

Head -198 Ministry of Irrigation - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head-198 , Ministry of Irrigation for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Irrigation was issued to the Chief Accounting officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 23 June 2025 in terms of Section 11(2) of the National Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 to be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Ministry of Irrigation as at 31 December 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note 1 related to the financial statements.

1.2 Basis for Qualified Opinion

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter – Basis for preparing Financial Statements

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Ministry of Irrigation, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Ministry of Irrigation, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibility of the Chief Accounting Officer and Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

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

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
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I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Capital Expenditure

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the performance report, the cumulative expenditure of the Kiwul Oya Reservoir Project and the Maduru Oya Reservoir Project amounted to Rs. 29.68 million and Rs. 906.34 million respectively as at 31 December 2024. However, the Ministry had shown a sum of Rs. 31.65 million under the Kivul Oya Reservoir Project and Rs. 390.20 million under the Maduru Oya Reservoir Project under non-financial assets in the Statement of Financial Position as at 31 December 2024.	The future activities of both the Maduru Oya and Kiwul Oya Projects have been handed over to the Mahaweli Authority, and the implementation of these projects has been suspended at present. Accordingly, the expenditure incurred by the Ministry for these projects, which have been recorded under reservoirs in the financial statements, will be properly identified and dealt with appropriately.	Although the projects' activities are currently suspended, the expenditures incurred to date should be identified and accounted for until the projects resume and their transfers are finalized.

(b) Property, Plant, and Equipment

The following deficiencies were observed in relation to the accounting of property, plant, and equipment.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) According to the 2024 annual performance report, expenditure of 03 projects that were implemented under the Ministry but had been suspended without allocation of provisions for 2024 and 2025, amounted to Rs. 5,027.23 million as at 31 December 2024. However, this value had not been stated under works-in-progress in the financial statements.	Once the expenditure incurred for these three suspended projects up to 31.12.2024 is verified, action will be taken to accounted for the relevant expenditure under works-in-progress in the financial statements.	The expenditure incurred should be accounted for under works-in-progress in the financial statements until these projects are recommenced and capitalized in the future.

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| (ii) | <p>The expenditure of the Uma Oya diversion project accounted for under non-financial assets amounted to Rs. 17,733.19 million. However, according to project accounts as at 31 August 2024, the expenditure of the project amounted to Rs. 80,820.26 million, and the expenditure incurred by the Ministry from September to 31 December 2024 amounted to Rs. 115.11 million, bringing the total to Rs. 80,935.37 million. Accordingly, the amount understated in the financial statements was Rs. 63,202.18 million.</p> | <p>Within the Rs. 18,982.97 million shown under lands in the Statement of Non-Financial Assets of the financial statements as at 31 December 2024, a sum of Rs. 17,733.19 million has been accounted for in relation to the Uma Oya diversion project. The lands related to the Uma Oya project have now been physically handed over to the Mahaweli Authority of Sri Lanka. However, the financial value of these lands cannot yet be transferred to the Mahaweli Authority as expenditure for the project is still being incurred. Accordingly, at the conclusion of all project activities, the financial value of the lands will be calculated and transferred to the Mahaweli Authority, and the corresponding value will be removed from the Ministry's financial statements.</p> | <p>Expenditure for incomplete projects should be accounted for under works-in-progress.</p> |
| (iii) | <p>All activities and assets of the Thalpitigala Reservoir Project had been handed over to the Department of Irrigation, along with an asset register of Rs. 96.96 million accounted for under the assets of the Ministry of Irrigation by May 2024. However, an expenditure of Rs. 199.21 million incurred in 2022 for the Thalpitigala Reservoir had been still shown as an asset in the 2024 financial statements of the Ministry under the non-financial assets.</p> | <p>Since the Thalpitigala Reservoir Project is now being implemented under the Department of Irrigation, the value of Rs. 199.21 million reported under reservoirs in the Ministry's financial statements will be removed from the Ministry's accounts and transferred to the Department of Irrigation.</p> | <p>The correct expenditure incurred by the Ministry for the project should be transferred to the Department of Irrigation, and once this transfer is completed, the corresponding value should be removed from the Ministry's financial statements.</p> |

Furthermore, according to project accounts as at 31 December 2023, the total expenditure incurred by

the Ministry for the Thalapitigala Reservoir Project amounted to Rs. 646.87 million. Accordingly, a sum of Rs. 350.70 million had been understated in the account.

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| (iv) | All activities and assets of the Pahala Malwathu Oya Reservoir Project had been handed over to the Department of Irrigation by May 2024, along with assets worth Rs. 38.40 million, previously accounted for under the Ministry of Irrigation, removed from the Ministry's CIGAS system and transferred to the Department. However, an expenditure of Rs. 495.63 million incurred for the Pahala Malwathu Oya Reservoir had been still shown as an asset in the 2024 financial statements of the Ministry of Irrigation under the non-financial assets. | Since the Pahala Malwathu Oya Reservoir Project is now being implemented under the Department of Irrigation, the value of Rs. 495.63 million reported under reservoirs in the Ministry's financial statements will be removed from the Ministry's accounts and transferred to the Department of Irrigation. | -Do - |
| (v) | As per the data system maintained by the Department of Motor Traffic, 519 vehicles had been registered under the Ministry of Irrigation as at 31 December 2024. However, the number of vehicles used by the Ministry, (excluding those utilized under foreign-funded projects) was 137, while only 37 vehicles had been shown under fixed assets in the statement of financial position. Accordingly, details and values of 100 vehicles used by the Ministry had not been stated under non-financial assets and in the fixed asset register. | The number of vehicles included in the financial statements prepared as at 31 December 2024 is 37 vehicles and their value amounted to Rs. 311.84 million. Additionally, the value of other vehicles owned by the Ministry, which should be included in the final accounts, is to be accounted for during the current year. | Action should be taken to account for the value of all vehicles owned by the Ministry and to include all such vehicles in the fixed asset register. |
| (vi) | In terms of the Treasury Circular No. 842 dated 19 December 1978 and Circular No. 01/2017 dated 28 June 2017 issued by the Ministry of Finance and Mass Media, all government non-financial assets should be | Action will be taken to maintain a fixed asset register for vehicles in accordance with Circular No. 01/2017. | Action should be taken to maintain a fixed assets register for all vehicles as required by the circulars. |

recorded for the purpose of asset and expenditure management. Nevertheless, the Accounts Division had not maintained a fixed asset register including the values and other detailed information relating to the above 100 vehicles owned by the Ministry. Accordingly, it was not possible to accurately verify the cost values of those vehicles.

2. **Report on Other Legal Requirements**

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

- (a) That the financial statements are consistent with those of the preceding year.
- (b) That the recommendations made by me on the financial statements of the preceding year have been implemented.

3. **Financial Review**

3.1 **Imprest Management**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The total imprest requirement for the implementation of the activities planned during the year 2024 by the Ministry amounted to Rs. 14,190.18 million. Out of this, the total imprests received were Rs. 11,280.38 million, and the value returned without utilization was Rs. 1,451.78 million, representing 12.86 per cent. Of this amount, the imprest returned to the Treasury due to underutilization by three projects implemented under the Ministry was Rs. 1,358.41 million.	It is acknowledged that a sum of Rs. 1,451.78 million had been returned to the Treasury without being utilized. The Ministry requests imprests from the Treasury only after the Accountants of the respective projects inform the Ministry of the required imprest amounts. However, in order to prevent unnecessary imprest requests and retention of funds, a meeting was held on 27 January 2025, at the beginning of the year, 2025 to inform all Accountants of the projects and institutions regarding the proper procedures to be followed.	When requesting imprests, the required amount should be determined based on accurate forecasts, and only the essential funds should be requested. Furthermore, a prompt mechanism should be established to avoid unnecessary retention of advances, while ensuring continuous supervision in this regard.

3.2 Revenue Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the of outstanding income statement, the income that remained outstanding from the sale of hydroelectricity generated by the Moragahakanda Hydropower Project as at 31 December 2024 amounted to Rs. 447.32 million, of which Rs. 434.41 million related to the period from October to December 2024, Rs. 11.22 million to the year 2023, and Rs. 1.69 million to the years 2022 and 2021.	At present, there are no outstanding income balances for the years 2021, 2022, and 2023. It has been noted that the possibility of revising the existing agreements to enable the recovery of interest in the event of future payment delays has been considered.	A proper mechanism should be introduced to ensure the timely collection of receivable monthly income.

3.3 Expenditure Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Due to the allocation of funds without properly identifying requirements at the time of preparing estimates and the failure to implement activities as planned, total provisions amounting to Rs. 13.00 million under three capital objects and Rs. 2.14 million under three recurrent objects remained unutilized as at 31 December 2024.	It is acknowledged that the provisions allocated under the expenditure objects mentioned in the audit paragraph remained unutilized. Action will be taken to prepare the 2026 estimates accurately.	Steps should be taken to ensure the preparation of accurate budget estimates.
(b) Out of the total net provisions of Rs. 11,308.87 million allocated for 24 objects, a sum of Rs. 5,077.85 million or 44.9 percent, remained unutilized . The unutilized balances of each object ranged between 32 percent and 91 percent.	- Do -	- Do -

3.4 Deposit Balances

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
No action had been taken in accordance with Financial Regulation 571 regarding the deposits amounting to Rs. 4.17 million retained from contractors and held in general deposit accounts for over two years as at end of the date of 2024.	Out of this, the Trincomalee Director of Irrigation has been informed to release Rs. 2.11 million retained under the Kaluganga Left Bank Development Project, and the Galle Director of Irrigation has been informed to release Rs. 1.96 million retained under the Nilwala Eliya Development Project. No requests have been made by the relevant institutions to release deposits amounting to Rs. 49,004, and those institutions have been informed accordingly. If confirmation is not received by 15 June, arrangements will be made to credit these amounts to government revenue in June. Accordingly, a sum of Rs. 48,537 will be credited to government revenue in June.	Action should be taken in accordance with Financial Regulation 571 with respect to deposits that continued to exist over a long period.

3.5 Incurring Commitments and Liabilities

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to paragraph 2(C) of the State Accounts Circular No. 255/2017 dated 27 April 2017, payments relating to a particular financial year should be settled within that same year, and no liabilities should be carried forward to the following year for the purpose of subsequent settlement. Nevertheless, as per the financial statements submitted as at 31 December 2024, liabilities amounting to Rs. 93.79 million had been incurred in 206 instances due to the failure to settle payments within the relevant financial year.	There were no liabilities of the Ministry at the time of closing the accounts for December 2024. However, vouchers relating to the previous year had been received subsequently in January 2025. According to the SA/92 report presented as at 31 December 2024, provisions remained available for the liabilities that existed.	A proper mechanism should be introduced to ensure that payments relating to each financial year are settled within the same year.

3.6 Certification to be made by the Chief Accountanting Officer

In accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accountanting Officer was required to provide certifications on the following matter. However, no action was taken accordingly.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The Chief Accounting Officer of the Ministry of Irrigation should ensure that an effective internal control system is established and maintained for financial control of the Ministry. Further, periodical reviews should be conducted regarding the effectiveness of that system, and necessary changes should be made accordingly to ensure its efficiency. Although such reviews should be carried out in writing and a copy thereof submitted to the Auditor General, no written statements confirming that such reviews had been conducted were presented for audit.	It was not possible to conduct such a review for the year 2024, and arrangements will be made to rectify this from the year 2025 onwards.	Action should be taken in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018, and a copy thereof should be submitted to the Auditor General.

4. Operational Review

4.1 Abandonment of Projects Without Completion

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Gin Nilwala Diversion Project This project, valued at USD 690 million, had been awarded to a Chinese construction company, and the contract agreement was signed on 05 November 2014. Although the project was scheduled to commence in 2014 and be completed in 2017, construction work had not commenced even by 30 April 2025. A mobilization advance payment of 5 percent of the contract value, amounting to USD 34.5 million equivalent to Rs. 4,011.04 million, had been paid to the contractor by 07 January 2015. However, the project	Not replied.	Project contracts should be entered into only after properly identifying the project and completing key preliminary activities, including project appraisal, Environmental Impact Assessment, land acquisition, payment of compensation, and resettlements, and officials are responsible for any failure to do so. Furthermore, approvals for

had been suspended since 2015, as the Cabinet Sub-Committee on Economic Affairs decided to conduct a formal investigation due to the uncertainty regarding the possible environmental impacts of the project.

In order to enter into a contract agreement valued at Rs. 38.85 million with the Mahaweli Consultancy Bureau to prepare an Environmental Impact Assessment (EIA) report, and a sum of Rs. 16.56 million had been paid and the report had been submitted on 27 August 2024. However, approval for it had not been received even by 30 September 2025.

According to the performance and financial reports, a total sum of Rs. 4,091.21 million had been incurred by the Government on this project as at 31 December 2023, yet no economic benefits had been derived therefrom.

the Environmental Impact Assessment report should be promptly obtained to enable the commencement of the project. In addition, funds allocated in the budget should be spent within the relevant financial year.

(b) **Maduru Oya South Bank Development Project**

- (i) Approval had been granted in 2012 for implementation this project over a period of 11 years, and the Finance Minister had also granted concurrence for the allocation of provisions totaling Rs. 14,500 million from 2012 to 2017. However, due to delays in commencing project activities until 2021, it had been taken 11 year period merely to start the project. Subsequently, for this project, funds of Rs. 1,689 million were allocated for the period 2021 to 2023, of which only approximately Rs. 906.34 million had been utilized. Although the South Bank Development Project enabled the cultivation of around 14,000 hectares of agricultural land and provided relatively higher benefits

Due to inadequacy of financial provisions, the development activities of the Maduru Oya Left Bank were initially commenced, and construction work was completed only partially. However, in order to receive the full benefits of the Maduru Oya Reservoir Development Project, it is essential to also develop the Maduru Oya South Bank and the partially completed Left Bank.

Through a letter dated 07.10.2022 of the Secretary to the Prime Minister, it was informed that to implement the recommendations of the RAMP Committee a phased program be submitted to the committee for completing

Projects should be commenced without delay to achieve the expected objectives based on priority and to secure the anticipated benefits. Furthermore, funds allocated in the budget should be spent within the relevant financial year.

compared to other projects implemented during the same period, while keeping environmental damage to a minimum, it was not given higher priority.

the partially finished activities. Accordingly, a programme for phased implementation was submitted. Further, according to the letter dated 11.10.2023 from the Convenor of the National Operations Secretariat / Director General of the Department of Project Management and Supervision, instructions were given to identify a suitable commercial partner under a Public-Private Partnership arrangement to carry out the development of the project.

- (ii) The LB L 8 canal, commencing from km 52+812 of the Left Bank canal and extending up to km 9+200, had been completely concreted, and it had been planned to cultivate 6,152 acres of paddy lands under this section. However, cultivation had been carried out only over an extent of approximately 940 acres between km 0 and km 2+300. As proper maintenance of the concreted canal had not been carried out, soil had fallen into the canal, trees had grown making the canal path unrecognizable, and certain constructed structures had also been damaged.

The Sri Lanka Mahaweli Authority had prepared plans and estimates to develop the Ransarathenna tank and the lower basin area belonging to Zone 4 of the Authority, which has not yet been gazetted by the Department of Forest Conservation. It has been planned to implement the activities by obtaining provisions for this purpose in 2026.

Necessary measures should be taken to maintain and preserve the completed sections in a manner that protects them from damages caused by natural disasters until the abandoned projects are recommenced.
- (iii) Although plans were drawn to construct the section of the canal from kilometer 6+500 to 14+292 under 12 contract packages, only the section from kilometer 7+500 to 8+800 had been completed at a cost of Rs. 118.51 million, and the section from kilometer 10+800 to 11+483 had been

According to the contract agreements, extensions had been granted to contractors after analyzing each reason beyond the control of the contractors or the project. However, within the extended periods as well, all construction activities had been suspended either

Instead of carrying out construction works in sections in different locations with the limited provisions available, construction priorities should be identified and the allocations should be utilized in a manner that ensures the

completed at a cost of Rs. 99.08 million. However, since the remaining parts of the canal had not been completed, no economic benefits could be derived from the completed sections. Furthermore, construction work on the water inlet and outlet structures of the Arangoda tank, located at kilometer 11+483 and 12+430, had not been commenced.

continuously for 84 days or intermittently for more than 159 days due to circumstances beyond the control of the contractors or the project and written requests made by the contractors. As a result, mutual (alternative) termination of contracts had been recommended under Clause 20.6 of the contract conditions and in accordance with National Budget Circular No. 03/2022 dated 26 April 2022. Consequently, the contract agreements were mutually terminated.

achievement of benefits.

- (iv) A total of 124 items of work valued at Rs.158.27 million related to the water inlet and outlet structures of the Kinnanee and Miminnagolla Tanks had not been completed. Although adequate provisions had been allocated to complete these constructions in the year 2023, a temporary concrete layer had been placed to cover the reinforcements as the works were not completed in due time, incurring an expenditure of Rs.22.08 million.

According to the aforementioned facts, it was not possible to complete the inlet and outlet structures of the Kinnanee and Miminnagolla Tanks. Further, as stated in the letter No. DPMM/NOR/1-3 dated 11.10.2023 sent by the Director General of the Department of Project Management and Monitoring under the title “National Operations Centre - Meeting Report,” it had been informed that the partially completed contracts should be safely suspended until a suitable investor is identified. Accordingly, only a concrete covering had been placed over the reinforcements of the inlet and outlet structures of the Kinnanee and Arangoda Tanks to prevent corrosion.

As the officials who failed to complete the construction within the stipulated period are responsible for the expenditure incurred on laying the temporary concrete layer, an investigation should be carried out in this regard, and necessary action should be taken to recover the losses sustained by the Government.

(c) **Kiwul Oya Reservoir Project**

The estimated cost of this project was Rs. 8,000 million and the project period was four years. Up to the year 2023, cumulative financial progress amounted to Rs. 29.67 million, while overall physical progress was as low as 3.45 per cent. Since the allocations for this project were suspended from 2024, the expenditures incurred to date have not yielded any benefits to the economy.

Not replied.

Action should be taken to restart construction of the project and to promptly deliver the expected benefits to the public. Funds allocated in the budget should be spent within the relevant year.

4.2 Delays in the Execution of Projects

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Uma Oya Multipurpose Development Project		
(i) Under this project, the construction of the main structures and the hydroelectric power plant was initially planned to be completed within five years, from 2010 to March 2015, under an agreement with an Iranian company with the financial assistance of the Government of Iran. However, as it could not be completed within that period, the project duration had been extended up to 31 March 2024. Accordingly, the construction of the main structures, including the hydroelectric power plant, had been delayed for a period of nine years from March 2015 to 03 April, 2024. As a result, the addition of 120 megawatts of hydroelectric power to the national grid had been delayed. Furthermore, although the planned quantity of water for hydropower generation had been released into the Kirindi Oya Basin	All project activities should be fully completed to obtain the full benefits of a project of this nature. However, in order to provide irrigation water to 4,500 hectares of new lands and 1,500 hectares of cultivated lands, the tunnel system should be completely filled with water, and the water should be released after power generation. Although the release of water after power generation was delayed due to certain obstacles encountered in the tunnel system and in the process of hydroelectric power generation, through the development of the downstream area of the Uma Oya Project, irrigation water had been supplied during that period to about 25 per cent of the 4,500 hectares of new lands and 1,500 hectares of cultivated lands. Accordingly, until the full benefits of the project are realized, the project has contributed to some extent during the said period to the improvement of the rural economy and the enhancement of environmental	In order to complete projects without undue delays and achieve the expected benefits, project implementation should be initiated only after carefully considering the institution's construction and financial capacity. Prompt action should be taken to complete the projects and receive the anticipated benefits. Funds allocated in the budget should be utilized within the relevant financial year.

since April 2020, the relevant lower basin constructions had not been fully completed even by 30 September 2025. Consequently, several expected development benefits such as providing irrigation water to 4,500 hectares of new lands and 1,500 hectares of cultivated lands, fulfilling the drinking water requirements of the people in the Monaragala and Hambantota Districts, uplifting the regional rural economy, and improving the environmental conditions had been lost.

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| <p>(ii) According to the final project accounts prepared as at 31 August 2023, a sum of Rs. 1,127.59 million, which had been paid out of government funds as compensation to the affected parties for the water leakage in the main tunnel of the project, should have been recovered from the Iranian contractor company. However, recovery of this amount had not been recovered even up to 30 April 2025.</p> | <p>The audit observation is agreed upon. Recovery of the relevant compensation amount through interim bills had been temporarily suspended, and as stated in the Cabinet Memorandum No. IR/2023/49 dated 09 September 2024, the Ministry of Irrigation has decided to recover the amount from the retained funds. Nevertheless, since the defect rectification period has not yet expired, the remaining portion of the retained funds has not been released. (It is also observed that the balance of the retained funds is insufficient to cover the said compensation payment.)</p> | <p>The amount paid as compensation should be recovered from the contractor company, and the officers who have not yet taken action to recover it should be held accountable.</p> |
| <p>(iii) Although accounts had been prepared indicating that the assets valued at Rs. 11,061.50 million purchased under the Uma Oya Lower Basin Project for the construction and the project had been handed over to the Department of Irrigation and another government institution, the relevant parties had not carried out a physical verification of the assets, nor had they formally documented</p> | <p>Not replied</p> | <p>A written confirmation should be obtained and furnished regarding the handing over and taking over of assets</p> |

the handing over and taking over in writing.

(iv)	Under the Uma Oya Project, arrangements had been made to provide plots of terrestrial and paddy lands in the Welleya and Haldummulla Divisional Secretariat Divisions of the lower basin to 279 families who lost their farmlands due to construction works in the upper basin areas of Hali Ela, Welimada, and Uva Paranagama. However, those identified lands had been rejected by the affected families due to issues such as encroachment by unauthorized occupants, dense forest cover, threats from wild elephants, long distances from their present residences, and environmental and social inconveniences. Accordingly, the problem of allocating lands to the affected families had not been resolved.	Not replied	A proper arrangement should be introduced to provide suitable lands to the families who lost their farmlands.
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4.3 Foreign Aid Projects

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a)	Multi-Phase Programmatic Approach (MPA) Project for Minimizing Adverse Impact of Climate Change	
(i)	The project aimed to improve early warning systems for severe climatic and hydrological disasters while enhancing climate resilience by developing multipurpose water infrastructure within the Kelani Basin. The total estimated cost of the project amounted to Rs. 27,900 million, equivalent to USD 93 million, of which the World Bank had agreed to provide financial assistance amounting to Rs. 27,600 million, equivalent to USD 92 million. The project commenced on 12 October 2021 and was scheduled	Due to external obstacles beyond the control of project management, the project experienced low performance in its activities since its inception up to the year 2023. To address this, the procurement plan was revised according to a new strategic approach, and, following approval from the World Bank, the procurement process was initiated.

Action should be taken to complete the project within the scheduled timeframe, and the funds allocated in the budget must be utilized within the same financial year.

for completion by 31 December 2026. However, as of 31 December 2024, although more than three years of the project period had elapsed, the overall physical and financial progress remained low, recording 41.6 per cent and 10.49 per cent respectively.

- (ii) The execution of the project's main construction component, aimed at building a new salinity barrier to replace the existing one at Ambathale, remained at a very low level. Despite more than three years having elapsed since the start of the project, it remained problematic that the plan for initiating the construction of the salinity barrier had not been completed.
- The consulting firm hired to review and improve the plan for preparing the tender documents identified several deficiencies when reviewing the initial plan, as it was incomplete, and recommended modifications. However, when these recommendations were submitted for approval of the World Bank, since one partner of the consulting firm was included in an blacklist by the World Bank, it was not possible to get the relevant approval.
- Every possible measure must be taken to complete the construction of the salinity barrier before the project's completion.
- Due to this situation, since there is no longer sufficient time in the current phase of the project to construct the salinity barrier, during the recent World Bank inspection, a proposal was submitted to defer the construction of the salinity barrier to the second phase of the project.
- In the first phase of the project, only the enhancement of the initial plan, preparation of the final construction plan, and drafting of the bidding documents will be carried out. These tasks will be completed before the end of the ensuing year.

4.4 Assets Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) It was observed that, out of 519 vehicles registered under the Ministry of Irrigation, only 69 vehicles remain under the control and management of the Ministry's Transport Division, while the remaining 450 vehicles were being used without controlling and management from the Ministry's Transport Division. Among these 450 vehicles, 333 were being utilized by other institutions under the Ministry and by external agencies. Accordingly, although it is mandatory under Section 02 of the Government Assets Management Circular No. 02/2017 of the Ministry of Finance and Mass Media dated 31 December 2017 that all government-owned vehicles in use by any government institution must be registered in the name of that institution, no action had been taken in accordance there with.	It is reported that 590 vehicles were registered under the Ministry's name as of 30 April 2025, of which only 69 remain under the management of the Ministry's Transport Division. Information has been sought to verify the vehicles registered under the Ministry but currently used by other institutions, so that they can be formally assigned to the respective institutions. Once this information is promptly obtained, the relevant transfers can be completed. In this regard, inquiries have been made from the Department of Irrigation and the Mahaweli Authority.	All government institutions must ensure that every government-owned vehicle in use is registered under the name of the respective institution and the presence of all vehicles registered under the Ministry should be verified. An investigation should be conducted regarding the provision of government vehicles to external institutions, and disciplinary action must be taken accordingly.
(b) During the physical inspection on 29 April 2025, it was noted that one petrol vehicle over 1800 CC and seven diesel vehicles over 2300 CC, registered under the Secretary of the Ministry and classified as high-value luxury vehicles, had been left unused and exposed to the open environment on Ministry premises for more than a year	According to the Government Assets Management Circular No. 05/2024, information on 41 vehicles exceeding 1800 CC/2300 CC was submitted to the Comptroller General for auctions. Of these, 22 vehicles have been resubmitted for approval to be utilized by the Ministry, while arrangements are being planned to auction the remaining 19 vehicles. It was noted to expedite these actions.	An investigation should be carried out into the purchase of vehicles unsuitable for operational needs, and the officers responsible should be identified and subjected to disciplinary measures. The vehicles proposed for disposal must be disposed of without further delay.

- (c) It was revealed during an inspection conducted on 25 March 2024 that according to the Department of Motor Traffic data system, six vehicles registered under the Secretary of the Ministry of Irrigation had been left idle, locked, and stored at various locations within the Tambuttegama Regional Office of the Mahaweli Authority. The Regional Office failed to provide any details regarding the officers using the vehicles, the officers to whom the vehicles were issued, the dates and purposes for which the vehicles were used, or the officers responsible for storing the vehicles. Therefore, it could not be ruled out during the audit whether these vehicles had been misused.
- A committee of three officers, chaired by the Director General (Engineering), has been assigned to inspect these vehicles. Plans have been made to proceed with the committee's recommendations.
- The inspection of the committee appointed to look into the unsecure parking of government vehicles must be completed promptly and the vehicles should be made available to use, and the officers responsible must be identified and accordingly, disciplinary action should be taken against them.
- (d) Although not included in the Ministry of Irrigation's vehicle records, 05 vehicles belonging to external institutions had been parked within the Ministry premises for a long period. Having remained unused and exposed to the open environment for an extended period, these vehicles are now at a high risk of deterioration, yet no action has been taken to remove them from the Ministry premises.
- The respective institutions have been notified to undertake these vehicles, and it been noted to take action accordingly.
- Immediate steps must be taken to remove the vehicles from Ministry premises and return them to the respective owner institutions.

4.5 Losses and Damages

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
No action had been taken to recover any amount out of the total loss of Rs. 10.48 million incurred from a cab that met with an accident.	Since it was not possible to recover Rs. 10.48 million from the driver found responsible for the cab accident, the necessary documents to initiate legal action regarding this incident have been referred to the Ministry's Legal Officer, who has informed that these documents have been	Legal proceedings relevant to recover the loss must be expedited, and disciplinary action should be taken against officers who failed to take steps to recover the loss.

forwarded to the Attorney General's Department for further action.

4.6 Management Weaknesses

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Although Cabinet approval No. 17/1456/729/017 dated 18 July 2017 had been granted to conduct international-level training courses at the International Institute for Irrigation and Water Management, Kotmale, only two courses had been held before the approval and three courses after, with no courses conducted after the year 2019.	Assistance of the Ministry was sought to coordinate with the Foreign Embassies, and according to the instructions received, plans have now been made to prepare several course modules in collaboration with retired government experts possessing irrigation-related knowledge.	Action should be taken to conduct the international training courses.
(b) Despite having the ability to use the Institute's website as the main medium to promote international-level training courses, it had not been utilized effectively to give publicity so as to attract foreign students	Permission has been granted to relevant divisions to update the website as appropriate, and they should carry out the necessary updates accordingly. Furthermore, due to staff shortages and the lack of skilled personnel, there has also been a weakness in properly utilizing the training provided. Therefore, this matter should also be addressed by our Institute. Furthermore, the process of updating information on the website is still ongoing.	The Ministry's website should be used to attract foreign students.

5. Human Resource Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The approved cadre of the Ministry was 441, while the actual staff was 332 during the year under review. Accordingly, there were 109 vacancies consisting of 21 in the senior level, 2 in the tertiary level, 69 in the secondary level, and 17 in the primary level.	The existence of 109 vacancies has been reported according to the quarterly report as at 31 December 2024, as per the Management Services Circular No. 04/2017 through the letter No. MOI/AD/06/01/01(II) dated 08 January 2025 issued by the Senior Assistant Secretary (Administration). A request has also been made to the Ministry of Public Administration, Provincial Councils, and Local Government by letter dated 15.10.2024 to notify the vacancies in the Combined Drivers' Service.	Having conducted a review regarding the staff required for maintaining institutional functions, necessary action should be taken to fill the essential vacancies.
(b) An officer of the Sri Lanka Engineering Service, Class II, Grade II, who had been attached to the Ministry of Irrigation in 2018, had been assigned responsibilities in respect of 04 positions, including two within the Ministry, one as the Chief Executive Officer and a member of the Board of Directors of a company operating under the Ministry, and another as the Director of a project implemented under the Ministry.	Having discussions with officers of Class I of the Sri Lanka Engineering Service regarding the coverage of duties for the Director (Technical Audit) post, another officer was appointed to the position of Director (Technical Audit) on 11.07.2023.	An investigation should be conducted regarding the service performed in the Director (Technical Audit) post beyond the coverage approval granted by the Public Service Commission and without any formal authorization. Furthermore, for projects, Project Directors should always be appointed on a full-time basis, and since irregular appointments and the resulting salary payments are unlawful, action should be taken to recover those payments.
Although the Public Service Commission had granted covering approval for the appointment of this officer, in addition to his substantive post, to perform the duties of Director (Technical Audit) in the Ministry from 15 September 2019 to 14 September 2020, he had	However, through an internal memo dated 04.09.2023 and a letter dated 03.10.2023 from the Additional Secretary (Administration), it had been notified to assign duties to the said officer. Accordingly, he assumed duties in the said position on 08.12.2023. It is informed you that the Engineer, who served as the Director (Productivity Development and Technology Audit Division) of this Ministry, has been appointed as the Acting Project Director of the Wewagam Pubuduwa Project on an acting	

continued to serve in the position of Director (Technical Audit) up to December 2023. Furthermore, , by letter dated 29 September 2020, the Secretary to the Ministry of Irrigation had appointed this officer as the Acting Project Director of the “Wew Gam Pubuduwa” Project implemented under the Ministry, effective from 28 September 2020.

Furthermore, without the formal approval of the appointing authority, the Secretary to the Ministry of Irrigation had, by letters dated 07 January 2021 and 31 December 2021 respectively, appointed this officer as a member of the Board of Directors and as the Chief Executive Officer of the Mahaweli Consultancy Bureau (Pvt) Ltd., for which he had been paid a monthly allowance of Rs. 52,342.

- (c) Without formal approval, the Secretary to the Ministry of Irrigation, by letter dated 23 February 2021, had appointed a Development Officer to cover the duties of the Project Management position at the Mahaweli Consultancy Bureau (Pvt) Ltd. However, details of this appointment had not been included in her personal file. Furthermore, an officer assigned to cover duties in this manner is not entitled to any allowance or payment, whereas a monthly allowance of Rs. 60,907 had been paid to her from March 2021.

basis in terms of 2.3.3(C) of Management Services Circular 01/2019, vide letter dated 29.09.2020 from the Additional Secretary, Project Personnel and Progress Manager.

Not replied.

Since irregular appointments and the resulting salary payments are unlawful, prompt action should be taken to correct them