

Head 282 – Department of Irrigation

1. Financial Statements

1.1 Qualified Opinion

Head 282- The audit of the financial statements of the Department of Irrigation for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial performance, and the cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 the provisions of the National Audit Act No.19 of 2018. In terms of the section 11(1) of National Audit Act No.19 of 2018 the summary report including my comments and the observations on the financial statements of Department of Irrigation had been issued to the Accounting Officer on 05 September 2024. In terms of the section 11(2) of National Audit Act, the annual detailed management audit report related to department had been issued to the Accounting officer on 24 September 2024. This report will be tabled to the Parliament in terms of the provisions in Article 154(6) of the Constitution of Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the section 10 of National Audit Act No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the department as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of my report. I believe that 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

Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Generally Accepted Accounting Principles and the provisions of section 38 of the National Audit Act No.19 of 2018 and for such internal control as management determines 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 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 annual and periodic financial statements to be prepared of the department.

In terms of the subsection 38(1) (c) of the National Audit Act, the Accounting Officer certifies that an effective internal control system is prepared and maintained for the financial control of the department and a review on effectiveness of such system is carried out periodically and accordingly, the alterations required for effectively performing the system should be 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 report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal Requirements

I express the following matter in terms of the section 6(1) (d) of National Audit Act No.19 of 2018.

- (a) The financial statements submitted for the audit were not inconsistent with the financial statements in the preceding year as per the following audit observations.

| Audit Observation | Reference to paragraph of this report |
|---|--|
| When writing down the opening balances of the non-financial assets, the aggregate value of 11 assets accounts had been understated by Rs. 803,781,970 and the aggregate value of 02 assets had been overstated by Rs. 15,974,595. | 1.6.1.4 Property, plant and equipment (a) |

- (b) The under-mentioned recommendations made by me on the financial statements related to the preceding year had not been implemented.

| Paragraph reference of the report related to previous year | Recommendation which had not been implemented | Paragraph reference of this report |
|---|--|---|
| Income Receipts 1.6.1 (a) | The deposit accounts should not be used for the external activities of the approved objective by retaining the revenue in the deposit account. The revenue should be accounted having accurately identified. After reviewing the accounting and internal control systems related to this, the action should be taken to make the necessary amendments. | Income Receipts 1.6.1.1 (a) |
| Deposit Account Balances 1.6.3 (a) | A formal control system should be established to collect the revenue after obtaining the approval of the Treasury for the revenue collected through the various functions of the department and the action should be taken to accurately account such revenue. The only approved receipts should be deposited and the money in it should be incurred only for relevant specified activities. | Deposits 1.6.1.3 (a) |
| Deposit Account Balances 1.6.3 (b) | The action should not be taken to retain the money received to the department for various purposes in the general deposit account in long-term and said money should be immediately utilized for the relevant activities. | Deposits 1.6.1.3 (b) |

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

1.6.1.1 Revenue Receipts

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| Rs.6,420,681 received for 10 training programs conducted within the year under review by Irrigation Training Institute, Galgamuwa had been retained in the deposit account for temporarily retaining without crediting to the state revenue. | An amount of Rs.2,416,770 which was the remaining balance of 11 deposits received for the training programs conducted within the year under review by Irrigation Training Institute, Galgamuwa had been credited state revenue on 17 July 2024. | It should be credited to the state revenue without utilizing for all revenue and expenditure. |

1.6.1.2 Capital Expenditure

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|---|
| (a) Even though an aggregate of Rs.6,684.95 million had been incurred under machines and machineries, buildings and constructions, land and land improvements and development of infrastructure in the year under review, only Rs.3,305.19 million had been accounted as non-financial assets acquisition. It was 51 percent from the expenses incurred. | Since the all values purchased under objects 2102 and 2103 are inventoried in CIGAS program, there is no possibility of not accounting the expenditure incurred under this object as assets in any way. However, certain assets which can't be identified as fixed assets with less value are removed from the assets in CIGAS accounting system. Rs.4.08 million incurred for the constructions of the buildings had been accounted in July 2024 and the all remaining expenses had been capitalized as at 31 December 2023. The expenses incurred so far under Object No. 2105 had been capitalized and the expenditure of the provisions given to other departments had been capitalized in the relevant projects also. The only expenses incurred under these objects but can't be identified as the fixed assets had been removed from the project value. The capitalization of the assets to be capitalized incurred under 2506 rehabilitation object especially the expenses incurred for the projects had been commenced | The all non-financial assets should be accurately identified and accounted. |

in 2023. Accordingly, the all values to be capitalized incurred will be completely capitalized within 2024.

- (b) Rs.16,207,758,072 incurred in 2021, 2022 and 2023 and the property, plant and equipment of Rs.7,596,399,292 developed had not been specifically identified and accounted as non-financial assets.
- The all values purchased in the years indicated had been accounted as the fixed assets by CIGAS system. There is no possibility of not accounting the expenditure incurred under these objects as assets in any way. However, certain assets obtained under these objects can't be identified as fixed assets and with less value will be removed from the assets in CIGAS system. Specially, the expenditure incurred for the projects had been capitalized in 2023. Accordingly, the values to be capitalized incurred up to now will be completely capitalized within 2024.
- The all non-financial assets should be accurately identified and accounted.
- (c) Even though an amount of Rs.280,751,890 had been added to the value of reservoir under assets symbol No.6141403 in the statement of non-financial assets as transfers, no detailed information had been submitted on each reservoir related to that expenditure.
- Even though it had been shown the value of reservoir of Rs.280,751,890 under symbol No.6141403 in the statement of non-financial assets submitted by Department of State Accounts as transfers, the accurate transfer value was Rs.18,638,660. A value of Rs.262,113,229 from the purchases within the year had been erroneously indicated as transfers in the treasury print outs.
- Having included the detailed information on the reservoir values, the transfers should be accurately made.
- (d) The capital expenditure of Rs.516,729,324 incurred by the Department of Irrigation for various projects and programs from other expenditure heads within the year under review had not been specifically identified and accounted as non-financial assets.
- The acquisition of assets under other objects had not been transferred to the department as at 31 December 2023. If such institutions which had given the provision had accounted these assets as their own assets, the assets of the government will be calculated two times. Therefore, the letters had been forwarded to the relevant ministries to clearly present the facts on the assets to be identified of the department as at 31 December 2023.
- The action should be taken to specifically identify and account the expenditure incurred from the provisions of other expenditure heads by department.

- (e) The capital expenditure of Rs.20,878,750 incurred by such institutions from the provisions given to other Accounting Officers by the Department of Irrigation within the year under review had not been specifically identified and accounted under non-financial assets.
- Under the provisions given by the department to other departments in 2023, an expenditure of Rs.20,878,750 incurred by such institutes had been accounted in July 2024.
- The financial statements should be prepared having identified the all non-financial assets.

1.6.1.3 Property, Plant and Equipment

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| (a) As per the financial statements 2023, even though an amount of Rs.101,004,436,384 had been accounted as the opening balance of non-financial assets, the closing balance of the non-financial assets was Rs.101,792,230,779 as at 31 December 2022. Accordingly, the total of opening balances had been understated by Rs.787,794,395 on 01 January of the year under review. | There are mismatches in the every year in the fixed assets report prepared by the department. These differences had arisen due to the issues prevailed in CIGAS system of the Department of State Accounts. The all expenditure indicated were purchases within the year and the values adjusted as the opening balances within the year. Though such opening balances and adjustments are different, the final value of the assets are balanced with the departmental books and the treasury balances. | The opening and closing balances of the preceding year should be comparing examined with the treasury balances. |
| (b) Even though the value of 583 buildings under symbol No.61111-61113 in the statement of non-financial assets as at 31 December of year under review had been accounted as Rs.2,469,052,703, the department belongs 2562 buildings as per the reports prepared by Assets Management Division. Accordingly, the value of 1979 buildings had not been assessed and accounted as non-financial assets. | Even though the documents about 1500 buildings assessed by the Department of Valuation since 2019 to up to date had been reported to CIGAS accounting system through zonal offices and head office, it had appeared that the bulk values of buildings mentioned in each file had been accounted in scouting. It will be separately examined on this matter the number of buildings which had been accurately accounted will be reported in the future. | Having assessed the all buildings, the values should be accounted. |
| (c) The value of 106 automatic water gauges and rain gauges handed over to Water Science and Disaster Management Division by Dams Protection Project had not been indicated under the non-financial assets in the financial statements of | In handing over 106 water gauges and rain gauges to Water Science and Disaster Management Division by Dams Protection Project, since no document related to receipt of goods and its values had been submitted to our division, it had not been | The assets received under various projects should be accurately acquired and accounted. |

the department.

accounted under non-financial assets as at 31 December 2023. The letters had been submitted to the Ministry of Irrigation informing to take action to adhere a formal method in handing over the assets to department by the projects.

1.6.1.4 Non-Maintenance of documents and books

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| (a) As per paragraph 5 of Circular No.11/1986 of Director General of Irrigation, the field goods note books had not been maintained in accordance with irrigation format 6. | It had been made aware the relevant officers of zonal and regional offices by the letter No. IA/01/COM/03/2023 dated 04 May 2023 for supervision in relation to maintenance of field stock books in compliance with the circular instructions. | The field stock books should be maintained as per circular instructions. |
| (b) As per F.R.1647 (e), a register for listing the vehicles had not been maintained in a formal manner. The registration certificates and relevant revenue licenses for 2004 vehicles had not been maintained by the officer in charge of Transport Division of Department of Irrigation. Moreover, the details on what stations use such vehicles and the officers who had been assigned had not been updated. | The details of the registration certificates of the vehicles belonging to the department had been listed and presently, a systematic method for handing over had been prepared in handing over to an officer from an officer. These activities are monitored by Mechanical Engineer and Chief Mechanical Engineer. The 03 data systems are separately maintained for this purpose and the activities had been initiated for creation of a software with one data system including these activities and data. | A register for listing the vehicles should be maintained in relation to the all vehicles belonging to department. |

1.6.1.5 Lack of Audit Evidences

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| An amount of Rs.6,602,584,532 had been incurred under the provision of Rs.8,785,000,000 for 14 Capital Objects bearing the Code Nos. 2105 and 2506 within the year under review by department and the reports including the detailed information on the values incurred for each work item indicated under such project estimates had not been submitted for audit. | The action will be taken to submit in due course. | The expenditure incurred under each project should be accounted enabling to identify separately. |

2. Financial Review

2.1 Revenue Management

Audit Observation

In accordance with the memorandum of understanding entered into with a private company by Director General of Irrigation on 13 October 2017 for maintenance of a power station of Deduruoya Multipurpose Development Project, an amount of Rs.30,140,123 i.e.15 percent as per the agreement from the revenue of Rs.200,934,154 earned from the sales of 11,519.679 electricity units (kwh) produced by the relevant company from January 2021 to December 2022 had to be paid to Department of Irrigation. An amount of Rs.6,085,051 i.e.20 percent out of that had been recovered and no action had been taken to properly recover remaining amount of Rs.24,055,072 so far. Furthermore, the relevant documents for identification the revenue to be received to Department of Irrigation had not been maintained.

Comments of the Accounting Officer

The relevant officers had been made aware to take action to recover an amount of Rs.24,055,072.

Recommendation

Having paid special attention on collection of revenue, the action should be taken to collect those.

2.2 Expenditure Management

Audit Observation

- (a) The net provision of Rs.222,000,000 allocated for 02 capital expenditure objects as at 31 December in the year under review had not been utilized and completely remained.

Comments of the Accounting Officer

In accordance with the letter No. PMO/DEV-11/01/01/MTG/SEP-02 dated 07 October 2022 of Secretary to Prime minister in relation to the decisions of Committee on Restrategizing and Acceleration of Mega Projects (RAMP), it had to be taken a decision in relation to the concurrence for settlement of expenditure incurred for the project under foreign loans (AFD).But the provision couldn't be utilized due to not receipt of a decision yet.

Recommendation

The action should be taken to prepare and submit the expenditure estimates in order to minimize the variances as far as possible having identified the requirements in the preparation of the budget.

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| <p>(b) An amount of Rs.2,358,346,016 i.e.40 percent had remained out of net provision aggregate of Rs.5,824,675,000 allocated for 20 objects.</p> | <p>It was possible to complete only a part of the compensations for land acquisitions for the projects such as Morana, Wellassa, Kudawilachchiya and Elle wewa and Yan oya. Since the payment of compensations is an activity carried out on intervention of several institutes, at every occasion, the expected progress can't be achieved as planned.</p> | <p>The expenditure estimates should be submitted after identifying the requirements in preparation of the budget.</p> |
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2.3 Entering into Liabilities and Commitments

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|---|
| <p>(a) A liabilities of Rs.70,553,984 had been entered into at 279 occasions with regard to 16 objects as at 31 December 2023.</p> | <p>The written instructions had been issued to take action as per Public Finance Circular 02/2020 by the letter No. F/Cash book closing/2022 dated 13/12/2023 informing to enter into the commitments after ensuring that the provision are available properly in entering into the commitments and liabilities at the end of the year.</p> | <p>The action should not be taken to bring forward any liability with an objective of settling in the next year.</p> |
| <p>(b) In relation to the project for construction of Yan Oya Reservoir, it had been informed by Geological Survey and Mines Bureau that an amount of Rs.24 million is outstanding as receivable royalty for excavation of soil 157,234 cubes, sand 81,905 cubes and granite 201,784 cubes. The relevant outstanding had not been indicated as a liability or commitment in the financial statements.</p> | <p>In handing over Yan Oya project to Department of Irrigation, an amount of Rs.30,681,926 had been paid by the contractor to Geology Survey and Mines Bureau as per the relevant file. In accordance with such documents, an outstanding of Rs.2,836,435 had to be paid to Geological Survey and Mines Bureau. The amount to be paid had been indicated as Rs.38,044,762 as per the letter of Geology Survey and Mines Bureau. Even though the contractor had paid this money, such money had not been reimbursed to him again.</p> | <p>Having separately identified and documented the liabilities and commitments, those should be submitted through accounts.</p> |

Accordingly, it is accurate to mention this royalty as a liability.

2.4 Certifications to be done by the Accounting Officer

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| <p>In terms of section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer and the Accounting Officer should certify that an effective internal control system is prepared and maintained for the financial control of the department by the Accounting Officer and the required alterations should be made for effectively carrying out the system in accordance with the review on effectiveness of such system performed from time to time. Even though those reviews should be made in writing and a copy of that should be submitted to the Auditor General, the statements for such review carried out had not been submitted to the audit.</p> | <p>It had been discussed in relation to the above matter at the department audit and management committee meeting held on 19 December 2022. Accordingly, it had been decided that the relevant certifications should be carried out based on the meeting minutes held weekly with the participation of the heads of divisions. The letter No.IA/01/COM/04/2022 dated 15 February 2023 had been issued in relation to strengthening the internal control system.</p> | <p>In terms of the section 38 of the National Audit Act No.19 of 2018, the action should be taken.</p> |

2.5 Non-compliance with Laws, Rules and Regulations

| Reference to Non-compliance Laws, Rules and Regulations | Comment of the Accounting Officer | Recommendation |
|---|---|---|
| <p>(a) Section 11 of the Irrigation (Amendment) Act No.23 of 1983</p> <p>An Irrigation fine fund had not been maintained.</p> | <p>According to the Section 110 (4) of the amended Irrigation Ordinance, the Secretary of the Minister in charge of the subject of Irrigation should bear the responsibility about the fund. Therefore, the proceedings should be made appropriately by the Secretary. The Secretary was informed on this matter.</p> | <p>An Irrigation Find Fund should be maintained as per the amended irrigation fund.</p> |

(b) The
Establishments
Code of the
Democratic
Socialist
Republic of Sri
Lanka

- (i) Section 4.4 and 4.5 of the Chapter XXIV
- A sum of Rs.2,494,518 to be collected from 20 deceased employees, Rs.13,079,770 to be collected from 122 retired employees, and Rs.2,864,197 to be collected from 35 employees who were interdicted, vacated the service and suspended had not been collected. These balances included 32 loan balances older than three years amounting to Rs.3,280,334 and 33 loan balances exceeding five years amounting to Rs.2,047,790.
- The balance of the Deposit Account has been presented as the progress of the outstanding loan balances as at 31 May 2024 to be levied to the government as at 31 December 2023 under the Public Officers' Advance B Account.
- The disciplinary actions should be taken against the officers who did not pay back the loans.
- (ii) Sections 5.2.1 and 5.3.1 of the Chapter XIX
- The rentals of the official quarters had not been collected as per the Establishments Code from the officers and employees residing in the official quarters situated in 14 regions belonged to the Department.
- The Directors of Irrigation have been informed to take actions to collect the rentals of the official quarters as per the Establishments Code.
- The rentals of the official quarters should be collected from the officers residing in the official quarters.

(c) Financial
Regulation of
the Democratic
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Republic of Sri
Lanka

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|------|-------------|--|--|--|
| (i) | F.R 104-109 | The proceedings had not been done as per the Financial Regulations regarding 25 losses and damages amounting to Rs.18,292,188 that had occurred during the period from 1984 to 2012 | The number of losses occurred within this period and not accomplished to date is 09. The actions are being taken regarding those as per the Financial Regulations. | The proceedings should be done regarding the losses and damages as per the terms of the Financial Regulation 104 to 109. |
| (ii) | F.R 136-139 | When the Regional Irrigation Engineering Offices obtained the machines on rental basis, an invoice had not been taken from the respective institutions when hiring the workers and making payments to the former organizations, and the payments had been made based on the measurements recorded in the measurement book of the Engineer Assistant. | The instructions on accounting matters have been given in the letter dated 15 February 2023. | The invoices should be formally obtained from the suppliers to the Department, and the measures on certifying, approving those and making payments should be followed. |

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|-------------------------|---|--|--|
| (iii) F.R 571(2) | The deposits amounting to Rs.158,921,486 which had exceeded a period of 2 years as at the end date of the year under review had not been credited to the state revenue. The deposits amounting to Rs.7,071,727 that exceeded 5 years had been included in the said deposit balance. | 165 deposits related to the General Deposit Account with a maturity of more than 02 years as at 31 December 2023 had an amount of Rs.158,921,487. Out of the deposits of Rs.151,849,759 with a maturity from 02 to 05 years included in the said deposit balance, an amount of Rs.24,233,784 has been settled as at 31 May 2024. Also, out of the deposit balance amounting to Rs.7,071,728 with a maturity of more than 5 years, an amount of Rs.165,000.00 has been settled as at 31 May 2024 and the arrangements are being made to settle the remaining deposit balance. | The deposits that had exceeded a period of 2 years should be credited to the state revenue as per the Financial Regulations. |
| (iv) F.R 753(1) and (2) | The proceedings had not been done as per the Financial Regulations regarding the materials directly received to the field under varied projects for the construction and rehabilitation of tanks /reservoirs. | The actions will be taken to inform all District Offices and Divisional Secretariats regarding this matter." | The proceedings regarding the materials directly received to the field should be done as per the Financial Regulations. |
| (v) F.R 756 | The materials; issued for operation and maintenance works of the Regional Irrigation Engineering Offices and the construction industries and being kept under the custody of Engineering Assistants, had not been physically verified by the annual board of survey. | The necessary instructions and forms have been given to all the relevant officers by the Letter No. FIN/ST/VR/2023 dated 24 November 2023 from the Director General of Irrigation. Once the balances of the materials under the custody of the Engineering Assistants in the work sites belonging to the Department are physically inspected, the report given by the Divisional Assistant and Director of Irrigation is verified by the survey board and included in the board of survey report. | The annual board of survey should be done adhering to the Financial Regulations, Departmental Instructions and Formats. |

- (d) The Assets Management Circular No.01/2017 dated 26 June 2017. The Information System being maintained by the Department had not been maintained accurately and in updated manner. It has been informed that the details related to the documentation of the purchases and disposals of assets should be reported under the Non-Financial Asset Management System (NFAMS) introduced by the Asset Management Circular 06/2023 to manage the non-financial assets and to report the information according to the instructions of the Comptroller General's Office. The Information System of the Department should be accurately updated as per the instructions of the Asset Management Circular.
- (e) Paragraph 4 of the Management Audit Circular No. 1/2022 dated 07 February 2022. The Internal Audit Review Committee on Project meetings for the projects that had been implemented under the Department had not been held. As there were more matters to be discussed for the projects in the year 2023, it is kindly informed that a separate Internal Audit Review Committee on Project meeting was held on 13 March 2024 for the projects. The Audit Review Committee meetings on Project should be held as per the Circular.
- (f) Paragraph (a) of the Irrigation Department Circular No.23 of 1982. Monthly reports on materials had not been presented by the Engineering Assistants within 5 working days of the subsequent month. The respective officers have been informed by the Letter No. IA/01/COM/03/2023 dated 04 May 2023 to take actions to provide the reports on materials before the due date. The monthly reports on materials should be obtained as specified in the Department Circular.
- (g) Irrigation Circular No.03/2023 dated 28 February 2023 issued by the Director General of Irrigation. Although a Job Description should be prepared for assigning duties to all the staff affiliated to the Department, such a job description had not been prepared for all the staff. The steps have been taken to do the necessary proceedings. As per the Circular issued by the Director General of Irrigation, a Job Description should be prepared in respect of assigning duties for all the staff.
- (h) Paragraph 04 of the Irrigation Circular 04/2023 dated 28 February 2023 issued by the Director General of Irrigation. Although the field officers are required to present a formal monthly work plan to their immediate superiors on or before the 25th day of the previous month for approval to carry out. The steps should be taken to do the required proceedings. As per the Circular issued by the Director General of Irrigation, the Field Officers should present the formal monthly work plans and get the approval thereto.

Irrigation. their duties, the Engineering Assistants and the Technical Assistants attached to the Department had not prepared the next day programs related to the field operations. However, those officers had been given permission to do the field duties irrespective of that matter.

(i) Field Accounting and Pricing Manual – Part ii Vehicles and Equipment

(i) Paragraph 21 According to the daily running records, the monthly summary of the works done should be presented to the Director (Machinery) before the 10th of next month. However, the daily running records of 243 vehicles out of 559 vehicles of the Department that should present the daily running records had not been presented in the year 2023.

The arrangements are currently being made to send the copies of that report to the Regional Directors of Irrigation and to get the reports not received by the relevant Machinery and Mechanical Division.

The running charts should be presented according to the terms stipulated in the Circulars and Financial Regulations.

(ii) Paragraphs 24 and 25 Although the monthly expenditure reports should be submitted to the Director (Mechanical) before 20th of the following month, the monthly expenditure reports of 210 out of 482 machineries of the Department had not been presented properly in the year 2023.

The arrangements are currently being made to send the copies of that report to the Regional Directors of Irrigation and to get the reports not received by the relevant Machinery and Mechanical Division.

The monthly expenditure reports should be presented as specified in the Circulars and Financial Regulations.

2.6 Deposit Balances

Audit Observations on the Deposit Balances are as follows.

| Audit Observation | Comment of the Accounting Officer | Recommendation |
|--|--|---|
| (a) A balance of Rs.8,925,901 collected by the Department as a fee of Rs.10,000 to give licenses for the construction of small hydroelectric power plants related to rivers and canals, sand removal and other economic activities and giving recommendations for various government institutes had been deposited in the Account No. 6000-0-0-13-0-36-0-0 and incurred the expenses without formal authority, 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 within the year under review. | The fee of Rs.10,000; charged in giving recommendations for sand mining before June 2023, has been collected by the zonal offices of the department, and since the said amount is given as administrative expenses, it is released to the Regional Irrigation Engineers for the respective task. The administrative expenses for sand mining is collected by the Geological Survey and Mines Bureau from June 2023 and given to the Director General of Irrigation by a cheque, and the said money is released to the zonal offices that gave the recommendations. An amount of Rs.50,000 is charged for giving recommendations for small hydroelectric power plants, out of which an amount of Rs.15,000 is paid as royalty and the remaining amount is used as administrative expenses of the zonal office and head office to give recommendations for small hydroelectric power plants. | The approval from the treasury should be obtained for the incomes collected from varied tasks and a formal control system should be established to collect those incomes. |
| (b) The balance of the above deposit account as at 31 December 2023 was Rs.389,040,899 out of which some deposits have been retained since the year 2020 without being utilized for the relevant purpose. | An amount of Rs.100,268,832 out of Rs.367,448,359 has been settled by 31 May 2023 and the arrangements are being made to settle the remaining deposit balance. | The provisions received for varied tasks should be used for the respective tasks with no delay. |
| (c) Although only the deposits related to third parties should be included in the Deposit Account; 6000 -0-0-13-0-36-0-0, there was a balance of Rs.292,518,772 as at 31 December 2023 related to 40 deposits that were not third party deposits. The provisions allocated under the expenditure heads of the Ministry of Irrigation and the Irrigation | The deposits related to third parties have been retained in the Account No. 6000-0-0-13-0-36. Since the requests have not been made to release the deposit money from the related projects, money had been retained in the deposit account. | The deposits should be used for the relevant tasks with no delay without being retained for long. |

Department were not used for the intended tasks and had been retained in the deposit account being accounted as expenditure.

- (d) Only a sum of Rs.1,120,415 had been spent from the amount of Rs.21,364,992.00 given to the office of the Zonal Director of Irrigation in Galle by a Chinese company that built the Southern Expressway to control the risk of flood in Matara Kiralakele area as the BR-5 embankment of Matara Nilwala Dam had been damaged in the year 2003, and a balance of Rs. 20,244,577 as at 31 December 2023 had been retained in the Deposit Account No. 6000-0-0-13-0-36-0-0.
- The Chinese company has failed to proceed with further activities due to social and environmental hindrances encountered by the related projects. Also, the Planning Division of the Head Office has proposed to implement the project again according to a different plan. The current embankment is 2.7m above the sea level and it has been planned to be raised up to 3.9m from the sea level, and the estimates are being prepared at present for that purpose.
- The provisions received for varied tasks assigned by the projects should be used for the respective tasks with no delay.
- (e) Although an amount of Rs.22,768,500 that had been received to restore the damages caused to the irrigation structures belonging to the Office of the Zonal Director of Irrigation, Hambanthota during the construction of the Southern Expressway has been retained in the Deposit Account, no action had been taken thus far to restore those irrigation structures and 41 percent from the deposits as at 31 December of the year under review had been paid and a balance of Rs.13,265,091 remained further in the Deposit Account.
- Among the expenses to be incurred from the money received for the project, the amount is to be completely paid after receiving the voucher imprests of Rs.861,207 and the balance amount is to be credited to the state revenue as well as the works are to be done immediately as per the amended estimate after the end of the rain. The bills amounting to Rs.5,221,476 have been received for that purpose and the payment will be made once the imprests are received. 90 percent of its works has been completed. As the farmer organizations requested to fulfill another part of essential works, the main estimate has been presented after being amended in order to carry out those parts also using the said approved amount and the remaining amount of the estimate. The Director of Irrigation has informed that the relevant constructions will be carried out immediately after the receipt of approval.
- The provisions received for the project activities should be used for the respective tasks with no delay.

- (f) The amount of Rs.15,243,945 that had been released in the year 2021 by the Coconut Cultivation Board for the cultivation of coconuts using Sojan method and for preparing an irrigation system in lowland areas of a fallow paddy field of 30 acres located in Hegalla, Kosgoda of Ahungalla Agrarian Service Division belonged to Balapitiya Divisional Secretary's Division had been received by the Office of the Zonal Director of Irrigation, Galle, and the said money had been deposited in the Deposit Account No. 6000-0-0-13-0-36-0-0. This task that does not have a direct connection with the scope of the Department had been undertaken by the Director of Irrigation in Galle District without a formal approval. An amount of Rs.1,886,064 had been spent on diverse administrative expenses such as organizing events, fuel, and travel expenses, and a remaining amount of Rs.12,509,354 had been retained in the aforesaid Deposit Account without being utilized for the relevant task. An estimate of Rs.4.2 million had been approved for the cultivation subsequent to the ground preparation of 5 acres of land under the project and the work was assigned to a contractor, and the works at a cost of Rs.721,241 had been certified and the payments had been made. However, the remaining works were stopped halfway and only 125 coconut plants had been cultivated in 5 plots. Accordingly, 55 plots were to be prepared for planting further 1,375 coconut plants. Although the full amount had been paid, it had been impossible to complete the relevant task as expected using the remaining funds due to the fluctuation of the current market price.
- The Department had prepared estimates for only 10 acres and started the works in an area of 05 acres under the first phase. Accordingly, the approved estimate for the 10 acres was Rs.4,202,000. For this purpose, an amount of Rs.15,243,945 had been given by the Coconut Cultivation Board to the Office of the Zonal Director of Irrigation, Galle and a balance of Rs.12,509,354 remains unsettled at present. The project was temporarily suspended due to social and environmental restraints. Although the project was started after the approval of the new estimates, it was unable to continue this project due to a land issue. Consequently, the Coconut Cultivation Board has been informed to resolve the land issue by its direct involvement in order to continue this project or else to take actions to withdraw the money in the General Deposit.
- The provisions received should not be retained in the general deposit and should be used for the relevant task with no delay.

2.7 Irregular Transactions

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| <p>(a) As per the contract agreement entered into on 15 May 2013 between Chairman of National Water Supply and Drainage Board and Chairman of a Chinese Company for implementation of Gampaha, Attanagalle and Minuwangoda joint water supply project, the project was due to be completed the project worth of US \$ 229.5 million during 2014-2017 period of time. 02 memoranda of understanding had been entered with Department of Irrigation and National Water Supply and Drainage Board on 22 March 2016 and 12 June 2019 for the construction of Basnagoda reservoir which is the main water source of the project. The total responsibility of planning, construction and supervision of the main water source of the project had been taken by Department of Irrigation. The following observations are made.</p> | <p>Even though a feasibility study related to the project had been carried out, a special approval of the cabinet of ministers had not been obtained in this regard. The measures had been taken to rectify such fault performed by the Technical Evaluation Committee at the time of identification. Accordingly, an amount of Rs.50,811,416 had been additionally paid in the payment of advances and the action will be taken to deduct remaining balance of Rs.10,587,862 from the balance payments having deducted an amount of Rs.40,223,654 from that amount in payment of interim payments to the contractor it is hoped to take suitable action after searching about the members served in Technical Evaluation Committee. As at 12 March</p> | <p>Before entering into memorandum of understanding, the approval of the cabinet of ministers should be obtained for the feasibility study and the overpayment should be expeditiously recovered by adhering the disciplinary action in relation to taking action by members of Technical Evaluation Committee by neglecting the provisions of the Procurement Guidelines.</p> |
| <p>(i) The recommendations given by Auditor General for the observations submitted by the detailed management audit report in terms of the section 11(1) of the National Audit Act No.18 of 2018 for the year ended 31 December 2022 of the Department of Irrigation in relation to the said project had not been implemented so far. Therein, the required steps had not been taken for 5 recommendations given to the effect that the disciplinary actions should be taken under Section 29 of Chapter XLVIII of Part II of the Establishments Code, 2 recommendations saying that the complaints should be made to law enforcement agencies in accordance with Section 38(1) of the National Audit Act No. 18 of 2018, 4 recommendations saying that the contract administration should be strengthened, a recommendation saying that the procurement process should be carried out without incurring additional cost and time, and a recommendation saying that</p> | | |

the Cabinet Approval should be obtained before entering into Memorandums of Understanding.

2016 on which the memorandum of understanding had been entered into, a less than one year had remained for the completion of the joint water supply project and the attention had not been paid that it is not practical to complete the construction activities of water sources during that period of time.

- (ii) In accordance with subsection 2.1 under the general conditions of agreement by the request letter for extension of the dates submitted on 05 February 2022 by the contractor, the time extensions had been requested on not receiving the ability of accessing the contractor to the site and the contractor had indicated the entitlements of requesting the additional cost for the time extensions by subsection 20.1 of the agreement.
- The period of time had been extended due to the facts beyond the control of the contractor such as delays of land acquisitions, failure to properly hand over the relevant site to the contractor on due time, protests of the people in the area and Covid pandemic situations in the calculation of the delay as per the committee report. It is accepted that there was no note in the committee report in relation to these unavoidable circumstances. However, it had been informed by contractor on incurring of additional cost.
- The action should be taken in compliance with the conditions in the agreement entered into with contractor.
- (iii) It has been informed that the contractor will present information during the contract performance period related to compensation for additional costs (increase of the price of materials) that had to incurred by the contractor due to long delays.
- Arrangements should have been made to make the payment in Sri Lankan currency within a short period as 18 months according to this agreement. However, the rupee being depreciated, extension of contract period in an unexpected manner and increase in prices were quite unexpected. This situation is completely different from the situation existed at the time of reaching agreement.
- Action should be taken as per the conditions mentioned in the agreement.
- (iv) Cabinet Memorandum No. IR/2023/05 which had been presented on 15 January 2023 sought a 03 month extension of contract period from 1 November 2023 to revise the time table of the Agreement reached with the China Company for the implementation of Basnagoda reservoir project and The approval had been
- No confirmation could be given by the Procurement Entity at this time regarding the costs on extension of time period or price fluctuation.
- The procurement Entity should confirm that costs for extension of time period and costs for fluctuations of price are not to be incurred.

received on 30 January 2023 subject to taking steps as per the observations made on 25 January 2023 by the Minister of Finance and Economic Stabilization. As per the above observations, although the Procurement Entity should confirm that the extension of time period costs and price fluctuation costs, are not to be incurred, such a confirmation had not been obtained. . It had been recommended by the letter No ID/BRP/06/01 dated 04 December 2023 addressed to the Director General of Irrigation by the Project Director that 77 days of extension of the project period be given.

- (v) The approval had been received for the proposal to complete the essential construction activities to supply water to the Basnagoda drinking water project from the reservoir before 31 October 2023 and to complete all the remaining works so as not to obstruct to release water within a period of 3 months from 1 November 2023 subject to the condition to complete all the constructions within the period extended by the Cabinet Memorandum that had been presented on 15 January 2023 by the Minister of Irrigation for revising the Agreement time table and to formally handover the project to the proponent. Accordingly, although the activities related to the project should have been completed as at 31 January 2024, 25 per cent of work further remained to be completed by that time.
- An extension time period until 13 June 2024 in this regard has been obtained. The physical progress at present is 81 percent.
- Steps should be taken to provide facilities to the general public.
- (vi) A Cabinet Memorandum had been presented on 23 January 2024 in violation of the above Cabinet Decision dated 30 January 2023 and in violation of principles of EPC contract agreement to revise conditions related to the payment of additional costs in respect of constructions in the Agreement reached with the China Company for the implementation Basnagoda water reservoir project in the Agreement. The Director General of Irrigation had not verified whether the National Water
- A claim for price variation was not granted as per the primary Agreement since this project was expected to complete its work within a short period of 18 months. However, due to unavoidable circumstances such as delays in acquisition of lands and bad weather, the time period of this Agreement has been extended from time to time. The contractor has made a request to provide a price variation since
- Action should be taken As per the above Cabinet Decision dated 30 January 2023 and principles of the EPC contract Agreement, and should make available the funding without burdening the Treasury.

Supply and Drainage Board which is providing funding for the projects, is having the provisions to pay a sum of Rs.1,085,860,158 for price variation in additional bill No11 (IPC 11) to 21(IPC 21) Instructions had been given to the effect that the required clearances should be obtained from the relevant institutions by the Ministry of Irrigation before the Cabinet Memorandum being presented to Cabinet Ministers. Further, it had been recommended that the Ministry of irrigation should find required funding without burdening the General Treasury.

the rupee has depreciated compared to the time when the Agreement was signed and future action has been taken accordingly.

As per the primary agreement of this water project, payments should be made in US dollars. Accordingly, payments for this sub-contract also should be allocated in US Dollars. The additional rupees over this allocated amount should be available when computing these variations. Accordingly, the treasury should not be burdened with additional amounts. However, discussions in this regard have been held with relevant parties.

(vii) As per instructions pointed out by the Cabinet of Ministers, without acting upon the recommendations of the Technical Evaluation Committee that has been approved by the Standing Cabinet Appointed Procurement Committee and disregarding the provisions shown in F.R. 40,72, 94(1), the revised contract Agreement 2 dated 16 April 2024 had been signed by revising the condition in section 13.8 part iv of the primary contract Agreement to the effect that no payment would be made for price variation Accordingly, a sum of Rs.1,085,860,158 or 47 per cent of the total cost estimate had to be overpaid and the consent of the National Water Supply and Drainage Board had not been received for this and accordingly, the responsibility of paying the sum amounting to Rs.1,085,860,158 fell on the Ministry of Irrigation.

National Water Supply and Drainage Board has been made aware of this. One of their agents had worked as a Committee member.

Funding should be made available without burdening the Treasury.

(viii) According to the General conditions of the primary contract agreement (fidic– first edition 1999 EPC/Turnkey Project), the revised contract agreement had been signed on 16 April 2024 enabling the payment of retention money that had been recovered till 31 January 2024,

A request has been made by the contractor to release retention money informing that he has faced a lot of financial issues owing to the increase in prices of materials by now. He has agreed to furnish a bank security in

The contract retention money should be released once the completion reports are presented.

after having revised the condition to the effect that the money should be released after presenting the closure reports of the project activities. Accordingly, the contractor had been able to obtain the retention money amounting to Rs.104,667,237 while 25 percent of uncompleted project activities remained.

- (ix) As per section 11 of the Memorandum of Understanding dated 21 March 2016 and the D 2 chapter of the Memorandum of Understanding reached on 12 June 2019, although the National Water Supply and Drainage Board had given Rs.100 million to the Irrigation Department to improve the Morana and Ketawala irrigation systems located in the lower basin of the reservoir to minimize the water wastages therein, such tasks had not been carried out.
- The required provision has not been given to the Irrigation Department even by now. Irrigation systems should be improved to minimize the water wastages.
- (x) Officers assigned to the Irrigation Department and Irrigation Ministry had been released as project staff. Salaries and overhead cost paid to thus released officers had not been debited to the consolidated fund recovering them from the 6 percent contract administration and supervision cost paid by the National Water Supply and Drainage Board under section D 3 of the Memorandum of Understanding dated 12 June 2019.
- Basnagoda drinking water main project is implemented under foreign loans. It is expected to minimize the costs with the inspection of constructions of Basnagoda reservoir by the Irrigation Department. It had been decided at that time to achieve that target by obtaining the services of officers currently serving in the Irrigation Department. Due to this reason, the current practice which is to pay a 6 percent administration cost in respect of constructions carried out under the Irrigation Department is to be followed regarding this project as well. It is not expected to pay salaries to officers through this. The cost of the monthly salaries and allowances of the officers assigned to the Basnagoda Water Project Office by June 2024 from the Irrigation Department stood at Rs.18,960,818.
- The salaries and general cost paid from the provision of the Ministry of Irrigation and the Department should be debited to the consolidated fund following the recovery of such money from the contract administration and inspection cost

3. Operational Review

3.1 Not reaching the expected output level

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| (a) The project of the construction of source canal from Siyambalangamuwa river to Mahagalgamuwa tank. | | |
| (i) This project of constructing a source canal from Siyambalangamuwa river to Mahagalgamuwa tank was expected to complete within 3 years from 2012 to 2014 and however, although 9 years have elapsed the project has not yet been completed.. Provision amounting to Rs.580 million had been made therefor and 375 million out of that amount or 64 per cent had been incurred during the period from 2014 to 2023.The Director of Irrigation of Kurunegala had approved estimates from time to time without a proper plan and although the above cost had been incurred for digging about 02 kilometers in various places on the entire stretch of 14 kilometers, action had not been taken to fully construct the canal in any of these places where digging had taken place. Accordingly, no benefit had been provided to the national economy out of the incurred sum amounting to Rs.375 million. | Entire cost estimate is available for the project. The initial estimate had been prepared on the prices available at that time in the year 2011 and work of the project had begun in the year 2014. One of the main drawbacks of this is the non-payment of attention on price variation due to provision being received in installments during the period from 2014 to 2023. Action has been taken at present to revise the estimate. It has become apparent that completing the proposed works is very difficult under current prices. | Attention should be made to get the total cost estimate approved and complete the project under due supervision. |
| (ii) Files had not been properly maintained to identify the approved estimates so far and tasks carried out thereunder and the value of certified work for this project implemented by following the procurement method (Force Account) using Department's employees and equipment. | Future activities will be initiated once the inspection report on how the activities of the project have been carried out, is received. | Files should be maintained in such a way that can identify the approved tasks and the values of certified work. |
| (iii) According to the Feasibility Report of the said project, although it was expected by implementing the project to provide irrigation water to 1400 acres in 800 acres in Palukadawala area, 400 acres in Mahagalgamuwa and 200 acres in new lands, lands to which irrigation water to be provided had not identified even by now. | It has become impossible to provide water to the proposed areas since the project has not been completed. | Action should be taken to identify the irrigation lands as per the feasibility report. |

3.2 Non-achieving the expected outcome

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|---|
| (a) Construction of 1.5 MW hydroelectric-power station under Deduruoya multi-purpose development project. | As per the estimate prepared for the construction of this small-scale hydroelectric power station, a sum of Rs.50 million had been allocated for this construction. Since the Irrigation Department do not have the Technical Officers for the construction and maintenance of a hydroelectric power station this Department is not able to construct this power station. | Reinvestigation should be carried out as to the abandoning of the construction of the power station. Without doing a sufficient analysis. |
| (i) A sum of Rs.249 million had been allocated under the construction of Deduruoya reservoir. When revising the initial cost estimate, it had been proposed to construct a 1.5 MW hydroelectric power station and the provision to be incurred for the construction of hydroelectric power station had been reduced to 50 million without giving justifiable reasons or sufficient analysis. | As per the estimate prepared for the construction of this small-scale hydroelectric power station, a sum of Rs.50 million had been allocated for this construction. Since the Irrigation Department do not have the Technical Officers for the construction and maintenance of a hydroelectric power station this Department is not able to construct this power station. | Reinvestigation should be carried out as to the abandoning of the construction of the power station. Without doing a sufficient analysis. |
| (ii) Clearance in principle of the Cabinet of Ministers had not been obtained when Director General of Irrigation entering into the Memorandum of Understanding on 13 October 2017 with a private firm for maintaining a hydroelectric power station under Deduruoya Multi-purpose Development Project Recommendations of the Legal Draftsman Department had not been obtained on the legality of the relevant Agreement and the compliance of the regulations and the Agreement had not been confirmed either by the Ministry of Irrigation or by the Irrigation Department. | As was decided by the meeting held with the participation of officers of the Ministry of power, Ceylon Electricity Board and the Irrigation Department, the construction and operation of these small-scale hydroelectric power stations have been vested with the private firm operating under Ceylon Electricity Board subject to approval of the Secretary of the Ministry of Power. | When entering into a Memorandum of Understanding Recommendations of the Legal Draftsman Department should be obtained on the clearance in principle of the Cabinet of Ministers, legality of the relevant Agreement and the compliance of the regulations |
| (iii) As per sections 1 and 6 of the above Memorandum of Understanding, when constructing a hydro power station, it can be mortgaged to a private company and obtain a loan from the Sampath bank and if the loan repayment is avoided, Sampath Bank can take over the relevant power station. The said conditions were found to be in conflict with provisions in the Government Land Ordinance and had created a threat that the ownership of the land in which the power station is located may be taken over disposing it from the | It is mentioned in the in the Memorandum of Understanding that a loans obtained to cover the cost of construction and if the repayment is avoided, Sampath Bank is in a position to take over the operations of the power plant till the loan amount is recovered in full. It is also mentioned therein that even though such a taking over happens, the conditions of this | When entering into a Memorandum of Understanding Recommendations of the Legal Draftsman Department should be obtained on the clearance in principle of the Cabinet of Ministers, legality of the relevant Agreement and the compliance of the |

State ownership.

Memorandum of regulations

Understanding shall be in force. Accordingly, since there are no conditions included therein of taking over of the ownership of the power station, there can be no disposition of ownership of the land from the Government. However, instructions have been given to take further actions in this regard.

(iv) The following conditions included in sections 7.1, 7.2, 8 and 9 of this Memorandum of Understanding were found to be in compliance with provisions in financial regulations.

Instructions have been given to correct sections 7.1, 7.2, 8 and 9 mentioned in the Memorandum of Understanding which were found to be in compliance with financial regulations.

When entering into a Memorandum of Understanding Recommendations of the Legal Draftsman Department should be obtained on the clearance in principle of the Cabinet of Ministers, legality of the relevant Agreement and the compliance of the regulations.

(i) Section 7.1

The generated power is purchased by the Electricity Board according to the standard power purchasing. The private firm agrees to pay 15 per cent of the income as royalty according to a monthly based computation.

(ii) Section 7.2

Any expense for maintenance of Deduruoya reservoir will be paid back to any party that approves to pay the accumulated Royalty up to a maximum in 7.1 approved by the Director of Irrigation (Kurunegala) or any other higher officer of the Irrigation Department.

(iii) Section 8

If there is any prescribed balance amount exists once the payment of expenses is settled as per above 7.1 or 7.2, such amount should be brought to the deposit account of the Irrigation Department.

(iv) Section 9

The private firm shall carry out any maintenance related to penstock and intake structures up to the life time of the project.

- (v) Although the main objective of the construction of the reservoir was to provide water for agricultural activities, said objective had been adversely affected due to the inclusion of the condition that the irrigation Department should assist to release water in such a manner that allows a maximum power generation as per section 4,5 of the above Memorandum of Understanding, As per section 4.5, It has been mentioned that hydroelectricity is generated at maximum capacity using irrigation water and spillway water. As per section 5, it is mentioned that the electricity is generated without affecting the cultivation in lower areas. And, it is mentioned in those sections that the objective is to suitably release water in maximum efficiency for electricity generation and agricultural activities. Since this is a task to be done in mutual understanding, those Sections explain the way how it is suitably done. Since it is essential to carry out the activities of this power station as per the decisions of electricity generation, a committee has been appointed for taking decisions in that regard. These sections have been included to generate a maximum electricity power from the water released from the reservoir. When entering into a Memorandum of Understanding Recommendations of the Legal Draftsman Department should be obtained on the clearance in principle of the Cabinet of Ministers, legality of the relevant Agreement and the compliance of the regulations.
- (vi) The conditions had been included that 15 percent from the revenue earned from the electricity generation should be paid to Department of Irrigation without a cost benefit analysis and an approval of the Treasury. Furthermore, if the payment of fees delays, the facts such as interest or delay charges charged for that had not been included into the agreement and due to that reason, such agreement is disadvantageous to the government. This memorandum of understanding had been primarily prepared and the provisions required for update it taking into consideration the investment and functions for that had been indicated in the section 10. Accordingly, the instructions had been given to Irrigation Director (Kurunegala) and Irrigation Director (Water Management) to take necessary action for that. A new agreement should be entered into on delay charges for electricity revenue generation delay.
- (vii) The revenue of Rs.3,085,051 received from the hydro power station from January 2021 to December 2022 had not been credited to the Consolidated Fund and the telephone bills, water bills and electricity bills of Rs.3,085,051 had been submitted to the private company for No answers had been given. The revenue to be credited to the Consolidated Fund should not be utilized for expenditure.

Wariyapola Regional Irrigation Engineering Office from January 2021 to December 2022 from that amount. An amount of Rs.2,000,000 received from the private company on 13 June 2023 had been retained in the general deposit account and an amount of Rs.1,968,532 had been paid for office telephones, water bills and electricity bills on 31 December of the year under review.

(b) Yanoya Reservoir Project

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| (i) | <p>The Yanoya Reservoir project was started in 2012 and was planned to be completed in 2021 and the time had been extended until 31 December 2023. Rs.39,375 had been spent on this project from the year 2011 to 31 December 2023. On the recommendations of the Re-strategizing and Acceleration of Mega Projects (RAMP) Committee, although priority should be given only to the development of the Issana Wewa under the project, the construction of which was completed and the relevant families were to be resettled immediately and other activities were to be temporarily stopped, the project had been implemented without obtaining formal approval. . However, due to the non-completion of the project up to now, sufficient economic benefits at a cost of Rs.39,375 had not accrued to the national economy</p> | <p>According to the report prepared regarding the benefits of the project, the amount of land used for agricultural activities shows the situation before and after the start of the project and according to that, the cultivation of the Yala season has increased by 19,787 acres and the cultivation of the Maha season by 5,382 acres. If we simply calculate the economic benefits from this, on the basis that we get 115 bushels of paddy per acre and the cost of a kilo of paddy is as Rs.80, Rs.5,000 million is available annually. Apart from this, there are significant other financial benefits from this project.</p> | <p>Actions should be taken to give Priority to the development of the shrimp tank under the project and arrangements should be made to settle the families concerned immediately.</p> |
| (ii) | <p>The Auditor General's recommendations such as issuing instructions up to the specific procedures to be followed in acceptance after completion of large-scale projects, preparing and following up analytical reports related to the achievement of expected benefits from the project, Maintaining a system and proper maintenance of documents including all information on land acquisition, Expeditious completion of land acquisition, resettlement and compensation, Taking disciplinary measures under Section 29 in Chapter XLVIII of Volume II in the</p> | <p>It is difficult to provide answers at the department level regarding some of the questions inquired. Some of the questions raised in this report are not detailed. But summary information related to land acquisition; account summaries and a final account report have been prepared. There are details of issuing orders and receipt orders for transferring the assets under the project to other places. There are also no documents related to the project</p> | <p>Matters related to contract administration in large-scale development projects should not be interpreted as policy matters and detailed information regarding the macro-economic impact should be reported in the submission of cabinet memoranda, including</p> |

Establishments Code in respect of administration, which are observations. issuance of performance certificates in required to confirm the case of non-completion of all works to be employer's rights. While undertaken large-scale projects, completed by the contractor as per EPC instructions regarding the procedures to be followed in contract agreement and performance of works as per specifications against officials who have certified payment, Assessing the value of government land and property used without formally leaving the work site after issuing the performance certificate and collecting tax rent. Taking steps to recover the land use fees and the royalty due to the government for the sand, granite and soil used by the contractor, had not been implemented.

- (iii) 4,148 hectares of land and muddy land belonging to the Divisional secretaries' divisions of Horovpothana and Gomarankada had been submerged in the water of the reservoir. Although the project had been implemented with the primary objective of providing irrigation water facilities to 1,515 hectares of new land and adding it to cultivation, till now only 421 hectares of new paddy lands had been provided with irrigation facilities for cultivation. Accordingly, 1,094 hectares or 72 percent of the planned new paddy land had not been identified and given to the farmers for cultivation.
- According to the amount of irrigated lands planned to be developed under the project, the amount agreed to be released by the Department of Forestry and Wildlife Conservation and the final amount developed so far, is about 83 percent of the released lands which have already been developed and the rest of the lands is being developed.
- As planned, the lands should be identified and handed over to the farmers for cultivation and water should be provided.
- (iv) Although it was planned to provide a maximum of 1.5 acres each for those who lost their paddy fields due to the project, the required land had not been identified and released from the Department of Forestry. Due to this, it was not possible to provide alternative paddy fields for those who lost their paddy fields. Instead, an additional compensation of Rs.1,800,000 had been paid each for 506 families amounting to Rs.910,800,000 by 31 May 2024.
- A register consisting of 1,113 in which the irrigated lands to be given to those who lost their land during the construction of the Yan Oya Reservoir, has been submitted to the project by the Divisional Secretary, Horowpathana. According to that document, although irrigated lands should be given to these 1,113, only 40 hectares out of 507 hectares of irrigated land in Omarakadi and 377.45 hectares out of 444 hectares in Issanwewa were released in Anuradhapura district. Consequently, as per the
- Actions should be taken to release the lands that were planned to be given to those who lost their paddy fields from the Department of Forestry and give to the farmers to minimize additional compensation costs.

Cabinet Decision No. CP/24/0395/623/009 dated 26 March 2024 to pay an additional compensation of Rs.1.8 million each for 1.5 acres instead of alternative lands for 614 families whose livelihood is not farming and who live in remote areas due to the inadequacy of irrigation lands, a sum of Rs.1.8 million was paid for each 506 families first referred by the Divisional Secretary.

- (v) 2,355 plots of irrigated land had been acquired according to the progress lines as 2,044 plots of irrigated land for the construction of Yanoya Reservoir and 313 plots of irrigated land for the construction of Wam Iwuru Canal. Under the project, although it was planned to develop 1,514 hectares of new paddy lands as 506 hectares in Omarakada, 444 hectares in Issanwewa, 337 hectares in Moragama and Idulhitiya and 227 hectares in Kohombagas Lake, only a part of it had been developed and distributed to the paddy owners under the reservoir. Comprehensive schedules of paddy lands in that regard had not been maintained. As a result, it was not possible to accurately confirm the amount of alternative paddy lands for those who lost their paddy fields.
- The lists of families who have been given alternative irrigation lands have been forwarded to us by the respective Divisional Secretaries. The said documents are updated and maintained.
- Arrangements should be made to maintain comparative records so that the amount of alternative paddy land provided to those who have lost paddy fields can be accurately ascertained.

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| (vi) | For the construction of the reservoir, 4,352 plots of land under 4,148 hectares of land and muddy belonging to the Horovpotana and Gomarankadawala area secretariats were acquired of which the number of land plots to be compensated was 3,621. Although compensation for 3,515 plots of land had been completed as of 31 May 2024, 108 plots of land had to be compensated. Although it had been 8-9 years since the acquisition of these 108 plots of land, no compensation had been paid for these lands by 31 May 2024. | In case of compensation for acquired lands, the acquisition is done by the Divisional Secretary. Claims investigations are carried out by the Divisional Secretary and assessment work is done by the Valuation Department. Payments will be made after the relevant assessment reports are forwarded to the project office by the Divisional Secretary. Due to delay in relevant assessments and problems arising during claim investigations, delays in payments occur. | Compensation for acquired land should be completed. |
| (vii) | For the construction of the left bank canal of the reservoir, 769 plots of land under 75.5 hectares of land belonging to Horowpothana, Kabithigollawa, Padaviya and Sripura Divisional Secretariat Divisions were acquired, out of which the number of land plots to be compensated was 528. As on 31 May 2024, compensation for 348 plots had been completed and 180 plots were to be compensated. Although 4-5 years had passed since the lands were acquired, no compensation had been paid for the respective lands by 31 May 2024. | During the compensation for the acquired land, land acquisition and title investigations are carried out by the Divisional Secretary. Valuations are carried out by the Valuation Department. Compensation payments cannot be made until the relevant assessment is received by these institutions | Actions should be taken to complete the compensation for the acquired lands. |
| (viii) | Due to the delay in payment of compensation, 7 percent interest had to be paid for more than 5 years for the full compensation due to the delay in providing the assessment reports from the date of gazetting of the 38(a) interim provisions for the acquired lands. Accordingly, Rs.1,275,580,533 had been paid as interest as on 31 May 2024. It was not confirmed to the audit that the interest paid was paid to only those who lost their land. | After the issuance of the interim order 38 (a), the surveying work and preparation of survey maps will be done by the Survey Department. Titles investigation and acquisition is done by the Divisional Secretary. Valuation is done by the Valuation Department. Compensation payments cannot be made until the project office receives the assessment report at the end of this process. Accordingly, interest will have to be paid for the respective delay periods. | Reports should be prepared and submitted so that it can be confirmed comparatively that the interest paid was paid to those who lost their lands. |

- (ix) According to the cabinet memorandum presented on 21 February 2024 regarding the compensations, approval had been sought to revise and pay as Rs.1,800,000 in place of 1.5 acres of irrigated land for 614 permanent resident family units outside Horowpothana, Kebithigollewa, Padaviya Divisional Secretary's Divisions by the year 2022. Meanwhile, this had been approved by the Cabinet Decision No. CP/24/0395/623/009 dated 18 March 2024. Accordingly, a sum of Rs.1,800,000 each 506 families amounting to Rs.910,800,000 additional compensation had been paid by 31 May 2024. There, the reasons for increasing the compensation up to Rs.1,800,000 and the alternative measures taken for the remaining 328 people had not been stipulated.
- A committee headed by the Anuradhapura District Secretary has been appointed to reconsider the payment of additional compensation in place of giving an alternative land to the people who lost their irrigated land under the Left Bank Canal and to prepare a report in this regard. The report of the committee has been received so far and further action will be taken accordingly.
- Information in respect of the reasons for increasing the compensation up to Rs.1,800,000 and the alternative measures taken for the remaining 328 persons should be submitted.
- (x) Season Compensation of Rs.345,452,574 had been paid for those who lost their paddy fields during the construction of the reservoir dam at a rate of Rs.35,000 each per acre for 9 seasons from the Maha season 2014/2015 to the Maha season 2018/2019 due to non-delivery of lands on the scheduled date. For those who lost their lands during the construction of the Wam Iwuru canal, Rs.50,700 each per acre had been paid for the farmers from Yala Season of 2018 to Maha Season of 2020 related to four seasons for the farmers who lost their lands to be cultivated and Season compensation of Rs.35,000 per acre had been paid for farmers who cultivate with sky water totaling Rs.123,494,081. Accordingly, due to the non-delivery of paddy land to those who lost their lands as scheduled, they had to be paid the Season compensation amounting to Rs.468,846,655. The audit did not confirm that the compensation paid thus was for those who lost their lands.
- Compensation has been paid in relation to the inability to farm for the period up to the release of the land and the payment of the corresponding full compensation. Necessary approvals have been obtained for this.
- Reports should be submitted so that it can be verified comparatively that the compensation for the season was paid to those who lost their lands.
- (xi) Rs.2,000 each up to a maximum of Rs.8,000 as subsistence allowance totaling Rs.481,918,000 had been paid till 31 May 2024 due to not giving
- Monthly subsistence allowances were paid to the families who lost their irrigated land under the reservoir until an alternative
- Records should be maintained to ensure that the subsistence allowance is paid to

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| <p>irrigated lands for those who deprived of the sources of income. Due to the fact that the books had not been maintained so that the amount paid for each person could be identified separately, it was not confirmed to the audit that the cost incurred for the same was paid for those who lost their lands.</p> | <p>irrigated land was provided and the subsistence allowances of those who received additional compensation instead of alternative irrigated land have been stopped. The monthly documents in relation to payment of the subsistence allowance are prepared by the Divisional Secretary and forwarded to the project office and based on those documents, the relevant amount is released to the Divisional Secretary. The records of the beneficiaries are being updated.</p> | <p>the persons who had lost the lands due to the said project.</p> |
| <p>(xii) Although it was expected provide Irrigation facilities to increase the intensity of cultivation in 8,700 hectares of land already under cultivation, only 5,956 hectares of land had been provided irrigation facilities for cultivation in two seasons as of 31 December 2023. Accordingly, 2,794 hectares or 32 percent of the planned paddy lands had not been provided with irrigation facilities for cultivation in the both seasons.</p> | <p>There is a comprehensive description pertaining to this matter in the report.</p> | <p>Irrigation facilities should be provided for paddy lands as expected.</p> |
| <p>(xiii) Although it was planned to provide drinking water to 50,000 families in Anuradhapura district and 20,000 families in Trincomalee district through the construction of this reservoir, no documents were submitted to the audit to confirm how many families had been provided drinking water facilities.</p> | <p>24 MCM of water for drinking water has been allocated to the Water Supply Board under this project. They can get that amount of water whenever they need it.</p> | <p>Actions should be taken to maintain up-to-date records regarding the provision of drinking water to the planned families</p> |
| <p>(xiv) Although it was planned to build a 16 km long elephant fence in the region, the elephant fence had not been built so far.</p> | <p>Although it has been informed that the construction of elephant fences cannot be done by the Department of Forestry, actions will be taken to select a contractor under the supervision of the department to carry out the work in the future.</p> | <p>The planned elephant fence should be erected.</p> |
| <p>(xv) The original estimate of Rs.36,855 million for the Yan Oya project was revised to Rs.48,355 million with the</p> | <p>Part of this project has been executed under an EPC contract. Another part is further</p> | <p>Expenses incurred and estimated expenses under each</p> |

approval of the Cabinet of Ministers in the year 2021. The said provisions had been identified under 22 sub-items under 6 main work sections and due to the fact that accounts were not kept separately regarding the expenses incurred under each sub-item, the audit could not confirm that the related expenses were incurred within the approved limits by the Cabinet of Ministers.

developed by the Irrigation Department. The expenditure records related to the payment activities for all the constructions done by the irrigation department are properly maintained. Payments under the EPC contract will be made as per the guidelines notified to the contractor. Accordingly, all relevant payment records have been maintained.

sub-head should be kept separate accounts.

(c) Lower Uva Medium and Small Scale Development Project

This project had been implemented from the year 2007 under an estimate of Rs.1,250 million to supply water to irrigate the existing 971 hectares of land and 728 hectares of new land by. Supplying 2.45 million cubic meters of water through the Watagala Ara Lake, Mallipotha Lake, and Debara Lake in Monaragala district. As on 31 December 2023, the financial progress was Rs.776.23 million and the physical progress was 91 percent and only 723 hectares had been irrigated. Accordingly, even though 17 years had passed since the projects were started, 976 hectares or 57 percent of the land that was expected to be developed had not been irrigated. Due to the lack of identification of new land and development of the lower valleys to provide irrigation water, the economic benefits expected from the implementation of this project had not been added to the national economy.

At the beginning of the project, 55 small tanks have been planned for development under 3 phases. Some items have been removed due to reasons such as non-approval of the Department of Forest Conservation, implementation of some tanks by other projects and lack of technical feasibility. Accordingly, sections have been removed from the proposed works under each phase. Therefore, the amount of cultivated land proposed to provide water at the beginning of the project has reduced to 723 hectares. Also the future work of the project have been done as per the instructions given as per the Prime Minister's Secretary's letter No. PMO/DEV-11/01/01/MTG/SEP-02 and dated 07 October 2022 regarding the decisions of the Re-strategizing and Acceleration of Mega Projects (RAMP) Committee.

The economic benefits expected from downstream development should be added to the national economy.

(d) Morana Reservoir Project

To supply 16 million cubic meters of water to 570 hectares of land in Badulla district, the construction project of this reservoir had been implemented since

All major constructions of this project have been completed. All that remains is to complete the work related to

Arrangements should be made to provide irrigation water for the new lands that

2012 under an estimate of Rs.2,900 million. As on 31 December 2023, although the financial progress was Rs.2,725.87 million and the physical progress was 99 percent, irrigation water was given to only 449 hectares of new land. Accordingly, although 14 years had passed since the project was started, 121 hectares or 21 percent of the new land that was expected to be developed had not been irrigated. Also, the compensation for the land acquired for the reservoir and the main canal and the provision of alternative land had also been delayed.

compensation and to set up part of the proposed cultivation land. Land preparation is currently being done and the work will be completed this year. The work of compensation will be done after receiving the assessment reports from the Divisional secretariats.

were expected to be developed. The environmental impact assessment related to the project should be done properly and compensation should be paid for the lands acquired for the reservoir and the main canal and alternative lands should also be provided.

3.3 Leaving projects unfinished

(a) Kumbukkanoya Reservoir Project

| Audit Observation | Comments of the Accounting Officer | Recommendation |
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| (i) The cost of Rs.521,548,736 incurred for this project has not contributed to the national economy so far. Although the expected benefits of this are irrigating 5,429 hectares of new and unirrigated land, providing 12 million cubic meters of water annually for drinking water needs, Development of 15 km of alternative roads, generation of 16 gigawatt hours of hydropower annually, promotion of freshwater fisheries, development of towns in the resettled area and construction of elephant fence to reduce human-elephant conflict, none of these had not been achieved by 31 December 2023. | The Kumbukkan Oya Reservoir Project is a large-scale irrigation project under which a large reservoir of 48 million cubic meters is proposed to be constructed and a number of small tanks are to be reconstructed under it and some of them have already been completed. Actions have been taken to follow the instructions given by Prime Minister's Secretary's letter No. PMO/DEV11/01/01/MTG/SEP-02 dated 07 October 2022 regarding beneficial reservoir set out above, benefits after construction of reservoir and proposed scheme, the lack of provision for construction of the reservoir and the decisions of the Re-strategizing and Acceleration of Mega Projects (RAMP) Committee. | Actions should be taken to identify economic benefits that can be obtained from the costs incurred and efforts should be made to add them to the national economy. |
| (ii) Cabinet Decision No. CP/17/0583/729/011 dated 28 March 2017 made in relation to the Cabinet Memorandum submitted entitled "the compensation and resettlement of the people | Actions have been taken to act in respect of the decisions of the Re-strategizing and Acceleration of Mega Projects | Actions should be taken to introduce a general system |

affected by the loss of property due to the acquisition of lands for the Kumbukkan Oya Reservoir Project” had recommended that it would be appropriate to create a general compensation system that could be implemented in such cases by the President. The Finance Minister had observed that the people living in the same area affected by different projects have been paid under different schemes. The Secretary of the Ministry of Lands had been directed to complete the preparation of new regulations for compensation to the people who lost their land/crops as soon as possible in order to avoid these problems. Accordingly, although a general system for the acquisition of land and compensation for the project should have been prepared in coordination with the Ministry of Irrigation the Ministry of Lands and submitted it to the Cabinet of Ministers, it had not been acted accordingly.

(RAMP) Committee, as per the instructions given by the Prime Minister's Secretary's letter No. PMO/DEV-11/01/01/MTG/SEP-02 dated 07 October 2022.

of compensation for land acquisition and act accordingly.

(iii) According to the observations submitted by the Minister of Finance, although it was stipulated that a Cabinet note should be submitted specifying the total amount of provision required to implement the 07 proposals mentioned in the Cabinet Memorandum and the total families belonging to each category to be compensated, actions had not been taken accordingly.

A Cabinet Memorandum has been submitted entitled "Proposal for payment of Super Lark and Lark Concessions and Incentives for compensation and resettlement of affected people due to acquisition of land for Pahala Malwatu Oya Multi-Purpose Development Project and Kumbukkan Oya Reservoir Project on 20 December 2022 due to non-approval of the Cabinet Memorandum submitted on 14 March 2017.

A copy of the Cabinet Memorandum should be submitted for audit.

(iv) Accordingly, despite the absence of Cabinet approval for land acquisition and payment of compensation, Rs.43,998,988 out of the allocations made in 2019, 2020, 2021 and 2022 for the project under the ministry expenditure heading, had been paid to the Divisional secretaries of Medagama, Badalkumbura and Monaragala. The money paid without a specific system for compensation remained idle in the general deposit accounts of those offices for a period of 4 years.

When submitting land acquisition proposals, the value of the land according to the gross estimate should be deposited in the respective divisional secretaries' offices and the acquisition proposals should be submitted along with the receipts. Suggestions have been made to deposit the money according to the value of the land in acquisition of the lands. It had to be acted according to the letter Prime Minister's

The reasons should be investigated and disciplinary action should be taken regarding the officials who released the money without identifying the people who lost their land and

Secretary's No. PMO/DEV-11/01/01/MTG/SEP-02 and dated 07.10.2022 regarding the decisions of the Re-Strategizing and Accelerating Large Scale Development Projects (RAMP) Committee while the further work related to land acquisition is being carried out. Actions have been taken to inform the concerned divisional secretaries in this regard and arrangements have been made to recover the deposited money. who should be compensated.

(v) According to the observations made by the Minister of Finance in relation to the Cabinet Memorandum No. CP/17/2716/729/029 titled "Obtaining Approval to enter into a Memorandum of Understanding with a Chinese Company to implement the Kumbukkan Oya Reservoir Project and the Heyda Oya Reservoir Project under the Swiss Challenge Method" submitted by the Minister of Irrigation and Water Resources Management on 24 November 2017 in order to enter into an agreement to implement the project under that project, the procedure for calling counter-proposals and selecting should be completed in accordance with the guidelines of the Swiss Challenge procedure. Without following the procedure related to the Swiss Challenge system as stated in the observations of the Minister of Finance for the Cabinet Decision No. CP/17/2716/729/029 dated 12 December 2017, the Ministry of Irrigation and Water Resources Management had agreed and entered into a memorandum of understanding with the Chinese Company to carry out a feasibility study for the Kumbukkan Oya and Heda Oya reservoir project on 30 March 2018. Accordingly, contrary to the policy decision decided by the Council of Ministers, contracts were made and Rs.8,929,126 had signed the MoU. Furthermore, the environmental impact study process was not covered in the said agreement. Feasibility study basically studies the facts in respect of the feasibility of the project. Details related to some of the issues expected in an environmental study can be obtained through the said study. An environmental study is a separate study. These studies are carried out by people with specialized knowledge of the tasks and it is impractical to study these two things under the same agreement. Feasibility studies are basically done under this Swiss Challenge method. Disciplinary action should be taken against the officers who have entered into a memorandum of understanding contrary to the policy decision decided by the Cabinet.

(vi) Without following a procurement procedure, an agreement had been entered into with a private company to prepare the environmental impact assessment report although it was a part of the feasibility study, and a sum of Rs.5,150,880 had Matters relating to the viability of the project are studied under the feasibility study. Some of the information relating to environmental impact could Disciplinary action should be taken against the officers who

- been paid thereon as at 31 December 2023. According to the Cabinet Decision, a process of studying the environmental impact assessment should have been included in the preliminary study as mentioned in the observations of the Minister of Environment. Nevertheless, the said agreement had been entered into and payments had been made improperly.
- also be collected. An had made environmental impact payments assessment is a different without activity. Those activities are including the carried out by the relevant environmental professionals, and considering impact both matters under the same assessment into the preliminary agreement is not practical. The study. feasibility study had been done under the Swiss Challenge Method.
- (vii) According to agreement, the report on environmental assessment should be prepared within 04 months, but extensions had been given in 10 instances up to 04 years and 10 months until 30 November 2023.
- When the feasibility study was done, delays had occurred in providing certain data for the institution with which an agreement had been entered into for conducting the environmental impact assessment. The period of agreement had been extended due to considerable delays relating to, selection of an area of resettlement, obtaining approval form the other line institutions, and present and review of the reports.
- Action should be taken on the failure to complete the environmental impact assessment on time.
- (viii) The Director General of Irrigation had entered into an agreement with a private company on 20 July 2018 to prepare the social impact assessment report and the Action Plan for resettlement relating to Kumbukkan Oya reservoir project at a value of Rs.4,008,750. The said report and the plan should have been completed within 03 months by 14 October 2018, but extensions had been given in 04 instances up to 01 year and 10 months until 30 August 2020. According to the agreement, a payment equivalent to 70 per cent of the agreed amount would be paid once the first draft report was approved by the Technical Evaluation Committee. The Audit was not provided with information that the draft report presented on 02 April 2019 had been approved by the Technical Evaluation Committee. Nevertheless, 85 percent of the agreed amount or Rs.3,778,247 had been paid contrary to the agreement during the period 2018-2022.
- Validity period of the performance bond for the social impact assessment report and the Action Plan on the resettlement had been extended until 29.05.2023. Hence, it was not necessary to encash the bond.
- An inquiry should be held and action should be taken against the officers responsible for making payments for the first draft report and giving extensions.
- (ix) Preparation of the feasibility study report, environmental impact assessment report, social The inauguration ceremony was held following an invitation An inquiry should be held

- impact assessment report and the Action Plan for resettlement relating to the project, had been commenced after January 2017. However, inauguration ceremony of the project had been held on 28 January 2017 and a sum of Rs.22,771,296 had been spent thereon through the Head of expenditure of the Department of Irrigation. Accordingly, an inauguration ceremony had been held even without completing the preliminaries of the project thereby incurring expenses without formal approval.
- (x) As the cost on registration for Value Added Tax had been increased with effect from 01 January 2020, it was mentioned of the website of the Department of Inland Revenue that the private company had been excluded from Value Added Tax since 01 January 2020. However, having disregarded that, a sum of Rs.160,350 had been paid as Value Added Tax to that institution during the year 2020. Only a sum of Rs.112,245 therefrom had been recovered, and that amount, rather than being recognized as an income, had been deposited in the General Deposits Account No. 6000-0-0-13-0-36-0 being used to temporarily retain monies until being paid to third parties.
- (xi) Prior to implementation of the project by approving the preliminary reports such as, report of the feasibility study, environmental impact assessment report, and social impact assessment and resettlement plan, an expenditure of Rs.95,262,039 had been incurred on the development of lower basin areas of the Thenagallanda and Ittekatuwa reservoirs under the Kumbukkan Oya reservoir project. Inefficiencies observed in the development of lower basin area of the Thenagallanda reservoir included, failure to complete the construction of concrete basin over a distance of 100 meters from the sluice gate as planned, non-construction of the cover for the sluice gate, using a GI pipe for the grader used to open the sluice gate, failure to properly lay grass sods on the bund, removing silt only from a certain area.
- extended to the Hon. President and action by the Minister in charge. The ceremony was organized as a national event as the President should be taken against the officers responsible for incurring expenses on the inauguration ceremony sans the preliminaries of the project.
- The overpaid sum of Rs.112,245 had been recovered. Action should be taken against the officers who had made payments for Value Added Tax without inspecting the registration. The amount so recovered, should be remitted to the Treasury.
- The volume of concrete under the ratio of 1:2:4 allowed for the sluice gate in the approved estimate was 62.4m³. As mentioned in the book of survey MON/216/54, the volume of concrete used until completion of works, was 25.11m³. The estimate approved for construction of the sluice gate, had not included the items required for constructing the cover of the sluice gate. Supply of the rod, had not been included in the estimate. Action should be taken against the officers responsible for commencing the development works prior to approving the preliminary reports of the project and approving the erroneous estimates.

(xii) According to Cabinet Memorandum No. CP/23/1028/604/010-I presented by the Minister of Finance, Economic Stabilization and National Policies on 31 May 2023, the project management unit should have been terminated on 31 May 2023. Secretary of irrigation had been requested that the divisional irrigation office, Monaragala be assigned with the continuation of project activities, and action should be taken with Divisional Secretaries with respect to the lands. Accordingly, the project management unit had been assigned to the Director of Irrigation, Monaragala, but the documents relating to that assignment had not been prepared properly.

The relevant documents have been prepared formally, and the assignment has been done properly. Final account of the project including a breakdown of expenses incurred as at the date of delivering the project, cost on each activity executed and the progress report thereunder, and fixed assets to the project, inventoried items, remaining stationeries and consumables had formally been handed over to the office of the director of irrigation and the divisional office of irrigation engineer, Monaragala. According to the letters requesting the Divisional Secretaries to refund the monies deposited in the Divisional Secretariats relating to the acquisition of lands, the Divisional Secretariat, Medagama had refunded the monies so deposited amounting to Rs.11,277,500 through the cheque No. 234918. The official documents had been formally handed over.

Documents relating to the project management unit being assigned to the Director of Irrigation, Monaragala, should be prepared formally.

b) **Renovation of the Kuda Vilachchiya reservoir.**

It had been planned to renovate the Kuda Vilachchiya reservoir under an estimate of Rs.6,000 million during the period 2021-2023, and a sum of Rs.162.14 million had been expended up to 31 December 2023. It had been decided not to continue the project from the year 2023 upon recommendations of the Committee on Re-strategizing and Acceleration of Mega projects. Hence, the benefits expected from the project such as, supplying drinking water for 25,000 persons in Anuradhapura district, increasing crop density from 1.57 to 2.0 under the Mahavilachchiya irrigation scheme, mitigation of human-elephant conflict, securing archeological sites from vandalism, supply of water for the proposed herbal zone in Anuradhapura, providing water for animals in the Vilpattu national park, and ensuring flow of water of the Modaragam Aru river to ensure environmental balance, could not

The matters mentioned, are correct.

All the projects should be reviewed, and the projects with priority should be forwarded to the Committee on Re-strategizing and Acceleration of Mega Projects (RAMP).

be achieved.

- c) It was scheduled to implement and complete in the year 2019 a project to supply drinking water to the people in Jaffna through aquatic resources development in the Vadamarachchi lagoon under an estimate valued at Rs.2,000 million from local funds. However, having spent a sum of Rs.28 million, the project had been abandoned after 03 years as at 31 December 2021.
- Several projects were proposed to supply drinking water for people living in Jaffna peninsula, and the said project was one of them. Although the preliminary activities relating to this project had been completed, this project was given the lowest priority in prioritizing the projects. As such, the project could not be continued.
- Information on this project should be included in the Performance Reports, and reasons in that connection, should be given.
- d) Nine projects implemented at an estimated expenditure of Rs. 189 million by exceeding the approved provision under the Accelerated Irrigation Development Project (Wellassa Navodaya) in Monaragala district, had been abandoned halfway.
- Action had been taken on the Wellassa Navodaya development project in accordance with the Letter No. PMO/DEV-11/01/01/MTG/SEP-02 of the Secretary to the Prime Minister dated 07 October 2022 relating to the decisions taken by the Committee on Re-strategizing and Acceleration of Mega projects (RAMP). It appears that some of the constructions pertaining to this project had been abandoned, and this matter will be looked into.
- Information on the project should be included in the performance report and reasons therefor should be given. Action should be taken against the officers responsible for approving the estimates in excess of the approved provision.
- e) A sum of Rs.3,190,000 had been estimated and spent on geological tests conducted at Daluggala reservoir in the year 2022. However, the works had been abandoned halfway without commencing any of the preliminary works relating to the project. As such, the expenditure incurred had become uneconomic.
- Information in that connection has been requested.
- Information relating to the project should be included in the Performance Report.
- f) Action had not been taken until 31 May 2024 to implement 13 projects the feasibility studies of which had been conducted by Planning Division of the Department of Irrigation including, the construction of pump house in Pethiyagoda, construction of additional spill gate in Kekiri Obada, construction of flood outflow structure, Nikawela under the Kelani river flood protection
- Pump house in Pethiyagoda – Cabinet approval had been sought again due to increase in cost. Construction of additional spill gate in Kekiri Obada had not been commenced expecting to proceed with constructions under provision from the Water
- Detailed reports on the cost of projects and works executed, should be prepared and forwarded to

scheme, spill gate improvement project in Mayiyawa reservoir, construction of RCC bridge across Malwathu Oya, and construction of Peraru anicut in Kuda Vilachchiya. Files had not been maintained in a manner that the expenses incurred thereon could be identified.

Resources Board. Project related to Kelani river is expected to be implemented upon receipt of provision in due course. Spill gate improvement project in Mayiyawa reservoir has been implemented at present. The RCC bridge construction project is in progress and will be continued based on the receipt of provision. Project in Kuda Vilachchiya has been suspended.

the responsible officers. Action should be taken to implement projects based on priority.

Elle Wewa is under construction.

Project on Eluwankulama anicut has been planned and the project will be implemented once the provision is received.

Project on Villodaya anicut has been planned, and will be implemented once the provision is received. Tenders have been called for the spill gate project of Malwathu Oya, and will be implemented once the provision is received.

g) Gama Samaga Pilisandara Programme

(i) A sum of Rs.116 million had been estimated on the renovation of canal system for the farmers' organizations at Padaviya and Wahalkada in Divisional Secretariat, Kebitigollewa of Anuradhapura district under the "Gama Samaga Pilisandara Programme", and a sum of Rs.31.2 million therefrom had been spent. Provision had not been received in the year 2023 for the said project implemented without following the formal procedure. As the project had been halted without being completed as expected, the cost so incurred had become uneconomical.

It was proposed to renovate the canal system of the farmers' organizations in Padaviya and Wahalkada under the Gama Samaga Pilisandara Programme. It was planned to supply water to the paddy fields using pipes in the diameter of 4-6 inches, and 2,411 small concrete pipes had been purchased at an expenditure of Rs.31.2 million and provided for the farmers' organizations, thus expecting for the activities to be carried out. Necessary action has been taken to obtain approval on this project from the Department of National Planning.

Required approvals should be obtained, and the project should be implemented in a manner that the public will be benefitted in accordance with the costs incurred.

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| (ii) | Having planned to supply water to farmlands under the Gama Samaga Pilisandara Programme, 2,411 hume pipes had been purchased to be used in the project, and 1,245 of them had been issued to the farmers' organizations, but water had not been supplied as expected. A number of 1,166 hume pipes remained idle at the Irrigation Engineer's Office in Padaviya as at 31 December of the year under review. | The remaining works of the project could not be executed as provision had not been received later. Due to lack of an alternative solution, 1,592 of those pipes had been given to the farmers' organizations thus making use of those pipes for supplying water to the farmlands. It is scheduled that the rest of the pipes will be given to the farmers' organizations in due course in order to improve the water supply. | The hume pipes purchased should, should be made use of as planned. |
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3.4 Delays in Implementing Projects

| | Audit Observation | Comment of the Accounting Officer | Recommendation |
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| (e) | Nine development projects with an estimated value of Rs.128,942 million implemented under the Department, had not been completed even though the project period had exceeded. Although Cabinet approval had been obtained in several instances to extend the period of those projects that had been implemented since 2012, the objectives of the projects could not be achieved as expected due to delays. Action had not been taken to present an analysis in that connection to the Cabinet as well. | Kumbukkan Oya Reservoir Project – halted due to decision of the RAMP Committee. Yan Oya Reservoir Project – It is expected to complete the grant of paddy lands and resettlement activities in the year 2024. Compensating for lands is in progress. Morana Reservoir Project - Compensating for lands is in progress. Mundeniaru Project – AFD loan agreement has not been approved. Land acquisition process is in progress. Wellassa Navodaya Project – Halted following the decision of the RAMP Committee. Uma Oya Project – 90 per cent of the project has been completed, and it is expected to complete works by the end of the year 2024. Some of the constructions of the Mahagalgamuwa feeder canal project have been halted halfway. Godigamuwa Project – Cabinet approval is being sought for the revision of estimates. | A substantial analysis should be conducted in this regard and the Cabinet should be informed. |

(b) **Uma Oya Downstream Development Project**

- (i) According to the performance report issued by the Irrigation Department as at 31 December 2023, the accumulated financial progress in this had been Rs.15,130.40 million. Although it had been planned to provide irrigation facilities to 4,500 hectares of new land and 1,500 hectares of existing land as the expected benefits of the project, irrigation facilities were provided to cultivate only for 750 hectares of new paddy lands. Accordingly, water had not been released to 5,250 hectares or 87.5 percent as scheduled. Moreover, the objectives of providing 30 million cubic metres of drinking and industrial water for Monaragala and Hambantota districts, development of animal farms and fresh water fisheries, transfer of knowledge in modern technology and improvement of 54 small tanks and supply of water to 110 tanks have not yet been achieved even though 11 years had passed after starting the project.
- The expected benefits of the project are being achieved in parts. The areas to be cultivated under the project are currently being identified and their mapping is in progress. As per the decisions of the committee on Re-strategizing and Acceleration of Mega projects (RAMP) and the letter dated 07 October 2022, it has been directed to prioritize only the essential works identified in the project and to finalize them in this year. Moreover, 65 tanks, out of 110 small tanks, have been selected for rehabilitation. Fifty-eight (58) of them have already been rehabilitated.
- Action should be taken to expeditiously finalize the projects to get the expected benefits and documents should be prepared to separately identify new paddy lands and existing paddy lands that will be provided with irrigation facilities.
- (ii) The Irrigation Department, which was assigned with the responsibility of preparing and implementing the plans related to the use of water released after generating hydroelectricity for agricultural purposes in the Kirindi Oya basin. For this purpose, it has been planned from the year 2009 under a Deputy Project Director to bring water to Priyanthage lake after bringing water, carried through the Migas Ara Lake, 18 kilometers away from the Alikotaara Reservoir, to the Kudo Oya reservoir which is 24+365 km away.
- After the Architecture of Budruvagala is completed, water can be taken to Megasara lake. During the construction of the canal, land acquisition, limited allocation, removal of trees from the Forestry Department, and other technical problems hindered the construction work. However, currently the construction of the main canal is being carried out expeditiously, and the works are planned to be completed in the next few months. Accordingly, water will be supplied to the Migas-ara Lake.
- After completing the project work according to the basic plan, arrangements should be made to provide irrigation facilities in a way that it is possible to achieve desired benefits.
- However, as the downstream development works were not completed to carry the water to the Meegasara Lake, it was not possible to take the water released from the Alikotaara reservoir to the Meegasara Lake.
- (iii) It was planned to develop the Malalaara located at the distance of 5.5 km from Priyanthage lake to Kedumkade lake, and then to take water to 40 tanks from Bandagiriya to lower Mattala. However, the development of canals has not yet been carried out to carry water after Priyanthage lake. Since the works expected to be completed under the South Bank canal have not yet been completed, it was not possible to supply water to the lands located in the southern province,
- Action has been taken to prioritize only the essential works identified in the project according to the decisions of the Re-Strategizing and Accelerating Mega Projects (RAMP) Committee and the letter dated 07 October 2022. However, if it is necessary to supply water to Kirindioya
- According to the basic plan, canals should be developed and water should be supplied to 40 tanks up to Bandagiriya and Lower Mattala as expected.

which was the main purpose of diverting the water from the Uma Oya Basin to the Kirindi Oya Basin.

Basin, the work can easily be carried out from the Alikotaara reservoir itself as the Alikotaara reservoir is located across a tributary of the Kirindioya.

- (iv) The Uma Oya Downstream Development Project Office had conducted the project work with 4 residential business engineering offices in Kudaoya, Sinhalayagama, Handapanagala and Wellawaya and with a permanent staff attached to the project. However, document with vital information or updated computerized information system had not been maintained to take necessary management decisions to control and direct the activities of land acquisition, resettlement, compensation and distribution of new paddy lands. As a result, it could not be confirmed during the audit that land acquisition, resettlement, compensation and distribution of new paddy lands have been done to the proper people in accordance with the criteria approved by the Cabinet of Ministers.
- All land acquisition activities are carried out by the Project Director's Office and the Divisional Secretariats from the commencement of the project. The Uma Oya Downstream Development Project Office will only assist the Project Director's Office and Divisional Secretariats in land acquisition activities. All documents related to lands should be kept with the Project Director's office.
- An important information document or an updated computerized information system should be maintained to take necessary management decisions to control and direct the activities of land acquisition, resettlement, compensation and distribution of new paddy lands.
- (v) A total cost estimate for the project had not been approved and the estimates of the project were apportioned by Rs.50 million each as per the authority limit of the procurement committee chaired by the Deputy Project Director in contrary to the provisions of the procurement guidelines, the project had been implemented without planning.
- There is an approved estimate for the total cost of this project. Estimates have been prepared for identified work items and the work has been performed using direct labour within the approved limits.
- Disciplinary action should be taken against the officers, who have acted in contrary to the provisions of the Procurement Guidelines.
- (vi) The sub-tasks, related to the tasks expected to be completed under the estimate of Rs.9,352.5 million submitted to the Cabinet of Ministers in the year 2010 under the Umaoya Downstream Development Project, had not been identified separately and formal documents had not been prepared when approving the estimates to spend the allocations under each sub-task. As a result, it was not possible to separately identify the tasks performed during the relevant period under the project and the expenses incurred for that.
- During the respective year, the Head Office made separate allocations for the sub-items of the main estimate. In the field, the estimates have been made under those sub-items and approval was granted for them. The provision granted will be allocated for those estimates in parts. The works are being carried out in the field without exceeding the amounts for the items under these sub-estimates. Corresponding documents for all these are maintained separately. Moreover, the expenses incurred are maintained in a

way that they do not exceed the estimated items.

- (vii) Even though Rs.14,945.28 million had been spent as at 31 December 2023, additional provision had to be made for the restoration of the washing of the completed canals, bank erosion, soil filling in the canals and concrete structures, etc. due to not identifying the priorities and starting the construction in accordance with a proper plan.
- The work regarding the project is currently being carried out in accordance with the decisions of the Re-Strategizing and Accelerating Mega Projects (RAMP) Committee and the instructions given in the letter dated 07 October 2022. Accordingly, the essential work of this project is to be completed in the year 2024. In cases where we had to face stoppages of work and restart due to some issues, there were occasions, where we had to rearrange the certain work items, of which construction in the field had been suspended when we had to restart the work.
- The priority of the project should be identified and constructions should be carried out. Action should be taken to prevent washing away of completed canals, bank erosion, filling soil in canals and concrete structures.
- (viii) The work of the project had been assigned to the Irrigation Department from the year 2022. However, copies of the reports prepared regarding the acceptance of the equipment used by the project office, copies of the performance or progress reports of the works completed on the date of acceptance, and the copies of the accounting reports submitted by including details of the expenses incurred on the date of acceptance of the project and the work completion plan to be used for the completion of the project by 31 December 2024 had not been submitted.
- Some of the facts mentioned in the audit report were correct. The goods handed over from the Project Director's office have been received by the Deputy Project Director's office. At the time of taking over the project, the reports on the work done and the comprehensive details of the expenses incurred at that time have not been received in writing. The project has been scheduled to be completed by 31 December 2024 after taking over the project by the Irrigation Department in the year 2022.
- The documents on handing over of the project to the Irrigation Department should be submitted to audit.

3.5 Foreign Aid Projects

| Audit observation | Comments of the Accounting Officer | Recommendation |
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| <p>(a) The agreement dated 17 September 2021 entered into for the Climate Resilience Multi-phase Programmatic Approach (CResMPA) Project had been revised on 23 May 2023. Accordingly, it was decided to undertake a restructuring process with the aim of helping the poor community to improve their livelihoods by assisting them in rehabilitating their canal systems. Provision of Rs.4,500 million (US\$ 15 million), out of the provision allocated for project components 1 and 2, had been allocated and the 5th component had been identified as “improvement of climate resilience and maintenance of irrigation and rainwater infrastructure”. It had been planned through this new component to implement the project by giving the highest priority for culverts, flood control structures, gates and water tools and emergency repairs in the irrigation systems of the 25 districts, and accordingly, the project had been implemented.</p> <p>Accordingly, 69 contract packages, of which the estimated value had been Rs.87,421,384, were awarded to farmer organizations by 31 December of the year under review under the supervision of the Irrigation Department. Seventeen (17) contract packages, of which the estimated value had been Rs.30.755 million had been completed on 31 December of the year under review. However, according to the field investigations conducted in Batticaloa and Ampara areas, it was confirmed by the third-parties to the audit that most of the constructions were not carried out by the farmers' organizations and were carried out by the officers of the department themselves. Thus, the primary objective of implementing this component, which was "to help the poor community to improve their livelihood by supporting the rehabilitation of their canal system", was not fulfilled. In this regard, the supervision of project management was also in a minimum level.</p> | Answers had not been submitted. | Contracts awarded to farmer organizations should not be fulfilled by the officers of the department. |

3.6 Procurements

| Audit observation | Comments of the Accounting Officer | Recommendation |
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| (a) According to the information submitted to the audit regarding the industries and maintenance works implemented by 11 Regional Irrigation Engineering Offices in the year 2023, 137 industries with a value of Rs.978 million had been implemented. Among those industries, 28 industries with a value of Rs.446 million had been implemented under the procurement method which is performed using own employees and equipment (Force Account) as per procurement guidelines 3.7. The following observations are made in relation to the industrial and maintenance works implemented in that manner. | | |
| (i) According to the Procurement Guideline 3.7, the method of procurement performed using own employees and equipment is appropriate only if the institution has sufficient number of employees and machinery. However, 11 Regional Irrigation Engineering Offices had implemented 20 percent of the industries implemented in those officers under the Force Account procurement method using their own employees and equipment without confirming the availability of sufficient number of employees and machinery. | The Regional Irrigation Engineering Offices carry out the operation and maintenance work and renovation work of the existing irrigation schemes. These have to be implemented without suspending cultivation activities in Yala and Maha seasons. The maintenance work should be carried out often during the period when water is not released (during a period of two months) during the two seasons. It is very difficult during the farming period to transport the raw materials and machinery required for this work to reach the tanks and anicuts through difficult roads. | The compliance with procurement guidelines should be verified before granting approval to operate industries under procurement system of using their own employees and equipment. |
| (ii) Under this system of procurement (Force Account), the labour required for the construction and renovation of tanks/reservoirs should be procured from outside only in cases where the workers attached to the Irrigation Department cannot provide the labour requirement. All the skilled and unskilled labour requirements are procured from labour suppliers, | According to procurement guidelines 3.7, it is not correct that the execution of Works by using own personnel and equipment when personnel and equipment are available sufficiently, i.e. difficult to | Circular instructions should be issued to strengthen the internal control in matters such as informality occurs on direct labour basis, procurement of |

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| farmers' organizations or under individual labour contracts. | get quantities for relevant works (flooding, human and animal activities), inability of contractors to submit bids at fair prices, when it is necessary to do without hindering the relevant work in progress (rehabilitation, operations and maintenance work by supplying water to Yala and Maha Seasons), the need to pay attention to it in case of an emergency. | labour, employment and certification of payments. |
| (iii) General instructions and criteria were not issued regarding the procedures to be followed in procuring labour, the contract forms to be used, and the documents to be maintained regarding arrival and departure and the performance of works, the basis of payment etc. under this procurement system (Force Account). Therefore, each Regional Irrigation Engineering Office was carrying out those activities informally. | Manpower and machinery are outsourced from external parties by following procurement guidelines when Manpower and machinery are necessary. | Internal control should be strengthened by introducing procedures to be followed and documents to be used to avoid informality on direct labour basis. |
| (iv) It had not been stipulated under this procurement method (Force Account) that the necessary machinery should be procured from outside only when the related services cannot be obtained by the machinery available in the department for the construction and renovation of tanks/reservoirs. Machines had been procured from external suppliers on hire basis when the machines in operational condition, out of the fleet of around 350 machines in the Department, remained idle. | The machines owned by the department and in working condition had not been allocated to all the 52 regional irrigation offices. According to the audit reports given to us in the years 2021, 2022, 2023, the number of works done under the manual labour of irrigation offices is 755 (according to the information received from 09 Zonal Offices), 776 (according to the information received from 10 Zonal Offices) and 28 (according to the information received from 03 Zonal Offices) respectively. Since thousands of reconstructions, operation and maintenance works in all the regional irrigation offices of the 14 Zonal Irrigation Directorates should be completed in a very short time as mentioned above, the time that should be spent for | In cases where there are machines belonging to the department, the machines should not be procured externally on hire basis. |

procuring the machinery, the amount of money to be incurred, and the transportation difficulties are considered and departmental machinery and externally procured machines are used to perform those tasks as and when necessary.

- (b) According to the Government Procurement Guidelines 4.2, the procurement plan should be prepared and updated and the procurement method should have been determined in it. According to guidelines 4.2.3(c), the procurement time schedule should be approved by the relevant procurement committee, the procurement method of 137 constructions and maintenance industries worth Rs.978 million and carried out during the year 2023 by 11 regional irrigation engineering offices according to the information submitted to the audit had been determined by the Regional Irrigation Engineer.
- Answers has not been submitted.
- The procurement guidelines should be followed while operating the industries under the procurement method of using own workers and equipment (Force Account).

3.7 Assets Management

| Audit observation | Comments of the Accounting Officer | Recommendation |
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| (a) Motor Vehicles | | |
| (i) According to the data system of the Department of Motor Traffic, 2004 vehicles were registered under the name of the Department of Irrigation, the Director General of Irrigation, or the address of the department, 1,560 number of vehicles had been identified according to the vehicle register of the Department. Accordingly, 464 vehicles were not in the custody of the Department. | The list of total registered vehicles of 2004 comprised of 994 vehicles currently in use with the Department, 38 vehicles confirmed as not belonging to the department, 429 vehicles sold to external parties through the disposal process, 29 vehicles that had been transferred by MTA 6, 38 vehicles belonging to the department but available in external institutions/vehicles provided to field officers, 08 vehicles were still in the name of the Department even though they were transferred to other ministries and persons as the data system was not updated in the Department of Motor Traffic, 02 vehicles in the department as condemned vehicles, 02 vehicles were destroyed by terrorists, 464 vehicles that could not be verified | Vehicles registered in the name of the Irrigation Department but not in the custody of the department should be investigated and necessary action should be taken. |

due to the inability to find the files. Requests have been received to transfer the vehicles recently.

- (ii) Even though 2004 vehicles were registered under the name of the Department of Irrigation, the name of the Director General of Irrigation, or the address of the Department according to the data system of the Department of Motor Traffic, the value of 1220 transport equipment under code number 6111 in the statement of non-financial assets as at 31 December of the year under review had been accounted as Rs.4,387,145,359. Accordingly, the value of the remaining 784 vehicles had not been recognized and accounted as non-financial assets. Accordingly, the value indicated in the financial statements could not be accepted as a correct value in the audit.
- The information about the vehicles has been reported to the CIGAS accounting system based on the information obtained by the committee consisted of two mechanical engineers and a director of the Irrigation Department in the year 2019 to assess the vehicles. We have submitted the information on the list of 1,220 vehicles for audit. Accordingly, there were deficiencies in the list of vehicles reported in the year 2019. It has been reported to the Comptroller General's office on 25 March 2024 that the number of vehicles owned by the department and physically available as at 31 December 2023 was 1,159 with the recommendation of the mechanical engineer. In order to physically verify the accuracy of the vehicles, letters were sent to the mechanical sections of the head office and the zonal irrigation directors and it is expected to make changes to the data system as soon as the relevant information is received.
- An internal control should be introduced to confirm information before preparing financial statements.
- (iii) Forty-eight (48) vehicles, out of 1220 vehicles entered in the register of vehicles as owned and used by the Irrigation Department, had been registered in the name of external parties. Action has not yet been taken to transfer the ownership of the said vehicles to the Irrigation Department.
- Twenty (20) vehicles belonging to the Secretary of the Ministry of Irrigation, out of the 48 vehicles mentioned as registered in the name of external parties, and the two vehicles bearing No. 252-9813 and 252-9816, which were owned by the District Secretary of Galle, have been transferred to the Irrigation Department. The decision to transfer 07 vehicles provided by other organizations to the Uma-oya project will be taken at the end of the project. It has been scheduled to transfer the ownership of 08 cabs purchased under the name of the Secretary of the Ministry of Irrigation and Water Resources Management under the Uma Oya
- The internal control system regarding vehicles in the Irrigation Department should be strengthened. The department should make arrangements to obtain the registered rights of the vehicles belonging to external parties and used by the department.

project, to the Irrigation Department at the end of the project. The other vehicles were scheduled to be transferred.

- (iv) The registration certificates 2004 and the relevant revenue licenses of vehicles registered in the name of the Irrigation Department, the name of the Director General of Irrigation, or under the address of the department had not been methodically maintained with the officer in charge of the Transport Division of the Irrigation Department. Further, the particulars about the location where those vehicles are currently being used and the officer to whom the guardianship of those vehicles are assigned had not been maintained in updated manner.
- The particulars of the registration certificates of the vehicles owned by the Irrigation Department have been listed and a systematic procedure to handover has been prepared at present when the vehicles are handed over from officer to officer. A procedure of issuing after documenting those systematically has already been prepared. These activities are supervised by the Mechanical Engineer and the Chief Mechanical Engineer of the Head Office. 03 separate data systems are being maintained for this purpose and the activities of creating a software with one data system that includes all these activities and data have been started.
- The tasks such as vehicle registration certificates, revenue licenses, insurance matters should be specifically assigned to an officer and a database containing all vehicle-related information should be maintained up-to-date.

3.8 Management Weaknesses

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| (a) Payment process | | |
| (i) Even though it had been ordered by the Committee on Public Accounts to correct this procedure on 22 September 2016 as the payment procedure followed in the regional Irrigational Engineering Offices of the Irrigation Department is not in accordance with the Public Financial Regulations, certifying payments, making all payments in cash, signing as the second signatory of cheques, maintenance of petty cash book and utility records of payments had been specified as the duties of the Special Grade Divisional Assistant in the Engineering Assistant Service by the Minute of Service of the Engineering Assistant Service which had been published by the Extraordinary Gazette Notice No. 2013/31 dated 07 April 2017 regardless of the order of the Accounts Committee. | Measures had been taken to make expense on Vouchers for Payments made by regional Irrigation Engineering Offices through Divisional Assistant which is a special grade post in the Certified Engineer Assistant Service to streamline the payment procedure of the Irrigation Department considering the order of the Committee on Government Accounts held on 24 March 2011. Accordingly, it is further confirmed that legal provisions have also been given to guarantee the relevant expenses by Section 6.1 of the Service Minute of the Engineering Assistant Service of the Irrigation Department published in the Extra Ordinary Gazette No. 2013/31 dated 07 April 2013. | The duties to be performed by an accountant should be removed from the service minute of the Engineering Assistant Service, and the service minute should be amended. |
| (ii) Accountants had not been assigned the certification of payment over 90 percent of the payments related to construction and maintenance industries carried out by Regional Irrigation Offices. | It had been ordered in the Accounts Committee meeting held on 22 September 2016 to hire accountants for the cost certification process. Accordingly, it has been informed that the related recruitments cannot be approved by the Management Services Department. | A systematic method should be introduced as per the directives to certify the payments of the Regional Irrigation Engineer Offices. |
| (iii) When making payments for materials, labor and machinery in construction industries in regional Irrigation Engineering Offices, only the contract numbers are given under file link of payment vouchers. No any utility document had been submitted along with the payment vouchers. Regardless of that, the payments had been approved, certified and paid. | The officials had been informed regarding these matters by my letter No. IA/01/COM/04/2022 and dated 15 February 2023, and Instructions had been given emphasizing to strictly follow the instructions given in this regard. | All relevant documents should be submitted along with payment vouchers to prove that works, goods and services had been supplied in accordance with the contractual conditions and specifications of the |

procurement process related to payment. The payments certifying officer verify whether those documents are with vouchers and certify the documents.

(iv) In case of non-submission of invoices from the supplier in respect of the material, product or service supplied to the construction and maintenance industries of the Regional Irrigation Engineering Offices, payment of Rs.108,518,811 had been approved, certified and made for 402 vouchers. The officials had been informed by my letter No. IA/01/COM/04/2022 and dated 15 February 2023 regarding these matters, and instructions had been given by emphasizing to strictly follow the instructions in this regard. Invoices obtained from the supplier in respect of the work, product or service supplied should be submitted with the voucher.

(v) An amount of Rs.163,729,573 had been paid in making payments using Irrigation form 27 instead of General Form 35 in 491 cases. The officials had been informed by my letter No. IA/01/COM/04/2022 and dated 15 February 2023 regarding these matters, and instructions had been given emphasizing to strictly follow the instructions in this regard. General Form 35 should be used for payment.

(b) **Unauthorized constructions and cultivation**

(i) The necessary criteria for formal regulation related to safety, control of unauthorized construction and cultivation activities, prevention of water pollution, control of unauthorized water use and maintenance of irrigation schemes of major and medium scale water schemes, major river basins, watersheds and reserves controlled by the Irrigation Department had not been issued according to the Section 64 of the Chapter 285 of the Irrigation Ordinance No. 32 of 1946. It is observed that regulations have been enacted as "Subsidiary Legislation under the Irrigation Ordinance - 1956 Revision" for the requirement mentioned in Section 64 of the Irrigation Ordinance No. 32 of 1946, which is the basic law i.e. chapter 285. However, after that actions will be taken as per the said legal provisions since legislation has been enacted to cover almost all areas mentioned in the Irrigation Ordinance that regulations should be made by the amendments made in the Irrigation Ordinance and other Ordinances and Rules made in Sri Lanka. Further, the draft regulation has been forwarded to the Legal Draftsman's Department for promulgation under the Government Land Ordinance as Imposition of Regulations for Legal action should be taken regarding unauthorized dwellers as per the provisions of the Irrigation Ordinance.

Irrigation Reserve Limits does not fall under the Irrigation Ordinance.

- (ii) Even though 397 unauthorized constructions or cultivations related to lake reservoir embankments belonging to 26 regional Irrigation Engineering Offices controlled under the Irrigation Department had been identified as per Section 65 of the Ordinance, these unauthorized activities had not been reported to the district secretary.
- Circular No. 08/2014 is a departmental circular with a series of internal instructions issued by the Director General of Irrigation. Measures will be taken to protect the sustainable existence of irrigation industries under the existing law of the country subject to the limitations of priority and existing human, physical and financial resources according to the facts and technical requirements mentioned therein.
- The unauthorized activities related to tanks and reservoirs should be reported to the district secretary.
- (iii) Even though the protected areas of lakes and reservoirs controlled by the department should be identified and information about its area should be maintained in terms of the para 1 and 3 of Director General of Irrigation's Circular No. 08/2014 dated 01 December 2014, information regarding the extent of tanks/reservoirs belonging to certain regional irrigation engineering offices had not been maintained.
- The related forms have been referred by the letter No. DI/AM/LL/Leg.Gen/03/01/2023 and dated 05.06.2024, according to the instructions of the Director General of Irrigation regarding the way to act regarding the control of unauthorized construction and cultivation activities.
- Protected areas should be identified as per Circular No. 8/2014 1 and 3. An up-to-date information system should be maintained in this regard.
- (c) A computerized information system (Enterprise resource programming system), necessary for taking decisions on operational control, administrative and management in the fields of irrigation systems, employees, quarters, tourist bungalows, office buildings, vehicles, machineries of the department, had not been maintained.
- The information is maintained by the Land and Legal division as a Google sheet based database at no additional cost in cases where the head office is informed about the details of illegal constructions and encroachments detected by the field officers and the action taken. It is possible to include the said information as appropriate, when a computerized information system (Enterprise resource programming system) is prepared, as suggested by the audit inquiry.
- A management information system should be maintained for operations and administration in various fields of the department.
- (d) No measure had been taken so far to get approval for the NVQ Level 6 for the Diploma in Irrigation Engineering offered by Galgamuwa Irrigation Training Institute.
- Even though all arrangements have been made to obtain NVQ level 6 to the Galgamuwa Irrigation Training Institute at present, achieving NVQ Level 6 is delayed due to the absence of a group of
- Measures should be taken to get approval for the NVQ – 06 level for Diploma in Engineering.

trainees in that institution by now. The reason for this is that the Galgamuwa Irrigation Training Institute is also unable to recruit a new group of trainees as the government has stopped making new recruitments for government posts.

- (e) Even though the approval had been given to conduct international level training courses and workshops at the training institute by the decision of the Cabinet Decision No. CP/17/1456/729/017 dated 18 July 2017, no any international level training courses had been held in the last 6 years.
- While not agreeing that no international level training courses had been held as mentioned here, the training program on Smart Irrigation Technology for Agriculture had been held from 20 to 29 June 2019 in collaboration with Rajamangala University in Thailand.
- Arrangements should be made to hold international level training courses and workshops.
- (f) According to the statements made by the Divisional Assistant and Storekeeper regarding the materials mentioned in the monthly material report submitted on 31 December 2023 by an Engineer Assistant attached to the Mahaoya regional Irrigation Engineering Office, it had been confirmed that the material had not been physically available. According to the letter No. FIN/ST/VR/2023 issued by the Director General of Irrigation on 24 November 2023 regarding the confirmation of the remaining material balances in the charge of engineering assistants in the worksites belonging to the department at the end of the year through the annual inventory survey, the information about these materials had not been included in the reports to be submitted by the Chairman of the Board of Survey regarding the materials remaining at the work sites as at 31 December 2023.
- Measures will be taken to inquire with the relevant officials regarding the non-inclusion of the completed prescribed forms to the annual board survey report 2023.
- Formal inspection should be conducted in this connection, and disciplinary action should be taken against the responsible Engineer Assistant and the officers who conducted Board of surveys under section 29 of Chapter XLVIII of the Part II of the Establishments Code.

4. Good Governance

4.1 Preparation and presentation of financial statements for projects

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|---|--|
| Rs.80,148 million had been estimated for 16 large-scale and medium-scale projects under the Irrigation Department, and Rs.75,330 million had been estimated for 3 other projects. Rs.64,369 million and Rs.1,817 million had been spent respectively for these projects on 31 December 2023. Even though accountants/finance officers had been appointed for 17 projects out of these, financial statements had not been prepared and submitted for the said project. | Answers had not been submitted | Annual financial statements should be prepared and submitted for all large scale and medium scale projects implemented under the department. |

5. Human Resource Management

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|---|
| (a) Even though 437 officers had been approved for 35 senior level posts in the Irrigation Department, no officer had been employed in 17 posts out of these at the end of the year under review. | Recruitments had been made for 04 posts of the Sri Lanka Scientific Service by 19 February 2024 out of the 17 positions for which no senior level officer had been employed yet, and recruitments have not yet been done for other posts as per the government policy; therefore, there are vacancies available further. | A review of the need for the posts should be done and those posts should be suppressed or the officers should be recruited. |
| (b) Even though 155 officers had been sanctioned for 17 posts at the tertiary level, no officer had been recruited for 11 out of these posts by the end of the year under review, and only 28 officers had been recruited for 6 tertiary level posts. | Six officers had been working in the post of Institutional Development Officer as at 31.12.2023, and currently, arrangements are being made for recruitment to the posts of Divisional Assistants. | A review of the relevant positions should be conducted and arrangements should be made to hire officers. |
| (c) Even though only 266 officers had been approved for the posts of development officer which is a secondary level post in the department, 384 officers had been employed at the end of the year under review. Accordingly, an excess of 118 officers was observed. | Necessary arrangements are being made to obtain approval for the rest of the officers. | Employees should not be assigned beyond the approved cadre. |

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|-----|--|---|---|
| (d) | It had not been possible to get pension, retirement gratuity, widow and orphans, pension to those officers and carry out pension revisions due to salary discrepancies their dependents as per P.A. Circular 14/2019 on suspension, resignation, death or retirement from service of the Department and on missing personal files of 19 officers who have completed their service in the department. | A special committee has been appointed in this regard and measures will be taken to proceed according to the committee's decision. Further, the relevant officials have been informed to ensure that such things will not happen in due course. | The responsible officers in charge of missing files should be traced and action taken against them. |
| (e) | 72 officers who had been working in the Irrigation Department had retired during the year under review, and 23 officers had been unable to get their pensions due to the fact that they had not submitted the correct information in the documents required for the preparation of pensions and had not handed over their quarters to the government. | Personal files are being updated and pensions of only 23 officers could not be able to pay. | Formal investigation and action should be taken regarding non-submission of information of retired officers and non-handover of quarters to the government. |
| (f) | 4 officers who had retired after working in the department had not returned the quarters belonging to the department where they had been residing by 31 December 2023. | Instructions had been given to the relevant departments to carry out the necessary activities promptly. | Legal action should be taken against the officers who have not returned their quarters. |