at the Monaragala Regional Irrigation camp for more than two years. Action had not been taken to this Machinery and Equipment repaired and used or disposed. Action should be taken to dispose of Machinery and Equipment that cannot be used. Agreed.

### 3.9 Losses and Damages

-----

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) A portion of the camp premises near the entrance to the Monaragala Regional Irrigation Engineer's office was occupied by outsiders had without taking necessary legal action against the person who acquired the land the Department of Irrigation had abandoned the that acquired land erected a fence covered with nets.	Must act in accordance with the offenses against public property Act No.12 of 1982	Agreed.
(b) According to the Damages and Losses Register, 39 Damages and Losses amounting to Rs.20,630,260 were incurred during the period from 1982 to 2012. The Damages and Losses had been done for a long time but it had not been settled.	Should be complying with financial Regulation No 103.	Agreed.

### 3.10 Management Weaknesses

-----

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments given by the Accounting Officer</b>
-----	-----	-----
(a) The information in the physical and financial performance progress reports submitted to the audit by the Irrigation Department for the year 2019 had been submitted erroneously.	Should be submitted physical and financial performance report accurately.	Agreed.
(b) It was observed that the repair work of the Kesellanda tank had commenced on 13 August 2017 but it had been a bandoned due to without planning excavation of only soil works using machinery and vehicle no any other work required to retain tank water	Should be prepared plan accurately and work done that plan accordingly.	Agreed.
(c) Under the Wellassa Navodaya Project used by the people in the area to repair the Kesellanda tank increase the water capacity, a estimate cost of Rs.43,715,000 was approved on 28 December 2017. According to the that estimate, estimates had been prepared under each item for the reconstruction of Kesellanda Wewa, the expenditure records under those items had not been clearly maintained so that the expenditure incurred could be clearly identified.	Expenditure records should be kept so that identification of expenditure on projects can also be made.	Agreed.

#### 4. Achieving of the Sustainable Development Goals

---

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
(a) The Department of Irrigation had been conducted a survey in 2015 on the distribution of invasive plants in 11 major irrigation Zones (excluding the Mahaweli area) islandwide and had been identified the presence of invasive plants. Accordingly, the invasive plants distribution in the total irrigation system, tanks, sluices, canals and irrigation reserves was on average 45 percent and it had been reported that the distribution in each irrigation zone range from 27 per cent to 66 per cent. As a result, it was observed that the annual maintenance cost, increased, the canal were filled and the water capacity decreased, evaporation was caused by quality was effected and water pollution etc. uncounted number of problems was faced.	Must act in accordance with the Plant Protection Act No.35 of 1999.	Agreed.
(b) The Department of Irrigation on 30 March 2017 had appointed 24 officers as “Authorized Officers” to assist it in the implementation and enforcement of the provisions of Section 3 of part 01 of the Plant Protection Act No. 35 of 1999. Although survey had not been conducted on the prevalence of invasive plants in the irrigation system before 2015, it had been observed that its prevalence 15 higher now compared to 2015.	Should be removed the invasive plants blocking the Irrigation system.	Agreed.

Accordingly, the expected objectives of the authorized officers appointed in accordance with the provisions of the Act had not been achieved.

- |  |  |                |
|--|--|----------------|
| <p>(c) Although the Plant Conservation Services has introduced biological control insects for Salviniya and Japanese ginseng in major irrigation zones island wide under the Department of Irrigation, the agency has stated that the method is not working successfully for the Japanese ginseng plant. It was observed that insect which was introduced nearly 30 years ago to control the spread of Japanese ginseng was not successful and instead the relevant responsible institutions had already failed to come up with an economical and successful method to control that Japanese ginseng outbreak through research or other methods.</p> | <p>Invasive aquatic plants should be removed from the irrigation systems</p> | <p>Agreed.</p> |
|--|--|----------------|

**5. Good Governness**  
-----

**5.1 Internal Audit**  
-----

**Audit Observation**  
-----

Although the number of approved officers and employees for 7 posts in the Internal Audit Division of the Irrigation Department was 19, the number of employees attached as at 31 December 2019 was 13. Accordingly the number of vacancies was 06.

**Recommendation**  
-----

Vacancies need to be filled to improve the efficiency of the Internal Audit Division.

**Comments given by the Accounting Officer**  
-----

Agreed.

## 6. Human Resource Management

-----

### Audit Observation

-----

Employees who served as casual labors in the Irrigation Department were established in permanent service as per public Administration Circular No 25/2014 and dated 12 November 2014. By 01 February 2020, 261 of those employees were due to retire at the age of 60, with an active permanent service not exceeding 10 years.

### Recommendation

-----

Actions should be taken to grant pensions to the employees who are eligible as per the Pensions Ordinance and to take action in accordance with the provisions regarding the public servants who are not eligible for the pension entitlement.

### Comments given by the Accounting Officer

-----

Agreed.