

Head 332 – Department of National Community Water Supply

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Community Water Supply for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 was issued to the Accounting Officer on 27 May 2022 in terms of Section 11(1) of the National Audit Act. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 31 May 2022 in terms of Section 11(2) of the National Audit Act.No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of National Community Water Supply as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor’s Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the 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 summary 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, and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) of National Audit Act, No. 19 of 2018.

- (a) Financial statements are consistent with the preceding year.
- (b) The recommendation made by me regarding the observation in 1.6.1 (a) in this report on the financial statements of the preceding year had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made in this regard.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) As per Treasury Final Account Statements (Form SA 82), it had been shown that Rs. 37,967,000 worth of transport equipment is in possession of the department. However, it was observed during the inspection of departmental books and fixed assets register that Rs. 12,900,000 worth of 05 motor vehicles belonging to other organizations are also included in it.	Actions are being taken to take over these vehicles to the Department.	Departmental fixed assets should be correctly entered in the financial statements and fixed assets register.

Due to this, it could not be satisfied to the audit about the accuracy of fixed assets value included in the departmental financial statements.

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| (b) | The value of property, plant and equipment under non-financial assets in the statement of financial position submitted to the audit by the department was Rs. 73,560,677. However, as per the Treasury Final Accounts Statements (SA 82), the value of non-financial assets as at 31 December 2021 was Rs.72,077,297. Hence a difference of Rs.1,483,380 was observed. | It has been corrected by accounts summary for March 2022. | The total value of property, plant and equipment should be shown in the form SA 82. |
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1.6.2 Non – maintenance of Registers and Books

During the audit test check, it was observed that some of the following registers had not been maintained by the department and some of them had not been maintained properly and update.

	Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a)	Register of vehicles ----- In terms of the Financial Regulation 1646 (e), a vehicle register containing the details of those vehicles owned by the Department had not been maintained.	Currently the vehicle register is being prepared and maintained.	A vehicle register containing the details mentioned in Financial Regulation 1646 (e) should be maintained.
(b)	Vehicle log books ----- Even though vehicle log books were maintained in terms of the Financial Regulation 1645 (b), they had not been updated.	Arrangements have been made to correct and update the log books.	Vehicle log books should be maintained properly.

2. Financial Review

2.1 Management of Imprests

Audit Observation	Comments of the Accounting Officer	Recommendation
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The net provision received for capital expenditure during the year under review was Rs.2,713 million and the net expenditure was Rs.975.4 million. Hence Rs.1,737.6 million had been saved. Accordingly, the saving out of the net provision had been 64 percent.	The reason for this was the lack of sufficient funds, the interruption for the implementation of projects due to the prevailed corona epidemic and the closing of the office.	Expenditure estimates should be prepared accurately in terms of the Financial Regulations 50.

2.2 Management of Expenditure

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The net provision received under the object code of 332-1-01-1703 was left in full.	This was due to non-conduct of training programs due to the prevailed Corona epidemic.	Expenditure estimates should be prepared accurately in terms of the Financial Regulations 50.
(b) Out of the allocation of Rs.13.88 million received for the recurring expenditure for three subjects, provisions ranging from 18 percent to 47 percent had been saved.	This provision has been left behind due to the non-submission of bills by 31 December 2021, closure of office due to the Corona pandemic.	-Do-

- (c) Out of the allocation of Rs.2,708.15 million received for five subjects of capital expenditure, provisions ranging from 44 percent to 91 percent had been saved. Provisions were left behind due to expenditure restraint, insufficient funds, the Corona pandemic and non-submission of bills. -Do-

2.3 Irregular Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
Contrary to the provisions laid down in the section 137(2) and (3) and 138(4) and (8) of the Financial Regulations of Sri Lanka, a sum of Rs. 904,470 had been paid to the community based organization of the Asupini Community Water Project implemented in Gampaha district even when 16 activities were constructed contrary to the terms and conditions included in the tender documents.	Actions will be taken to provide answers after conducting an investigation	Should act in accordance with the terms and conditions included in the tender documents related to the contracts and the provisions of the financial regulations.

2.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance 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	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Subsection 16.2 of National Audit Act No.19 of 2018	A draft of the department's annual performance report had not been submitted to the audit along with the annual financial statements.	Annual Performance Report drafts for the year 2021 had been prepared and completed.	Should act in accordance with the provisions of National Audit Act.

(b) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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| (i) | Financial Regulation 570 | Actions had not been taken to credit 471 deposits aggregated to Rs. 29,975,174 pertaining to the General Deposit Accounts of the Department remained over two years to the government revenue. | Unclaimed funds retained from previous years remaining beyond two years and balance funds from projects were credited to government revenue in the year 2022. | Deposits should be credited to government revenue in terms of the financial regulations. |
| (ii) | Financial Regulations 104 (3) and 104 (4) | Determination of losses and submission of final report with regard to the accident met on 10 November 2018 at the office of Anuradhapura officer in charge had not been completed even by 20 April 2022. | Actions are being taken in accordance with the financial regulations. | Should act in accordance with the financial regulations. |
| (iii) | Financial Regulation 109 | The loss related to the loss of computer equipment in Nuwara Eliya office in 2018 had not been written off from the books even by 31 March 2022. | I will proceed after receipt of allocation to write off. | -do- |
| (iv) | Financial Regulation 133 | An internal audit unit had not been established even by the end of the year under review. | Actions will be taken to establish the internal audit unit as soon as an officer is appointed. | -do- |

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| (v) | Financial Regulation 394 (b) | Ten cheques worth Rs.102,815 which had not been encashed for more than 06 months by the end of the year under review had not been cancelled or dealt in accordance with the financial regulations. | By now all these cheques have been presented for payment. | -do- |
| (vi) | Financial Regulation 137(8) | Although full payment had been made on 31 December 2019 for the final bill to the Danawala Nithiyawala Lion Farmers Organization for the construction of the roughing sand filter tank of the Danawala water supply scheme, a sum of Rs. 176,723 paid to the contractor as advance at the beginning of the contract had not been recovered even by 15 December of the year under review. | Sum of Rs.176,723 had been credited to the departmental account on 27 December 2021. | -do- |
| (c) | Public Finance Circulars
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| (i) | Section 3.2.2 of the Public Finance Circular No. 05/2016 dated 31 March 2016 | No actions had been taken regarding the goods in the districts of Matale, Colombo, Puttalam, Matara and Gampaha that were identified to be destroyed or repaired according to the 47 report included in the year 2020 board of survey report even by the end of 31 March 2022. | It will be completed after receiving the 2021 board of survey report. | Should act in accordance with Public Finance Circulars. |

<p>(ii) Public Finance Circular No. 01/2012 dated 05 January 2012 -Section 3.1</p>	<p>During the audit test check, it was observed that the construction work contracts had not been awarded to the Community Based Organizations after verification of qualifications by a three-member committee consisting of two representatives nominated by the Head of the Department and the Divisional Secretary of the area.</p>	<p>Contracts had been awarded to the Department's registered community-based organizations after benefiting from the projects from the year 2021 and the majority of projects have been awarded under the competitive bidding process.</p>	<p>-Do-</p>
<p>-Section 3.2 (iv)</p>	<p>After awarding the procurement activities, the relevant organizations had handed over the items of works to the subcontractors.</p>	<p>The construction handed over to the Community Based Organizations had been carried out by technicians with relevant subject knowledge.</p>	<p>-Do-</p>
<p>(d) Public Administration Circulars -----</p>			
<p>(i) Section 6.5 of Public Administration Circular No. 02/2018 dated 24 January 2018</p>	<p>A human resources development plan for the department had not been prepared and submitted for audit even by the end of the year under review.</p>	<p>A human resource development plan for the year 2021/2022 had now been prepared.</p>	<p>Should act in accordance with the provisions of the Public Administration Circular.</p>
<p>(ii) Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016</p>	<p>As per the audit test check conducted in relation to the vehicle log books, it was observed that fuel consumption had not been checked in relation to the</p>	<p>The officers in charge of the stations had been instructed to carry out the fuel combustion tests as soon as possible.</p>	<p>-Do-</p>

vehicles owned by the department, even though a fuel consumption should be checked after a period of 12 months from each fuel test or after running a distance of 25,000 km or after a major overhaul of the engine, whichever occurs earlier.

3. Operating Review

3.1 Performance

Audit Observation -----	Comments by the Accounting Officer -----	Recommendation -----
<p>Nearly six years after the establishment of the Department at the end of the year under review, the management had failed to pass an Act to establish the Department even by the end of the year under review. As a result, the legal validity of the department as well as the authority to regulate the Community Based Organizations registered under it, are contentious in audit.</p>	<p>Comments had not been given.</p>	<p>Immediate actions should be taken to pass the relevant bill to establish the department.</p>

3.2 Non-achievement of expected Outcome

Audit Observation -----	Comments by the Accounting Officer -----	Recommendation -----
A sum of Rs. 49.5 million had been incurred for the project of construction of Nano Water Treatment System implemented by the department on the allocation of the State Ministry during the year under review and all payments had been made to the contractor as per the relevant estimates. However, due to the failure of getting the electricity supply for the said nano-refinery systems, it had failed to get the expected benefits even by the end of January 2022.	Although the Electricity Board had been informed to speed up the work, it had been informed that there is a shortage of necessary equipment. By now, electricity had been provided for these 30 machines.	Immediate actions should be taken to get the expected benefits from the projects within the relevant period.

3.3 Projects abandoned without completing

Following observations are made.

Audit Observation -----	Comments by the Accounting Officer -----	Recommendation -----
(a) Three Hundred Eleven (311) water projects of Community Based Organizations in 23 districts registered under the Department were inactive from the year ranging from 2000 to the end of the year under review. However, it was observed that no sufficient actions had been taken to reactivate the inactive projects in Batticloa, Nuwara-Eliya, Badulla, Puttalam, Monaragala and Colombo districts out of these.	Since there are many projects that have become inactive for 4 decades, it is not possible to rehabilitate all those projects within one year.	Actions should be taken to implement projects that are inactive and can be reactivated.

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| (b) | It has been observed that the projects belonging to Community-Based Organizations in the districts of Kilinochchi, Kegalle, Galle, Vavuniya and Monaragala are inactive due to reasons such as non-payment of electricity bill, malfunctioning of water meters and lack of proper management. However, no action had been taken to reactivate them and commission even at the end of the year under review. | -Do- | -Do- |
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3.4 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comments by the Accounting Officer	Recommendation
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(a) It was observed that the progress of 105 projects out of 275 water projects implementing under Praja Jala Abhimani Project was below 50 percent as at 31 December 2021.	The completion of projects was delayed due to non-availability of funds on time, inability to go to the field due to the Corona epidemic, recalling for tenders for several times, increase in the price of construction materials, etc.	Actions should be taken to complete the projects as planned.
(b) Seventy six (76) water projects with a cost of Rs. 591.96 million out of 81 projects with a cost of Rs. 603.15 million started under National Praja Jala Abhimani Project the during the year 2021 and planned to be completed during that year had remained unfinished even at the end of the year under review and the physical progress of 06 water projects implemented at a cost Rs.43.15	While the projects were delayed due to the reasons mentioned in (a) above and water connections for 300 families under the Tisogama Pubudu Community Water Project, 30 beneficiaries under the Elpitiya Gulankanda Project and 82 water connections under the Nagoda, Kappetiayagoda Ging Soba	-Do-

million in the districts of Batticaloa, Mullaitivu, Kurunegala, Kandy and Badulla had remained in a very low range of 20 percent to 30 percent even at the end of the year under review. In addition, it had been failed to complete five water supply projects even by the end of the year under review that had been started under the above project during the year 2019 in Galle and Kurunegala districts and expected to be completed during that year.

Project had been given. A limited distance of pipe laying had been done due to a practical problem that arose during the laying of pipes in the Thavalama, Gallandara project.

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| (c) | Sixteen (16) projects with a cost of Rs.72.7 million implemented covering 16 Grama Niladhari domains in the districts of Gampaha, Puttalam, Kalutara, Hambantota and Matara out of 21 projects with a cost of Rs. 101 million implemented by the department during the year and planned to be completed before the end of the year to improve the quality of water had not been completed even by the end of the year. Further, the physical progress of 04 projects implemented in Hambantota and Matara districts with a cost estimate of Rs. 16 million was in the lower range of 20 percent to 30 percent. | Out of 21 projects, 18 projects had been completed. | -Do- |
| (d) | Out of 08 projects of Rs.286.95 million, 05 projects of Rs.120.4 million under the Rural Water Supply and Sanitation Improvement Program implemented by the Department during the year under review under the provisions of the Ministry of Rural and Divisional Drinking Water Supply Projects Development had not been completed even by the end of the year under review. Further, the program of providing sanitary toilets to the families living near the water | It was delayed due to a land issue occurred while completing the works about 80% in one project in Kalutara District. | -Do- |

sources with the aim of protecting the water sources under the above project was to be completed by the end of the year under review. However, as per random test check audit conducted, the construction works in the divisional secretariat divisions of Valallavita, Bulathsinghala and Palindanuwara in Kalutara district, had not been completed.

3.5 Projects without Progress despite the release of Money

The following observations are made.

Audit Observation	Comments by the Accounting Officer	Recommendation
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As per random test check audit of 09 projects implemented under the Praja Jala Abhimani scheme, it was observed that a sum of Rs.2,577,811 had been paid to Community Based Organizations during the year 2020 and 2021 for unfulfilled works.	The respective works of Tisogama Pubudu Community Water Supply Project and Alakoladeniya Malgala Community Water Supply Project had been completed. Deficiencies in Soodukanda water supply project had been rectified. There was a typographical error in printing the estimates of the Koshena water supply project and actions will be taken to conduct an investigation and report on the Asupini Community Water Scheme, Mawathagama Galgodewatta Randiya Community Water Scheme, Tavalama Gallandara Drinking Water Scheme, Elpitiya Gulankanda Community Water Supply Project.	Approving bills, certifying and making payments should be done in accordance with the financial regulations.

3.6 Annual Performance Report

Audit Observation	Comments by the Accounting Officer	Recommendation
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Even though in terms of paragraph 10.2 of Public Finance Circular No.2/2020 of 28 August 2020, the Annual Performance Report should have been prepared in accordance with the format specified in guideline 14 issued by the Department of Public Finance, it had not been done so and in terms of Public Finance Circular No. 402 dated 12 September 2002 the performance report should be tabled in the parliament with in the closure of 150 days of the financial year. However, the performance reports for the years 2015 to 2018 had not been tabled in Parliament even by 31 March 2022.	The performance reports for the years 2019 and 2020 had been handed over on 08 March 2022 and the performance report for the year 2021 had been drafted. Performance reports for the years 2015 to 2018 had been prepared and not tabled.	The Annual Performance Report should be prepared in accordance with the format given in guideline no. 14 issued by the Department of Public Finance and the Annual Performance Report should be tabled in Parliament in terms of the Public Finance Circulars.

3.7 Procurements

The following observations are made.

Audit Observation	Comments by the Accounting Officer	Recommendation
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(a) The quotation letters had been sent on 29 August 2019 by the Department to 7 registered suppliers for the selection of suitable institutions to procure water pumps and accessories for the community water projects implemented in the districts of Kurunegala, Galle, Kalutara, Kandy and Matara and as at the date of bids opening, five firms had	Pump specifications had been prepared earlier.	Specifications relevant to the procurement should be prearranged.

submitted bids. However, the relevant pump specifications for this procurement had not been prepared by the department earlier.

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| (b) | It is supposed to be agreed with the Technical Evaluation Committee at the first meeting determining the dates and manner of advertising the Procurement, sale of bidding documents, and closing and opening of Bid as per the section 2.5.1(c) of the Government Procurement Guidelines and as on the type and nature of bidding and contract documents to be used, as per the section (d) of it. However, it had not been done accordingly and the procurement had been done by calling the quotations from time to time without calling the quotations at once for the purchase of pumps for the above districts. | Procurement activities were carried out from time to time as per the requirements. | Should act in accordance with the Procurement Guideline. |
| (c) | As per Section 6.3.3 of the Procurement Guidelines, the Bid Opening Committee should comprise of officers nominated by the Procurement Committee. However, the Bid Opening Committee for the said procurement had been appointed by the Director of Procurement on the day of bid opening itself. | Bid Opening Committee nominated by the Procurement Committee informed the concerned officials that the Director of Procurement is the authorized officer of the Procurement Committee. | -Do- |
| (d) | According to Section 4.3.1(a) of the Government Procurement Guidelines, the cost estimates including all costs should have been properly prepared by the procurement entity. However, as per the technical evaluation committee report which had been prepared in relation to the purchase of pumps and accessories for water projects in Kandy district ,it was observed that the relevant officials had prepared estimates by | The estimates we prepare do not include type and model and prices may vary depending on the type and model submitted by bidders. | -Do- |

including abnormally low prices for the purchase of pumps and accessories. And as per the said committee report, the variation between the engineering estimate and the bid prices was as high as 18 percent to 695 percent.

- (e) As per the section 8.12.2 (a) of the Procurement Guideline, a completion certificate should be issued by the engineer or the consultant on completion of the work certifying that the works have been carried out in accordance with the specifications and other agreed terms and conditions and the payments certified are in accordance with the conditions of contract. However, as per the random physical audit inspection carried out regarding the procurement of 07 pumps installed for the Community Water Projects implemented in the districts of Galle, Matara and Kurunegala, it was observed that the pumps were not up to specifications approved by the procurement committee. However, due to the payment based on the prices presented by the supplier for the bills submitted by the district engineer recommending that the pumps are of the requested model, the department had incurred a financial loss approximately Rs. 1,109,750.
- The pump model had been changed due to power supply issues and the request of community based organizations and the work had been completed without charging an additional amount. It seems that the prices of the pumps and accessories installed at those sites are equal to or higher than the prices of contract awarded by us.
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- (f) As per the section 1.2.1 of the procurement guidelines, purchases should be made through procurement activities so that maximum benefits can be obtained at minimum cost. However, 25 tires worth Rs.745,700 had been purchased for 06 vehicles owned by the department on 06 occasions from February 2021 to October 2021, and for this purpose, the procurement had been made by calling quotations from the
- There is a problem of storing equipment like tires for vehicles as they require a lot of space at once. Hence it has become difficult to call prices and buy at once.
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institutions from time to time instead of calling the quotations at once. Accordingly, it was observed during the audit that higher price variations ranging from Rs. 23,280 to Rs.43,020 between those prices.

- (g) As per the section 2.3.1 of the Government Procurement Guidelines and the provisions of the guidelines prepared by the Department for Praja Jala Abhimani Water Projects, the entity should ensure that it has completed land acquisition and resolved compensation, re-settlement issues, including relocation of utilities and such other matters which are necessary for the uninterrupted implementation of the project. However, the acquisition of lands in which the well, pump house and water tanks constructed in Tisogama Pubudu Community Water Supply Project and the Suhada Community Water Scheme which underwent random audit had not been completed even by the end of the year under review.
- It had been sent to Bingiriya Divisional Secretary to acquire legally to the Community Based Organization. It is practically impossible to implement water projects only after taking over legal rights.
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3.8 Assets Management

The following observations are made.

Audit Observation	Comments by the Accounting Officer	Recommendation
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(a) It was observed that 02 vehicles belonging to the department are in running condition but had been parked at the department premises for a long time without taking any actions to repair them.	Vehicle bearing the number GX - 4232 cannot be repaired due to lack of provision and vehicle 57 - 0016 is to be condemned.	Action should be taken to use the existing vehicles those are in running condition.

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| (b) | Drivers had not been assigned for 02 pool vehicles in the head office and one vehicle in the Anuradhapura district office even at the end of the year under review. | Twenty three (23) driver posts are vacant and drivers had been assigned for Galle and Matara districts. | Adequate drivers should be attached so that all vehicles can be utilized. |
| (c) | In the months of October and November 2021, 04 rental vehicles had been used for departmental duties and the vehicles owned by the department had been least used for running during that period. A sum of Rs. 837,890 and Rs.901,020 respectively had been incurred in the months of October and November for those hired vehicles. | The two pool vehicles had not been used for running as the driver posts were vacant. | Action should be taken to use the existing vehicles those are in running condition. |
| (d) | Pumps and accessories worth of Rs.11,115,690 purchased for six projects implemented under Praja Jala Abhimani programme had remained idle even at the end of the year under review without being used for the intended purposes. | Pumps purchased for 03 projects had been installed by now. Installation of water meters in Danawala drinking water supply project and Nagoda, Kappetiayagoda water project had been delayed. Approval of the Road Development Authority had not been received the for the laying of pipes in Asupini Water Project. | Idling assets should be utilized for intended purposes promptly. |

3.9 Uneconomic Transactions

Audit Observation

Comments of the Accounting Officer

Recommendation

It was observed that a sum of Rs.263,228 had been incurred as insurance fee from the year 2018 to 2021 for 4 motor vehicles which are not being used by the Department for running and in need of repair and to be disposed.

As the vehicles are parked close to the road, their safety and value are considered and insured.

Actions should be taken to repair or auction the vehicles not in use.

3.10 Management Inefficiencies

Following observations are made in this regard.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) 5,230 meters of PVC pipes worth of Rs.711,760 which had been purchased under the Departmental allocation for flood disaster compensation for projects belonging to Galle district had been illegally handed over by the supplier to Nithiyawala Community Based Organisation on 10 November 2019. However, this pipes stock which was not included in the estimate of the water project had remained in the custody of the Community Based Organization for more than 2 ½ years, but no action had been taken by the senior management of the Department to get it back to the Department even at the end of the year under review.	Necessary arrangements are being made to deliver the pipe stock to the appropriate organizations.	Actions should be taken to prevent misappropriation of assets purchased at government expense.
(b) PVC pipes and fittings in different diameters worth of Rs. 788,006 exceeding estimate requirement by 27 percent prepared for the Elpitiya Gulankanda drinking water project implemented in Galle district had been handed over to the Community-Based Organization. However, no actions had been taken to get them back to the Department.	Necessary approvals had been given for handing over surplus water pipes in Galle district to appropriate organizations.	-Do-
(c) It had been failed to obtain necessary approvals from the Road Development Authority for the pipe laying works for Baddegama Keimbiakanda Community Water Project, Galle Alpitaya Ambana Community Water Project, Neluwa Nithiyawala Community Water Project and	Apart from Thawalama, Gallandara project, pipe laying had been done in other projects.	Prior to the commencement of projects, required approvals need to implement them, should be obtained from the relevant institutions.

Gallandara Sisila Community Water Project which were implemented in Galle District under the Prajajala Abhimani Project even by the end of the year under review.

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| (d) | Due to the lack of sufficient water capacity in the intake well-constructed under the Asupini Community Water Project implemented in Gampaha district under the Praja Jala Abhimani Program, water is pumped illegally from Maoya to intake well. However, actions had not been taken to obtain the necessary legal approval from the Department of Irrigation even at the end of the year under review. | A letter had been forwarded by the District Officer In Charge to the Area Engineer of the Irrigation Department to obtain written approval. | -Do- |
| (e) | On 28 August 2020 the Department of Motor Tariff had recommended to dispose the motor vehicle bearing the No. 57-0015, since it was in repairable condition. However, no actions had been taken to dispose the motor vehicle even by 30 November 2021. | Actions will be taken to dispose it promptly. | Vehicles that cannot be repaired should be disposed. |
| (f) | It was stated in the water quality report issued on 20 November 2019 by the Kurunegala Regional Laboratory of the Water Supply and Drainage Board that water in one of the tube wells built under the Mawathagama Galgodewatta Randiya Community Water Scheme was not suitable for drinking due to the presence of bacteria and it had been recommended to boil or to be chlorinated before drinking. Even though Rs. 85,000 had been allocated in the project estimate to construct a chlorinated unit, it had not been constructed even by the date of audit. | Pumping of water to the tank is temporarily stopped from the tube well that fails the quality test. | Should ensure the safety of drinking water distributed to the public. |

- (g) Although the water storage tanks constructed under water projects should be secured by using protective covers so that outside parties cannot access them, no such protective coverings had been used for the water storage tanks constructed under Baddegama Keimbiyakanda Drinking Water Project, Imaduwa Mayura Drinking Water Project and Elpitiya Ambana Pehasara Drinking Water Project even at the end of the year under review.
- It is expected to complete the project activities in phases.
- Do-

4. Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>In terms of Section 40 (1) of the National Audit Act No. 19 of 2018 and the regulation No. 128 (a,b) and 133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, an internal audit section should be established to implement a strong system of internal control in the discharge of the duties and responsibilities of the Chief Accounting Officer and audit and management committee meetings should be held properly as per the section 41 of the National Audit Act. However, even though an internal auditor position has been approved in the approved cadre of the Department, actions had not been taken to establish an internal audit unit and maintain it actively in order to uplift the performance and effectiveness of the Department at a high level by recruiting for that position even by the end of the year under review.</p>	<p>I intend to get approval from the Secretary of the Ministry to audit the Department by the Internal Audit Division of the Cabinet Ministry.</p>	<p>Should comply with the provisions of the National Audit Act and the Financial Regulations.</p>

5. Human Resource Management

The following observations are made.

Audit Observation	Comment by the Accounting Officer	Recommendation
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(a) It was observed that the percentage of vacancies ranging from 16 per cent to 100 per cent of the approved number of employees under each category of employees at the end of the year under review. It accounted as high as 23 percent of the total approved cadre.	Letters had been forwarded to the Ministry of Public Services Provincial Councils and Local Government to fill up the vacancies. The competitive examination for permanent recruitment for the post of technical officer had been arranged to be held on 22 May 2022. There is a possibility of filling the remaining vacancies in future.	Action should be taken to fill the vacancies.
(b) Although 15 officers were approved for the post of Engineer (Civil) by the Department Of Management Services, only 10 officers had been recruited and one officer had been assigned to supervise several districts without filling the remaining five vacancies. Further, it was observed that although 40 posts had been approved by the Department of Management Services for the post of technical officer, 26 officers had been recruited on contract basis without recruiting even a single officer on permanent basis.	26 technical officers had been recruited on contract basis and arrangements had been made to recruit on permanent basis in the future.	-do-

- (c) During the field audit conducted at Kalutara District Regional Office, it was observed that the duties had not been assigned by a list of duties for the officers holding the positions such as Officer In Charge, Development Officer attached to the district offices.
- A formal list of duties had been given to all Officers in Charge and Development Officers.
- Duties should be formally assigned to all of the officers through a list of duties.