

## **Head 282 –Irrigation Department**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 282 - The audit of the financial statements of the Irrigation Department 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 Irrigation Department was issued to the Accounting Officer on 31 August 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 10 November 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the Irrigation Department as at 31 December 2022 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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 and the Accounting Officer for the Financial Statements**

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

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

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

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Designed and performed audit procedures appropriate as per the circumstance to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error in respect of providing a basis for my audit opinion. The impact of a fraud is higher than the impact of a material misstatement resulting from an error, as the fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding about internal control in order to design audit procedures appropriate as per the circumstance, though it was not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluated 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.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I informed the Accounting Officer about the important findings of my audit, main weaknesses in internal control and other particulars.

#### 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 presented to the Audit had not been compatible with the Financial Statements of the previous year as per the below-stated audit observations.

| <b>Audit Observations</b>   | <b>Reference to the Paragraph of this report</b> |
|---|--|
| The opening balance of the year under review had been understated by Rs. 600,049,065 due to the mismatch of the opening balances of | 1.6.1(d)(i) Property, Plants and Equipment       |

non-financial assets with the balances as at 31 December of the previous year.

- (b) The below recommendations made by me about the financial statements related to the previous year had not been implemented.

| <b>Paragraph reference of the report related to the previous year</b> | <b>Recommendation that had not been implemented</b>                                      | <b>Paragraph reference of this report</b>   |
|---|--|---|
| 1.6.2.1(c) Non-financial Assets                                       | The lands and the buildings belonged to the Department should be assessed and accounted. | 1.6.1(d) (v) Property, Plants and Equipment |

## **1.6 Comments on Financial Statements**

### **1.6.1 Accounting deficits**

#### **(a) Receipts of Income**

Following defects were observed in accounting the receipts of income related to the Department.

| <b>Audit Observations</b>   | <b>Comments of the Accounting Officer</b>  | <b>Recommendation</b>   |
|---|--|---|
| A sum of Rs. 1,391,419 that had been received for 31 training programs conducted by Galgamuwa Training Institute during the year 2020-2022 had been detained temporarily in the Deposit Account No. 6000-0-0-13-0-36-0-0 to make payments again for third parties instead of being credited to the State Revenue. Consequently, the income had been understated by that amount. | Out of the sum of Rs. 1,391,419 detained in the General Deposit Account No. 6000-0-0-13-0-36-0-0 and received for 31 training programs conducted by Galgamuwa Training Institute during the year 2020-2022, a sum of Rs. 971,241 has already been credited to the state revenue and the required actions are being taken to settle the balance amount. | The Deposits Accounts; detaining money therein, should not be used for the tasks outside the approved objective. The incomes should be identified accurately and accounted. The accounting and internal control system related to this should be reviewed and the required amendments should be made thereto. |

(b) **Capital Expenditures**

Following defects were observed in accounting the capital expenditures related to the financial statements.

| <b>Audit Observations</b>  | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>  |
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| (i) Although the non-financial assets should be identified and accounted as per the Circular No.01/2017 dated 28 June 2017 issued by the Secretary to the Treasury regarding the documenting of all the non-financial assets of the government by the Ministry of Finance and Mass Media for managing assets and costs, a sum of Rs.3,924,893,334 had been spent under the Object No. 2103 (Machinery and Equipment), 2104 (Buildings and Structures), 2105 (Lands and Land Improvements) and 2506 (Infrastructure Development). However, only a sum of Rs. 1,622,157,943 had been accounted as the non-financial assets in the year 2022. Accordingly, non-financial assets related to Rs. 2,302,735,391 that had been spent as capital expenditure in the year 2022 had not been identified and accounted. Consequently, the net assets had also been understated by that amount in the statement of financial position. | A sum of Rs.2,006,672,433 out of this amount of Rs.2,302,735,391 is the expenses incurred for the ongoing Uma Oya project. The expenditure for this project was incurred under the Ministry of Irrigation before 2022, and allocations had been made to the Irrigation Department from January 2022. Accordingly, there was no clarification as to whether these expenses are capitalized under the Ministry or under the Department, and consequently this value was not accounted under the fixed assets of the Department in the year 2022. At present, the Ministry of Irrigation has been consulted on this matter and the arrangements are being made to account under fixed assets of the Department in the year 2023. The remaining amount of Rs.296,062,957 has been capitalized during the year and accounted as fixed assets under Reservoirs. | All non-financial assets should accurately be identified and accounted. An internal control should be introduced to verify the financial statements before preparing and certifying those. |
| (ii) The documents that can verify the values of Rs. 645,032,909 that should be added for the reservoirs under the Code No. 6141403 in the Statement of Non-Financial Assets were not presented to the Audit.  | As the expenditure incurred during the year for the projects is not automatically accounted as non-financial assets under the CIGAS accounting system, those expenses are added to the opening balance or accounted as  | The details and the supporting documents about additions made to the assets should be submitted to the audit.  |

transfers. The mentioned values have been accounted as opening balances.

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| <p>(iii) The capital expenditure of Rs. 2,030,061,729 spent for Irrigation Department by Ministry of Environment, Ministry of Water Supply, Ministry of Irrigation and Department of Agriculture under the provisions of their expenditure heads had not been specifically identified and accounted as non-financial assets.</p> | <p>In order to capitalize the expenses incurred for fixed assets under the expenditure heads of other departments and institutes, those assets should be transferred to the department in writing. Otherwise, fixed assets can be double counted. As the expenses incurred by the institutes stated have not currently been legally transferred, these expenses have not been accounted as fixed assets.</p> | <p>The actions should be taken to properly identify and account the capital expenditure incurred from the provisions of other expenditure heads for the Irrigation Department.</p> |
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**(c) Deposits**

The following deficiencies were observed in accounting the deposits and balances related to financial statements.

| <b>Audit Observations</b>   | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>   |
|---|---|---|
| <p>(i) Although no other form of funds can be created except by an act passed by the Parliament at a special circumstance as the collection of revenue and expenditure outside of the approved budget is not approved, the Irrigation Department had charged a fee of Rs. 10,000 for giving licenses for the construction of small hydroelectric power plants, sand removal and other economic activities and giving recommendations for various government institutes and had deposited the said amount in the Deposit Account No. 6000-0-0-13-0-36-0-0 which held money temporarily to be re-paid to third parties and incurred the expenses without formal</p> | <p>According to the Code of Mining Minerals, Transportation and Trade for the Construction Industry issued by the Presidential Task Force appointed in accordance with the Extra-ordinary Gazette No. 2196/28 dated 06 October 2020, all relevant government institutes charge fees for providing recommendations. Accordingly, the Irrigation Department charges a sum of Rs. 10,000 for issuing recommendations. Also, the Director General of Irrigation has given instructions by the letter dated 25.02.2019 to charge a sum of Rs. 10,000; as administrative expenses, to give recommendations for sand mining (For Site Inspections). Since the annual provision for the</p> | <p>The Department should obtain the approval of the Treasury for the revenues collected through various functions and establish a formal control system to collect those revenues, and take actions to account those revenues accurately. Only approved receipts should be deposited and the money thereon should be spent only for the related specific tasks.</p> |

authority. There was a balance of Rs. 6,008,171 from the fees received for construction of small hydropower plants, sand removal and other economic activities in this deposit account as at 31 December of the year under review and it had not been accounted as per F.R 569 so as to identify the incomes collected and the expenses incurred through the related activities.

expenses of the Department is not sufficient to be utilized for giving such additional recommendations and it is not right to incur expenses for said matters by the Department, the fees are charged for giving recommendations and those fees are retained in the General Deposit Account and used to reimburse the expenses incurred in issuing the relevant recommendations.

The amount of Rs. 6,008,171 is a deposit being maintained under General Deposit Account No. 6000-0-0-13-36-0-0 to issue recommendations for sand licenses. When the relevant deposits are released, the payments are made subsequent to certifying the Requisitions Forms always by two officers as per Financial Regulations 206.

- (ii) The balance of the Deposit Account No. 6000-0-0-13-0-36-0-0 temporary holding for the re-payment to third parties was Rs. 192,455,677 as at 31 December 2022, and some of the deposits had been retained since 2016 without being used for related purposes. Out of the deposits so retained, the total of 48 deposits with values more than Rs.500,000 was Rs.167,757,978.

There is a deposit amount of Rs. 32,179.96 as at 31 December 2022 related to the year 2016 in the Deposit Account No. 6000-0-013-0-36-0-0 temporarily holding for the repayment to third parties, and the said amount has already been credited to the government revenue.

Further, a sum of Rs. 67,145,258.68 from the balance of Rs. 167,757,978 of 48 deposits having values more than Rs. 500,000 has been settled.

Money received by the Department for various functions should not be retained in the General Deposit Account for a long time and the said money should be utilized for the related functions immediately.

#### (d) Property, Plant and Equipment

Following deficiencies were revealed in the accounting the property, plant and equipment.

| <b>Audit Observations</b>  | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>  |
|--|---|--|
| (i) In recording the total of Non-Financial Assets Opening Balance as at 01 January 2022 as Rs. 98,669,997,608, the total value of 09 Asset Accounts had been understated by Rs. 600,435,665 and the total value of 02 Asset Accounts had been overstated by Rs. 386,600. Since the said balance as at 31 December 2021 was Rs. 99,270,046,673 according to the financial statements 2021, the opening balance of the year under review had been understated by Rs. 600,049,065 in comparison to the closing balance of the non-financial assets in the previous year.   | When the Treasury was inquired at the end of the year about the changes in balances, instructions were received that the departmental books and treasury books were sufficiently tallied as at 31 December 2022. Accordingly, the asset balances of departmental books and asset balances of departmental ledger accounts as at 31 December 2022 are tallied, and those balances are also tallied with the treasury account balances. | The actions should be taken to check the closing balances of the previous year comparatively and to enter the correct information when the financial statements are prepared.            |
| (ii) Although the non-financial assets should be identified and accounted as per the Circular No. 01/2017 dated 28 June 2017 issued by the Secretary to the Treasury about the documentation of all non-financial assets of the government for asset and cost management by the Ministry of Finance and Mass Media, the total cost of Rs.73,242,085,249 incurred for the 46 projects implemented by the Irrigation Department had been accounted under the Code No. 6141403 in the statement of non-financial assets as at 31 December of the year under review, and the buildings, transportation equipment, other machines and equipment and other non-financial assets included in that value had not been separately identified and accounted. | All the expenses currently incurred are capitalized as project expenses under the relevant project, its expenses are identified and accounted separately after the completion of the project.   | The schedules should be prepared so that the assets acquired under each project can be identified separately and the non-financial assets should be separately identified and accounted. |

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| (iii) | Although the transportation equipment at a value of Rs. 4,379,010,064 under the Code No. 61121 and other machines and equipment at a value of Rs. 1,054,019,558 under Code No. 61122 had been accounted in the statement of non-financial assets, the documents to confirm those values were not submitted for the audit.   | These value include all fixed assets such as vehicles, agricultural equipment, machinery equipment, office equipment, computer devices and communication equipment in the Zonal Offices belonging to the Department and in the Head Office. The fixed assets document prepared under CIGAS computer software related to all the information and values of the said equipment is herewith presented via the e-mail. | The schedules should be prepared so that the assets acquired under each project can be identified separately and the non-financial assets should be separately identified and accounted. Asset verification documents required for the audit should be presented. |
| (iv)  | The value of the building had been accounted as Rs. 2,592,069,648 under Code No. 6111 in the statement of non-financial assets as at 31 December of the year under review. Although a register of 2562 buildings had been prepared by the Asset Management Division of the Department, the value of the buildings was not indicated therein and therefore the accuracy of the said value was not confirmed. | I accept. The Valuation Department has been informed to assess the building value. The actions will be taken to enter the correct values after the receipt of calculations.  | The Schedules included with the value of each asset should be prepared so that the balance of the non-financial assets being accounted can be verified.   |
| (v)   | The lands with an extent of 4,735 acres and 123 perches in the Zonal Director Offices and Zonal Engineer Offices of the Department and 392 buildings located in the Offices of Director (Irrigation) of Bandarawela, Galle, Kandy, Polonnaruwa, Monaragala, Hambantota had not been assessed and accounted as fixed assets.   | I accept. The actions have been taken for rectification.   | All lands and buildings belonging to the Irrigation Department should be properly identified and the actions should be taken to account their values.   |
| (vi)  | 106 automatic water meters and rain gauges assigned to the Hydrology & Disaster Management Division by the Dam Protection Project were not shown under non-financial assets in the financial statements of the Department.  | I accept. The actions have been taken for rectification.   | Automatic water meters and rain gauges assigned by the project should be accounted under non-financial assets in the financial statements.  |



## 2. Financial Review

### 2.1 Imprest Management

The observations made regarding the imprest planning, applying for imprest and utilization of imprest of the Department are as follows.

| <b>Audit Observations</b>  | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>  |
|--|---|--|
| The Department had requested the Treasury for the total planned imprest requirement of Rs. 19,341,901,000 for the fulfillment of the tasks planned by the Department in the year under review. However, the total provision received was Rs.10,538,704,000 which was only 54.4 percent from the amount of the imprest applied. Consequently, the provisions of Rs. 8,803,197,000 had not been able to be utilized. | I accept. All amounts of imprest applied were not received due to the adverse economic situation prevailed in the country. The said situation exists this year as well. | The practical situations should be considered in the imprest planning and the forecasts should be made so that the variations are minimized. |

### 2.2 Expenditure Management

Following are the audit observations revealed in respect of the preparation of annual budget estimates, transfer of allocations, receipt of allocations through supplementary budget estimates, utilization and the remaining.

| <b>Audit Observations</b>   | <b>Comments of the Accounting Officer</b>  | <b>Recommendation</b>   |
|---|--|---|
| (a) Rs. 283,000,000 from 5 project objects; to which the provisions of Rs. 940,000,000 were allocated, had been transferred to other objects due to allocating money without identifying the needs and not implementing the works as planned. Consequently, the planned development works had not been fulfilled as more than 30 percent of the allocations made for development programs were not fully utilized and transferred to other objects. | The progress of some projects could not be achieved as expected due to the difficulties in procuring construction materials, difficulties in getting and quarterly allocation of budget. | The actions should be taken to identify the requirements when preparing the budget and to estimate and present the estimates in such a way as to minimize the variations as much as possible. |

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| (b) Rs. 90,000,000 had been transferred from the allocations made under 3 other objects due to the inadequacy of the allocations made by the budget document for each development program under the objects of lands and land improvements and infrastructure development. | It has not been possible to incur expenses due to the non-receipt of imprest in the projects. | The actions should be taken to identify the requirements when preparing the budget and to estimate and present the estimates in such a way as to minimize the variations as much as possible. |
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### 2.3 Entering into Liabilities and Commitments

| <b>Audit Observations</b>   | <b>Comments of the Accounting Officer</b>  | <b>Recommendation</b>  |
|---|--|--|
| (a) As per the Paragraph 02 (d) of Public Accounts Circular No.255/2017 dated 27 April 2017, the payments related to the financial year should be released within the respective financial year, and the liabilities amounting to Rs. 129,908,705 related to 5 objects had been entered into as at 31 December 2022 in contrast to the instructions that had been given to the effect that no liability should be carried forward with the intention of settling in the following year. | The liabilities had been entered into within the limit of the allocations made, and the liabilities could not be settled even by 31 December 2022 due to the non-receipt sufficient imprest. | As per the provisions of the Public Accounts Circular, the payments related to the financial year should be released within the respective financial year, and no liability should be carried forward with the intention of settling in the next year. If it is necessary to do so, the approval of the Treasury should be obtained. |
| (b) The register of obligations and liabilities was not maintained according to the Public Accounts Circular No.255/2017 dated 27 April 2017, and only information about liabilities had been presented and information about obligations had not been presented.   | No obligations have been entered into under F.R 94.2. However, the attention will be focused to this and the actions will be taken to inform the zonal offices once again.                   | As per the Public Accounts Circular No. 255/2017, the liabilities and obligations should be separately identified, documented and presented through accounts.  |
| (c) The Director General of Irrigation had been informed by the Geological Survey and Mines Bureau in August 2018 that a sum of Rs. 38,044,762 is   | A final conclusion has not been made about paying the royalty to the Geological Surveys and Mines Bureau   | All relevant liabilities and obligations should be identified,   |

outstanding as royalties for 1,355,907 cubes of soil and 16,571 cubes of sand related to the Yan Oya Reservoir construction project. The relevant outstanding amount had not been shown in the financial statements as a liability or obligation.

under the Yan Oya Reservoir Project, and the discussions in connection to this matter are being held. Therefore, the royalty payable to the Geological Surveys and Mines Bureau is not recorded as a liability in the financial statements.

documented and presented through accounts.

#### 2.4 Certifications to be made by the Accounting Officer

Although the certifications should be made by the Accounting Officer regarding the following matters according to the provisions of Section 38 of the National Audit Act No. 19 of 2018, proceedings had not been made accordingly.

| Audit Observations  | Comments of the Accounting Officer  | Recommendation  |
|---|---|---|
| <p>(i) The Chief Accounting Officer and the Accounting Officer should ensure that the Department develops and maintains an effective internal control system for financial control and the periodic review about the effectiveness of the system should be carried out and the necessary changes should be made accordingly to make the system effective, and said reviews should be made in writing and a copy of it should be presented to the Auditor General. However, the statements on the conduct of such reviews had not been presented to the Audit.</p> | <p>I agree that a periodic review for the effectiveness of the internal control system should be conducted in writing in accordance with the provisions of the Section 38 of the National Audit Act No. 19 of 2018, and a copy of it should be presented to the Auditor General.</p> <p>The review of the internal control system in the Department is conducted weekly through the senior officers' meeting chaired by the Director General of Irrigation, and the notes about the discussions of those meetings are issued to the department heads. The actions will be taken to present a summary of those discussion notes.</p> | <p>The proceedings should be made as per the provisions of the Section 38 of the National Audit Act No. 19 of 2018.</p> |

- (ii) Even if the Chief Accounting Officer and the Accounting Officer should ensure that all audit queries are answered within the specified timeframe as required by the Auditor General, the audit queries had not been answered as per paragraph 3.13 of the report.
- Since the department has 14 zonal offices, 52 regional offices and many other institutional units, the reason for this delay has been caused by the need of calling for information from all those offices operating throughout the island in order to answer an audit query. The measures will be taken in future to speed up the answers.
- The Accounting Officer should ensure that all audit inquiries are answered in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

## 2.5 Non-compliance with Laws, Rules and Regulations

The circumstances of non-compliance with Laws, Rules and Regulations observed during sample audits are described below.

|   | <b>Observations</b>  | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>   |
|---|--|---|---|
| <b>Reference to the Laws, Rules and Regulations</b>                       | <b>Non-compliance</b>  |   |   |
| (a) Section 11 of the Irrigation (Amendment) Act No. 23 of 1983.          | An irrigation penalty fund had not been maintained.  | The money collected in respect of the offenses and damages stated under the Irrigation Ordinance is credited to the General Deposit Account and spent for the related indemnifications, and the remaining amount and the royalty are credited to the state revenue. | The arrangements should be made to maintain an Irrigation Penalty Fund as per the Section 11 of the Irrigation (Amendment) Act. |
| (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka |  |   |   |
| (i) Sections 4.4 and 4.5 of Chapter XXIV                                  | The actions had not been taken to charge a sum of Rs. 2,266,323 to be collected from 19 deceased officers, a sum of Rs. 9,412,408 to be collected from 92 retired employees and a sum of Rs. 3,693,751 to be | Out of Rs. 2,266,323.63 that was to be collected as at 31 December 2022 from 19 deceased persons, a sum of Rs. 426,124 for 4 persons has been recovered by 30.06.2023 and the   | The loans not paid back should be recovered from the responsible parties as per the provisions                                  |

collected from 36 officers who were interdicted, who left the service and who were suspended. In these balances, there was a loan balance of Rs. 2,846,837 which is more than three years old and a loan balance of Rs. 1,705,310 older more than five years.

amount to be recovered further is Rs. 1,840,199.

Out of Rs. 9,412,407.87 to be recovered as at 31 December 2020 from 92 retired persons, a sum of Rs. 1,234,507 for 17 people has been collected by 30 June 2023, and the actions are being taken to collect the balance of Rs. 8,177,900.87 which is to be collected further.

The outstanding loan balances of 16 persons out of 21 persons having loan balances as at 30 June 2023 are being charged as monthly installments.

A sum of Rs. 223,358 out of the loan balance of Rs. 2,846,837.47 older more than three years which is included within the above loan balances has been recovered by 30.06.2023, and a sum of Rs. 2,623,479.47 should be further recovered.

The actions are being taken to collect the balances amounting to a sum of Rs. 1,626,545.48 older more than five years and included in the loan balances.

of the Establishments Code. The disciplinary actions should be taken against the officers from whom the loans were not recovered.

- (ii) Sections 5.2.1 and 5.3.1 of Chapter XIX The rentals of the official quarters had not been charged according to the Establishments Code from the officers and employees residing in the quarters located in 14 Zones belonging to the Department. The instructions have been given to follow the correct measures as per the Establishments Code when the house rentals are collected henceforth. The arrangements should be made to collect the house rental from the officers residing in the quarters belonging to the Department as per the provisions of the Establishments Code.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) F.R 104-109 The proceedings had not been made as per the Financial Regulations regarding 30 damages and losses at a value of Rs. 18,191,201 occurred between 1979 and 2012. There are 22 incidents of losses in the Register of Damages and Losses which are still being dealt as per Financial Regulations from 104 to 109. The proceedings should be made regarding the damages and losses as per the F.R 104 to 109.
- (ii) F.R 756 The materials issued for the operation and maintenance works and construction industries in the Divisional Irrigation Engineering Offices had not been checked by the Annual Board of Survey. The actions will be taken in future to update the existing circulars on how to proceed in conducting the annual surveys of warehouse materials. The materials in the custody of Engineer Assistants should be subjected to Board of Survey as per the F.R 756.
- (d) In the Procurement Guidelines;
- (i) Guideline 3.4 Hiriya Divisional Irrigation Engineering Office had done purchases of more than Rs. 5 million for the construction of Endagala Dam using the shopping method. I accept. The instructions were given to proceed as per the Procurement Guidelines. The purchases should be made in accordance with the procurement guidelines.

- (ii) Guideline 8.9.1      Although a formal contract agreement should be written and signed for contracts of goods exceeding Rs.500,000, the purchases made by the Hiriala Irrigation Engineering Office had been done without signing formal contract agreements.      I accept. The actions have been taken to proceed rectifying the issues pointed out by following correct procurement methods.      As per the terms of the procurement guidelines, the formal contract agreements should be written and signed for the contracts of purchasing goods exceeding Rs. 500,000.
- (e) Paragraph 1.1.6 of Budget Circular No. 118 dated 11 October 2004      If the loan balance due from the officers transferred to other departments and ministries has not been settled within 02 months, the arrangements should be made to collect those within the third month from the monthly account summary of the department to which the transfer was made. However, as the proceedings were not made accordingly, an outstanding loan balance of Rs.537,530 was to be recovered.      The arrangements are being made to recover; as monthly installments, the loan amount of Rs. 537,530 to be collected from the officers transferred to other departments and ministries.      The actions should be taken to proceed as per the provisions stipulated in the circular and act to recover the outstanding loan balances.
- (f) Asset Management Circular No. 01/2017 dated 28 June 2017      The information system about the non-financial assets maintained by the Department had not been maintained correctly and up-to-date.      A geotechnical data system is being maintained at present to provide information required for technical operations and governance decisions. That can be accessed through the geographical information technology portal on official website ([www.irrigation.gov.lk](http://www.irrigation.gov.lk)) of the Irrigation Department.      As per the instructions of the Asset Management Circular dated 01/2017, the information system maintained by the Department should be maintained accurately and up-to-date and reported to the Comptroller General.

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| (g) Paragraph (a) of Irrigation Department Circular No. 23 of 1982 | The monthly material reports had not been presented by the Engineering Assistants of the Department within 5 working days of the following month. | I accept. The instructions have been given for that. The actions will be taken to rectify it in the future. | Engineering Assistants should strengthen the internal control on maintaining and presenting the records of materials. |
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## 2.6 Improper Transactions

Following observations are made.

| <b>Audit Observations</b>  | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>  |
|--|---|--|
| (a) When an amount of more than Rs.500 is paid, it should not be paid in cash as per the F.R 385(1)(a). However, 1177 cheques worth Rs. 352,420,052 had been issued in the name of Regional Irrigation Engineer in the year 2022 contrary to that and without a proper approval. Afterwards, the Zonal Assistant had taken money of those cheques by cancelling the crossing thereof and the payments had been done in cash to the payees without proper approval. | The Zonal Irrigation Directors have been informed and instructed to maintain the said activities through the correct methods in such a way that fraud, corruptions and irregularities do not occur and to proceed with a proper financial control in accordance with the financial regulation circulars, procurement guidelines and other rules and regulations. Also, the regional offices have been informed to act according to the said instructions. | The cheques should be written and crossed in the name of the subscriber and the payments should be made as per F.R 385(1) (a). The disciplinary actions should be taken against the officers who have acted in contrast to that. The internal control system about cash payments in regional offices should be strengthened. |
| (b) The cab bearing the No. 51 – 9694 belonging to the Irrigation Department was hijacked on 13 August 2001 in Kalmune police area while deployed in the service with an Engineer Assistant. According to the report of the Case No. No. 22647/ pc heard in the Kalmune Magistrate's Court in this regard, this incident had been determined as a crime wherein the suspects are unknown, and the inquiry board appointed in this                                  | A copy of the letter sent by registered post to the Commissioner of Motor Traffic stating the actions taken regarding the cab No. 51-9694 belonging to the Irrigation Department is presented herewith.   | The disciplinary actions should be taken against the responsible officers who have caused the registration certificate to be misused by not canceling the registration of the respective vehicle. The arrangements should be made to   |



connection had given its recommendation on 31 March 2022 that this loss be considered as a loss to the government and written off from the book. Accordingly, as the actions were not taken to inform the Motor Transport Commissioner to stop issuing its revenue license and cancel its registration as soon as it is confirmed that the vehicle has been hijacked, a revenue license for the relevant vehicle valid from 29 June 2022 to 28 June 2023 had been issued by the Department of Motor Traffic on 27 October 2022 to a resident of Kurunegala area.

cancel the registration of the department vehicles removed from the use.

## 2.7 Operation of Bank Accounts

The deficiencies revealed during the sample audit inspection carried out regarding the operation of bank accounts are given below.

| Audit Observations  | Comments of the Accounting Officer   | Recommendation   |
|---|--|--|
| <p>The current account number 7042466 opened on 03 March 2008 at Wariyapola branch of the Bank of Ceylon for the Deduru Oya project which ended in 2016 has been maintained for the transactions of the Wariyapola Regional Irrigation Engineering Office without taking steps to formally close it after the completion of the project. Therein, an approval had not been taken from the Treasury according to F.R 381(1).</p> | <p>The formal approval from the General Treasury has been obtained as per F.R 381 (1) to open the account number 7042466. This account has been maintained until the proceedings and the liabilities related to the General Deposit Account of the project are settled, and the necessary activities to change the name of the account are currently underway.</p> | <p>The relevant bank account should be formally closed after the completion of the project activities. Without the approval of the Treasury, the bank accounts should not be used for the activities outside the purpose for which they were opened.</p> |

### 3. Operational Review

#### 3.1 Non-achievement of Expected Outcomes

The following observations are made.

| Audit Observations   | Comments of the Accounting Officer  | Recommendation   |
|--|---|--|
| (a) The project of constructing feeder canal from Siambalangamuwa Oya to Maha Galgamuwa Tank.  |   |  |
| (i) On the approval of the Cabinet of Ministers received on 28 September 2011 for the Cabinet Memorandum No. 11/1858/508/034 titled "Ten-Year Plan on Large/Medium Scale Irrigation Projects proposed to be implemented by the Ministry of Irrigation and Water Resources Management" presented on 11 September 2011 by the Minister of Irrigation and Water Resources Management, the said project had been started expecting to be completed within the period of 2012-2014. However, it has not been completed until now even if 9 years have passed. | Although a sum of Rs. 500 million has been allocated and the approval of the Cabinet of Ministers has been received to start the construction activities of the proposed Mahagalgamuwa Feeder Canal in the year 2012 and complete within the year 2014, the estimates for the commencement of construction have been approved in 2015. Accordingly, the excavations and the prescribed constructions of the canal have been started. The project works have been delayed due to the corona epidemic situation prevailed in 2020-2021, the transfers of the officials from time to time and the termination of the contracts without completion. In order to accomplish the remaining works, the proceedings are underway to revise the first approved estimate. | The action plans should be developed and the responsibilities should be specifically assigned to complete the projects within the stipulated timeframe. The expected benefits should be evaluated at the end of each stage and the actions should be taken regarding the delays. The opportunity cost of the loss of expected economic benefits due to long-term delays of the projects should be calculated and disclosed in the annual performance report. |
| (ii) According to the feasibility study reports of the above project, the aims had been set to provide irrigation water for 1400 acres as 800 acres in Palukadawala, 400 acres in Mahagalgamuwa and 200 acres of new lands through the implementation of the above project, and Rs.375 million had   | Necessary estimates for the formal execution of this construction are being prepared. Constructions are expected to be executed after the formal approval.  | The officers responsible for deprivation of economic benefits by implementing the project without a formal plan should be identified and the disciplinary actions  |

been spent for that purpose during the period 2014-2022. However, any benefit from the said cost had not been given to the national economy to date.

should be taken against them. The timeframes of the project should be determined and planned, and the implementation should be done in line with the said plan in order to carry out the future works of the project in a more efficient and cost-effective way.

(iii) An environmental study report had not been prepared for the project and the approval had not been obtained thereto, and the project had been implemented without obtaining the preliminary approval and the final approval as per the F.R 35 (4) and 36. Further, the lands required to supply irrigation water had not been identified until the date of the audit.

The necessary estimates are being prepared for the formal execution of this construction. Constructions are expected to be executed after the formal approval.

The disciplinary actions should be taken against the officers who acted irresponsibly by implementing the project without the Environmental Study Reports and the preliminary and final approval as per the F.R 35(4) and 36.

(iv) A total cost estimate had not been approved for this project as per the F.R 20 and the project had been implemented by the Director (Irrigation) of Kurunegala without a plan and approving the estimates from time to time. Although, the excavations had been done at various places along a distance of 14 kilometers, many environmental and social problems such as the occurrence of diseases due to collection of water, obstruction of transportation and threats to the safety of people and wild animals had been created due to the canals not being prepared properly.

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The disciplinary actions should be taken against the officers who acted to construct the canal offhandedly without having an approval for the total cost estimate and without a systematic plan for the project. A specific procedure should be introduced in respect of the matters such as identifying each phase and revising the plans during the implementation of

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|       |   | medium and large-scale projects.  |
| (v)   | Although a sum of Rs.375 million from the provisions allocated for this project; which is 75 percent, had been spent, the works had not been completed so as to carry water to the Sinuth Tank within the fourth kilometer.   | The necessary estimates are being prepared for the formal execution of this construction. Constructions are expected to be executed after the formal approval.  |
|       |   | Specific procedures should be introduced in respect of planning and management of the project activities so that economic benefits can be obtained.   |
| (vi)  | An estimate of Rs. 6.7 million had been approved in December 2020 for the removal of stones between the second kilometer and the third kilometer. Although the works had certified that 3,276.25 granite cubes in the canal were removed under the direct labor system, the payments had been made for labor, machinery and materials presenting false measurements to say that the granites were removed in the places where the granites had not been removed. However, an estimate of Rs.20,236,000 had been sanctioned again for removing the granites in the section from 2+400 to 2+875 without any specific certification about the completed works. | This task has also been done under direct labor and the drilling has been done at the time of rock drilling between 2+000 - 2+875 which is the nearest section beyond 2+875. The actions will be taken in future to remove the granites in the entire section with the receipt of the provisions. |
|       |   | New procedures should be introduced regarding the use of machines, labor, raw materials for the contracts performed by the department using its own employees and materials (Force Account) and submission of work completion reports.  |
|       |   | The disciplinary actions should be taken against the officers who submitted fake measurements and bills.  |
| (vii) | Even if there were 7 works to be completed including land acquisition and compensation as at 31 December 2022 in relation to the water carrying project from Siyambalangamuwa Oya to Mahalgamuwa Tank, only the provisions of Rs.8,000,000 had been allocated for that within the year under review.  | As the necessary estimates are being prepared for the formal completion of this construction, it is expected to complete the construction after the formal approval.  |
|       |   | The action plans should be prepared and the annual allocations should be utilised as the economic benefits are accrued at the end of each phase.  |

(b) **The project of removing sand, silt and alluvial soil of Muthukandiya Reservoir.**

Muthukandiya Joint Farmers' Organization and the Rana Mayura Farmers' Organization had requested the State Minister of Agriculture, Irrigation and Rural Economic Affairs to remove sand and silt from the Muthukandiya reservoir and increase its water capacity. The relevant requests had been referred to the Irrigation Department and the Director General of Irrigation had given approval to allow the Rana Mayura Farmers' Organization to remove the sand and silt from the Amin Ara Oya and the Muthukandiya Joint Farmers' Organization to remove the sand and silt from the Miella Oya. Accordingly, the removal of 133,400 cubic meters of sand, silt and alluvial soil under 13 GPS coordinates of Miella Oya and Kikul Ara area had been assigned; by the Letter No. ENV/575(Uva ii), to Muthukandiya Joint Farmers' Organization on 21 February 2019 subject to 32 conditions. The approval for the removal of sand, silt and alluvial soil of Amin Ara Oya under 4 GPS coordinates had been assigned to Rana Mayura Farmers' Organization by the Letter No. DI/MO/W03/05/01/2021 dated 12 October 2021 subject to 40 conditions.

- (i) Muthukandiya Joint Farmers' Organization had not given a refundable deposit of Rs.1,000,000 as per the terms of the contract awarding letter, and the department had accepted the bond letter submitted by the sub-contractor Swarnadevi Enterprises at the aforesaid value for a period of one
- It has been informed to pay a sum of Rs.1,000,000 in cash or by cheque with the intention of restoring the resources of the Irrigation Department if any damage is caused to them during the implementation of the project, and it has been accepted after being confirmed that this
- The appointing authority should be directed to take disciplinary actions against the officers who created the possibilities for other parties for sand mining in the

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| <p>year from 4 March 2021. A sum of Rs. 750,000; that was to be levied per Rs.50,000 monthly for a period of 15 months as per the conditions of the relevant letter, had not been charged.</p>  | <p>can be done through the relevant bank guarantee. Therein, it has not expected to transfer or sell the permission given to the farmer organization to another organization, and it was only expected to facilitate the task of increasing the capacity by removing silt, sand and alluvial soil from the reservoir.</p>   | <p>reservoir contrary to the orders given by the Director General of Irrigation.</p>  |
| <p>(ii) Although the refundable deposit of Rs.1,000,000 due as per the contract award letter had not been given to Ranamayura Farmers' Organization, the permission had been given to remove the silt of the tank. Although the excavated silt and waste should be carried out of the tank within a period of one week as per the letter of awarding, around 1,500 cubes of excavated loose soil had still been piled up in the tank.</p> | <p>As per the conditions of the transport permit issued by the Geological and Mines Bureau and due to the transport difficulties caused by damages of the road, the excavated alluvial soil has been piled beyond the area where water is filled.</p>   | <p>A check lists should be introduced to confirm at each field test that the proceedings are done meeting the conditions stated in the approval letter. The farmer organization that violated the conditions should be blacklisted.</p> |
| <p>(iii) Although the related two farmer organizations had requested to remove the silt from the reservoir and increase its water capacity, works were not done to increase the water capacity of the reservoir excavating the places authorized by the Department to remove sand, as well as the excavations of sand and soil had been done in the Ara area of the reservoir.</p>  | <p>The provided GPS coordinates have been located within Full Supply Level (FSL) of the tank and the removal of silt in that area is the main area that causes the increase in the capacity of the tank. Accordingly, the areas; where the excavations were done, have been located within the full supply level. Consequently, the capacity of the tank is thereby increased, and the audit inspection has observed an area above the top level of the tank band used for sand extraction.</p> | <p>A check lists should be introduced to confirm at each field test that the proceedings are done meeting the conditions stated in the approval letter. The farmer organization that violated the conditions should be blacklisted.</p> |
| <p>(iv) According to the conditions stipulated in the letters containing the consent given by the Director General for the 2 relevant farmer organizations, a sum of Rs. 2,000 should be paid by the project</p>  | <p>The requests have been made to pay per Rs. 2,000 for the deployment of a supervisor on a casual basis for the respective work sites, and no such supervisor has been deployed</p>  | <p>A check lists should be introduced to confirm at each field test that the proceedings are done meeting the</p>   |

proponent as supervision and administration fees instead of deploying an officer of the Irrigation Department for the supervision of the respective task. The supervision and administration fees of Rs.718,000 to be charged so had not been levied by the Department.

due to the non-receipt of this money.

conditions stated in the approval letter. The farmer organization that violated the conditions should be blacklisted. The actions should be taken to charge the fees to be paid to the Department.

### 3.2 Non-achievement of Expected Outcomes

The following observations are made.

| Audit Observations  | Comments of the Accounting Officer  | Recommendation  |
|---|---|---|
| <p>(a) <b>Yanoya Reservoir Project</b><br/>Under the Yanoya Reservoir project, the main dam, 04 saddle dams , the left bank canal with a length of 18 km and the right bank canal with a length of 12 km had been proposed to be constructed. An agreement had been entered into with the China CAMC Engineering Co. Ltd (CAMCE) on 03 November 2011 as a direct contract of USD 176 million on the approval of the Cabinet of Ministers for executing other tasks except the left bank canal. The said contract agreement had been revised on 16 August 2013 setting the contract value at a sum of Rs. USD 150 million so as to limit the scope of the contract agreement to the construction of main dam and 04 saddle dams. An agreement of USD 39.5 million had been signed on 12 December 2017 for the construction of the left bank canal. The right bank canal had been planned to be constructed by local contractors under the Irrigation Department.</p> | <p>The Ministry has entered into agreements for the construction of Yanoya according to the recommendation of the Cabinet of Ministers.</p> | <p>The proceedings should not be done in the large-scale development projects interpreting the things as matters related to contract administration and as policy matters. When the Cabinet Memorandums are presented, the comprehensive information about the macro-economic impact including the particulars specified in the observations should be presented.</p> |

According to the principal agreement, it had been agreed to have 85 percent of the contract amount from a Chinese lending institute through the Ministry of Irrigation and Water Resource Management and the Ministry of Finance and Planning and the Government of Sri Lanka had agreed to bear an amount of 15 percent from the contract value. However, due to the failure of the discussions held with the Chinese Bank about obtaining the loan, the principal agreement had been revised in the year 2013 on the approval of the Cabinet of Ministers for the implementation and completion of this project with a period of 3 years using local funds. The following particulars are observed in that connection.

- (i) The advantages that could have been obtained through competitive bidding had not been obtained due to the selection of a Chinese contractor under the direct contract method without calling for competitive biddings with the expectation of loans from the Government of China.

The Ministry has entered into agreements for the construction of Yanoya according to the recommendation of the Cabinet of Ministers.

The proceedings should not be done in the large-scale development projects interpreting the things as matters related to contract administration and as policy matters. When the Cabinet Memorandums are presented, the comprehensive information about the macro-economic impact including the particulars specified in the observations.

The proceedings should be made always adhering to the procurement guidelines.



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| (ii)  | The conditions of making payments in American Dollars as an EPC contract agreement had been included in anticipation of foreign loans, and the foreign reserves of the country had been adversely affected as the conditions of the agreement were not changed even if the foreign fund had not been received.   | The Ministry has entered into agreements for the construction of Yanoya according to the recommendation of the Cabinet of Ministers. | When the Cabinet Memorandums are presented, the comprehensive information about the macro-economic impact should be presented.  |
| (iii) | Although the project was to be completed in the year 2017 according to the initial plans, the deadline was extended up to December 2022 with the approval of the Cabinet of Ministers and the cost estimate had been increased from Rs.36,855 million to Rs.48,553 million.  | The timeframe has been extended due to the issues related to land acquisition.   | Sufficient attention should be given regarding the adverse effects of extending the timeframe on achieving the desired economic benefits. Before incurring additional costs, it must be ascertained that the relevant delays have been caused outside the contractor. In the implementation of the projects, the projects should be carried out in line with the Action Plan. |
| (iv)  | Although the activities of the project were to be accomplished by 31 December 2022 according to the Cabinet Decision No. CP/21/1123/317/035 dated 5 July 2021, the project had been accepted by the Irrigation Department in a circumstance where the report on the further tasks to be performed related to the completion of the project, the project completion account, the relevant documents to confirm that the transfer of project assets has been done properly and the arbitration of disputes that can occur in future related to the 2 | This project has been implemented under the Ministry and assigned to the Department.   | The instructions should be issued specifying the procedures to be followed in respect of taking over the large scale projects after its completion.   |

EPC contract agreements as well as the documents to confirm the employer's rights in a legal proceeding had not been prepared.

- (v) Provision of water for drinking purpose and cultivating 2,287 hectares of agricultural lands in the identified areas of Trincomalee district, provision of water for drinking purpose and for 5,360 hectares of agricultural land in the identified areas of Anuradhapura district, initiation of clean drinking water supply projects to control Kidney disease rapidly spreading in the agricultural areas called Wahalkada, Padaviya, Gomarankadawala have been identified as major benefits of this project. However, the proposed drinking water projects in Trincomalee and Anuradhapura districts had not been started, and the activities of releasing the lands proposed for new cultivation under the left bank and right bank canals from the Forest Department had not been completed. The construction of the split canal of the small tank system had also not been completed. Whether it has contributed to the control of kidney disease had not been confirmed. However, a plan to utilize the works presently completed under the project in such a way as to generate maximum economic benefits was not prepared and implemented. Due to this matter, the sufficient economic benefits had not been added to the national economy against the cost of Rs. 38,349 million incurred.
- 2,913,420.00 USD has been allocated for building facilities under the Item 4.10 of the Contract No. MIWRM/CONS/YANOYA/2011/01 at a value of USD 176 million made on 03 November 2011 with CAMCE Company of China for the works of Yanoya Reservoir Construction. However, this contract has been revised as USD 150 million on 16 August 2013. Adequate benefits have been received. 11,550 acres of paddy fields are cultivated presently for the Maha season.
- The analytical reports should be prepared on the achievement of expected economic benefits and followed ups should be ensured. The investigations should be started to identify the parties responsible for non-achievement of the objectives. A new program should be implemented in a planned manner to fulfill the unfulfilled objectives.

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| <p>(vi) There were 887 land lots owned by the State in Gomarankadawala, Horowpathana, Kebithigollewa, Padaviya, Padavi Sripura Divisional Secretary's Divisions and 3,919 land lots to be acquired by compensating to private parties for the construction of the reservoir and the left bank canal. A register of information or an updated information system important for land acquisition, resettlement and compensation had not been maintained, and the documents had not been maintained properly. As a result, it was not able to confirm in the audit that the land acquisition activities have been completed and that the compensations have been made based on correct assessments to the appropriate persons in accordance with the criteria approved by the Cabinet of Ministers. Further, the amount of land acquired under the project and how those acquired lands have been used could not be verified in the audit.</p> | <p>Land acquisition activities are in progress. Due to delays in the receipt of assessment reports, the records are being maintained even if the payments get delayed.</p>   | <p>An information system including all particulars related to land acquisition, compensation and resettlement should be maintained and records should be maintained properly.</p> |
| <p>(vii) The compensation payments had been completed for only 2,438 land lots related to the project and the compensation payments related to another 1,481 land lots had not been completed.</p>  | <p>The records are being maintained even the payment get delayed due to delays in the receipt of assessment reports.</p>   | <p>The activities of land acquisition, resettlement and compensation should be completed promptly.</p>  |
| <p>(viii) The works amounting to USD 3,478,910, which should have been performed as per the EPC contract agreement entered into with the Chinese contractor regarding the construction of the Yanoya Left Bank Canal, had not been performed. However, the works had been fully certified and</p>   | <p>The design works have also been done by the contractor and the designs have been revised to suit the field at the time of construction. The total number has changed due to constructions done using two pipes. The gates have been placed as</p> | <p>The disciplinary actions should be taken against the officers who have issued performance certificates stating that all the works have been completed and certified</p>        |

the payments had been made thereto.

1. Although the side canals and 13 pipe bridges across main canal so that farmers can pass through the canal were to be erected under the estimate item number 3.5.5, only 11 had been constructed and those too had not been erected so that the farmers can move across.

2. Even though 32 gates that can be operated by human labor and electricity were to be constructed under the estimate item no. 4.2, only 15 gates had been constructed and the full amount had been paid while the electricity required to operate their electric motors had not been provided.

3. Although the left bank canal was planned to be constructed with a capacity of 300 cubic feet per second, only the section up to 7+720 kilometers had been constructed compatible to the said requirement, and as the section up to 18.21 kilometers was constructed with a capacity of 150 cubic feet per second and as the reservoir proposed to be constructed in section 7+720 was not constructed, it was not able to release water in the first section with a capacity of 300 cubic feet per second.

per the requirement at the time of construction. Electric motors have not been installed as there is no electricity connection in that area. There is no requirement to design the canal capacity in the same quantity. Not formally accepted. The performance report has been given to the contractor.

payments for the constructions not compatible to the prescribed specifications while all the works to be completed by the contractor as per the EPC contract agreement were not completed

- (ix) Even if USD 2,913,420 had been paid for the building facilities according to the initial contract

It has been revised later.

A formal approval should be taken to revise the building

agreement, a description about the buildings constructed under that were not submitted to the audit.

proposed to be constructed in line with the initial designs, and the reports included with all the certifications related to the cost incurred.

- (x) 4,672,247 USD for access and exit for the work site under the reservoir construction contract and 486,358 USD under the contract of constructing the Left Bank Canal had been paid to the contractor. However, the contractor has not left the work site to date, and the land was still being used by the contractor getting security services for the temporary office buildings, stone grinding machines and other machineries.
- Due to legal obstacles for removal, the machines have not been removed.
- The value of the state lands and properties being used without formal removal from the work site after the date of issuing the performance certificate should be assessed and the rental should be levied.
- (xi) Even if the EPC contract documents had been used in the contract made with the Chinese contractor for the construction of the reservoir and the left bank canal under this project, the provision no.7.8 regarding the payment of the royalty for the construction materials had been amended by special provisions. Therein, the amendment had been made stating that the approval and the payment of royalty for soil and granite mining should be procured by the employer as well as soil and granites can be obtained by the contractor without paying fees during the project implementation period. Therein, the land use fee of Rs. 2,196 million to be levied to the government under the Section 20 of the Forest Ordinance for 81,905 cubes of sand, 201,784 cubes of granites and 157,234 cubes of soil used by the contractor
- There are no actions that can be taken currently in this regard.
- The disciplinary actions should be taken against the officers who revised the agreements without paying enough attention to the conditions of the agreement and valid laws even if thorough attention should be paid thereto.
- The necessary measures should be taken to pay the Land Use Charges and the Royalty to be paid to the Government for the sand, granite and soil used by the Contractor. Further, the complaints regarding these issues should be

for the activities of the above 2 projects and the royalty of more than Rs.27 million to be levied further as per the Mines and Minerals Act No.33 of 1992 had not been recovered to date.

made to the law enforcement agencies in accordance with Section 38 (1) of the National Audit Act No. 19 of 2018.

(xii) The construction had been completed by the contractor on 31 December 2018 and the stock of granites, sand and minerals mined without paying the royalty and the land use fees were still piled up in the work site even after passing a period of 5 years.

The actions are underway for acquisition.

The arrangements should be made to take over granites and sand; heaped for a period of more than 5 years after being mined without paying the royalty and land use fees, to the government and handed over for another project formally after making the due payments.

(b) Pilot project to study the re-development of farm lands under mass irrigation projects in Sri Lanka.

A Memorandum of Understanding had been signed on 31 March 2021 by the Chairman of Japan Institute of Irrigation and Drainage (JIID) and the Secretary to the Ministry of Irrigation for the implementation of a pilot project to study about the land integration to improve the productivity and the efficiency of using resources in the irrigated agricultural lands, modernizing and mechanizing agricultural activities, overcoming the climate changes and exchanging the technology between Japan and Sri Lanka. A total of Rs. 46,790,782 had been spent for this project from the year 2019 as Rs. 38,024,115 from the Government of Sri Lanka and Rs. 8,766,667 (USD 43,627) of Japan Aids from the Japan Institute of

## Irrigation and Drainage.

- (i) Although the agreement related to the implementation of this project was signed on 31 March 2021, the project works had been started before that in the year 2018. 22 officers of the Department participated in foreign training during the period of 2019-2021. Therein, a consent had not been taken through agreements that the officers should contribute to the project activities. Also, as 09 officers out of the 22 trained officers were retired, transferred to other institutes and assigned to other duties, an adequate contribution had not been received from them for the pilot project. Among them, two officers who were to retire in July and August 2019 had participated in the training course in Japan in February 2019 and the above officers had retired a few months after the training.
- Eng. Mr. M. W. P. De Silva; Director of Irrigation, has reported for duty at the Head Office from Anuradhapura upon a promotion.
- Mr. R.P.M. Disanayaka who served in the Irrigation Management Division being in charge of the activities of this project has participated in this training, and has informed that there is a severe shortage of staff in the Irrigation Management Division and the other officers suitable for that purpose are still unavailable.
- Also, Mr. Wijesinghe; who worked as then Divisional Secretary, has also retired subsequent to working in respect of the land related works for nearly 7 months after the training.
- Mr.M.M.S.B. Herath has worked as Residential Project Manager in this project area for more than 03 years after the foreign training and being transferred due to service requirements and health reasons.
- Eng.Mr.R.A.R.Vidura Krishantha has been transferred to a nearby workplace due to the requirement of getting married after foreign training. Mrs. Sandhya Abeysekera has been continuously contributing to the works of this project since its inception while she was serving as the Additional District Secretary (Lands) in Anuradhapura district on a promotion, and Ms. P.K. Lalani Sakunthala has gone on a promotion to a workplace where
- In selecting officers for foreign training courses, the criteria required to succeed the project should be determined and officers should be selected accordingly.
- An agreement should be entered into with the conditions that the respective officers will serve in the project outside the normal transfer system until the completion of the project.
- Selections for foreign training courses should be done to provide training opportunities to a large number of officers so that the knowledge and training obtained through foreign training courses can be used for the enhancement of the relevant field and the service can be provided during the entire project period.

there was a vacancy at that time. Mrs. M. W. Ishara Oshini was on maternity leave.

- (ii) Although the approval of the Cabinet of Ministers had been received to incur a cost of not more than Rs. 60 million for the project, the estimates of Rs. 119.3 million had been approved for the land preparation and grounding only a part of the canals and dams. Accordingly, the estimates to incur a cost of Rs. 59 million exceeding the Cabinet Approval had been approved.
- Although this research and study project was originally designed to be implemented in 2019, the provisions have not been given in the years 2019 and 2020.
- Only about Rs.20 million have been allocated as provisions in the year 2021, and it was only for the preparation of paddy lands. However, the estimates had been prepared for all the expected works.
- Even if all the remaining works of this had been scheduled to be finished within the year 2022, the estimates were revised based on the decisions taken by the District Price Fixing Committee as the commodity prices were increased due to the economic crisis in the country.
- If it is required to estimate exceeding the project value stated in the Cabinet Decision, the approval from the Cabinet of Ministers should be taken again. The appointing authority should be referred for disciplinary actions against the officers who approved estimates exceeding the approval.
- (iii) The Nachchaduwa Divisional Irrigation Engineering Office of the Department had undertaken and implemented the ground preparation and construction of this pilot project. Since the year 2018, the estimates prepared for the work of the project had been revised on several occasions and while Rs. 22 million had been spent under the first estimate, another estimate of Rs. 22.6 million was approved for the same work in the year 2022 and Rs.17.3 had been paid.
- The Divisional Secretary has issued a new survey order on September 30, 2021 under the caption “amending the current survey”. Yet, the 2021 Yala season was over by that time, and the irrigation department had to finish the work during the season abandoned by the farmers, so the work was done quickly. Therefore, even after the revised survey, the plot plan was changed twice, and when the work was started again in 2022, the field work was carried out according to the survey that had been done by that time. When the work started in 2022, some work done in 2021 had to be done separately again. Again
- Action plans should be prepared in such a way that responsibilities are assigned with specific time frames for the project tasks and should be dealt with accordingly. Here, the Divisional Secretary should direct the appointing authority to take disciplinary action against the officials who decided and gave instructions to set up the ridges and canal system before showing the boundaries.



expenses had to be incurred for that.

- (iv) Although the progress reports had been submitted that 85 percent of the paddy fields preparation work under the project had been completed, the paddy fields had not been prepared to the level where they could be cultivated in the 2022/2023 Maha season. Only 3 percent of the works such as Concrete preparation of canals, preparation of tractor springs, preparation of water diversions for water management etc. , had been completed. Due to not demolishing the FC 8 and FC 9 canals that supply water to paddy fields , 260 meters of concrete side walls and 37 water diversions, and non-planning of the canals as planned, it was not possible to carry out the water control activities that had been going on until then.
- At the beginning of the research study, it has been mentioned that the existing fc 08, fc 09 channels will be removed and the square areas of land (liyadi) will be prepared as a single square area of land for one person. When the documents were being prepared, the old fc 08 and fc 09 canals were also removed and a new canal was planned to replace the canals that could not carry water downstream until then.
- New canals should be prepared and facilities should be provided to maintain the water control activities in a regular manner and to carry out the cultivation activities of the farmers in a proper manner as planned.
- (v) According to the project implementation plan, all the work of the project were to be completed from August 2021 to December 2021, but by August 2022, land preparation and distribution of land deeds had not been completed.
- During 2021/22 Maha season, paddy cultivation in the country was hampered due to lack of chemical fertilizers and about 95 percent of the farmers in the Nachchaduwa movement had abandoned the cultivation. In the 2022, Yala season too, the officials had to take a big effort to get the farmers of the Nachchaduwa irrigation Scheme to focus on cultivation.
- Action plans should be prepared in such a way that responsibilities are assigned with specific time frames for the project tasks and should be dealt with accordingly.
- Although the project objectives such as the concreting and preparing the canals completely ,preparing one square area of land per acre, concreting and preparing the middle canal and both side waste canals providing with a tractor spring each field , a water diversion sluice, a water meter, a paddy drying place, a warehouse, a mill for threshing paddy, providing machines for planting and weeding, increasing the yield
- A temptation should be created to prevent such activities and delays from happening in the future by calculating the opportunity cost regarding the impact on 06 seasons of cultivation activities and those farming

by 20 to 30 bushels of paddy per acre after 3 seasons were stated as at the beginning of the project but none of those tasks were accomplished through the project.

During the implementation of the project, 65 acres (26.3 hectares) of Nachchaduwa cultivated paddy fields were agreed to be set aside for 2020 Yala and 2020/2021 Maha season cultivation, and it was agreed to prepare the paddy fields so that the farmers could cultivate from the 2021 Yala season, but the audit date was 2022. Due to the fact that the pilot projects had not been completed till August 2022 which was the audit date, the farmers had not been able to carry out cultivation activities for 06 seasons from 2020 to 2023. Thus, the harvest from 104 metric tons of paddy in one season to 624 metric tons of paddy in 06 seasons was lost to the national economy and its value amounted to Rupees 62 million approximately.

families due to the non-completion of the project as planned and including in the project report presented at the end of the pilot project.

### 3.3 Abandonment of Projects.

The following observations are made.

| Audit Observation   | Comments of the Accounting Officer | Observation  |
|---|------------------------------------|--|
| (a) On the recommendations of the Re-programming and Acceleration of Large Scale Development Projects (RAMP) Committee, It had been decided not to implement Kudavilachchiya Reservoir renovation project for which Rs. 159.4 million had been spent on an estimate of Rs. 6,000 million as on December 31, 2022 and the Dematagalle lake restoration project | Finished on instructions.          | A review of all the projects under the department should be conducted and priorities should be identified. The information should be submitted to the Re-Strategizing and Accelerating Large Scale Development |

- which had cost 10 million out of Rs. 2,230 million as of 31 December 2022 from the year 2023. The percentage of completion of these projects which were started in 2021 was 4.95 percent and 0.25 percent respectively on December 31, 2022.
- (b) Though the project was to be implemented in the year 2019 at an estimated cost of Rs.2000 in order to provide drinking water to the people of Jaffna Peninsula by developing the water resources of Vadamarachchi Lagoon, It was not fulfilled and after 3 years by 31 December 2021, the project had been abandoned having spent a sum of Rs.28 million.
- (c) Although an estimate of Rs. 3,190,000 had been sanctioned and spent for the geological investigations of the Daluggala Wewa in the year 2022, the expenditure had been uneconomic due to the fact that the basic works related to the construction of the tank had been stalled without starting anything.
- (d) 12 projects namely the construction of the pumping station at Pethiagoda on which The Planning Division of the department had carried out feasibility studies, the construction of additional out-spill at Kekiriobada, the construction of the flood exit structure at Nikawela of the Kelani Flood Protection Scheme, the improvement of the out-spill of Mayyawa tank, the construction of the RCC bridge over Malwathuoya, the construction of Peraru Dam, the construction of Kudavilacchiya out-spill, the out-spill the construction of
- Projects (RAMP) Committee. Make sure to implement the recommendations based on that.
- This is a large scale project and was planned to get drinking water.
- Information on this project should be included in the corporate plan, priority documents and performance reports and should be prioritized to obtain the expected benefits from the costs incurred.
- An estimate of Rs. 3,190,000 has been sanctioned and incurred for the geological survey of Daluggala tank. In the construction of a new lake, surveying and investigation work, geological investigation work is done, and accordingly the design work is done and estimates are prepared. At present, the construction work of Daluggala tank is being done.
- Information on this project should be included in the corporate plan, priority documents and performance reports and should be prioritized to obtain the expected benefits from the costs incurred.
- Some of the plans mentioned therein are part of the same project and other projects have not been started due to lack of funds.
- Information on this project should be included in the corporate plan, priority documents and performance reports and should be prioritized to obtain the expected benefits from the costs incurred. Detailed reports of costs incurred and work performed should be prepared

the water outlet, the construction of the dam of the Ella tank, the construction of the Elavankulam amuna, the construction of the Vilalodai amuna, the construction of the Malwathu Oya out-spill and the construction of the out-spill of the Pankulam reservoir were not started until May 31, 2023 and the files had not been maintained so that the expenditure incurred on those projects could be identified.

and forwarded to the responsible authorities.

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| <p>(e) Under Gama Samaga Pilisandarak programme, Rs. 116 million was estimated and Rs.31.2 million had been spent to improve the canal system of Padaviya and Vahalkada Farmers' movements in Kebithigollewa Divisional Secretariat of Anuradhapura District, but due to non-receipt of allocation in the year 2023 for the project, the cost incurred had been useless. There it was planned to build water supply for the cultivated land and for that, 2,411 Hume pipes were purchased and 1,017 of them were issued to the Farmers' movements, but the expected water supply was not constructed and 1,395 pipes were left idle in the Padaviya Irrigation Engineering Office.</p> | <p>The construction work of the canal system has been done which will help in the long term existence of the system. Due to non-availability of funds, construction has not been carried out.</p> | <p>At the time of initiating the project, formal approvals should be obtained, and the project should be completed so that the people get the expected benefits for the cost incurred. Purchased Hume Pipes should be utilized as intended.</p> |
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### 3.4 Delays in Project Performance

The following observations are made.

| <b>Audit Observation</b>   | <b>Comments of the Accounting Recommendation Officer</b>   |   |
|--|--|---|
| <p>(a) The planned period of the 9 development projects viz: Basnagoda Reservoir Project, Kumbukan oya Reservoir, Yan Oya Reservoir project, Morana Reservoir, Roogama-Kithulgama reservoir (Mundeni Aru Basin</p> | <p>The projects cannot be completed within the relevant time due to the problem of allocation and other practical reasons.</p> | <p>A comprehensive analysis of the non-completion of projects so far should be done and reported to the Cabinet of Ministers.</p> |

Development Project), Wellassa Revival (Project on accelerating irrigation development in the Monaragala District), Uma Oya lower river development project (Alikota Storage Reservoir and Kuda Oya Storage Reservoir) namely Mahagalgamuwa Feeder Canal Construction Project and Development and Improvement of Godigamuwa Project which were Operated under the department and started from the year 2012 with an estimated value of Rs. 131,239 million, had been delayed from 2 to 8 years and the approval of the Cabinet of Ministers was obtained on several occasions to extend the time of the projects. The expected benefits of these projects could not be achieved as planned due to delays and have not been completed so far.

(b) Uma Oya Downstream Development Project (Alikotaara Storage Reservoir and Kuda Oya Storage Reservoir)

(i) On 28 April 2008, the Ministry of Irrigation and Water Management and the Farab Company of Iran entered into an Engineering, Procurement and Construction (EPC) contract worth USD 529.06 million or 74,325.75 million Rupees, with the main objective of diverting 145 million cubic meters of water from the Uma oya basin to the Kirindi oya basin in the southern region. The project, which was supposed to be completed in 2015, had been extended to 30 June 2023 and 97.39 percent of the capital works had been completed by 31 December 2022. Under this, the completion of the hydroelectric plant was in the final stage and was proposed to be completed in the year

Not finished as expected but significant progress has been made. Progress has been hampered by the climate in the country for the past two years.

Plans should be made and the project executed accordingly so that the expected economic benefits can be achieved at the end of each phase. The Opportunity cost should be calculated in respect of the loss of expected economic benefits from long-term delays and disclosed in the annual performance report.

2023. Although the Irrigation Department was entrusted with the responsibility of preparing and implementing plans to use the water released after hydropower generation for agricultural purposes in the Kirindi Oya basin, even though 14 years has gone viz: twice the expected time to complete the project, even 50 percent of the proposed construction had not been completed.

- (ii) Uma Oya lower valley development works were planned to be implemented under a total cost estimate of Rupees 9,352.5 million, but the approval of the Cabinet was received on 30 August, 2021 to revise the relevant estimate to Rupees 17,914 million. It was also directed to pay due attention to the observations made by the Finance Minister while giving the approval and take prompt action accordingly. That is to say, "Many of the large-scale projects under the Ministry of Irrigation, within a short period of time, without any change in their scope, the project cost can be seen to increase by a hundred times. Moreover, it is a precedent that can be seen in these projects in the irrigation sector that the increase in the estimated rate is much higher than the increase caused by the external factors of these projects, especially inflation and foreign exchange rate. Therefore, it is appropriate to review the estimated rates."

The aforesaid recommendation has not been implemented so far.

Irrigation estimates are often constructions carried out over large areas, with varied geological variations. Accordingly, it is difficult to prepare a more accurate estimate at the initial stage, like the construction of a building or a highway.

The recommendation made by the Minister of Finance should be implemented and for that, the current project estimates should be re-reviewed with due attention to all the external factors affecting the project.

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| <p>(iii) 14 years have passed since the project planned to irrigate 15,000 acres of land, including 3,500 acres of land currently under cultivation, but the new land proposed to be irrigated has not been identified or a document prepared so far.</p>  | <p>With reference to the basic plans, the detailed identification of irrigable and cultivable lands has been completed and water management programs are also being planned.</p>  | <p>New lands proposed to be supplied with water should be identified and a register of lands to be cultivated under the project should be prepared.</p>   |
| <p>(iv) After diverting 145 million cubic meters of water from the Uma Oya Basin to the Kirindi Oya Basin annually, it was planned to build the new Kuda Oya Reservoir of 22.5 million cubic meters with the aim of releasing it for agricultural activities in the Southern Province, but the plan of the reservoir had been revised without proper approval so that it would be above the planned 30 km long canal bringing water from the Uma Oya to Kuda Oya.</p>  | <p>It has occurred due to technical problems in the construction of the reservoir.</p>  | <p>A formal investigation should be carried out regarding the revision of the plans of Kuda Oya Reservoir without proper approval so that the water released from Uma Oya cannot be retained and disciplinary action should be taken under Section 29 of volume II Chapter XLVIII of the Establishment Code against the officials responsible for it.</p> |
| <p>(v) Preliminary estimates had been made with the aim of obtaining 109,524 cubic meters of sand required for the construction of the reservoir from the area under the reservoir, but as mentioned above, after changing the reservoir plan, the identified sand deposit had become the boundary outside the reservoir. There, Rs. 6,452 was estimated for 1 cube of sand required for the construction of Kuda Oya Reservoir, but arrangements were made to buy sand from an external supplier for an amount of Rs.10,100 and the relevant supplier was able to procure sand without paying any fees, which is located about 200 meters below the reservoir dam.21,286 cubes of</p> | <p>Decisions have to be made according to the situation of the field in the implementation of plans. Procuring sand costs money and it should vary according to the distance.</p> | <p>Disciplinary actions should be taken against the officials who allowed the misuse of mineral resources and the officials who were responsible for buying sand at high price rates due to the fact that the impact of changing the project plan was not evaluated .</p>   |

sand were provided from the planned site and an amount of Rs.190 million had been paid for it.

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| (vi) The separate accounts were not kept about the expenditure incurred for each project and annual financial statements had not been prepared. According to the January 2023 progress report of the Irrigation Department, Rs. 11,878 million had been spent at a rate of Rs. 9,870.92 million under the expenditure head of the Ministry of Irrigation until 2021 and Rs.2,006.67 million under the expenditure head of the Irrigation Department in 2022. However, the total expenditure incurred under and for each activity was Rs. 6,567.22 million. Accordingly, the task for which the sum of Rs. 5,310 million was spent out of the cost incurred for the project could not be precisely identified. | Instructions have been given to keep separate accounts.  | An annual budget, procurement plan and action plan should be prepared for project work. Based on that, provisions should be allocated and account symbols should be introduced and accounts should be kept separately. In addition, financial statements should be prepared annually. |
| (vii) This project had been implemented under the procurement method (Force Account) using own employees and equipment and no certifications and completion reports had been submitted for the completed work sections under each of the approved estimates. Payments for materials, labor and machinery had been made based on the daily measurement books of the engineering assistants.  | Instructions have been given to maintain estimates in a register.  | The survey reports and bills of the completed works under each approved estimate should be prepared and the work completion reports should be submitted with specific certification.  |
| (viii) 11,877 million or 120 percent of the allocated allocation for this project had been spent, but more than 50 percent of the works expected to be completed under the South Bank Canal had not been completed.   | A lot of money is spent on the tank and related works and should be considered as a whole, not in respect of each work separately. | Priorities should be identified so that the main objectives identified at the beginning of the project are fulfilled, plans should be made in phases so that the desired economic benefits  |



can be achieved and the project should be implemented accordingly.

### 3.5 Projects for which funds have been released but have not progressed

The following observations are made.

| Audit Observation   | Comments of the Accounting Officer   | Recommendation   |
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| (a) In terms of the recommendations of the committee on “Re-strategizing and Acceleration of Mega projects” (RAMP), it was decided to complete during the review year under the existing activities of the 4 tanks of Detagamuwa, Moragolla, Uraula and Pailegama under the Rapid Irrigation Development Project (Vellassa Navodaya) in Monaragala District in order that they can be utilized in a sustainable manner.   |  |  |
| (i) There, due to the purchase of materials and construction of the Moragolla, Uraula and Pailegama tanks without deciding on the priorities of how they should be renovated, it was not possible to supply water for cultivation from those tanks until the audited date of May 31, 2023. Furthermore, due to the limitation of budgetary allocation in the budget 2023, the expenditure of Rs. 140,963,871 incurred so far for the renovation of these tanks had also become ineffective. | This has been caused by limited supplies, fuel shortages and rising prices of construction materials.  | In order to achieve the economic benefits of the cost of Rs.141 million for the restoration of these tanks, the purchased materials should be used for construction on a priority basis and the priorities should be identified and the restoration of the tanks should be completed so as the benefits can be achieved to the people. |
| (ii) Compared to the estimated value of Rs.28.64 million (without interest) 64 included in the said projects, the financial progress of Moragolla tank and Pailegama Lake as on 31 December 2022 was 90 percent and   | This has resulted in the construction being carried out regardless of the increase in the cost of construction materials and labor. Steps have been taken to revise the estimates. | In approving estimates, approval should be obtained prior to incurring costs over approved limits for each   |

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| <p>96 percent respectively, while the physical progress of construction of the tanks was 23 percent and 81 percent respectively.</p>  |  |
| <p>(iii) The civil work cost of Rs.37.9 million included in the estimate of Rs.49.9 million that had been approved for the reconstruction of Moragolla Lake, Rs.30.3 million or 80 percent had been spent, but the physical progress of the construction was 37 percent. Even though no sufficient physical progress was recorded, at the end of 2019, 2020, 2021 and 2022, materials were purchased in bulk again without using the raw materials purchased in the previous years with the aim of spending the remaining provisions. In the approved estimate related to the reconstruction of the tank, Rs. 28.6 million or 75 percent of the total estimate was reserved for the construction of the spill of the lake and for that in the year 2022, Rs. 9,872,170 was spent and 5,150 Kg of steel wire was purchased and only 1,884 Kg was used. Thus, 63 percent of the purchased wire was saved.</p> | <p>Materials have been purchased for the purpose of continuing the construction.</p> <p>Raw materials should not be purchased for the purpose of spending the remaining provision at the end of the year. Circular instructions should be issued to strengthen internal control in connection with such irregularities in running industries on direct basis. Plans and estimates should be prepared according to correct technical specifications and followed up continuously.</p> |
| <p>(iv) After the restoration of Moragolla tank, it was planned to increase the cultivated area from 50 acres to 200 acres, but the required paddy fields were not identified and the preparation of canals to carry water to the crops was not included in the approved estimate.</p>  | <p>Priority has been given to the tank under the initial phase.</p> <p>In implementing as phases, unaccomplished tasks should be included in action plans and priority documents and follow up should be made on an ongoing basis.</p>   |
| <p>(v) 240.26 cubic meters of 6X9 granite required for the protection of the tank wall after the construction of the dam of Uraula tank at the expense of Rs. 3,499,500 was purchased and piled at</p>  | <p>Construction was stalled due to issues in respect of provisions.</p> <p>Circular instructions should be issued to include criteria for purchase and</p>   |

the construction site in the year 2021, and 1761 12mm wires worth Rs. 2,324,850 were purchased in the same year and were piled at the construction site for more than a year, but the tank dam was not built until January 2023.

utilization of materials for each project to strengthen internal control to avoid such irregularities in running industries on direct basis.

The construction works should be completed promptly so that maximum economic benefits are added to the cost incurred.

### 3.6 Other Observations

The following observations are made regarding the construction of Basnagoda Reservoir.

| Audit Observation  | Comments of the Accounting Officer   | Recommendation   |
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| <p>(i) 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, Aththanagalla and Minuwangoda joint water supply project. The aforesaid project worth USD 229.5 million was to be implemented and completed in the period 2014-2017. The National Water Supply and Drainage Board had entered into two MoUs on March 22, 2016 and June 12, 2019 with the Irrigation Department for the construction of the Basnagoda Reservoir, which was the primary water source of the project. However, the approval of the Cabinet of Ministers had not been obtained for that.</p> | <p>Irrigation Department is mentioned as engineer in this contract. The contract agreement nominates the Irrigation Department as the contract executing agency. A Memorandum of Understanding has been entered into only for obtaining the required provision from the Water Supply Board. All these activities have been carried out by the Ministry under the approval of the Cabinet of Ministers.</p> | <p>Before entering into MoUs for the constructions given to the department, projects should be approved by the Cabinet of Ministers.</p> |

- (ii) The Irrigation Department had awarded the contract to China's Sinohydro Corporation Limited at a price of Rs. 2,347,406,831 as per the recommendations of the Procurement Committee (CAPC) appointed by the Cabinet of Ministers by inviting international competitive bids for the construction of the Basnagoda Reservoir. The secretary of Irrigation Ministry had entered into an Engineering, Procurement and Construction (EPC) contract with the said company on June 13, 2019 worth Rs.2,394,354,968 (including Nation Building Tax of Rs.46,948,137) for the contract for the construction of the reservoir. The Technical Evaluation Committee (TEC) appointed by the Secretary of the Ministry for this procurement task has miscalculated the minimum price of Rs.2,093 million bid submitted by the contractor as Rs. 2,347 million to be correct and contrary to 2.6.1(v) of the procurement guidelines, and had recommended to award the contract at a higher value of Rs. 254,062,080 which exceeds the price quoted by the contractor. Although it has been stated that the contractor has not indicated the amount for the preliminary work (Preliminarien), the due amount under (Installation/ Construction and other Services) has been indicated in the prices presented. Even so, regardless of that, the technical evaluation committee had miscalculated by adding Rs. 254,062,080 again to the value presented by the contractor.
- Considering the expertise possessed by the Irrigation Department for the construction of reservoirs, the supervision of the construction work has been entrusted the said institution. The contractor is selected as per the procurement decisions and the supervision is done by the Irrigation Department. As per 7.9.2 of the Procurement Guidelines Code, mathematical accuracy shall be checked for and the error has been corrected. Notice to the Procuring Entity to seek clarifications from the Bidder in terms of Clause 2.6.1(v) of the Procurement Guidelines Code has been omitted before the recommendation of the revised contract value by the Technical Evaluation Committee.
- Action should be taken to ensure that procurement processes do not incur additional cost and additional time. Technical Evaluation Committee members who have acted irresponsibly should be referred to the concerned Appointing Authority for conducting formal disciplinary investigations. The Technical Evaluation Committee shall complain to the law enforcement agencies in accordance with the provisions of Section 38(1) of the National Audit Act No. 18 of 2018 regarding the loss caused to the Government in disregard of the provisions of the Procurement Guidelines Code and negligence.

Subsequently, approval had been obtained by the Cabinet Memorandum No. Ir/63/2019 which

was submitted on February 13, 2019 to award the contract at a higher value of 254,062,080. Disciplinary action had not been taken against the responsible Technology Appraisal Committee in this regard.

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| <p>(iii) By the time the Irrigation Department entered into the second Memorandum of Understanding with the National Water Supply and Drainage Board on June 12, 2019, the main contract agreement had already expired. As per the MoU, the contract was due to be completed within a period of 18 months and was not completed till 31 May 2023 which was the date of audit. The period of the main contract agreement had already expired by the time the department entered into a memorandum of understanding with the National Water Supply and Drainage Board on 12 June 2019 regarding the adverse impact on the work of the main contractor due to the additional costs incurred due to the delays of the sub-contractor department. Accordingly, delaying the contract by the department allowed the main contractor to extend the time and have the right to claim additional costs and shift its responsibility to the Irrigation Department, which emerged as a subcontractor.</p> | <p>The Department is not in a position to influence the delays that occurred prior to the MoU and the Irrigation Department is not a sub-contractor.</p> | <p>In accepting this contract, an inspection panel should be appointed and confirmed whether there has been additional time, additional administrative expense and irregularity in respect of the procurement process, contract administration and payment process.</p> |
| <p>(iv) According to sub-section 14.4 of the contract agreement with the department, for the first interim payment for the contract, 25 percent of the physical performance should be completed, but regardless of that, the interim payment had started from the time the physical performance was completed at 1.52</p>  | <p>Answers were not submitted</p>  | <p>Internal control over contract administration should be strengthened and disciplinary action should be taken against officials who have made payments disregarding the</p>   |

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| <p>percent. Accordingly, as of 31 October 2022, the physical performance of the project was 17.09 percent and during the period from 2020 to 2022, Rs.401,165,861 had been paid to the contractor through 11 interim payments.</p>  | <p>payment procedure agreed by the contract agreement.</p>  |   |
| <p>(v) As per the contract agreement, Rs. 32,641,534 was allocated for construction of permanent buildings for project management activities but without formal authority the plan was revised and the relevant amount was used for office utilities and house rent for the office.</p>   | <p>As the contractor could not hand over the work as per the agreement and the construction period was eighteen months, which was not enough time to construct and put the buildings into use, the buildings were acquired on lease basis.</p>  | <p>Internal control over contract administration should be strengthened and disciplinary action should be taken against officials who have made payments disregarding the payment procedure agreed by the contract agreement.</p>                                 |
| <p>(vi) According to the contract agreement, the total allocation for project management is Rs. 114,823,880 and according to the Memorandum of Understanding (MOU), the allocation for management activities of the project was Rs. 119,817,787 amounting to a total amount of Rs. 234,641,667; that is, 58 percent from the value of the works done; Rs. 401,165,861, had been spent on project management.</p>  | <p>Provisions have been spent for management activities proportionate to the work completed.</p>  | <p>Operation and maintenance costs allocated to contract administration should be utilized in the most economically effective and efficient manner.</p>   |
| <p>(b) Employees had been recruited on contract basis for labor posts at the level of Regional Irrigation Engineering Offices, and contracts had been signed with those employees to be valid for a period of 03 months.<br/>There were issues due to failure to maintain attendance documents including the date, time, signature of arrival at work and not attaching documents confirming reporting to work on the relevant days to the vouchers, being made without</p> | <p>Workers are hired for a specific job as per a specific contractual agreement. Further, according to the time taken for the relevant construction work, contracts have been entered into so that it does not exceed 03 months, and no extension of the contract period has been done after 03 months. Attendance records with date, time and signature of Engineer Assistant or Technical Assistant in-charge of the field are maintained to ensure their</p> | <p>Regional offices should be introduced common formats of records to be maintained including the process to be followed in the employment of external workers, including attendance Register and a proper internal control system introduced and implemented</p> |

confirmation regarding the number of days worked in payment of daily wages due to approval of payments based on the measurements shown in the measurement book of engineer assistants and identity had not been confirmed even though the payment documents had been signed.

reporting for the respective field while taking service of the concerned workers. Payments are sanctioned after relevant inspections by Regional Assistants and Design Engineers based on the measurements shown in the Measurement Book of Engineer Assistants. For that, the number of days of their attendance is also recorded in the daily attendance sheets. The number of the Measurement Book is mentioned as the file reference in the payment vouchers and the Measurement Book entries, relevant labor agreement and estimate as well as daily entry sheets are checked while confirming the payment. therein.

(c) For the construction and renovation of tanks/reservoirs under various projects, receipt slips had been issued without confirming that the materials directly received in the field had been received correctly.

In the future, I will issue a set of instructions informing the Zonal Irrigation Directors.

In respect of materials directly received in the field, arrangements should be made to issue receipt and issue orders as per the provisions of the Financial Regulations.

### 3.7 Annual Performance Report

Annual performance report should have been prepared as per the format mentioned in Guideline No. 14 issued by the State Finance Department as per paragraph 10.2 of State Finance Circular No. 2/2020 dated 28 August, 2020. The following observations are made in that regard.

| Audit Observation  | Comments of the Accounting Officer  | Recommendation   |
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| (a) Information about the project and location of regional offices including 14 Zonal Irrigation Directors' offices, 52 regional irrigation engineering offices and 12 mechanical offices under the department was not included. | The Director of Irrigation (Programme Management) has informed that the information has been noted to be included in the next report. | Arrangements should be made to include information about Irrigation Directors' Offices, Regional Irrigation Engineering Offices and projects and |

location of the Mechanical Engineering Offices under the department in the Annual Performance Report.

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| (b) | In stating the future goals, the role expected to be played under certain circumstances and the time frame expected to achieve them were not specified.  | In setting the future goals, the roles of providing irrigation facilities for 15000 acres of land and bringing the crop intensity to a level close to 2.0 through crop diversification are expected to be achieved by the year 2030, and some goals are long-term, so no time frame has been specifically presented for that.   | In indicating future goals in the performance report, efforts should be made to include the role expected to be played and the time frame expected to achieve them.   |
| (c) | In the presentation of information on 19 large-scale and medium-scale irrigation projects and 7 other projects implemented by the Irrigation Department under foreign loan assistance in chapter 2, the reasons and challenges for not being able to complete them as expected and the future goals for their completion were mentioned. | Information of 19 large scale and medium scale irrigation projects and 7 other projects implemented by the Irrigation Department have been included in the annual performance report. It has been requested to provide information about the reasons and challenges for not being able to complete the progress of those projects as expected. Accordingly, it was noted to be included in the next report. | Actions should be taken to include the reasons and challenges for not being able to complete the large-scale and medium-scale irrigation projects implemented by the department, as well as the future goals for their completion in the annual performance report. |
| (d) | The natural and physical resources controlled under all the functions delegated to the department and the information included in the main role were not disclosed under achievements, progress and challenges.  | It was noted to include the data for the next report.   | Relevant matters should be disclosed under achievements progress and challenges in the second chapter of the annual performance report.   |



### 3.8 Foreign Assistance Projects

#### Audit Observation

To carry out 6 feasibility studies under the provisions of Climate Impact Mitigation Project (CRIP) till 2021 Rs. 430 million had been spent, but according to the reports submitted under it, the department had not planned and developed the future development projects.

#### Comments of the Accounting Officer

CRIP is a multi-phase project under the Ministry of Irrigation. In the first phase, studies were carried out in 10 selected river basins, where various proposals have been made to solve the problems related to water management. A feasibility study for some of these selected proposals has been carried out under the second phase of the project. If the Ministry of Irrigation provides the necessary resources and instructions for the future work of these projects, we can proceed accordingly in the future.

#### Recommendation

The department should make use of these study reports in carrying out basic activities such as making proposals for river basin development in the future. For that purpose, the relevant copies should be forwarded to the library and related departments and the proposals should be included in the long and short term plans of the department.

### 3.9 Procurement

The following observations are made.

#### Audit Observation

(a) In the year 2021, only 31 regional irrigation engineering offices belonging to 10 regional offices had submitted information for the information called for audit regarding the industrial and maintenance work implemented by 52 regional irrigation engineering offices under 14 regional irrigation directorate offices. According to that information, the 31 Regional Irrigation Engineering Offices will spend Rs. 1050 industries worth 6,304 million were operational. Among those industries, 776 industries with a value of Rs. 5,594 million i.e. 74 percent had implemented the procurement

#### Comments of the Accounting Officer

As per 4.3.1 and 4.3.2 of the NPA procurement manual, percentages of the estimated amount have been allocated for the following tasks.

|  |            |
|--|------------|
| Preliminary design and detail design costs | 3.5        |
| Supervision costs                          | 1.5        |
| Administration costs                       | <u>1.0</u> |
|  | <u>6.0</u> |

According to the departmental circular number - 03/2020, provision has been made to allocate 6 percent of the estimated amount (civil cost) as engineering administration

method (Force Account) using their own employees and equipment as per procurement guidelines 3.7. The following observations are made expenses. That 6 percent is allocated not only for supervision and administrative costs but also for preliminary design and detail design costs etc.

- |  |  |   |
|--|--|---|
| <p>(i) Under this system of procurement (Force Account), the labor required for the construction and renovation of tanks/reservoirs should be procured from outside only when the workers attached to the Irrigation Department cannot provide them, but all the skilled and unskilled labor requirements had been procured from labor suppliers or farmers' organizations or under individual labor contracts.</p>            | <p>No answers provided.</p>  | <p>Instructions should be issued through circulars to strengthen internal control by introducing forms pertaining to documents to be used and procedures to be followed in procuring labor, employment, payment so as to avoid irregularities in the operation of industries on direct labor basis.</p> |
| <p>(ii) Under this, for the construction and renovation of tanks/reservoirs, the necessary machinery should be procured externally only when the relevant machinery cannot be obtained from the department's possession. However, while existing machinery fleet of about 350 machines in the department was working condition and was being idled, the machinery had been procured on hire basis from external suppliers.</p> | <p>Although the department has machinery in various locations in Sri Lanka in working condition, there was severe difficulty in obtaining fuel during the fuel crisis of 2022. Therefore, the Chief Resident Engineer has stated that machinery had to be procured from an external supplier for the Himbilyakada Irrigation Infrastructure Development Project as well.</p> | <p>In cases where machinery belonging to the department is available, machinery should not be provided on hire basis from outside. There the procedures to be followed should be determined and instructions should be issued through circulars.</p>  |
| <p>(iii) As per 4.2 of the Procurement Guidelines, the procurement method shall be specified in the procurement plan and the procurement schedule as per 4.2.3(c) of the Guidelines shall be approved by the Procurement Committee. However, it had not been</p>   | <p>Answers were not provided</p>   | <p>In accordance with the provisions of the Procurement Guidelines, the procurement method should be determined and</p>   |

acted upon and the procurement method of 1,050 construction and maintenance industries worth Rs. 6,304 million was determined by the Regional Irrigation Engineer in the year 2022 by 31 Regional Irrigation Engineering Offices.

included in the plan.

- |  |                                  |   |
|--|----------------------------------|---|
| <p>(b) Due to non-preparation of estimates in accordance with 4.3.2 of Procurement Guidelines, Rs.92.2 million of overestimated value was for supervision and administrative cost of 1,493 construction and maintenance works worth Rs.7,820 million carried out in the year 2022.</p> | <p>Answers were not provided</p> | <p>Before approving the estimates, it should be ensured that the Code of the procurement guidelines has been prepared in accordance with the provisions of the said Guidelines.</p> |
|--|----------------------------------|---|

### 3.10 Asset Management

The following observations are made.

| <b>Audit Observation</b>   | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>   |
|--|---|---|
| <p>(a) According to the Motor Traffic Department's data system, 2004 vehicles were registered under the name of the Department of Irrigation, the Director General of Irrigation, or the department's address, but according to the department's vehicle register, the number of vehicles owned and used by the department was 1,124. Accordingly, 880 vehicles were not in the custody of the department.</p> | <p>Information about 1124 vehicles out of 2004 mentioned under the department has been submitted and the information about those vehicles has been submitted to the Regional Irrigation Engineering Offices and verification activities are being carried out by checking the annual Board of survey reports of those offices. A large number of the remaining vehicles are not in the department and there are not enough documents in the department to verify them, so the details of the locations of those vehicles are as follows.</p> <ul style="list-style-type: none"> <li>• Vehicles that have been tendered to outsiders through the disposal process but whose registration has not been</li> </ul> | <p>According to the data system of the Motor Traffic Department, the 880 vehicles registered in the name of Irrigation Department/Director General of Irrigation but not in the custody of the department should be investigated and corrections should be made in the vehicle register. It should be checked if there is any irregularity with the vehicles.</p> |

taken over.

- Vehicles tendered as scrap, leading to cancellation of registration as scrap vehicles through tendering process.
- Vehicles given to the field officers by various projects but the officers have not taken ownership of them at the end of the project (example: motorcycles).
- Vehicles given to other departments under various projects but not taken over by the respective departments at the end of the project.

(b) 1100 steel wires in 12 mm which were with market value of Rs. 30,002,500 and purchased on March 23, 2021, were stacked at the unit offices at Milagama, Kataragama for the construction of Detagamuwa tank without proper documentation.

The 12 mm reinforcement wire brought for the Detagamuwa project was brought to the Wellawaya main warehouse and brought back to the Kataragama work site, so it was brought directly to the Milagama unit office in Kataragama, as additional transportation costs had to be incurred.

Also, due to the later change of certain sizes of the proposed structures during these construction activities, all the samples related to the ordered stock were not needed for the Detagamuwa work site, so the assistant engineer took only the amount he needed to take into the records.

It has been arranged to inform the Assistant Engineer through the letter of the Regional Irrigation Engineer dated 20 December 2022 to hand over the remaining quantity of this reinforcement wires to the warehouse.

Internal control system related to purchase, issue, use and book keeping of store materials should be strengthened.

Disciplinary action shall be taken under Section 29 of Chapter XLVIII of Volume II of the Establishment Code against the officers responsible for non-maintenance of stock records.

- |   |   |  |
|---|---|--|
| <p>(c) According to the material summary of the Regional Assistant attached to the Hiriyala Regional Irrigation Engineering Office on March 08, 2022, which was the audit date. There was a deficiency of Rs. 6,092,193 when comparing the stock balances of construction materials and the stock balances of the construction site and field warehouse of Edagala.</p>   | <p>I will submit the answers later</p>  | <p>Officers responsible for stock shortage should be identified and dealt with in terms of Financial Regulation 101(3) and in addition disciplinary action should be taken under the Establishment Code.<br/>Efforts should be made to improve the control system so that release of materials to engineering assistants is closely monitored for use of materials and maintenance of records.</p> |
| <p>(d) According to the department stock book, 7,662 bags of cement worth Rs. 5,146,400 had been issued to the Engineer Assistant of Hiriyala Division as of December 31, 2021, for the Phase III of Chhadagala Dam and as of December 31, 2021, 2784 bags of cement had been in the custody of the Assistant Engineer. However, in the physical audits conducted by the audit on two occasions, there was a deficiency of 2,796 cement bags costing Rs.2, 269,718.</p> | <p>I will submit the answers later.</p> | <p>Officials responsible for stock shortage should be identified and dealt with in terms of Financial Regulation 101(3) and further disciplinary action should be taken.</p>   |

### 3.11 Losses and Damages

#### **Audit Observation**

An amount of Rs. 3,908,000 that should have been recovered in connection with two lawsuits related to a car accident committed by an engineer of the department in the year 2003 had been brought forward in the financial statement as an unsettled imprest balance as on December 31, 2021. The relevant balance was not recovered from the officer's retirement gratuity and due to the monthly

#### **Comments of the Accounting Officer Recommendation**

This amount, which is the maximum amount of pension that can be recovered from the pension of the retired engineer, who is the party responsible for the incident, has been collected from his pension based on the agreement on the verbal consultation with the Director General of Pensions. The responsible officers who delayed recovery of the loss and did not recover the arrears from the retirement gratuity until 18 years after the relevant accident should be identified and disciplinary

withdrawal of Rs.10,000 from his pension, the amount recovered during that period was only Rs.300,000. Due to the death of the concerned officer in August 2021, the above outstanding balance could not be settled.

Accordingly, the total amount that could be recovered till the retirement of the said employee was Rs. 300,000 action should be taken..

### 3.12 Non-economic Transactions

The following observations are made.

| Audit Observation  | Comments of the Accounting Officer   | Recommendation   |
|--|--|--|
| <p>(a) Rs.15,455,953 had been spent by December 28, 2022 for the restoration of Hudaliyawa tank on a total cost estimate of Rs.41,643,000, which was started on August 8, 2021 , and there were still liabilities of Rs.6,576,474. A part of the tank silt removal work was done from October 2021 to February 2022 and for that purpose a machine with only one blade used for soil scraping, pushing and loading was obtained on rental basis from a private company. JCB machine No. RS-1373 belonging to the Irrigation Department, which can carry out the above work, had been taken to the work site in Hudaliyawa, but that machine was not used. Works motor grader belonging to the department which can be used for soil scraping/cutting, 02 dozer machines which were brought from Anuradhapura Irrigation Office and a loader belonging to Nikaweratiya Irrigation Office were also parked near the field but that machine was also not used for the work of the tank. In this way, while the department was able to get enough machinery, the drivers and assistants were being paid idle salaries, and vehicles had been</p> | <p>I agree about the existence of liabilities. The PC 200 Excavator belonging to the Nikaweratiya Regional Irrigation Office was used for the construction of Ambogama tank. Therefore, PC 200 Excavator machine was procured on hire basis from a private company. The JCB machine bearing RS-823 of this department started working on 5 August 2022 before the arrival of the auditors on August 18, 2022, and worked on August 06, 07, 08, 09, 10, 13 and 14 of August 2022 respectively. Due to hydraulic oil leakage from the front jack, it cannot be operated without further repair, only PC-200 Excavator (acquired on hire basis) has been desilting till repairs. Further, after the repair on 28 August 2022, the departmental JCB machine has been used for further work on Hudaliyawa tank. Also, the 02 dozer machines were not in working condition at that time and before the IDCT 128 machine was disabled, the silt was pushed on the bottom of the</p> | <p>In cases where machineries belonging to the department are available, procurement of outside machinery should not be done on hire basis. Procedures to be followed shall be laid down and circular instructions shall be issued. An investigation should be conducted and disciplinary action should be taken against the officers who hired the machines while the machines owned by the department were idle.</p> |

obtained from private parties for soil cutting work on a rental basis.

tank and piled up in places where it could be collected.

Furthermore, cutting, stacking and loading have been done with the PC 200 Excavator, which is suitable for the occasion and is the most suitable method for it.

- (b) In addition to removing 6 inches of soil from the bottom of the tank carried out by the department, in the center of the tank approximately 1000 square meters in size, large pits of 2-2 ½ feet deep were also removed in order to wash the soil and get sand and the project did not have any information about that. Although it was possible to remove the silt in a way that did not interfere with the water in the tank, instead, the water in the tank had been completely removed for almost a year and the soil had been removed. Due to this, the farmers engaged in farming had not been able to cultivate 3 seasons.

The restoration work of Hudaliyawa tank has started on August 8, 2021 and with the consent of the farmers' organizations, the water in the tank has been removed by cutting the dam to remove the water in the lake in September 2022.

Due to the fuel crisis in the country in February 2022, the development work was completely stopped. It was possible to resume work in August 2022 and the main reason for the delay in the development work was the crisis situation in the country.

By managing the limited amount of fuel received, the regional offices have carried out the silt removal work and the rest of the work on the tank dam and spillway quickly. The vehicles have been taken on hire basis till the end of August and for the PC 200 Excavator machine, the work of the PC 200 Excavator machine has been terminated as it was difficult to supply oil to the concerned private company.

The removal of soil in the middle of the tank was done by the Machinery Authority, and I inform that they had nothing to do with the work done by this department and that this department cannot take any

The construction projects should be completed as planned within the relevant period and the benefits should be made available to the people. At the end of the project, the regional engineer should issue a certificate that the conditions imposed during the permission for the work of the project have been fulfilled.

Whenever field tests are carried out, it must be confirmed in writing that the activities are carried out according to the conditions mentioned in the permit.

As the department is entrusted with the responsibility of monitoring the de-silting activities, action should be taken against the officials responsible for allowing the soil to be washed away from the tank to get sand.

responsibility for the pits they had cut in the middle of the tank.

- (c) Under the Kudawilachchiya Reservoir rehabilitation project started in the year 2021, 5 sluice gates were to be constructed in the small reservoir and it was decided to repair 5 sluice gates removed from Rajangana Reservoir and use them for that purpose. An estimate of Rs. 94,073,866 had been prepared for the repair of those 5 iron gates. At the end of the year under review, a provision of Rs. 10 million had been received out of the estimated amount, of which Rs. 9,997,582 had been spent to repair one gate and construct the Sand Blasting Yard as per the estimate. Due to the non-completion of the construction of the reservoir and the repaired gates not being used for the construction of the reservoir, the cost incurred was an uneconomical expenditure.
- Answers had not been provided. Steps should be taken to avoid unnecessary expenses and rehabilitation works should be completed as planned.
- (d) Sand deposition and removal of Welioya Dam.
- (i) It was estimated by the Welioya Regional Engineer that 500,000 cubic meters of sand was deposited in the Welioya Dam, which was built in 2007, by the beginning of 2017, and since the sand sluice of the dam was not opened after 2017, a large amount of sand was deposited in the relevant place within a period of three years. Under the Uma Oya Lower Valley Development Project, Kuda Oya Reservoir, located about 20 km away from Welioya Reservoir, had been constructed and the estimated amount of sand needed for that was 109,524 cubic meters. Since the
- Answers had not been provided. In carrying out project feasibility studies, efforts should be made to accurately identify the locations where the minerals required for development work will be procured.
- Maximum utilization of available resources should be taken into account while giving permission to operate industries under force account. Disciplinary action should be taken against the officials



Irrigation Department had carried out the construction work of the Kudo Oya Reservoir under the procurement method using its own workers and equipment, there was an opportunity to extract the sand deposited in the Welioya Reservoir using the machinery of the project at a minimum cost and use it for the construction of the Kuda Oya Reservoir. Nevertheless, the Department of Irrigation had given approval to Dredging Lanka Private Company to remove the sand from Welioya Amuna to meet the sand requirement of the Kuda Oya Dam. From 2017 to 2020, 6,239 cubic meters of sand was purchased from a private company at a cost of 192 million rupees.

who have acted contrary to it.

- (ii) The Regional Irrigation Engineering Office had not maintained any record of the amount of sand removed by the concerned company from the year 2018. Based on the permit recommendations of the Geological Survey and Mining Bureau, Dredging Lanka (Pvt.) has been given permission to remove sand from the year 2018. Also, according to the conditions of the license, the acquisition of the state half is done by the Geological Survey and Mines Bureau. Therefore, I inform that the Welioya Regional Irrigation Engineer has not kept the records of the amount of sand removed. Focusing on these observations, specific circular instructions should be issued to determine the procedures for monitoring sand removal activities in the reservoirs and strengthen the related internal control systems. Disciplinary action should be taken against officials including District Irrigation Engineers who have neglected their responsibilities.
- (iii) A formal system was not introduced to collect fees for the removal of minerals from the lands owned by the department and Monaragala Irrigation Director was informed to charge 150 rupees for a cube of sand, but no amount was charged for the removed sand. For the rehabilitation of irrigation systems, Rs.950 million and Rs.310 million respectively under the components for new development works of small and medium irrigation systems have been mentioned in the As there is no way to charge fees, land use fees should be charged according to the fees published in the Special Gazette Notice No. 1600/18 dated May 06, 2009 under

Cabinet Paper. Accordingly, Section 20 of the Forest Ordinance. Rs. 952,674 has been incurred when the expenses are classified according to the monthly account summaries.

Specific circular instructions should be issued to collect land use charges. Disciplinary action should be taken against the officials including the Director of Irrigation who have defaulted on their responsibilities.

(e) The Wellassa Navodaya Rapid Irrigation Development Project in Monaragala District was implemented from the year 2016. According to a Cabinet decision reached for the Cabinet Paper No. 15/2034/729/008 dated January 20, 2016 in the Rapid Irrigation Development Wellassa Navodaya Project in Monaragala District.

(i) In addition to the estimates of Rs. 1,600 million that had been approved under 950 million which was the expenditure approved by the Cabinet of Ministers for the rehabilitation of the irrigation system, contrary to the decision of the Cabinet of Ministers, without formal approval, Preliminary work had been done for the implementation of 47 projects worth Rs. 1,700.5 million by the Monaragala Irrigation Director's office.

The transportation distance from Debara Ara feeder canal to Detagamuwa tank is KM. 59, and the transportation cost for a granite cube is Rs. 5446.93.

Also, it is not profitable to get the stones from the Debara style canal to the Detagamuwa tank because it will have to incur additional costs to prepare the stones to be removed from the catchment canal.

Efforts should be made to strengthen internal control systems to reduce costs. Estimated expenditure should not exceed the approved expenditure limit.

However, the rocks removed from the Debara-Ara feeder canal have been used for the construction of the *Ralapana* (Break water) of the Balaharuwa, Galwewa,

Watagala-Ara and Thebuara tanks.

- (ii) The Cabinet of Ministers had approved the implementation of the project between 2016 and 2019, but it was not completed during that period. Rs. 403,036,448 had been spent for the implementation of the project From January 2020 to September 2022, and a total amount of Rs.1,025 million had been spent. Accordingly, Monaragala Irrigation Director had taken action to approve the estimate of Rs. 650 million exceeding the approved expenditure limit and spend Rs. 75 million exceeding the said limit.
- For the rehabilitation of irrigation systems, Rs.950 million and Rs.310 million respectively under the components for new development works in small and medium irrigation systems have been specified in the Cabinet Paper. Accordingly, when the expenses are classified according to the monthly account summaries, an expenditure of Rs. 952.674 million has been incurred by the end of the year 2022 for the rehabilitation of the irrigation system.
- While giving approval for projects, expenditure should not be incurred beyond the sanctioned limit without the prior approval of the Cabinet of Ministers.

However, in the project report, Rs.1200 million and Rs.1085 million have been allocated respectively for major works including agricultural roads in major and medium irrigation systems, for rehabilitation, modernization and improvement of main and side canals as well as roads and access roads in minor irrigation systems respectively for rehabilitation, renovation and improvement of main and side canal systems.

- (iii) Under this project, Rs. 9,570,000 had been spent and 2,482 granite cubes had been purchased, but a large amount of granite had been excavated during the construction of canals and tunnels under the Umaoya Lower Valley Development and Debaraara Canal projects that have been in operation since 2016 during the implementation period of this project. Action had not been taken
- The transportation distance from Debara Ara feeder canal to Detagamuwa tank is 59km, and the transportation cost for a granite cube is Rs. 5446.93.
- Also, it is not profitable to get the stones from the Debara style fed canal to the Detagamuwa tank because it will have to incur additional costs to prepare the stones to
- Efforts should be made to strengthen internal control systems to reduce costs. Circulars should give instructions to make maximum use of available resources whenever possible.

to minimize the cost using the said granite. be removed from the fed canal.

However, the rocks removed from the Debara-Ara feeder canal have been used for the construction of Break Water ( *Ralapanawa*) of the Balaharuwa, Galwewa, Watagala-Ara and Thebuara tanks.

- (f) For the Himbilyakada Irrigation Infrastructure Improvement Project, 8 machines belonging to the department operated for 970.6 hours in the year 2022. In addition, an amount of Rs.24,523,761 was paid to external suppliers for the machines obtained from the private sector on rental basis. Nevertheless, 9 machines belonging to the Minipe Regional Irrigation Engineering Office were parked between 10 and 51 km from the project site, but the possibility of using them was not considered. Only 987 machine hours had been operated during the year.
- Due to the problem of obtaining fuel, the machines owned by the department have not been able to be used in the field.
- It should be ensured that the machine operators and machines belonging to the department are utilized with maximum efficiency and effectiveness.

### 3.13 Failure to respond to Audit Inquiries

The following audit queries issued to the Department had not been answered as on 31, October 2023.

| Description on Audit Observation                 | Comments of the Accounting Officer | Recommendation  |
|--|------------------------------------|---|
| 3 Audit Queries issued for the year under review | Answers are being prepared.        | All audit inquiries with certified copies of the relevant documents must be formally submitted by the officials to whom the audit inquiries have been addressed within the time limits prescribed under |

### 3.14 Management Weaknesses

The following observations are made.

| Audit Observation   | Comments of the Accounting Officer   | Recommendation   |
|---|--|--|
| (a) Unauthorized construction and cultivation in the water schemes, tanks and reservoirs.   |  |  |
| (i) Out of the 387 water schemes, tanks and reservoirs belonging to the department, 116 tank and reservoir reserve areas had unauthorized occupants or cultivations. No legal action was taken in this regard by following the provisions of Section 65 of the Irrigation Ordinance No. 32 of 1946 and Departmental Circular No. 08/2014 issued by the Director General of Irrigation on December 01, 2014 for irrigation reserve limits and protection and release of the departmental lands.  | It is unclear whether the number of tanks/reservoirs with squatters /reservoirs applies to which tanks, capital works or canal systems, and if capital works are upstream or downstream. The protected areas should be identified as per Circular No. 8/2014 1 and 3. An updated information system should be maintained about it.   | An information system related to unauthorized residents should be developed and maintained up-to-date. Legal action should be taken pertaining to unauthorized activities, as per the provisions of the Irrigation Ordinance.  |
| (ii) According to paragraphs 1 and 3 of the Circular No. 08/2014 dated December 01, 2014 of the Director General of Irrigation regarding the tanks/reservoirs belonging to some Regional Irrigation Engineering Offices, the protected areas of the tanks and reservoirs controlled by the department had not been identified and information about its extent had not been maintained. Even though paddy fields were cultivated in the lake reserve of Thissa tank with ancient value, without dealing with the said illegal cultivations as per the circular and without approval, a canal was cut in the tank and a road was constructed | According to section 115 of the Irrigation Ordinance, by any survey or survey purporting to be made under the authority of the Surveyor-General or the Director-General of Irrigation, if it appears that any canal, watercourse or tank has been occupied without permission, in the absence of satisfactory evidence to the contrary, such plan or survey shall be considered as conclusive evidence of the facts stated therein. An inquiry has been made about the available maps or measurements with the | Conserved areas should be identified as per Circular No. 8/2014 1 and 3. An up-to-date information system should be maintained. According to paragraph 4.4 of the circular, reserve of Thissa tank should be identified. Legal action should be taken against the people who have done unauthorized cultivation in the tank reserve. |

around the tank as if the illegal cultivations were outside the limits of the tank.

Regional Irrigation Engineering Offices and Zonal Irrigation Directors Offices and based on that information and taking into account the instructions in the mentioned circular, I am formally maintaining the information about the reserve limits of the irrigation systems. Inquiries have been made from R.I.E. (Tissamaharama) about the incident related to this construction and its current status and after receiving the information, I will present it promptly.

(iii) According to Section 64 of Chapter 285 of the Irrigation Ordinance No. 32 of 1946, the main and medium scale water schemes controlled by the Irrigation Department under the main river basin catchment areas and reserves, control of unauthorized construction and cultivation activities, prevention of water pollution, unauthorized the control of water use and the maintenance of irrigation schemes should be done, the necessary criteria for making a formal regulation related to it had not been issued.

The security of irrigation works under the scope of the Irrigation Ordinance Act, which is controlled under the Director General of Irrigation, the operation and maintenance of the irrigation reserves by controlling the unauthorized activities are carried out in accordance with the Irrigation Ordinance Act following the provisions made by the Irrigation Ordinance Act.

It should be done according to the terms mentioned in Section 64 of Chapter 285 of the Irrigation Ordinance.

(b) Though 42 physically measuring water gauges, 52 terminal water gauges and 106 automatic rain and water gauges have been installed for water resources development and flood forecasting, The hydrology and disaster management Division of the department responsible had not specified Specifications and methodology on how to collect and summarize data using them, data and organized information repositories. for how to

I would like to mention that specific techniques are followed in all the mentioned matters. But since no written manual has been prepared, I will prepare and present such manuals in the future.

Data collection, processing, storage and distribution Specific circular instructions and guidelines should be issued on how to proceed in the matter.

maintain, how to provide information to parties requesting data and information and how to confirm the accuracy of information, how to coordinate with other agencies in disaster management and how to publicize information, etc.

- (ii) Out of the 106 water gauges, 77 water gauges and 61 rain gauges remained inactive. Some of them had become inoperable since 2017, but they had not been repaired and put into service in the last year, and the employees employed to collect data from the water meters had been set up in separate unit offices and attached to them.
- Automatic water meters were installed in 2014 under DSWRP project. When some equipment breaks down, repairs are made using the spare parts provided by the project.
- The existing water meters in an inactive mode should be repaired and put into operation. The personnel employed to obtain data from water gauges should be supervised at nearest Regional Irrigation Engineering Offices.
- (c) 1,375,965,915 kilowatt hours (kwh) had been produced in 2022 by 213 Mini Hydro Power plants (Mini Hydro Power) in Sri Lanka, but for this purpose, the Environment Division of the Irrigation Department had not followed a specific methodology in making recommendations.
- In issuing recommendations by the Department for small hydropower projects, Recommendations of the Department of Hydrology, recommendations of the Water Resources Development Department, recommendations of the Irrigation Zone Office, observations of the field test and the environmental impact study report are considered and the recommendations of the Irrigation Department are given to the Central Environment Authority. This methodology has also been implemented in the year 2022 in giving recommendations for small scale hydro power plants.
- Specific circular instructions should be issued on the procedure to be followed in granting approval for the construction of small hydro power plants. A data system should be maintained in respect of small hydro power plants.
- (c) According to Cabinet Decision No. CP/17/1456/729/017 dated July 18, 2017, Galgamuwa Irrigation Training Institute had received approval to conduct international level training courses and
- I will make arrangement to correct it in the future.
- International level training courses and workshops should be held according to the decision of the Cabinet of Ministers.

workshops in 2017, but no international level training courses had been conducted in the last 6 years.

#### 4. Good Governance

##### 4.1 Providing services to the public.

The following observations are made.

| Audit Observation  | Comments of the Accounting Officer | Recommendation   |
|--|------------------------------------|--|
| For 19 large-scale and medium-scale projects under the department, Rs. 158,242 million and for 7 other projects Rs. 43,375 million were also estimated and for these projects as on December 31, 2022, Rs. 60,056 million and Rs.15,787 million respectively had been spent. Out of these, financial statements were not prepared and submitted for 17 projects. | No answers provided                | Arrangements should be made to prepare and submit annual financial statements for all large scale and medium scale projects operating under the Irrigation Department. |

##### 4.2 Audit and Management Committees

| Audit Observation  | Comments of the Accounting Officer   | Recommendation  |
|--|--|---|
| According to the audit guidelines letter No. DMA/PRF/10/2019/01 dated 21 May 2018 and 24 June 2019 of the Director General of the Department of Management, although audit and management committees should have been established in development project offices operating with domestic and foreign financing and held at least four committee meetings per year. As of December 31, 2022, audit and management committee meetings had not been held for the 26 projects implemented by the domestic and foreign funds of the department. | According to the instructions of Management Audit Circular 1/2022 dated February 07, 2022 (according to Management Circular 01/2019) for projects with a project duration of more than one year and a total cost exceeding USD 5 million, It has been informed that internal audit units should be established and 02 project internal audit review committee meetings should be held and the committee meeting should be held half yearly at the ministry level. An internal auditor had not been appointed for projects under the above criteria | Audit and management committees should be established as per circulars and at least two committees should be held in a year and the operations of those projects should be properly supervised. |



under the department. Therefore, it has not been possible to hold project internal audit committees. But in the year 2022, 04 audit and management committee meetings were held for the department and issues arising in relation to all projects were also discussed.

## 5 Human Resource Management

The following observations are made.

| Audit Observation  | Comments of the Accounting Officer  | Recommendation   |
|--|---|--|
| (a) The approved permanent staff of the department was 7007 and the actual staff was 5387. In addition, external persons had been hired and paid for various activities under service contracts on daily wages, work performed and other payment bases. As on December 31, 2022, there were 334 such staff out of which 04 were assigned to offices.   | No answers were provided.   | Recruitment under service agreements and other service contracts should not be done without Treasury approval. |
| (b) According to Section 7.2.1.2(b) I of the Department's Service Minute of Engineering Assistant Service, having studied and obtained a certificate in the Irrigation Engineering Diploma from the Galgamuwa Irrigation Training Institute has been recognized as a professional qualification for direct recruitment of Grade III and the said course should be at NVQ 6 level. Even though it has been 5 years since the service Minute was approved, arrangement had not been made to get NVQ level 6 for the relevant engineering diploma approved. | For the Irrigation Engineering Diploma Course held at the Galgamuwa Irrigation Training Institute, all necessary arrangements have been made to obtain the NVQ-06 level and a temporary registration has also been given to be valid from October 02, 2014 to October 01, 2016. Galgamuwa Irrigation Training Institute has taken the necessary steps to obtain the registration of the Tertiary and Vocational Education Commission. | Arrangement should be made to approve NVQ – 06 levels for Diploma in Irrigation Engineering.                   |

- (c) The Departmental Organization Chart was not approved by the Department of Management Services. Organization chart prepared according to positions approved by Department of Management Services was presented. Arrangements should be made to approve the organization chart of the department by the Department of Management Services.