

Head 198 – Ministry of Irrigation

1. Financial Statements

1.1 Qualified Opinion.

Head 198- The audit of the financial statements of the Ministry of Irrigation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 was issued to the Chief Accounting Officer on 30 June 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 25 September 2023 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Irrigation as at 31 December 2022 and its financial performance and 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 is 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 Responsibilities of the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer are 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 Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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 judgement 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 was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's / Department's / District Secretariat's 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief 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 Requirements

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

- (a) The financial statements submitted to the audit had not been consisted with the financial statements of previous year as per the following audit observations.

Audit Observation	Reference to the Paragraph of this report.
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The total value of 4 asset accounts of Rs.1,321,253,268 were overstated of that assets account by that amount due to mismatch with the balance as at 31 December of the previous year, when recording the opening balance of non-financial assets.	1.6.1 (a) Property, plant and Equipment

- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property Plant And Equipments

The following deficiencies were observed in accounting Property, Plant and Equipment.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(i) The total value of Rs. 1,321,253,268 had been overstated of the balance as at 31 December in last year when	The reason for the difference between the asset account balances as at 31.12.2021 and the balances as at	While preparing the financial statements, it should be comparatively

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| <p>recording the opening balance of non-financial assets of office building balance by Rs.2,571,665, transport equipment balance by Rs.48,500,000, machinery and equipment balance by Rs.20,406,680 and land balance by Rs.1,249,774,923. Thereon the details of the adjustments made to the opening balance had not submitted to the audit.</p> | <p>01.01.2022 in the 2022 non-current asset movement report was that the Department of State Accounts has accounted as opening balances during the transfer of asset account balances in the year 2022 of the State Ministry of Irrigation and the State Ministry of Mahaweli.</p> | <p>examined the balances of the previous year to ensure that the accurate balances are included. The details of adjustments made to opening balances of account should be submitted to the audit.</p> |
| <p>(ii) The amount of Rs. 1,706.81 million had been incurred for the project of Productivity Promotion and Irrigation System Efficiency Improvement and the assets associated to that cost had not been capitalized.</p> | <p>The project of Productivity Promotion and Irrigation System Efficiency Improvement was a project which completed on 31.12.2022. The furniture and Plant and Equipment purchased for the institutional activities of the project have been formally handed over to the institutions that implemented the project and the inventory items used by the Project Management Unit are recorded in the inventory Register of the Ministry.</p> | <p>The non-financial assets related to costs should be identified and accounted for at the end of the function of domestic and foreign funded projects.</p> |
| <p>(iii) Although the assets should be identified and accounted for in accordance with Asset Management Circular No. 01/2017 dated 28 June 2017, issued by the Secretary of Treasury regarding to accounting of assets, in the last two years that is in 2020 and 2021, the amount of Rs. 57,064,188,815 had not been specifically identified and accounted for as non-financial assets under development of infrastructures- Expenditure Objective 2506.</p> | <p>Actions were taken to accounted the non financial assets which generated from the expenditure objects from 2101 to 2105 from the circulars issued by the Department of State Accounts regarding the accounting of fixed assets and instructions were given to prepare and account for accounting policies from the year 2022 in relation to accounting of non-financial assets held under infrastructure development of expenditure object 2506 .</p> | <p>Action should be taken to report to the Comptroller General regarding accounting and identifying of construction of new reservoirs, strengthening of dams in reservoirs, improvement of irrigation systems, development of irrigation infrastructure, development of irrigated land, vehicles and other assets as per the instructions given</p> |

by the Asset Management Circular No. 01/2017 issued by the Treasury Secretary on 28 June 2017.

(b) Lack of Audit Evidence

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>-----</p> <p>The answers had not been submitted to the 04 audit queries issued to the Ministry in the year under review by date 31 May 2023 and the value of countable transactions related to those queries was Rs.166,008,413,765.</p>	<p>-----</p> <p>It is accepted. Actions had been taken always to submit the answers to the audit queries issued by the Auditor General within the given deadlines and there has been a delay in submitting explanations in relation to four audit queries issued for the Basnagoda Reservoir Project, the Moragahakanda Project and the Yan Oya Project under the Ministry, as project management units have not been established at this time.</p>	<p>-----</p> <p>The provisions of Section 38 of the National Audit Act No. 19 of 2018 should be followed.</p>

2. Financial Review

2.1 Management of Imprest

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- The provision of Rs. 63,670 million had been allocated for the ministry by the estimate and the treasury had released only Rs.10,127 million, although the ministry had planned and requested allocations from time to time to spend Rs. 45,594 million under that. Accordingly, only 16 percent of the projected imprest requirement had released in order to fulfill the projects approved by the budget as planned.	----- It is accepted. Due to adverse economic situation and the liquidity position of the treasury, it has been released imprest relative to the requirement. The Ministry has always made requests to the Treasury and actions have taken optimal to obtain the required imprest amounts.	----- Forecasting should be tendered in such a way as to minimize variability by considering the practical conditions during imprest planning.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) According to paragraph 02(d) of State Accounts Circular No. 255/2017 dated 27 April 2017, the payments related to the financial year should be released in respective financial year and it had been reached to the liabilities at the amount of Rs. 1,915,869,976 in relation to 13 expenditure heads as at 31 December 2022 irrespective of the instructions that liabilities should not be carried forward with the intention of settling it in the next year.	the obligations have been made in the year 2022 for the work that must be done in large-scale development projects which that the allocations assigned in the medium-term budget framework are not exceeded. The financial statements present liabilities of Rs.1,915,869,976 in relation to 13 expenditure heads as at 31.12.2022 due to insufficient funds to settle. The all those liabilities have been settled by now.	It should not be entered in to liabilities beyond the provisions of the circulars and the treasury approval should be obtained if necessary. Action should be taken to file the justifications formally and maintain a numbered register.
(b) Although the balance of liabilities as at 31 December 2022 was Rs. 1,915,869,976 in the Note (iii) of the Statement of Liabilities and Commitments of the Financial	Although the balance of the statement of commitments and liabilities of the Ministry's financial statements as at 31 December 2022 and the	Action should be taken to update the CIGAS system and liability register of the department by

Statements of Ministry, but the balance on that day was Rs.1,885,490,468 according to the books of the Department State Accounts due to non-compliance to the State Accounts Circular NO.255/2017 dated 27 April 2017. Accordingly, there was a difference of Rs. 30,379,508.

difference between the balances according to the books of the Department of State Accounts is Rs. 30,379,507 in the liability register of the Ministry, but it was not entered in the Department of State Accounts. Although this data was forwarded to the Department of State Accounts during the preparation of the accounts, but this difference has arisen due to the fact that the relevant information was submitted for audit before entering these reconciliations into the data system.

entering liabilities on specific dates in accordance with State Accounts Circular No. 255/2017.

- (c) According to the Cabinet Decision No. අමුණ 16/2513/704/067 dated 29 November 2016 regarding the payment of variances of USD 10,937,960 for the installation of four power generators in the Moragahakanda Reservoir Main Embankment Project, the Main Dam and its power system will be under the control of the Ministry of Irrigation after completion of the project and should be produced the electricity for the Government of Sri Lanka and the loan amount taken for the project must be repaid from the money obtained after selling the produced electricity to the Sri Lanka Electricity Board. However, the liability to enter into an agreement to sell the generated electricity or to pay the relevant loan amount had not disclosed in the accounts format (iii) in Statement of Liabilities and commitments.

It is accepted. Action will be taken as mentioned in the audit query when preparing the financial statements for the subsequent years.

Actions should be taken to disclose the liability to repay the loan as a commitment according to the decision of the Ministers of Cabinet, and it should be entered into an agreement with the Sri Lanka Electricity Board for the sale of the produced electricity.

2.3 Certification of Chief Accounting Officer

Chief Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been so done.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Although the Chief Counting Officer should ensure that all audit queries are answered within the specified time limits as required by the Auditor General, the audit queries had not been answered as per paragraph 1.6.1(b) of the report.	Although actions have been taken to provide answers to the audit queries submitted by the Auditor General within the given deadlines, I accept that there has been a delay in providing answers to observations regarding technically deep matters related to the complex multi-purpose projects under the Ministry by contacting the sub office and presenting information.	Action should be taken in accordance with the provisions in Section 38 of the National Audit Act No. 19 of 2018.

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 Law, Rules and Regulations. -----	Observation -----	Non-compliance	Comments of the Chief Finance Officer -----	Recommendation -----
Paragraph 1.1.7 of Budget Circular No. 118 dated 11 October 2004	434,066	Action had not been taken to identify and recovered unidentified debtor balance which has been outstanding for more than 5 years by May 2023.	These values are recorded as unrecognized debtor balances due to the transfer of ministries in 2004 and attempt have been taken for many years to settle this debtor, but it has not been revealed the accurate information so far. Actions are being taken to settle	Action should be taken to identify and recovered the debtors balance as per the provision of circular.

this debtor balance by committee consisting of six members.

2.5 Operating of Bank Accounts

Deficiencies revealed at the audit test checks carried out on operation of bank accounts, appear below.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Although the balance in the cash book at the end of the year should be remitted to the Treasury, the amount of Rs. 855,849 in the cash book related to the Reservoir Project of Kivul Oya, which was implemented using local funds, had not been remitted to the Treasury as at 31 December 2022.	The funds required for the Reservoir Project of Kiul Oya is released through an account maintained by the Mahaweli Authority. The imprest released by the Ministry are remitted to the Treasury through this account. the balance has been accurately remitted to the Treasury as at 31 December 2022 which the imprest released by the Ministry to the project. The remaining balance shown in the account on that day belongs to the Mahaweli Authority.	The Ministry should be taken action to remit the balance end of the year to the Treasury as it is the funds released by the Ministry for established institutions or project offices.

3. Operational Review

3.1 Non – performance of Functions

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) It has been planned to rehabilitate, repair and modernize 5,000 rural tanks, sluices and canals by the Irrigation Prosperity Program under the State Ministry of Rural Paddy and Associated Tanks, Reservoirs and Irrigation Development under the Ministry. A total of Rs. 6,703.29	The project activities had been completed that those activities which only can be completed in the year 2022. Accordingly, those projects have not been 100% physically completed and have been considered as physically completed projects. The rural	The projects with low progress ranging from 03 percent to 75 percent should be removed from the report of the completed project. Disciplinary action

million had been allocated to 13 institutes as Rs.4210.29 million in the year 2021, Rs.2493 million in the year 2022 in order to restore all 1,340 rural tanks/embankments except small tanks in the Mahaweli region covering the 25 districts of the island. Out of that, the physical progress had been completed only 1,034 tanks/embankments by the year 2022 and 133 numbers of tanks/embankments had been included in the progress reports which the construction progress was between 03 percent and 75 percent considering as completed contracts.

tank development and related progress reports have been prepared and presented by the Planning Division of the Ministry of Irrigation, based on the information provided by the Asset Management Division of the Irrigation Department at the district level and the cancellation of those projects has been taken based on the decisions taken at the Ministry level and at the national level.

should be taken against the officials who submitted this erroneous information.

(b) Basnagoda Reservoir Project

According to the contract agreement reached on 15 May 2013 between the chairman of the National Water Supply and Drainage Board and the chairman of China Machinery Engineering Corporation for the implementation of the Gampaha, Attanagalla and Minuwangoda joint water supply project and the above project which valued at USD. 229.5 million had to be implemented and completed in the period of 2014-2017. The National Water Supply and Drainage Board had reached into two Memorandum of Understanding on 22 March 2016 and 12 June 2019 with the Irrigation Department for the construction of the Basnagoda Reservoir, which was the primary water source of the project. The Procurement Committee (CAPC) which appointed by the Cabinet had given recommendations for awarding the Basnagoda Reservoir construction contract to Sinohydro Corporation Limited of China for Rs.2,347,406,831 according to the recommendations given by the

Technical Evaluation Committee (TEC) related to this project. the Secretary of the Ministry of Irrigation had reached into an Engineering, Procurement and Construction (EPC) contract on 13th June 2019 with the above company for the construction project of Reservoir with a value of Rs.2,394,354,968. (including Nation Building Tax of Rs.46,948,137). The following observations are made regarding the project.

- (i) The bid of Rs.2,093 million submitted by the contractor who had submitted the lowest price for the contract had been calculated to be corrected as Rs.2,347 million by the Technical Evaluation Committee (TEC) consisting of six officers. The Technical Evaluation Committee (TEC) had taken action to add an additional value of Rs.254,062,080 to the cost of Rs.99.689 million which had been submitted by the contractor for the preliminary work under item number 05 of the engineering estimate. However, it had been stated Rs.254,062,080 as installation/ construction and other services under item number 4 in the prices submitted by the contractor and irrespective of that, the Technical Evaluation Committee (TEC) fraudulently added Rs. 254,062,080 for Item No. 5 and had been recommended for award of the contract more than the Rs. 254,062,080 of submitted bid. The amendment made by the Technical Evaluation Committee was contrary to the basic criteria of the Engineering Procurement and Construction Contract Procurement Document and the Technical Evaluation Committee had recommended to increase the contract value by Rs. 254,062,080 without obtaining clarifications in
- The arithmetical correctness shall be checked of the bids received before evaluating detailed bids in accordance with Clause 7.9.2 of the Code of Procurement Guidelines and the bid submitted for Rs.2,093 million has been revised to Rs.2,347 million due to a mistake.
- It should be referred to the concerned appointing authorities for formal disciplinary inquiries in relating to the members of Technical Appraisal Committee who have taken action irresponsibly. Apart from this, it should be complained to the law enforcement agencies in accordance with the provisions of Section 38(1) of the National Audit Act No. 19 of 2018 regarding the loss incurred to the government in disregarding the procurement guidelines by the Technical Evaluation Committee.

writing from the Bidder as per Clause 2.6.1(a)(v) of the Code of Procurement Guidelines. Indeed, the procurement commit has not properly fulfilled the responsibilities assigned under procurement guidelines 2.3.

- (ii) The amount of Rs. 50,812,416 had been overpaid to the contractor as mobilization advance in the year of 2019 due to awarding the contract to the value increased by Rs.254,062,080 as above and calculating and paying the advance based on that.
- The amount of Rs.50,812,416 million has to be paid in addition as 20% mobilization advance to the amount additionally added amount of Rs. 254,062,079 due to the mistake done by the technical evaluation committee in correcting the prices of the bids, the contract price was fraudulently calculated as 2347 million rupees.
- Action should be taken to recover the interest for the overpaid advance amount of Rs.50,812,416 by calculating the interest from the year 2019 to the date of recovery from the contractor or from the responsible officials.
- (iii) In the absence of physical progress required to be completed has not been achieved in relation to certificate of the interim payments under Sub-Section 14.4 of the Particular Conditions of Contract included in Part IV of the Contract Agreement entered into on 13 June 2019 with the Secretary of the Ministry of Irrigation and the contract agreement approved by the Cabinet Appointed Procurement Committee (CAPC) had been modified without approval and used to certifying the payment without informing the Secretary, Ministry of Irrigation. Accordingly, Rs. 401,165,861 had been paid through 11 interim payments from 2020 to 2022 without formal authority and despite of the relevant clause of the contract agreement.
- According to clause 14.4 of the agreement, the payment to the contractor shall be made in accordance with the actual progress achieved by the contractor on the contract works and the work plan (Work Breakdown Structure) as per the payment schedule included in the agreement. However, due to delays in land acquisition and various problems affecting the implementation of this contract, the progress of the contract works was extremely slow, and the progress achieved was less than the progress mentioned in the interim payment schedule.
- Disciplinary action should be taken against the officials who have made payments in favor of the contractor without the approval of the Secretary of the Ministry and the Cabinet by ignoring the specific terms of the contract agreement.
- Therefore, it was not possible in practically make interim payments which payable to the contractor as per payment schedule and the contractor

had to make payments as per the contract to continue the progress of the contract. Where the Employer has arranged for interim payments in accordance with General Conditions 14.4(b) and Sub-Clause 3.5 of the Agreement.

The additional Cabinet approval was not required for the specific conditions of the contract agreement as special conditions of 14.2 of the contract agreement were also mentioned in the bid documents and since the bid documents were approved by the Cabinet Procurement Committee and the Cabinet approval for the award of the contract was obtained after evaluating the bids according to the bid documents.

It is informed that the interim payments made were not contrary to the terms of the contract agreement.

- (iv) Although the special conditions related to the Schedule of Payment in the 14.4 sub-section have been included in conjunction with the special condition that recovery of advance payments shall be made after completion of 30 per cent of the total contract value as per sub-clause 14.2 of the General Guide to Engineering, Procurement and Construction (EPC) Contracts First Edition 1999 (ISBN2 – 8843-0220-9) and the amount of Rs.401,165,861 had been paid to contractor through 11 interim payments during the period of 2020- 2022 while the physical performance remained at 17.09 percent on 31 October 2022 which the date of certifying the payment of the project as a result of making payments regardless of that.
- According to the special conditions of 14.2 of the agreement that recovery of advances will be made after the progress of the contract works reaches to 30 percent. Also, Payment to the contractor in terms of special conditions of 14.4 shall be made based on the actual progress of the contract, payment schedule and work plan and general conditions of the contract. Therefore, the Employer has complied with clause 3.5 of the Contract Agreement. The physical performance remained at 17.09 per cent, the 16 per cent was paid and the remaining 20 per
- Disciplinary action should be taken against the officials who have made payments in favor of the contractor without the authority of the Secretary of the Ministry and ignoring the specific terms of the contract agreement.

cent was the mobilization advance. A valid guaranteed certificate equivalent to the total advance has been submitted by a bank recognized by the Central Bank of Sri Lanka for these mobilization advances.

- (v) According to the letter No. CMEC/ATTANA/20120730/007 and dated 30 July 2012 addressed to the Additional Managing Director of the Water Supply and Drainage Board by the main contractor of the project, China Machinery Engineering Corporation mentioned that the entire responsibility of the Indirect Works was directly transferred to the Water Supply and Drainage and that the company shall not be liable for any adverse effect on the works of the main contractor due to additional costs incurred resultant to delays in the performance of the works of sub-contractors. And it had been informed that his company has the right to obtain time extensions and additional costs for such delays. Although the project should be completed in the year 2017 and it was practically impossible to complete the construction work of the water source within that period and without taking care of it, the Director General of Irrigation had entered into the first Memorandum of Understanding (MOU) with the Chairman of the Water Supply and Drainage Board on 12 March 2016. Indeed, the department had accepted the relevant sub-contract without obtaining the approval of the Cabinet of Ministers and the period of the main contract had already expired by the time the second Memorandum of Understanding was reached on 12 June 2019. Although the main contractor has a right to extend the time and additional
- The Ministry of Water Supply has given the relevant contract to Sinohydro of China after consulting with the Ministry of Irrigation which has the expertise for the same for the construction of Basnagoda Reservoir which the fund reserved for indirect work in the agreement signed by the National Water Supply and Drainage Board with China Machinery Engineering Corporation for the implementation of the Gampaha Attanagalla Minuwangoda Joint Water Supply Project. The monitoring of execution and construction of this contract has been assigned to Department of Irrigation. Therefore, the Department of Irrigation has not taken action to obtain sub-contracts for the construction of Basnagoda Reservoir by signing Memorandum of Understanding
- An inspection panel should be appointed and ascertain whether additional time, additional administrative cost and irregularity have been occurred in the procurement process, payment assurance, contract administration when accepting this contract.

costs and there is a possibility of shifting the responsibility to the Irrigation Department as a sub-contractor due to the fact that the contract has not been completed so far, but action has not been taken in this regard.

(c) **Ten Year Plan on Large/Medium Scale Projects.**

- (i) The approval had been received after completion of the feasibility studies of 7 projects by the Cabinet Decision No. 11/1851/508/034 dated 28 September 2011 to arrange the necessary provisions for implementation during the period 2012-2017 for development of Mahalgamuwa Lake, construction of Lower Malwathu Oya Reservoir, joint development of Ridimaliyadda, Kivul Oya Reservoir, extension of Kaudulla left bank main canal to Damsopura Lake, joint development of Raakan Oya and development of Mahaweli B Zone Maduru Oya right bank according to this ten-year development plan. Although the amount of Rs.6,528 had been spent as at 31 December 2022 under the total cost estimate of Rs.76,043 in relation to those 7 projects, it had not been fully completed even one among those projects until to year under review and The percentage of completion in respect of 3 projects was between 1 and 5 percent from the target of the annual action plan. Despite it was targeted to provide irrigation water to about 68,000 hectares of new paddy fields and water supply to 203,000 hectares of currently cultivated land in the entire Yala and Maha both and producing of 200 MW of electricity, the result of those had not been contributed to the national economy.

Answers were not submitted.

An evaluation should be conducted about of the reasons for the delay of each project included in the ten-year plan and the contribution lost to the national economy through that delay and reported to the Cabinet. As the rest of the projects have been abandoned except for the Lower Malwathu Oya project, the Projects should be planned and implemented in such a way as to avoid aforesaid delays considering the possibility of implementing those projects.

- (ii) Even though it had decided that the future development activities of the irrigation sector should be prepared in accordance with the above development plan according to the decision of the Cabinet of Ministers, the amount of Rs.6,902 million had been spent as at 31 December 2022 under the estimated value of 74,423.4 million which started after the year 2014 the 6 project which had not been included in that plan namely Kudavilachiya Reservoir renovation to be completed in 2023, Productivity Promotion and Improvement of Irrigation System Efficiency (PEISEIP) to be completed in 2021, Talpitigala Reservoir to be completed in 2018, Ging Nilwala Diversion to be completed in 2017, Dematagalle Lake Restoration to be completed in 2022, Himbilyakada Vattegedara Irrigation Infrastructure Development to be completed by 2024. Even one project had not been fully completed among those those project and the percentage of completion in respect of 5 projects was between 0.06 and 13.16.

Answers were not submitted.

All the policy decisions taken by the members of the cabinet related to the scope of the ministry should be included in the corporate plan and action plans and progress reviews should be carried out and completed by the target dates.

- (d) Welioya Mahaweli L Zone Integrated Development Project in Anuradhapura District.

- Construction project of Kiul Oya Reservoir.

It was proposed to be constructed a reservoir with a capacity of 66 million cubic meters (MCM) under this and aimed to provide irrigation water facilities and drinking water for 700 hectares of existing land in the Weli Oya area and 1,700 hectares of new land in the area between Ma Oya and Weli Oya. The amount of Rs.364.64 million had been spent for this project since 2012 to 2022 The following observations are made in this regard.

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| (i) | The construction work had not been started on the main reservoir or the canal by the date of audit at 30 April 2023 even if the project was expected to be completed in 4 years from the year of 2012. | The environmental assessment reports for the project were approved on 03.05.2021 and the design work of the main reservoir has been completed and the 30 percent of the design work of the main canal and branch canals system has been completed so far and the related construction work could not be started due to the economic crisis in the country. | The basic tasks of the projects such as Environmental assessment, feasibility study and project planning should be conducted before commencing the project activities. Action should be taken to commence the project promptly. |
| (ii) | A feasibility study report related to the project had not submitted to the audit. Although the Central Environment Authority had approved the environmental impact assessment report on the project on 03 May 2021 subject to 94 sub-conditions under 15 main conditions, an analysis had not been concluded on the practicality of implementing those recommendations and the additional costs to be incurred. | The reports on the additional costs to implement the conditions mentioned in the environmental assessment report have not been prepared and a report will be prepared for the same when the project commence in the future. | Projects should not be initiated without obtaining approval for environmental impact assessment and performing feasibility studies and cost benefit analysis. |
| (iii) | The project cost Rs. 364.64 million was mostly incurred for staff salaries and allowances, functioning of the project office and maintenance of it, fuel and traveling expenses. | A summary of the amount of Rs.364.64 million spent on the project during the relevant period has been submitted. | The construction of the project should initiate promptly. |
| (iv) | An annual account of the project had not been prepared for the 10 years and accounts had not maintained so that administrative expenses and expenses for development activities could be identified separately. | Actions will be taken to resolve this in future. | Accounts should be maintained so that project development expenses and expenses for administrative activities can be identified separately. An annual financial statement should be prepared and submitted for audit. |

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| (v) | The Kivu Oya Reservoir Project was to be terminated as per the recommendations of the Re-programming and Acceleration of Large-Scale Development Projects (RAMP) Committee, but the project office continued to remain open up to the audit date of 30 April 2023. | Answers were not submitted. | The activities which are conducting by the project office should be monitored and the decision should be taken about the continuation of it. |
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3.2 Non-achievement of expected Output.

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Establishment of Groundwater Monitoring Information Network. The Secretary of the Ministry of Irrigation and Water Resources had reached to an agreement on 3 October 2017 to implement a project costing 20,629,921.18 Euros or Rs. 3,628.39 million to implement an underground water monitoring system as a pilot project in several selected districts such as Anuradhapura and Polonnaruwa where the kidney disease is widespread. The 85 percent of the cost of the project had obtained by the Government of Sri Lanka from Rabo Bank of the Netherlands at a concessional interest rate of EURIBOR + 1.45% per monthly with a grace period. The remaining 15 percent had been obtained which to be borne by the Government of Sri Lanka from the Hatton National Bank as a loan to be paid in 15 years from the second half of 2025 with a grace period of 3 years. The government had to repay the loan in the next 15 years without obtaining adequate return on the cost incurred for the project as per the following facts.	Answers were not submitted.	It should be ensured that the operations of the project are conducted in accordance with the criteria used to calculate the expected benefits in the cost benefit analysis accomplished in the feasibility study. The regularly reporting and close follow-up should be conducted.

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| (i) | Although the activities of the project had been completed on 31 December 2022 after extending the project period of 3 years by 2 years, the basic objectives and expected benefits of the project could not be obtained due to the fact that the data center had not been built which was an essential element that should have been constructed under the project. | A 6000ft building for the data center was to be constructed on Hector Kobbekaduwa Mawatha where the Water Resources Board office is located according to the project agreement and the data center is being installed at the Ratmalana site office according to the project objectives and requirements although this building cannot be constructed. | Action should be taken to calculated and deducted the advance amount paid for the unfulfilled works of the project and the related interest from the loan amount. Action should be taken to establish an alternative location instead of the data center. |
| (ii) | The 15 percent advance amount of Euro 3,094,488.18 has to be paid by the Government of Sri Lanka at the initiating of the project according to the project agreement, so the loan amount equal to that amount has obtained from the Hatton National Bank of Sri Lanka and the relevant advance amount has paid and It includes the cost of constructing of the data center building. | The amount of EURO 433,288 was saved due to the project not being able to construct the proposed data center building and the Department of Foreign Resources will be taken an action according to the paragraph 5 clause 5.2 of the loan agreement the amount to deduct that amount proportionately from the loan installments. The Department of Foreign Resources has also informed that the repayment structure will be revised in accordance with the loan agreement after the resumption of installment payments as the government has ceased paying the foreign debt. | It should be confirmed that the unspent loan amount has been reduced by revised the Loan Repayment Structure. |
| (iii) | The amount of 433,228.15 Euro was saved from the allocation for the project and Government of Sri Lanka had been paid an advance amount including of that amount. Accordingly, the installments related to the total loan amount of 876,771.65 Euros were paid by the General Treasury on 23 September 2021 and 23 March 2022 due to the fact that the General Treasury had not been informed that the | The remaining amount will be deducted proportionately from the loan repayment installments by the Department of Foreign Resources if the entire loan amount is not utilized as per the loan agreement. The Department of Foreign Resources has also informed that the relevant repayment structure will be revised in accordance with the loan agreement after the | It should be confirmed that the unspent loan amount has been reduced by revised the Loan Repayment Structure. |

contractor had not completed the works related to 509,687 Euros.

resumption of installment payments since the payment of loan installments has been suspended due to the suspension of payment of foreign loans by the government.

(iv) The Technical Evaluation Committee appointed by the Cabinet had stated recommendations by monitored separately of the BOQ items of the project. It had been recommended there to be installed the number of 30 Nitrate Sensors used to measure the concentration of nitrate in underground water according to BOQ item No. 33 and number of 90 devices (Cera-Driver 10 meter) for measuring underground water level and temperature according to BOQ item 29. However, the engineering estimates had been revised after discussion with the contractor to install 120 devices of measuring of ground water level, temperature and electrical conductivity (CTD – Driver 10 meter) by eliminating the 30 equipments included in BOQ item 33 and the 90 equipment included in BOQ item 29 by the letter of the project director No. PD/GWMNP/2021/39 and dated 25 January 2021. However, the approval of the Technology Evaluation Committee had not been obtained for that.

It was revealed in the discussion with the contracting company that the equipment should be calibrated at least once every two weeks if the type of equipment that measures nitrate concentration (SDI 12Prepared AP Light + Nitrate) is used, and it had to go to the places where the equipment is installed once a every two weeks for that. The Considerable amount of transports costs have to be incurred for this. It was decided that taking water samples for nitrate measurements at the same time would be more effective as it alike sufficient to visit the relevant test sites once every three months to calibrate the equipment for measuring other constituents and take periodic samples. The measuring of the nitrate every three months can save a considerable amount of transportation costs as well as calibration and maintenance costs of the equipment is also avoided since it takes a long time for nitrate concentration in water to change. At the same time the lifetime of those devices is less than the CTD diver device and the CTD diver is also capable of measuring the electrical conductivity of underground water.

this was considered as a Variation because of the amendment does not result in any change in the parameters

The approval of the Technical Evaluation Committee and the Procurement Committee should be obtained for such amendments, therefore disciplinary action should be taken under Section 29 of Chapter XLVIII of Part II of the Establishment Code in respect of officers who have not adhere so. The bill of quantity should be prepared after properly identifying the requirement.

expected to be met by the project and does not disruption to the project objectives.

- (v) The relevant document had not been formally handed over to the Water Resources Board which assigning the future operations of the project by formally handed over of the 190 tube wells which constructed with high-tech equipment for groundwater research and related maintenance equipment to the Water Resources Board, issuance of the work completion report under the contract agreement and completion the project after closing the accounts.
- Although the Water Resources Board has taken over the fixed assets received for the project, the acceptance of consumer goods has been delayed up to now. Similarly, the response has not been given to the request made by the Project Director to the Water Resources Board to make arrangements to hand over the manuals and documents related to the project and connected to the 190 test tube wells constructed. The project has informed that it is impossible to issue final reports and settle accounts due to these facts.
- Action should be taken to formally handed over relevant document to the Water Resources Board which assigning the future operations of the project after completing activities such as issuing work completion reports and settlement of accounts. The Water Resources Board should be mandated to report to the Comptroller General after taking over assets.

3.3 Projects abandoned without completing

The following observations are made.

Audit observation	Comment of the Chief Accounting Officer	Recommendation
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(a) It had been decided not to implement 9 projects value of Rs. 333,569 million and USD 690 million which implemented under the Ministry of Irrigation from the year of 2023 according to the letter submitted by the Secretary of the Prime Minister to the Secretary of the Ministry of Irrigation on 13 January 2023 confirming to the recommendations of the Re-programing and Accelerating Large-Scale Development	The project activities have been completed by completing only the activities that can be completed in the year of 2022. Accordingly, 100 percent of those projects have not been physically completed, and have been considered as physically completed projects. The progress reports related to the development of rural tanks have been prepared and presented by the Planning Division of the Ministry of Irrigation based on	The economic benefits that can be obtained from the completion of the projects that have already started and have incurred significant costs should be analyzed and forwarded to the Cabinet with recommendations for completion on a priority basis before

Projects (RAMP) Committee. These projects which had incurred cost of Rs. 203,159 million as at 31 December 2022 had to be abandoned without completion as planned due to weak management during implementation. The progress of 7 projects were at minimum level of 0 percent to 13.16 percent among those.

(b) Talpitigala Reservoir Project.

The activities of this project, which was initiated according to the approval received on 18 September 2014 for the Cabinet Memorandum No. 14/1281/508/015/විද්‍යාපිටි submitted for this purpose, could not be started due to protest of public to the Umaoya project. A loan agreement had signed with EXIM Bank of China in December 2017 for the project and although the work on the project had started, due to non-implementation of the loan agreement, in 2019, the contracting company ceased the project midway and left the project site.

It could not be able to obtain the economic benefits identified under the basic objectives as planned due to the decision to stop the project even though it had been spent at the amount of Rs. 610 million up to now from the financial allocation of the Republic of Sri Lanka after restarting the project in the year 2020. It had not been contributed to the national economy from the cost incurred for the project so far.

the information provided by the Asset Management Division of the Irrigation Department at the district level and those projects have been canceled based on the decisions taken at the ministerial level and at the national level.

the implementation of new project proposals.

The Talpitigala Reservoir Project is a very important project to be implemented along with the Umaoya Project and it is a priority project among the projects that need to be implemented with foreign funds. However, if it has been decided to temporarily suspend the work of the Talpitigala project, on the recommendations of the Re-Strategizing and Accelerating Large Scale Development Projects (RAMP) Committee and focusing on the economic and financial difficulties in the country and it will be handed over to the Department of Irrigation after 31.05.2023 and the project will continue to be implemented. An expenditure of Rs.610 million has been incurred from the beginning of this project up to 31 May 2023 and this amount has been effectively used for the development of infrastructure related to the project.

It should be ensured that the operational activities of the project are carried out in accordance with the criteria based on the calculation of the expected benefits in the cost benefit analysis conducted in the feasibility study. The regular reporting and close follow-up should be done about that.

(c) **Dematagalle and Kudavilacchiya Renovation Project.**

The approval had given for the renovation of Kudavilacchiya Lake in Mahavilacchiya Divisional Secretariat Division and Dematagalle Lake in Palagala Divisional Secretariat Division by the Cabinet decision number අමස /19/1341/118/014 and dated 29 May 2019 accordingly.

- (i) The reconstruction of Haven Ella Dam had been started with the replacement of Dematagalle tank and a feeder canal with the aim of cultivating 550 hectares under 32 rural tanks. The economic benefits had not been achieved as planned which had identified under the basic objectives and a contribution had not been given to the national economy from the costs incurred so far due to was decided to stop the project after spending Rs. 1.43 million rupees for this project in 3 years according to the recommendations of the Re-Programming and Acceleration of Large-Scale Development Projects (RAMP) Committee.
- Answers were not submitted.
- The economic benefits of completing the projects which have already started and which have been stopped due to the recommendations of the Re-programming and Acceleration of Large Scale Development Projects (RAMP) Committee at significant cost shall be analyzed either on a priority basis or should be forwarded to the Cabinet with recommendations for finalization Prior to implementation of new project proposals.

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| <p>(ii) The economic, social and environmental benefits that had been identified under the basic objectives could not be obtained as planned After spending Rs. 120.55 million in one year for the Kudavilachchiya Reservoir Reconstruction Project which was started in 2019 with many benefits based on a decision of the Council of Ministers due to had decided to stop the large-scale development projects on the recommendations of the Re-Programming and Acceleration (RAMP) Committee.</p> | <p>Answers were not submitted.</p> | <p>The economic benefits of completing the projects which have already started and which have been stopped due to the recommendations of the Re-programming and Acceleration of Large Scale Development Projects (RAMP) Committee at significant cost shall be analyzed either on a priority basis or should be forwarded to the Cabinet with recommendations for finalization Prior to implementation of new project proposals.</p> |
| <p>(d) The 42 number of contracts with physical progress of up to 50 percent and total cost had been incurred Rs. 8.31 million as allocate Rs. 4.25 million in the year 2021 and Rs.4.06 in the year 2022 by the State Ministry of Rural Paddy and Associated Lakes Reservoir and Irrigation Development under the Ministry had been cancelled at the end of the year under review. Further 29 number of contracts which had been allocated provisions of the total of Rs.236.55 million and 03 contracts which the allocation value was not specified had been cancelled without implementation and the reasons leading to the cancellation had not been included in the progress report.</p> | <p>The rural tank development and related progress reports have been prepared and presented by the Planning Division of the Ministry of Irrigation based on the information provided by the Asset Management Division of the Irrigation Department at the district level. The cancellation of those projects has been accomplished based on the decisions taken at the ministry level and national level in each case.</p> | <p>The reason for contract cancellation should be clearly disclosed in the progress reports. Further action should be decided on that.</p> |

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| <p>(e) Construction of the 2.7 KM feeder canal from Ehatugaswewa, Weli Ara Dam to Kiriibbanwewa. The construction of the 2.7 KM feeder canal running from Weli Ara Amun to Kiriibbanwewa in Ehatugaswewa unit had been awarded to a private contractor in August 2018 for Rs.3.4 million. Action had not been taken to collect compensation from the contractor or blacklist the contractor although it had been stopped on midway after completion of construction work at about 60 percent on the. Even though the construction of the remaining part of the canal had been implemented under the direct labor method since 2019, it had not been completed until now. The Social and environmental problems had created that threatened to the lives of people due the water remains in the pits at the bottom of the canal, the lands of the residents are divided due to the canal running through Ehatugaswewa village, the depth of the canal is about 30 feet in some places due to the fact that it has been implemented without proper feasibility study and planning and action had not been taken to cover the sites in addition to the relevant cost becoming uneconomical.</p> | <p>Answers were not submitted.</p> <p>Disciplinary action should be taken under part II of the Establishment Code against the officials who executed the project without proper feasibility study and planning and posed threats to lives people and created social and environmental problems and who had not taken actions to recover compensation from the concerned contractor and blacklist them.</p> |
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3.4 Delays in the Execution of Projects.

The following observations are made.

Audit Observation	Comments on Chief Accounting Officer	Recommendation
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<p>(a) Umaoya Multipurpose Development Project.</p> <p>Although the project was initially expected to be completed in 07 years that was on 15 November 2015 after it started in 2008, but the time had been extended on 8 occasions to 30 June 2021 with the approval of the Cabinet. The Iran Farab Company had reached into a contract agreement on 28 April 2008 under the Engineering, Procurement and Construction (EPC) contract system and the revised total cost estimate was USD 529.06 million or Rs. 74,325.75 million. The amount of Rs. 70,585.08 million had been paid as at 30 April 2023 after certified the work under the said agreement. Although the contractor was selected without calling for competitive bids as per the Cabinet decision, subject to the financing of the project by the Export Development Bank of Iran and the loan amount was suspended by the Export Development Bank of Iran due to the economic sanctions imposed on Iran in year of 2013.</p> <p>The following observations are made regarding the project.</p>	<p>(i) The cost of the project at the amount of US dollars 437.11 million or Rs. 71,056.14 million had been financed from the funds of the Government of Sri Lanka up to now, after financing the US dollars</p>	<p>The Uma Oya Multipurpose Development Project was started under the Export Bank of Iran (EDBI) funds according to the Memorandum of Understanding signed between the Democratic</p> <p>The Cabinet should be informed about the competitive advantages that the Government can gain when submitting the</p>

50 million or Rs. 6,522.85 million through the foreign loan agreement. the cabinet had not been informed about the competitive advantages that the Government of Sri Lanka could have gained by inviting international competitive bids when deciding whether to proceed with this project through domestic funds.

Socialist Republic of Sri Lanka and the Islamic Republic of Iran on 27 November 2007 and The Farab Company of Iran was nominated as the prime contractor by the Islamic Government of Iran. Also, the Ministers of Cabinet then has given approval for that process.

Cabinet Memoranda for such structural changes in the operation of the projects.

Accordingly, there are not relevant qualified officers at present in the Project Management Unit to calculate the profit/loss that could have been incurred by the Government of Sri Lanka if competitive prices had been called for the relevant contract at that time, after 14 years of the incident and it is more appropriate to get that information by giving it as an assignment to a panel of expert who have broad and practical ability in the subjects of economics, finance, procurement for that. It seems that it is more appropriate to inform the Ministers of Cabinet by the cabinet paper containing the information obtained thus obtained.

(ii) The delay period of the project was 7 years and 6 months by the date of 15 May 2023 and the expected benefits of the project had not been achieved due to the said delay. There, it had been estimated that no more than Rs. 55 million would be saved per day to the electricity board by adding 120 megawatts of electricity to the power generation system. Accordingly, the loss incurred had been Rs. 150,562 million due to the delay of the project for 7 1/2 years.

The benefit received by the Electricity Board from that day to date should be accurately calculated by a group of engineers with expertise in the matter, if the project was completed in November 2015 as scheduled and 120 megawatts of hydropower capacity was added to the national power system and action will be taken to obtain the information about those benefits after informing to them.

The opportunity cost of delaying the project should be calculated and communicated to the contractor as per the agreement and action should be taken to recover the relevant cost before approving the extension of time.

- (iii) The project had originally expected to be completed in 7 years from the year 2008 that was on 15 November 2015 according to the related agreement, but the time had been extended by 7 Cabinet papers. The Cabinet of Ministers had given approval to extend the contract period subject to the conditions of completion of all constructions and formally handover of the project to the Government within the extended period by the decision of the said Cabinet. Regardless of that, the time extensions had been given to the contractor and the attention had not been focused on the possibility of recovery loss calculated caused to the Republic of Sri Lanka as the employer from the contractor as per the terms of the EPC contract agreement even the expected benefits had not received during that period. Even though the 66 number of cabinet papers had been submitted in relating to the project, the ministry had not been taken action to inform the Cabinet.
- The reasons for the delay in the project can be pointed to the occurrence of various uncertain situations such as water leakage, covid epidemic and the contractor has formally extended the time for the delayed period because of these facts, therefore it is not necessary to calculate the opportunity cost for the project delay.
- Action should be taken to recover the loss incurred to the Republic of Sri Lanka as employer, due to not received of the expected benefits within the extended period according to the terms of the EPC contract agreement. This information should be forwarded to the Cabinet when submitting future Cabinet Memoranda related to this project.
- (iv) The contractor had required a delay fee of USD 181,337,171 from the government as the delay fee claim of the contractor for 05 things similar to the delay in providing the right of access for the land required for the construction of the project, the delay in paying the bills submitted for the completed work and the delay in providing the data that should have been provided for the construction site. The Ministers of Cabinet had appointed a negotiation consensus committee to inquire into this regard and provide recommendations and the committee report had recommended an amount of USD 19,517,082 as
- The observation was not accurate.
- Caution must be exercised to record the information accurately while submitting Cabinet Memoranda. The Secretary of the Ministry was responsible for increasing the recommended amount for late claims mentioned in the Negotiating Compromise Committee report by USD 19.09 million in the Cabinet paper. Accordingly,

the contractor's late fee claim. In addition, there, the Compromise Negotiation Committee had recommended to consider the payment of USD 19,094,795 to the contractor as per the desire of the Ministers of Cabinet on compassionate grounds for the financial constraints faced by the contractor due to the economic sanctions imposed on the Government of Iran and other unforeseen difficulties. The Committee had presented the Cabinet paper defining the recommended value as USD 38.612 million Including the amount proposed by the Committee to consider the payment of US dollars 38.612 million as the late fee recommended by the Negotiating Compromise Committee by the Ministerial Memorandum No. IR/2021/62 submitted in this regard on 31 October 2021 that was on compassionate grounds.

disciplinary action should be taken against the secretary.

- (v) It was observed that it had not been included the officials in the committee of 7 members which appointed by cabinet who have involved in the process from the beginning of the project and had entirely understanding of project and a group of officials who have not directly involved in the project were appointed for the committee. It was not satisfied that the recommendation of the Committee provided comprehensive coverage due to the committee had not communicated sufficiently with the essential parties, it has not given any consideration to the possibility of recovering the loss caused to the Republic of Sri Lanka in terms of the EPC contract agreement while This kind of committee has been formed, as it is essential that the committee appointed to review the delay fee claim required by the contractor of the Uma Oya Multi-Purpose Development Project should be an independent and neutral committee. Although the relevant committee members are not directly involved in the project, they have expert knowledge in the relevant subjects and it seems that all the information related to the project and the project process have been obtained from the relevant officials involved in the project, studied in depth and reached conclusions. Disciplinary action should be taken against Committee officers for loss making and unethical conduct by making recommendations by the Compromise Negotiation Committee without regard to professional practices. Further the complaints should be made to the law enforcement agencies in accordance with the provisions of Section 38(1) of the National Audit Act No. 19 of 2018 according to the

the project has been delayed by a period equal to the initial contractual period, have not been considered the condition that "complete all the constructions within the extended period without any additional cost to the government and formally hand over the project to the government" which was imposed during the extension of the contract period and inclusion of non-specific and non-professional recommendations in the recommendation of the Committee to pay an additional fee of USD 19,094,795 if the Cabinet desires on compassionate grounds.

recommendations of the investigation.

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| <p>(vi) The project period was extended from 15 November 2015 to 30 June 2023 and the amount of American dollar 26.453 million could have been charged as late fees at the rate of 0.01 percent of the contract value per day up to a maximum of 5 percent, but those late fees had not collected and only American Dollar 6.6 million had collected from the contractor as late fees according to Clause 8.7 of the contract agreement.</p> | <p>The amount of USD.M. 6.6 had been recovered as delay charge from the contractor of FARAB according to the terms of the contract agreement in relation to the delay in the construction of the Uma Oya Multi-Purpose Development Project.</p> | <p>The disciplinary action should be taken against the officials who recommended time extensions and the related loss should be charged due to not being informed about the possibility of charging late fees related to the non-completion of the work as per the agreement and the total late fee that could have been charged and could not be collected when submitting the Cabinet memorandum for granting time extensions.</p> |
| <p>(vii) The amount of 5,305,091 US dollars had been repaid from the collected amount of 6,631,364 US dollars as late fees according to the Cabinet decisions. The Cabinet had not been informed that the Contractor would be able to claim for additional expenses related to the extended period through the</p> | <p>However, since the contractor FARAB Company did not agree to charge such late fees, it had to refund 80 percent of the recovered amount by considered their requests and as per the approval of the Cabinet. After that, there had not need to inform the Ministers of Cabinet</p> | <p>The possibility to charge late fees related to non-completion of works as per the agreement in the submission of cabinet memoranda for granting time extensions and</p> |

refund of the late fees charged as per the provisions of the EPC Contract Agreement and the effect of the binding thereof when providing recommendations for the said Cabinet Paper.

about the obstacles at the time of submitting the late fee claim to the Ministers of Cabinet since the contract period has been extended by the Ministers of Cabinet.

disciplinary action should be taken against the officials who recommended to refund the fees for not informing the contractor about the opportunity to claim additional expenses such as price variations, administrative expenses through the refund of the fees already collected.

(viii) The project office had paid Rs.1,931.34 million to the affected parties for the water leakage in the main tunnel of the project as at 31 August 2021. The contractor had received a compensation of USD 8,155,981 from the insurance company in this regard and although the Committee of Public Accounts had ordered on 22 May 2019 that the compensation paid by the government should be recovered from the contractor for the compensation to be paid by the contractor to the victim parties, the amount out of which Rs. 1,124.62 million had not been collected by 30 April 2023 which was the date of audit.

It was decided that legal advice should be obtained from the Attorney General's Department in this regard in the discussion held on 21.12.2021 under the chairmanship of the Secretary of the Ministry and with the participation of 14 members. Accordingly, the Ministry has sent letters to the Legal Officer requesting legal advice on two occasions.

The orders given by the Committee of Public Accounts should be implemented. The amount of due to the government should be collected from the contractor along with the interest calculated on the basis of the commercial bank interest rate for the period of delay.

3.5 Projects without Progress despite the release of Money.

The following observations are made.

Audit Observation	Comments of Chief Accounting Officer	Recommendation
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<p>The following observations are made regarding land acquisition, compensation and resettlement related to the Moragahakanda, Yanoya, Umaoya multipurpose development projects implemented under the expenditure code of the Ministry of Irrigation.</p>		
<p>(a) Uma Oya Multipurpose Development Project.</p> <p>the expenditure incurred for compensation payments is Rs. 1,491.30 million and the relevant works were to be completed in 2015 under the Uma Oya Multipurpose Development Project. Although the 1786 number of plots of land had identified for compensation for the divisions of the divisional secretariat of Welimada, Uvaparanagama, Ella, Haliaala, Wellawaya, but only 1586 number of plots of land had compensated. The lands which paid the compensation had not been formally taken over and the accounting had not been completed. The amount of Rs.163.85 million had been paid as interest due to delay in payment of compensation.</p>	<p>Uma Oya Multipurpose Development Project</p> <p>The delay in the payment of compensation for the remaining 200 plots of land is due to court proceedings, not appearing of persons for investigations, not submitting of documents properly, travel abroad and death and There is a possibility of sometime delay in functioning according to the provisions of the Land Acquisition Act and working under the coordination of various institution.</p>	<p>The remaining 200 plots should be compensated promptly. The compensated lands should be formally acquired and recorded promptly.</p>
<p>(b) Yan Oya Project.</p> <p>The amount of Rs. 4,294 million had been incurred for land acquisition under Yan Oya Reservoir Project and the compensation payments and land expropriation activities to be completed in 2019 according to the basic plan but it had been delayed by</p>	<p>Answers were not submitted.</p>	<p>It should be ensured that land acquisition and compensation related to development projects are</p>

4 years. Further the compensation should had been paid for 311 plots out of 3644 plots of land under the reservoir, 536 plots of land under the left bank and 42 plots of paddy land in Gomarankadala divisional secretariat. The lands had not been taken over formally which the compensation had been paid and accounting had not completed.

completed without delay.

(c) Moragahakanda Project.

Moragahakanda Kalu Ganga Agricultural Development Project.

(i) The amount of Rs.9,457.66 million had been released to the Divisional Secretaries for land acquisition during the period 2012-2023 under the Moragahakanda project. The compensation payments had not been completed and the acquisition of land had simultaneously delayed due to various reasons. An updated computerized information system had not been maintained by prepare a document which can be specifically identified about the acquisition of land in each project, how it can be used for the project and the information related to each step of the acquisition process.

The land acquisition activity is conducted with the direct involvement of the divisional Secretary concerned in the acquired area and the project is provided related support and coordination only.

Accordingly, the Divisional Secretariats have the accurate information related to the acquired lands and it is not possible to pay compensation to other parties for any reason other than the right persons according to the procedure of implementation of the provisions of the Acquisition Act.

Furthermore, actions have been taken to acquire the around 20,000 plots of land for the project, therefore it is difficult to maintain a computerized information system for each plot of land.

The data register maintained by the project has been submitted for audit.

A data system should be maintained for each piece of land acquired for the projects containing detailed information about the acquisition process and compensation payments. The records of compensation paid out of the funds released to the Divisional Secretaries for land acquisition should be called and the compensation register maintained up to date.

(ii) The Lands had not been registered as owned by the Government which compensation payments have been completed by following the procedures mentioned in Sections

The activities of registering the ownership of the land acquired by the government should be done in collaboration with the concerned Divisional Secretary and the

A plan should be prepared, and action should be taken in accordance

38(a) and 44 of the Land Ordinance Act have not been.

Ministry of Lands according to the Land Acquisition Act, According to the Land Acquisition Act and even now, the Ministry of Lands has been directed to issue 38(a) orders to register them as government owned, but the necessary orders have not been received so far the relevant Divisional Secretary will register the said lands as government property under Section 44 of the Acquisition Act, after receiving the orders. with the expeditious completion of the tasks to be performed as per the Land Ordinance Act.

(iii) The amount of Rs. 9457.66 million had been paid as compensation for the acquisition of 16125 plots of land of 3833.45 hectares in the 5 Divisional Secretariat Divisions of Laggala, Naula, Medirigiriya, Kantale and Elahera by the end of 2022 according to the reports prepared in the year 2022 by the Land Division of the Project Office regarding the acquisition of property for the Moragahakanda Reservoir. The amount of Rs. 11,196.48 million had been paid as compensation for taking over 4450.93 hectares of land at the end of the year according to the payment records of the project. Accordingly, the information was not confirmed to be accurate due to inconsistency.

Answers were not submitted .

The statistics should be compared and corrected as per land department records and payment records. A data system should be prepared by entering detailed information about the amount of compensation paid for each plot of land by calling reports on the compensation paid for each plot of land from the allocations released to the Divisional Secretaries for land acquisition and submitted for audit.

- (iv) The approval had been given to acquisition of 550 acres of land from Hapugaspitiya, Opalgala and Kalu Ganga Reservoir areas for resettlement activities from the Cabinet Memorandum No. අමෙ /15/1145/604/011 dated 20 July 2015 due to not considering the environmental assessment reports and feasibility study reports of project when the preparation of cabinet memorandums for land acquisition. However, the above land had not been taken over.
- Since there were no families in this area who wanted to get alternative land from Alkaduwa, Opalgama and Hapugaspitiya areas and the acquisition of those lands for the project was fruitless therefore the lands were not used for the project. By acquiring the 50 acres of land for the project from the Kalu Ganga division and action has not been taken to acquire those considering the loss incurred by the government by acquiring the lands since there was not land left to be used for project activities after giving benefits to the owners of those lands.
- Environmental assessment reports and feasibility study reports related to the project should be based on the submission of cabinet memoranda related to land acquisitions.
- (v) The 302 numbers of families displaced due to the Moragahakanda project were proposed to be resettled in Medirigiriya D zone and 3 new villages in that zone are Nabadawawa, Dhammawawa and Bandarawawa according to paragraph 5.1.5 of the resettlement plan of the Moragahakanda Agricultural Development Project and it had identified to establish a regional center as Bisopura and to develop 2,072 hectares of land into 2,680 agricultural plots and 914 hectares of land into 3,350 home plots and distribute them to the respective families. Indeed the amount of rupees 4,446.26 million had been spent from 2009 to 2022 under the lower valley development works of the Moragahakanda Kaluganga Reservoir Project.
- Only 7 plots of land out of that, had distributed to the families displaced during the construction of Moragahakanda Kaluganga Reservoir and compensation had paid to the rest
- Answers were not submitted .
- Feasibility studies should be conducted properly while identifying areas for resettlement, and misappropriation of public resources due to resettlement carried out outside the initial plans of the project and officials who responsible for the underutilization should be identified and disciplinary action should be taken. The underutilized

of the families. A fragment of the remaining plots of land that had been distributed to the residents of Medirigiriya and Lankapura Divisional Secretariat Divisions by conducting “land Kachcheri” and a fragment had to be further distributed. Accordingly, the villages identified and established for resettlement as per the basic plans of the project, the mud paddy lands and health centers, cooperatives, public markets, Samurdhi Banks, bus stations and other public facility buildings which built in those villages were even underutilized the lands had been distributed to people who were informally selected outside of the project.

buildings should be used in a planned manner for the project.

(vi) The amount of Rs. 13,700 million had been spent to acquire land for resettlement activities and construction including provision of livelihood assistance to displaced parties from the year 2008 to the year 2022. Although the project was supposed to be completed in 2017, but it was a delay of 5 years, the land acquisition and resettlement were delayed.

Answers were not submitted .

The land acquisition, compensation and resettlement should be planned to expeditious completion and action should be taken accordingly.

3.6 Foreign Aid Projects .

The following observations are made.

Audit Observation	Comments of the Chief Finance Officer	Recommendation
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(a) Ging Nilwala Diversion Project.		
<p>The Ministry of Irrigation and Water Resources Management and CAMEC of China had reached into an EPC contract agreement of USD 690,000,000 on 5 November 2014 for the implementation of the Ging Nilwala diversion project and the</p>		

amount of USD 29,989,000 (Rs. 4,011,054,982) had been paid as pre-work advance of the 4.35 percent of the contract value for that purpose. The project had temporarily stopped according to the decision of the Cabinet Sub-Committee on Economic Affairs held on 26 May 2015. Besides the sub-committee on economic management had recommended that the project to be carried out only along the Nilwala river and accordingly it had given instructions to submit a cabinet memorandum. The following factor were observed in relation to it.

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| <p>(i) The study of the 2 parts of Ging Ganga and Nilwala Ganga had been assigned to a contractor by reached into an agreement on 20 July 2017 without submitting a Cabinet Memorandum.</p> | <p>The main objective of the Ging Nilwala Diversion Project is to divert the excess water in the twin river basins of Ging and Nilwala to the Southeast Dry Area and there, the higher water quantity that is 200 million cubic meters out of the 300 million cubic meters expected to be diverted annually which can be moved from the river basin. The quantity of water that can be diverted is limited based on the existing geological, hydrological and geographical factors in the Nilwala Basin. Therefore diverting water from Nilwala river basin only is not enough at all and a significant cost has to be borne for it and it will be a very low technical and economic feasibility project by implementing the project only along the Nilwala River. Baed on that reason, the relevant company has been assigned to conducting studies related to both the Ging and Nilwala river basins.</p> | <p>The disciplinary action should be taken against the responsible officers under Section 29 of Chapter XLVIII of part II of the Establishment Code regarding entering into contracts without completing the approval procedure to be done at the preliminary stage of the project.</p> |
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- (ii) Even though the first phase of the project was expected to be completed in 8 months from 09 November 2016 that was 09 July 2017 as per contractual terms, but the time was extended for more than 5 years until March 2023. However, 92.5 percent of the initial planning work only had been completed by the end of the extended period. Accordingly, even after a delay of 5 years and 4 months, 7.5 percent of the planning work of the first phase of the project still needed to be completed.
- After conducting detailed surveying and geological and hydrological studies, deep boreholes and geotechnical studies and updating the feasibility study and finalizing the preliminary design of Phase 1 of the Ging Nilwala Diversion Project was scheduled to be completed by 09 August 2017 as per the terms of the contract. However, it has not been able to be completed until now due to the severe obstacles.
- The Contract agreements should not be entered without completing the tasks to be performed in the preliminary stages of project approval. Disciplinary action should be taken against the responsible officers as per the provisions of the Establishment Code.
- (iii) The amount of Rs. 27 million had been spent for the salaries, allowances and other project activities of the project staff within 5 years and the project had been delayed for 7 years continuously and it had become an uneconomical and additional cost burden.
- Although the approved staff of the project is 15, the full staff has not been recruited at any time. the project work has been carried out through a minimum staff in every possible case and thus, it has been possible to limit the salaries paid for the staff about Rs.27 million since 2017 up to now. And also, the salary has not been paid for the position of Project Director since 2017.
- The performance of the staff hired for the projects should be verified before extending the contract agreements. Action should be taken to minimize the administrative costs as much as possible.
- (iv) Although the entire cost for the design of the project was paid in 2014, due to the fact that the design was not completed, and the economic benefit had not received in the 9 years through the related cost of Rs.4,079,516,982 (including advances of USD 29,989,000 paid in 2014 and 2015).
- I do not observe the conclusions reached through the studies and tests carried out so far in the study and planning phase of such a technically as well as socially and environmentally complex project as a matter of no use. I observe that it is best to consider and compare the costs incurred for the academic plans of such a project after the implementation of the project.
- All responsible parties should be discipline to the maximum extent possible by law by Conducting a complete investigation about the misuse of public funds.
- Even if the implementation of the project is delayed at this time, the cost incurred for the project studies will be more useful in the face of future climate change and human needs.

(b) **Mahaweli Water Security Investment Programme.**

The following tractors are observed regarding the above project which was implemented under the loan assistance of the Asian Development Bank.

(i) **Phase 1 of the project.**

The 8.8 Km long tunnel excavation contract to carrying water from Kaluganga Reservoir to Moragahakanda Reservoir and complete with in the period of 2018-2021 had been handed over to the foreign company at the total value of Rs.7,146.91 million such as USD 21.79 million (Rs. 3,349.74 million) and Sri Lanka Rs. 3,797.17 million. Although the contract had extended to 30 June 2022 due to non-completion within the relevant period, according to the progress report issued by the consulting company (Tractebel) of the program on 31 December 2022 the drilling activities had been fully completed and the total progress was stated as 82 percent by the end of the year under review and the progress of the construction was 12 percent in year 2022 .The amount of Rs. 781.48 million had been paid for Contract Price Variations at the end of the year under review even the amount of Rs. 274.5 million had been allocated. It had been estimated that the construction cost of this would be increased up to USD 35 million (approximately Rs. 9,383 million) in the future.

Agree with the factors presented. I would like to mention that the construction cost of this contract has been calculated as 8,251 million rupees without tax and 9,383 million rupees with tax.

Disciplinary action should be taken after conducting an investigation if it is confirmed that there has been an error into the extension of time without paying attention to the price fluctuations.

(ii) Phase 2 of the project - North Central Grand Canal Project.

1. The 27.7 Km long tunnel construction contract to carrying water from Moragahakanda Reservoir of North Central Grand Canal Project under phase 2 and complete with in the period of 2020- 2027 had been handed over to the foreign company at the total value of Rs.40,073.14 million such as USD 106.09 million (Rs. 18,893.17 million) and Sri Lanka Rs. 21,179.97 million.

Although the relevant loan agreement had been signed on 18 May 2018, the awarding of the contract had delayed for 02 ½ years.

2. Although the date of completion of the contract was revised to 10 March 2027, the Cabinet approved on 07 October 2021 to purchase a 02nd tunnel boring machine in addition to the used tunnel boring machine in order to complete the contract promptly on 07 June 2025. Accordingly, the original contract had been amended to a total value of 46,164.31 million including USD 143.87 million and Sri Lanka Rs. 20,541.94 million. Thus Rs. A second tunnel boring machine had purchased for 6,690.97 million and imported into Sri Lanka in October 2022.

3. On that occasion, due to the economic recession in the country and the difficulty in finding additional funds quickly, the Ministers of Cabinet had given the approval on 3 April 2023 to continue the contract until June 2024 using only one tunneling machine within the existing

Agree with the factors presented.

The physical progress was 12% as at 30.04.2023 in related to the contract. The 780 meters of the tunnel have been completed so far.

A formal inquiry should be conducted into the loss incurred by the government due to insufficient analysis of macro-economic variables in proposing to the Cabinet to purchase a second tunnel boring machine to expedite the project and disciplinary action taken against the responsible officials accordingly.

allocation of USD 69.5 million (Rs. 22,240 million) and the newly imported tunnel boring machine will not be commissioned until March 2024 not to implement it until March. The National Procurement Department has been assigned to prepare appropriate alternative methods for this project which consisting of 21 contract packages since the physical progress of the entire project is in a backward state and the future performance is also in an uncertain stage and it is recommended that the alternative method proposed by the department be submitted to the National Operations Office and the approval had been given in the Cabinet meeting held on 03 April 2023 to implement this recommendation.

4. The progress of the construction was at a low level of 10 percent according to the 2022 progress report released as at the end of the year under review which 02 years have passed since the commencement of the contract by the consulting firm of Tractebel and only 50 meters of the tunnel had been completed.

The construction cost of this contract was estimated to increase to USD 240.30 million (Rs. 86,508 million) in the future.

(iii) Phase 2 of the project - Northwest Grand Canal Project.

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| <p>1. The Contract for the construction of Mahakitula, Mahakirula Reservoirs 02 and branch canals and tunnels between them under the Northwest Grand Canal Project</p> | <p>Agree with the factors presented. The contractor should be informed and charged late penalties for not complying with the plan submitted for</p> <p>The contract was suspended due to insufficient progress. The suspension has also been accepted by the contractor and the contractor has agreed to</p> |
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and complete with in the period of 2020- 2024 had been handed over to the foreign company CAMEE-QMCG-JV in China, in the year of 2020 at the total value of Rs.9,978.48 million including USD 30.21 million (Rs. 5,386.64 million) and Sri Lanka Rs. 4,591.84 million. However, due to the lack of staff of contractor, lack of construction equipment and poor site management, the construction progress in a period of 02 years was as low as 2.97 percent according to the 2022 progress report released by the consulting company (Tractebel).

refund the amount related to the advance security. Actions have been taken to recover the amount of Rs. 389,321,808 paid as advance and the value of USD 4,531,291.55 accordingly.

the execution of the project within the contractual period.

2. Although the project is being taken steps to cancel the contract, the amount of Rs. 1,197.32 million has been paid to the contractor as pre-work advance and the amount of Rs. 355.24 million had been paid as work completed. It had estimated in 2021 that the construction cost could be increased up to USD 48.9 million (approximately Rs. 17,604 million).

(iv) **Phase 2 - Purchase of agricultural commodities.**

The Asian Development Bank had given approval for purchase of agricultural goods of total value of 50 million US dollars from the allocation of 39 million US dollars out of 140.47 million US dollars allocated for 02 major construction contracts under Phase 2 which was including 39 million US dollars and 11 million US dollars from the amount allocated for several other tasks. The 41,876 metric tons of MOP chemical fertilizers had imported out of that, for paddy

The stock of 41,876 metric tons of MOP chemical fertilizers imported in accordance with අමුදා /22/1517/623/016/TBR and the Cabinet Paper dated 03 October 2022 by giving an approval only for the procurement of chemical fertilizers and handed over to the Secretary of the Ministry of Agriculture on 05 December 2022 at the port. Fertilizer distribution was done by the Ministry of Agriculture.

The ministry should conduct a formal investigation into the reported deficiency and the disciplinary action should be taken against the responsible officials.

cultivation in the 2022/2023 season at a cost of USD 39.78 million (Rs. 14,202 million) and the stock of fertilizer had handed over to the Ministry of Agriculture on 5 December 2022. This fertilizer was packed in 50 kg bags and had been handed over to 02 government-owned fertilizer companies on behalf of the Ministry of Agriculture and there had been a shortage of 3,230 bags of fertilizer amounting to Rs. 55.233 million when delivery at the port.

(v) Phase 3 of the project

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| <p>1. Although the amount of 93 million of US dollars provided by the Asian Development Bank for the North Central Grand Canal Project, the North West Provincial Grand Canal Project and the Minipe Left Bank Canal Rehabilitation under the 3rd phase of the project, the amount of 36 million US dollars by the Government of Sri Lanka and USD 114 million is to be received from other foreign sources as well, these provisions could not be provided due to the economic crisis in the country. It had estimated that the value of the total project could be increased up to US dollars 976 million in the year 2021 which had estimated at US dollars 675 million.</p> | <p>I agree with all the factors presented.</p> | <p>The project should not be started without specifying regarding of the funding sources.</p> |
| <p>2. Although a contractor had been selected by spending Rs. 1,708,486 for 06 contract packages, out of the allocations received under phase 2 among the 09 contract packages that were</p> | <p>Action had been taken to select the relevant contractor on the basis of completing the work by 31.12.2024 and due to the economic background in the country, the Asian Development</p> | <p>Project work should not be initiated without specifics regarding funding sources.</p> |

planned to be implemented under Phase 3 due to not implementation of contracts because of not received the necessary financial allocations for phase 3 the amount of Rs. 1,708,486 had become an idle expenditure.

Bank postponement of the loan for phase 3 therefore it was not possible to award the contract.

- (c) Climate Impact Mitigation Project. The amount of Rs. 430 million had been spent had conducted and 6 feasibility studies under the provisions of the Climate Impact Reduction Project (CRIP) until to the year 2021 but the ministry had not planned the projects according to the reports submitted.

Answers were not submitted.

Projects for which feasibility studies have been carried out should be planned and implemented on a priority basis.

- (d) Wawgam Pubuduwa Project/Integrated Water Management Project for Climate Change Adaptation.

- (i) Even though the Green Climate Fund (GCF) had been given to United Nations Development Program (UNDP) the amount of Rs. 6650.66 million equivalent to USD 30.01 million in last 06 years, only Rs. 1,465.15 million equivalent USD 7.99 million had been given to Mahaweli Ministry of Development and Environment (MMDE) by 31 December 2022. The project had prepared financial statements only for the amount above which represented 22 percent of the total amount given and as a result of that the financial performance and financial status of the entire project had not been disclosed.

Wawgam Pubuduwa Project.

- Provisions are allocated for this project through the annual approved budget estimate (VOTE No 13 & 17). Accordingly, the expenses incurred by the project are reported to the Treasury and funds are obtained under the relevant provisions.
- Accordingly, the annual final accounts of the project presented only the expenditure incurred in relation to the money received from the allocation. The project is funded by the Green Climate Fund through the United Nations Development Programme which is the representative of it.

Financial statements should be prepared and presented to reflect the overall financial performance and financial position of the project.

- (ii) The UNDP had spent USD 13.94 million equivalent to Rs. 2776.61 million to conducting several

- The funds provided to the project by the Green Climate

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activities of the project out of the remaining amount of USD 22.01 million equivalent to Rs. 5185.51 million. Accordingly, an expenditure details had not been disclosed in relating to Rs. 8.07 million equivalents to US dollars. 2,408.9 million.

(iii) The amount of Rs.470 million had been spent in the year 2020 and the amount of Rs.103 million in the year 2021 by exceeding the allocation limit which had been allocated for the said project from the annual budget estimate.

(iv) The contribution of the Government of Sri Lanka is 15 percent according to the aid agreement signed by the Government of Sri Lanka with the Green Climate Fund. The amount of Rs. 1,465 million had been received by the Treasury during the period from 2017 to 2022 and the amount of Rs. 1,423 million had been spent as the contribution of the Government of Sri Lanka under this project. Accordingly, the government had also spent an amount close to the amount which reimbursed by the project.

(e) Although the Ging Nilwala Diversion Project, the Uma Oya Multipurpose Development Project and the establishment of an underground water monitoring information network have been initiated under the EPC contract agreements in anticipation of foreign loans but those had implemented using the local funds because of the foreign funds had not received as expected due to various reasons. It had not been conducted sufficient assessment of

Fund will be retained and spent by them based on the project implementation agreement between the Ministry and that institution and only the funds applicable to the project functions which implemented by the Ministry Project Unit is given to the treasury.

However, according to the letter dated 31/01/2022 from the Director General of the Treasury Department of Foreign Resources (ERD),it had been informed that the Secretary of the Ministry has informed that the funds be properly provided to this project and that all information about the money spent by the UNDP should be provided to the Treasury. The funds are being given accordingly and UNDP is being taken the necessary actions to report the expenses incurred in previous years.

Answers were not submitted.

The annual budget estimate should provide the allocations to cover the total cost of the project and should not exceed the allocation limit.

The contribution of the Government of Sri Lanka should be borne according to the agreement of aid.

Disciplinary action should be taken against officials who responsible for agreeing to pay in dollars as contracts in Sri Lanka are to be paid in rupees. The Cabinet should be informed about the not receiving of foreign funds and the has to pay in

the impact on the foreign reserves of the country of having to pay for the contracts in US dollars despite the absence of foreign funding.

dollars and amend the agreements so that payment can be made in rupees.

3.7 Projects executed by Domestic funds

The following observations are made.

audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Productivity Promotion and Irrigation System Efficiency Improvement Project.</p> <p>(i) This project had expected to be implemented in the period of 2017-2021 at a cost of Rs. 18,500 million and actions had not been taken, although the Ministers of Cabinet had given instructions to check the possibility of obtaining cost from the development stakeholders.</p> <p>(ii) Even though the amount of Rs. 2,978.85 million had been allocated from 2017 to 2022 for this purpose, only Rs. 1,730.99 million had been spent out of that and the physical performance of the project was 10 percent according to the performance report of the Ministry. Despite this, it had decided not to implement the project from 2023 onwards. The physical performance had been</p>	<p>The Secretary of the Ministry of National Policy and Economic Affairs has been instructed to direct the Director General of the Department of Foreign Resources to examine the possibility of obtaining funds from development stakeholders for this project by the decision (iii) dated 22.02.2017 related to the Cabinet Memorandum dated 23.01.2017 which submitted by the Minister of Irrigation and Water Resources Management bearing the No. 17/0190-729/003 of entitled "Project to increase the productivity and improve the efficiency of the irrigation system".</p> <p>The staff has been limited according to the provisions received in all possible occasions and the staff recruited in the years 2018, 2019 and 2020 as a percentage of the approved staff were 59 percent and 65 percent respectively. The staff has been limited to 06 people from the year 2021 and these officers have been employed only for</p>	<p>The disciplinary action should be taken against the officers who obtained the treasury allocations and started implementing the projects without getting funds from local and foreign institutions that can get assistance according to the instructions given by the Ministers of Cabinet.</p> <p>Prioritize the achievement of project objectives, plan and execute accordingly with minimum project staff and minimize administrative costs and should perform accordingly. The</p>

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| <p>reduced due to most of the costs had been incurred for the salaries and allowances of the officers hired for the project, for functioning of the project office and its maintenance, and for administrative expenses including fuel travel expenses.</p> | <p>essential work.</p> | <p>Project performance should be considered when granting the annual service extensions to employees.</p> |
| <p>(b) Gama Samaga Pilisadara</p> | | |
| <p>An amount of Rs. 1,616 million had been allocated for 6 projects in 2021 and Rs. 610.14 million in 2022 had also been allocated to implement the above program in 5 districts.</p> | | |
| <p>(i) The amount of Rs. 610.14 million had been allocated under Expenditure Object No. 198-02-03-52-2506(11) to Irrigation Prosperity Program for the year 2022 and out of that allocation Rs. 208.53 million had been spent on the “Gama Samaga Pilisadara” which had not been allocated the provisions in accordance with the provisions of Article 20(1) in the annual estimates.</p> | <p>Answers were not submitted.</p> | <p>The new projects should not be implemented without allocating provision in the Annual Estimates in accordance with the provisions of F.R 20(1).</p> |
| <p>(ii) The 2 estimates which at the amount of Rs. 116 million had been approved to improve the canal system of Padaviya and Vahalkada of farming businesses in Kabithigollewa Divisional Secretariat in Anuradhapura district. The estimated amount of gravel needed to be functioning of the works related to that estimate was purchased from private suppliers and the development work had been conducted without obtaining licenses from the Bureau of Geological Survey and Mines.</p> | <p>Answers were not submitted.</p> | <p>A proper arrangement should be made in coordination with the concerned line ministry to procure soil and gravel from government lands for the maintenance and development of the irrigation sector.</p> |
| <p>(iii) It had planned to build water supply for the cultivated land and although the 2411 Hume pipes were purchased and 1017 of them had issued to the organizations of farmers for that, but the water supply had not built as expected. The 1394 number of Hume</p> | <p>Answers were not submitted.</p> | <p>The intended water supply should be promptly constructed using purchased pipes and recorded. The</p> |

pipes had piled in Padaviya Irrigation Engineer Office.

tasks of project should be executed with proper planning and allocation should be managed well.

(iv) The costs incurred had become ineffective due to the not receiving of allocation for the year 2023 for the above (b)(ii) and (iii) projects which had been commenced without providing allocations in accordance with the directives of F.R.20(1).

Answers were not submitted.

Action should be taken to obtain the funds for completion of project tasks on a priority basis.

3.8 Assets Management

Audit Observation

The 650 number of vehicles had registered under the Ministry of Irrigation, Secretary of Irrigation, or Ministry address according to the information obtained from the data system of the Department of Motor Traffic on vehicles registered under the name of the Ministry of Irrigation. The number of vehicles owned and used by the Ministry was 306 according to the vehicle register of the Ministry of Irrigation. Accordingly, the 347 number of vehicles were not in the custody of the Ministry.

Comments of the Chief Accounting Officer

Even though the 650 vehicles are registered under the name of this ministry, but at the time of the separation of the Ministry of Environment and Ministry of Agriculture, some of those vehicles have been given to those ministries. Apart from this, some of the vehicles have been given to the Irrigation Department, Sri Lanka Mahaweli Authority and Irrigation Management Division.

Even though the 72 numbers of vehicles brought by this ministry to the Moragahakanda Kalu Ganga Development Project which also are registered in the name of this ministry, but those vehicles are used by that project. The formal delivery of the vehicles which used by the Uma Oya Project and CResMPA Project to the relevant institutions is currently underway.

Recommendation

The action should be taken to identify the vehicles which are not existing of the Ministry one by one and legally transfer the vehicles given to other institutions. The data system about the vehicles should be maintained. In the review conducted under Section 38(1) of the National Audit Act No. 19 of 2018, The action should be taken to introduce new control systems for vehicle control in the review conducted under Section 38(1) of

3.9 Losses and Damage

Audit Observation

The total amount of Rs.12,189,753 in respect of 4 vehicle accidents to be further recovered or written off or waived in the statement of losses and waivers included in the financial statements and out of which the loss amount of Rs. 11,716,700 in related to 2 vehicle accidents out of that could not be able to recover from insurance institutions as at 31 December 2022. The loss of the said vehicles had not recovered from the concerned drivers as recommended.

Comments of the Chief Accounting Officer

The project director has sent a reminder a letter to recover the loss amount of Rs. 10,428,500 from the convicted of Mr. M. W. Vijitha Bandara Wijetunga according to 104 (4) in relation to the accident on 22.10.2021 of Toyota Double Cab bearing WP PG 0456 which was belonging to Moragahakanda - Kaluganga Development Project but response has not been given so far. Actions have been taken to take legal action by sending the file to relevant legal officer.

It has been decided that the driver of the vehicle W. A. M. D. W. Bandara, is fully responsible according to the report of the investigation board regarding the accident of cab number PB- 4434 on 28.02.2019. Accordingly, a letter has been sent to the Legal Officer of the Ministry informing take necessary legal action to him.

The maximum possible amount should be recovered from the payments made by the government to the officials identified as responsible parties. The legal action should be taken to recover the remaining amount.

3.10 Uneconomic Transactions.

audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Overpayment of USD 10,937,960 for installation of four generators in Moragahakanda Reservoir main embankment project.</p> <p>The scope of the preliminary agreement for the construction of the main dam of the Moragahakanda reservoir had changed in February 2013 without obtaining the approval of the Cabinet of Ministers and it was recommended to pay USD 10,937,960 to the EPC/Turnkey contractor and had requested approval for the same to that purpose through the Cabinet Memorandum No. 16/2513/704/067 submitted on 23 November 2016, due to the change in the original scope of the project. According to the Cabinet Memorandum, the original plan of the project proposed to construct 2 generators of 5 MW and 1 generator of 15 MW instead of the power plant generating 25 MW with 3 generators of 25 MW, it had been decided to construct a power plant generating 25 MW by 4 generators which consist of 2 generators of 5 MW and 2 generators of 7.5 MW The Secretary of the Ministry of Mahaweli Development and Environment had instructed to "considering the points highlighted in the observations of the Minister of Finance and act accordingly" when giving approval according to the Cabinet Memorandum No.අමප /16/2513/704/067 dated 29 November 2016.Thus, "it was later revealed that the Ministry of Mahaweli Development does not have the authority to operate the 15</p>	<p>The preliminary planning of the Moragahakanda Reservoir Project was conducted by the Mahaweli Authority of Sri Lanka The project has been taken under the Ministry by setting up a Project Management Unit (PMU) in 2013 which initiated in in the year of 2007.The primary objective of this project has been to provide water related to agriculture to the required areas, therefore plans have been designed to including electricity where the water released can be used to generate hydroelectric power.</p> <p>It has been decided to conduct this as a Mini Hydro Station according to the approved Cabinet Memorandum No. අමප /16/2513/704/067 and dated 07 December 2016. But since the Sri Lanka Electricity Board owns the rights to machines above 10 megawatts, the 15-megawatt machine has been changed to two 7.5 megawatt machines. this amount has to be paid to the contractor for the changes made in the power plant due to this adjustment. It is difficult to obtain all related information from one place due to the planning of the project has been conducted occasionally by several places such as Sri Lanka Mahaweli Authority, Ministry of Irrigation and Water</p>	<p>The officials responsible for the insufficient planning according to the observations of the Minister of Finance and the decision of the Cabinet of the project should be identified and should be reported to the relevant appointments authorities to take disciplinary action. The complaints should be made to law enforcement agencies in accordance with the provisions of Section 38(1) of the National Audit Act No. 19 of 2018.Actions should be taken to recover the losses incurred. A project should be implemented from the planning stage to the final stage with good coordination with all the departments involved in the various operational activities to implement each stage.</p>

megawatt power generator as only the Ceylon Electricity Board has the power to operate power plants exceeding 10 megawatts, which has led to the change in the scope of the project and contract variation, It is the responsibility of the Lines Ministry to obtain the necessary approval in this regard from the Ceylon Electricity Board before starting the procurement activities and the officials of the line ministry are responsible for not consulting the Ceylon Electricity Board which was a party to the project plan before deciding the scope of the project.” The finance minister had observed. However, only the additional payment had made without implementing the observation of the finance minister and the additional expenditure of USD 10.94 million was a loss to the government. Although the officials responsible for the insufficient planning according to the decision of the Cabinet of the project should have been identified and reported to the relevant appointing authorities to take disciplinary action, but any action had not been taken for that.

Management, Ministry of Mahaweli Development and Environment.

- (b) The main embankment and its power system shall be controlled under the Ministry of Irrigation, and electricity shall be produced on behalf of the Government of Sri Lanka after the completion of the project according to paragraph 2.2 of the said Cabinet Memorandum and the loan amount taken for the project must be repaid from the money obtained after selling the produced electricity to the Sri Lanka Electricity Board. The cost incurred for the project as at 31 December 2021 was Rs. 107,941,306,934 according to the

Answers were not submitted.

Cost benefit analysis should be done before the implementation of the projects and the cost incurred for the power plant constructed under these projects should be looked into in terms of the ability to recover within a reasonable period of time.

2021 financial statements of the Moragahakanda, Kalugagan project. The 25 MW power plant constructed under the project has an annual average electricity generation of 67,549,773 MW according to the electricity generation reports of the Sri Lanka Electricity Board and the value of it was Rs.1,188,898,473 relating to the rates of Ceylon Electricity Board. Accordingly, the time taken to cover the capital cost of the project by the total income of electricity generation was 90.9 years.

3.11. Management Weaknesses.

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>The Payment procedure followed by Department of Irrigation does not conform to delegation of functions in relation to financial control in accordance of F.R 135, even though 12 years have passed since the Secretary of the Ministry was ordered in the meeting of the Committee on Public Accounts held on 22 March 2011 to correct the procedure, the order had not been implemented by 30 April 2023.</p>	<p>Discussions are being conducted with the concerned parties regarding the correction of this payment procedure and the last discussion was held on 15.03.2023.</p>	<p>The Public Accounts Committee should report to the reasons for not implementing the orders given to the Ministry Secretary within 12 years, it should be reported to the Committee of Public Accounts along with an assessment of the misuses that have occurred in the Irrigation Department during that period.</p>

4. Human Resource Management.

audit Observation

Comments of the Chief Accounting Officer

Recommendation

the approved carder of the Ministry was 428 and the actual carder was 246 in the year under review. Accordingly, there were total 182 vacancies including 51 at senior level posts, 14 at tertiary level posts, 55 at secondary level posts and 62 primary level posts and there was excess of staffing in 1 secondary level post, 3 primary level posts and 352 development officer posts.

It was informed to Ministry of Public Administration to fill available vacancies of Attached Staff, actual staff.
The 352 number of Surplus Staff (Development Officers) approved by Department of Management Services for the year 2023.

A periodic review of staff requirements should be conducted.