ANNUAL REPORT

2016

MAHAWELI AUTHORITY OF SRI LANKA

MAHAWELI AUTHORITY OF SRI LANKA
ANNUAL REPORT - 2016

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VISION

Becoming the best national institution of the South Asia, which marches towards integrated sustainable development, based on river basins.

MISSION

Extending support for the preparation, promotion and furtherance of innovative programs and projects so as to utilize land, water, all natural and human resources of the Mahaweli and other special areas, towards the socio-economic prosperity of Sri Lanka.

Historical Background

Mahaweli Development Program remains the largest physical and human resources program ever implemented in Sri Lanka. This program basically focusing on the rural development of the dry zone was designed in 1968 by the then government with the technical support of UNDP/ FAO and played a key role in harnessing the natural water resources of the central hills towards the agricultural and settlement development activities of the dry zone.

In the pursuit of solutions to the problems which were the by-products of rapid population increase of Sri Lanka, it was required to focus on accelerating production. Compared to the 1940's figure the population of Sri Lanka doubled by the year 1969 and reached 11.8 million. The country had an annual population increase of 3.1 %. In the backdrop of the increase of population that was taking place at that time, it was assumed that by 1980 the country would require 1.8 million tons of rice for consumption. However, only 0.7million tons of rice was produced in the country at that time. Further, the demand for electricity for both industrial development and domestic consumption was estimated at 2000Gwh. However, annual generation of electricity remained at 470Gwh in 1969 and hydro power plants contributed 388 Gwh and the balance was generated by thermal power. The annual import of rice during 1960 – 67 period was 466,000 metric tons and as a result each year an out flow of Rs 200 million was recorded. In addition to that, an annual expenditure of Rs 130 million was incurred for the import of supplementary food crops. These expenditures reflected an exceptionally high value.

During that period it was found that population was concentrating within the wet zone of the country by recording a density of 465 persons per square km. The density of population in the dry zone was approximately 80 persons per square km. While the dry zone covered 66% of the total land area of the country, 70% of the population was concentrated in the wet zone. Accordingly, a low density of population was observed across the large extent of the dry zone. Compared to the other rivers of the country, the Mahaweli Ganga which has its origin in the central hills of the wet zone and reach the sea flowing through the dry zone after having collected rain water inflows of an area which is equaling to the 1/6th of the total land extent of the country, considered a perennial river. In this context, it was apparent that the future needs of the country could be fulfilled by diverting Mahaweli waters to the dry zone so as to develop agricultural production in that zone while contributing to the hydro power generating plants in the upper Mahaweli areas. A United States Mission, under the request of the government of Sri Lanka, initialed a Feasibility Study in 1956, to explore the possibility of land development in the dry zone. Simultaneously, Hunting Survey Corporation of Canada, in collaboration with Sri Lanka's Departments of Irrigation and Survey carried out a study of Mahaweli River at the request of the then government. Two independent reports were submitted by these organizations in 1961 covering their respective studies, and the relevant studies were presented to the Parliament in 1962 for approval.

This proposal was not approved by the Parliament, since the local experts were of the view that diversion of part of Mahaweli waters, without carrying out a comprehensive study on the water resources of the entire Mahaweli basin, would result in negative impacts. Subsequently, a request was forwarded to the United Nations in 1962 in order to obtain independent recommendations in selecting projects for development on priority basis, after having carried out a comprehensive study on the entire lands and water resources covering all rivers, including the Mahaweli Ganga. Subsequent to that request an FAO team was sent to Sri Lanka by the United Nations Development Program. In addition, a team of experts from Sri Lanka and other supporting staff were appointed to assist the FAO team.

After four years of extensive study the relevant research report was published in 1968 in 3 volumes comprising 14 separate reports. Thus the Mahaweli Development Plan was approved by the Parliament in 1968.

The areas located within theNorth Central Province and the Eastern Province, which would receive benefits from this program were divided into 13 Systems and named in alphabetical order from A to M. The projects which were considered as economically viable and provide larger benefits with less investments, were taken up for implementation during the first phase.

Mahaweli Master Plan

The main objective of the Mahaweli Master Plan was providing of approximately 6900 million cubic meters of waters from the Mahaweli water resources for the purposes of generation of electricity and irrigation. The second objective was construction of 15 reservoirs and utilizing 11 of such reservoirs for generation of electricity.

According to the Mahaweli Master Plan submitted by United Nations Development Program (UNDP) and Food and Agriculture Organization (FAO) it was proposed to provide irrigation waters for both Yala and Maha seasons for 364, 372 hectares of land situated within the Mahaweli basin and other river basins of the dry zone. Out of this total land extent, 264, 777 hectares were new lands to be opened up for agriculture; cultivation in the remaining 110, 404 hectares has been carried out only for one season. It has also been pointed out that 2037GWhof electricity could be generatedby utilizing the potential of the planned reservoirs and canals. As per the Mahaweli Master Plan, it has been proposed to carry out the development activities within a 30 year period. Considering the convenience of utilization of funds and implementation, particularly the need for development benefits, the activities of this program were divided into three phases:

I. First Phase

It was proposed to implement the first phase during the 1969-1980 period. It was planned to provide irrigation waters during this phase for 74, 494 hectares of new lands and 58, 300 hectares of old lands and generate 820GWhelectricity annually. The activities of this stage were divided into 3 projects:

- Polgolla Diversion (1969-1973)
- Victoria/Minipe Diversion (1973-1977)
- Moragahakanda Multipurpose Unit

II. **Second Phase**

Under this phase irrigation facilities would be provided to 93, 117 hectares of land in the Mahaweli and Maduruoya basins. Further, the headworks related to Maduruoya reservoir, Thaldene Multi-purpose Complex and Kandakadu anicut would be carried out. Out of the land extent of 93, 117 earmarked for provision of irrigation facilities, 8502 hectares of land have already been under cultivation. The main activities of this phase included: Construction of a hydro power plant with the installed capacity of 15Mwhat Thaldene, to construct a tunnel from Rathkinda reservoir to the Maduruoya reservoir in order to feed it with water, construction of a mini hydro power plant along with Maduruoya reservoir with installed capacity of 4.9Mwh.

III. **Third Phase**

Under this phase 105, 668 hectares of new lands in the North Central Province would be developed. The implementation of the Final Plan to generate hydro power would result in the construction of hydro power plants with the installed capacity of 293MWh. Through such plants 1169 gwh power would be generated annually. The development of the left bank canal of the old Minipe Tank, construction of the 164 km North Central Canal, construction of reservoirs such as Rotalawala, Umaoya, Rantambe, Kotmale, and Kaluganga were included under this phase.

However, Mahaweli Master Plan is being implemented in three development phases by according priority to the present needs.

Implementation of the Mahaweli Master Plan (First Development Phase)

Polgolla and Bowatanna Project as the first project of the Mahaweli Master Plan, was commenced in 1970 and its construction activities were completed by 1976. The completion of this project enabled the supply of irrigation water for existing 16,000 hectares of lands and 23,000 hectares of new lands and generation of electricity with an installed capacity of 40MWh. Under this project, 23,000 farmer families were settled at the Kalawewa basin within the Mahaweli H System by 1977. As of now, all activities related to settlements at system H under Mahaweli Program have been completed and the total number of families settled there remains as 39,500.

By 1977 the economy of Sri Lanka was facing several issues. The increase of the import expenditures of agricultural commodities including rice remained the main issue. Of the total requirement of rice only 69% was produced within the country and 31% of the supplies was dependent on imports. In addition to that, several other essential agricultural commodities, as well, were also being imported into the country.

By 1977 the generation of electricity by the Ceylon Electricity Board was 408Mwh and it was not adequate to fulfill the demand for electricity existing in the country at that time. Electricity breakdowns has become a routine issue and No. of days of power cuts per year has been increased to 70 by that time.

The rate of unemployment rose to 17%. Reducing unemployment became an essential aspect and immediate solutions were required for such issues.

As a step to address these issues in an urgent manner, the then government decided on 12th October 1977 to accelerate the implementation of the Mahaweli Master Plan.

Accelerated Mahaweli Program (Second Development Phase)

The 1977 government decided to implement a few selected projects from the Mahaweli Master Plan and complete them within a short period of six years. An exclusive ministry was also established in order to implement those projects. Accordingly, steps were taken to commence and implement Kotmale, Victoria, Randenigala and Maduruoya reservoir projects. Later, Rantambe Project as well, was included into this program. Hydro power is being generated at all these reservoirs, other than Maduruoya, and the same water is being used for irrigation purposes. Accordingly, development of Mahaweli Systems C & B along with settling of farmer families also included into the Accelerated Program. Number of families settled at System B and System C remained at 30,645 and 45,488, respectively.

Financial assistance was provided for these projects by Great Britain, Canada, Sweden and Germany, respectively. Downstream development activities were funded by World Bank, EEC, Japan and Kuwait.Mahaweli Authority of Sri Lanka was established in 1979 in order to launch these projects. Mahaweli Engineering and Construction Agency and Mahaweli Economic Agency were established for engineering and design functions and resettlement activities, respectively. For the purpose of management of the large reservoirs constructed under the Accelerated Mahaweli Program, Head works Operation& Administration Division was established in 1986.

The Accelerated Mahaweli Development Projects were completed by 1990 and through such projects a massive investment has been made in the sectors of generation of power and agriculture. In this context, the government was rather reluctant to make further investments in the agriculture sector and therefore the Moragahakanda Reservoir project which has been included in the Mahaweli Master Plan, was to be kept at abeyance. However, this project which remained confined only to plans relatively for a long period, is being implemented at present. This would result in expanding the benefits of Mahaweli Development Program, further.

Present Role and Future Plans of the Mahaweli Program (Third Development Phase)

The following projects are being implemented under the above phase:
Moragahakanda and Kaluganga Reservoir Project, Kalinganuwara-Angamadilla Water Pump Project, Multi-purpose Development Project along with Kudaoya which is a tributary of Mahaweli River, Kiwuloya Reservoir Project in the Welioya Settlement, Upper Elehara Canal Project, North Central Main Canal Project, North Western Province Canal Project and Minipe Canal Project.
It is expected to develop 30,400 hectares of new lands by 2020 under this Phase. It includes 5,000 hectares under the Moragahakanda Project, 18,000 hectares under the Maduruoya Right Bank Development Project, and 2400 hectares under the KiwuloyaReservoir Project and 5,000 hectares under the Umaoya Multi-purpose Development Project.

Hydro Power Generation 120 Mwh from the Umaoya project– 25mwh from the Moragahakanda project and 60mwh from the mini hydro power plants - would be added to the national grid. We expect to utilize the added new values for the National Food Production under this program, towards the welfare of the Mahaweli settlers.

Board of Directors
During the year 2016

Serial No.	Name / Position	Period
01	**Mr.Anura Dissanayaka** Director General Mahaweli Authority of Sri Lanka	January - December 2016
02	**Eng. (Mr.) R.M.W. Rathnayake** Secretary, Ministry of Irrigation and Water Resources Management	January - December 2016
03	**Eng. (Mr.) Y. Abdul Majeed** Director General, Irrigation Department	January – February 2016
04	**Eng. (Mr.) S.S.L Weerasinghe** Director General, Irrigation Department	March – December 2016
05	**Mr. Thilak Bandara Mahalakam**	January – December 2016
06	**Mr. M.D.J.C. Murage** Assistant Director Department of Trade and Investment Policies	January – December 2016

SENIOR MANAGEMENT

	Position	Name
01	Director General	Mr.Anura Dissanayake
02	Additional Director General	-
03	Deputy Director General (Administration & Finance)	Mrs. R.M.C.M. Herath
04	Deputy Director General (Technical Services)	Eng. H. H. P. Premakumara
05	Deputy Director General (Development)	-
06	Director (Personnel Administration)	-
07	Project Director (Dam Safety and Water Resources Planning Project)	Eng.(Mr.) D. C. S. Elakanda
08	Project Director (Moragahkanda-Kaluganga Development Project)	Eng.(Mr.) R. B. Tennakoon
09	Project Director (Mahaweli Consolidated Project)	Eng. (Mr.) M.P.M. Perera
10	Director (Finance)	Mr. T.D. Priyantha
11	Director (Internal Audit)	-
12	Director (Mahaweli Center)	Mr.Aruna Prabath Lekamge
13	Director (Agriculture)	Mr.W. E. De Mel
14	Director (Fisheries & Diary Resources)	-
15	Director (Lands)	Mr. D. A. A. U. Gunesekara
16	Director (Institutional Development)	Dr. D.M.S. Dissanayaka
17	Director (Business Development)	Mrs. W.K.P.C.Perera
18	Director (Engineering Designs and Planning)	Eng. (Mrs.)P.Thalagala
19	Director (Downstream Development)	Eng. (Mr.)K. G. Perera
20	Director (HOA & Maintenance)	-
21	Director (River Basin Management)	Eng.(Miss) Chandra Senarath
22	Director (Land use Planning)	Mr.H.H. Leelananda

23	Director (Forestry & Environment)	Mr. A.M.K.B. Attanayaka
24	Director (Water Management Secretariat)	Eng.(Miss) G.K.T.Samarathunga
25	Director (Planning &Operations)	Mr. Mahinda Gunarathne
26	Director (Head Quarters Operations)	Mrs. D.K.V. Wijayaweera
27	Director (Security)	Major L.P.A. Jayawardana
28	Director (Legal)	Mrs. R. L. Rajapakse
29	Resident Project Manager (System B)	Mr. S.T. Dantanarayana
30	Resident Project Manager (C)	Mr. K. A. C. Wimal Kumara
31	Resident Project Manager (D)	MR. M.M. AsankaGunatileka
32	Resident Project Manager (L)	Mr. H.K.P. Jayanatha
33	Resident Project Manager (G)	Mr. A.M.H. Banda
34	Resident Project Manager (H)	Mr. I.M.U.K.Kumara
35	Resident Project Manager (Victoria)	Mr. I.M.U.K. Kumara
36	Resident Project Manager (Huruluwewa)	Mr. K.A. Jayasinghe
37	Resident Project Manager (Rambakkanoya)	Mr. A.M.A.P.G. Gunawardena
38	Resident Project Manager (Walawe)	Mr. R.B.Sirisena

Review of Director General for the Year 2016

Mahaweli Authority of Sri Lanka was established in terms of Act No. 23 of 1979, in order to implement the Multi-purpose Mahaweli Development Program. The population of the Mahaweli areas, which cover approximately 1/3 of the total land extent of the country, exceeds 860,000. The initial objectives of the Mahaweli Development Program included creating a prosperous nation by providing irrigation facilities for the dry zone areas for agriculture, increasing the generation of electricity and establishment of settlements. However, as of now, the above objectives remain expanded to include the following: Enhancing the agricultural productivity, efficient water management, efficient maintenance of the Irrigation Systems and related infrastructure facilities, uninterrupted operations and maintenance activities and generation of solar power. Further, implementation of the Moragahakanda Kaluganga Development Project, North Western Canal Development Project, North Central Canal Project, Maduru Oya Right Bank Development Project, Minipe Canal Development Project and Upper Elahara Canal Project is also being carried out. In addition to the above, at present several other projects such as Mahaweli System B Integrated Development Project at Welioya - Redimaliyade is being implemented. The objectives of the above projects and programs that are being implemented across the Mahaweli areas include supplying of portable water, water for domestic consumption, agriculture and industries, fulfilling the food requirements of the country, promotion of investments, and promotion of export crops.

During the year 2016, as per the National Irrigation Policy the following activities were carry out: Conservation of water resources, improvement and modernization of the irrigation and infrastructure facilities, conservation of the catchment areas, restructuring of the Mahaweli Institutions, economic and social development of the Mahaweli farmer community and Farmers Organizations. Further, steps were taken to continue the ongoing development of the Mahaweli System L, which suffered heavy losses in terms of assets and displacement of communities due to the war. This is being implemented as a special project. An Integrated Development Project was implemented covering the Ridimaliyadde Divisional Secretary Division, which was considered the poorest Division in the country. Through that project development activities related to the infrastructure facilities, agriculture, portable water, sanitation and toilet facilities were improved on a continuous basis. Projects implemented by the World Bank and the Asian Development Bank at present include the Project to Minimize the Impact of Climatic Changes and Mahaweli Water Preservation Project. Through such projects number of activities were implemented in order to supply the water requirements of the Mahaweli Community, strengthen the canal network, rehabilitation of the damaged Irrigation Systems and enhance agricultural productivity.

In respect of generation of hydro-power the national production remains at 2286 gwh and the Mahaweli Authority of Sri Lanka has been able to contribute 17 % to this production. In addition to that, the mini-hydro power stations that operate in the Mahaweli areas have generated 59.3 gwh of electricity. Another notable achievement of the Mahaweli Authority is its substantial contribution to the national production of the following: paddy 22%, soya 90%, B onions 34%, maize 06%, black gram 05%, green gram 08%, cowpea 08%, ground nut 04%, chillies (raw) 10%, liquid milk 07% and fresh water fish 15%. Further, due to the rehabilitation activities carried out under the Participatory Irrigation System Management Program with the involvement of 1007 Farmers

Organizations, it was able to minimize the expenditure of the State that would have been spent for this rehabilitation work.

I take this opportunity to extend my sincere gratitude to His Excellency the President, as the Minister in charge of the subject, Honorable State Minister and the Board of Directors for providing me guidance so as to achieve the above development goals. I would also wish to thank all employees of the Mahaweli Authority of Sri Lanka, who worked with dedication and commitment towards achieving our goals.

Dr D.M.S. Dissanayake,

Director General,

Mahaweli Authority of Sri Lanka

Brief Note of the Board of Directors

The Report of the Board of Directors of the Mahaweli Authority of Sri Lanka with the Audited Financial Statements of the Organization as at 31st December 2016 is submitted herewith

Review of the Year

The Review submitted by the Director General contains a detailed description of the operations of the Organization during the year ended on 31st December 2016.

Also proper steps have been taken to ensure that the assets of the Organization are safeguarded and proper systems of internal control have been made available with a view to the prevention and detention of fraud and other irregularities and minimizing of risks.

As the Board we wish to express our great appreciation to all Staff Members of MASL for the enormous commitment shown by them in fulfilling the tasks entrusted to them.

Engineer (Mr.) R.M.W. Rathnayaka
Secretary, Ministry of Irrigation &
Water Resources Management

Engineer (Mr.)Y. Abadul Majeed
Director General –Irrigation Department

Mr. Thilak Bandara Mahalekam

Mr. M.D.J.C. Murage
Assistant Director
Department of Trade & Investment Policies

Engineer (Mr.) S.S.L.Weerasinghe
Director General
Irrigation Department

Report of the Audit Committee – 2016

The Audit Committee of the MASL consists of three Non-Executive Directors of the Board and the Director who represents the General Treasury functions as the Chairman of the Committee.

Members of the Audit Committee – 2016

- Mr. M.D.J.C. Murage -Chairman of the Committee – Representative of the Treasury
- Eng. (Mr.)R.M.W Rathnayaka - Member
- Mr.ThilakBandaraMahalekam -Member

Presence at Committee Meetings

- Deputy Director General (Administration & Finance)
- Director (Finance)
- Chief Internal Auditor
- A Government Audit Officer representing the Auditor General
- Other relevant Officers who are summoned when necessary

Functions of the Committee

- Monitoring and reviewing of the internal control systems, reorganization and approval of Annual Audit Plans, when necessary.
- Review of the Internal Audit Reports, perusal of issues and take Corrective actions to address deficiencies.
- Review matters raised by the Auditor General in terms of Section 14 (2) (C) of the Finance Act No.38 of 1971.
- Quarterly review and comparison of the Performance Reports of the Authority.

Internal Audit Division

The Internal Audit Division of the Authority has been established with the objectives of conducting financial audit, system analysis, and performance analysis and also to conduct special investigations in order to ensure efficient performance. The internal audit of the Authority was carried out by the Internal Audit Division according to the Internal Audit Plan, under the guidance of the Audit Committee during the year 2016. Further, this Division took steps to conduct a System Audit to eliminate inefficient procedures, improve internal controls, and minimize possible instances of fraud and errors.

Progress achieved during the year 2016

- 21 Audit Reports were issued during the year under the Internal Audit Plan.
- 11 Investigations were conducted and the relevant reports were issued.
- 04 Audit and Management Committee meetings were held.

Recommendations

Instructions were issued by the Committee to take remedial actions to rectify identified deficiencies. The Committee has submitted its recommendations on these deficiencies and the remedial actions were taken by the Management.

Assets and Liabilities in the preceding 7 years

	2016	2015	2014	2013	2012	2011	2010
	(RS.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Assets							
Non-Current Assets							
Property, Plant & Equipment	4,195,724	4,294,893	4,259,208	4,549,301	3,733,498	4,011,792	5,325,181
Other Financial Assets							59,848,291
Work in progress	41,301	74,286	62,506	48,362	12,821		2,940,429
Investments	178,556	152,577	175,359	166,731	135,392	135,392	124,801
Total Non – Current Assets	**4,415,581**	**4,521,756**	**4,497,074**	**4,764,394**	**3,883,909**	**4,147,184**	**68,238,702**
Capital Assets	101,940						
Write- offs	859						
Current Assets							
Inventories	168,173	157,428	180,890	174,028	161,801	157,725	162,219
Trade Assets	22,630						
Receivables (Trade & Other)	1,730,015	1,307,077	1,274,329	1,150,958	898,804	684,392	1,129,552
Pre payments	8,754	5,172		38	1,548	19,470	4,209
Bank Guarantees	4,153	1,372	837	905	2,210	2,160	359
Cash & cash equivalents	312,750	429,588	190,391	140,950	121,802	143,521	209,735
Total Current Assets	2,246,475	1,900,637	1,646,447	1,466,879	1,186,165	1,007,268	1,506,074
Total Assets	**6,764,855**	**6,422,393**	**6,143,521**	**6,231,273**	**5,067,876**	**5,154,452**	**69,744,776**
Current Liabilities							
Payables	376,737	341,286	491,622	528,482	478,223	364,983	238,803
Leases – Alliance Fin. Co.	3,080						
Accrued Expenses	122,286	46,159	207,705	87,145	61,525	47,494	39,385
Total CurrentLiabilities	502,103	387,445	699,327	615,627	539,748	142,477	278,188
Provisions for Gratuity	1498,288	1,551,379	1,311,876	1,157,688	1,077,205	1,022,674	1,071,471
Bank Loans	2455						
Deferred Taxes	612	612	612	612	612	612	1,142
Leases	2,653	11,247	14,329	6,243	9,269		

Total Non - Current Liabilities	1,495,008	1,563,838	1,326,817	1,164,543	1,087,086	1,023,286	1,072,613
Total Liabilities	**1,997,111**	**1,950,683**	**2,026,144**	**1,780,170**	**1,626,834**	**1,435,763**	**1,350,801**
Total Net Assets	**4,767,744**	**4,471,710**	**4,117,386**	**4,451,103**	**3,441,042**	**3,718,689**	**68,393.975**
Net Assets							
Accumulated Fund	24,066,161	23,702,950	23,383,849	23,224,435	23,116,473	23,009,463	87,422,561
Revenue Reserve	52,121	53,992	67,466	53,560	53,560	53,560	65,731
Revaluation Profit	4,019,027	4,021,721	3,837,266	3,851,627	3,061,097	3,061,146	3,119,639
B/F Balance of Income & Expenditure	(23,369,566)	(23,276,474)	(23,171,205)	(22,678,520)	(22,787,889)	(22,405,480)	(22,213,956)
Total Net Assets/Equity	**4,767,743**	**4,502,189**	**4,117,377**	**4,451,102**	**3,443,240**	**3,718,689**	**68,393,975**

Board of Directors of the Companies established under the Mahaweli Authority of Sri Lanka - 2016

S. No	Name of the Company	Chairman	Board	Address of the Head Office
01	Mahaweli Livestock & Agro Enterprises (Pvt) Ltd	Mr. Nimal N. Peris	1. Mr. ParakramaAbewardena 2. Mrs. AshaRajakeeya 3. Mr. Edward de Mel (Director) 4. Mr. Osman de Silva (Director)	No. 260/20, Baseline Road, Colombo 09
02	Mahaweli Consultancy Bureau (Pvt) Ltd	Dr.HarshaSamaraweera	1. Mr. K. L. S. Sahabandu 2. Engineer (Mr.) L.R.H.Perera	No. 11, Jawatta Road, Colombo 05
03	Natural Resources Management Services (Pvt) Ltd	Engineer (Mr.) A. A. V. Dias	1. Engineer (Mr.) B.W.N.W. Senevirathne Banda 2. Mr. N.M.K.B. Attanayake 3. Mr. L.M. Dharamasiri 4. Mr. M.G. AberathneBandara (Company Secretary)	Dam Site, Polgolla, Kandy

Administrative Report

Part I

CHAPTER ONE

ESTABLISHMENT AND COMPOSITION OF THE MAHAWELI AUTHORITY OF SRI LANKA

The Mahaweli Authority of Lanka (MASL) was established under the Act No. 23 of 1979. The functions of the Mahaweli Authority of Sri Lanka in respect of a Specific Area or a Special Area are set out in Section 12 of the MASL Act.

a) To plan and implement, the Mahaweli Ganga Development Scheme including the construction and operation of reservoirs, irrigation distribution systems and installations for the generation and supply of electrical energy.
   Provided, however, that the function relating to the distribution of electrical energy may be discharged by any Authority competent to do so under any other written law.
b) To foster and secure the full and integrated development and securing the sustainabillity of that development.
c) To optimise agricultural productivity and employment potential and to generate and secure economic and agricultural development.
d) To conserve and maintain the physical environment.
e) To further the general welfare and cultural progress of the community and to administer the affairs related to that progress.
f) To promote and secure the participation of private capital, both internal and external, in the agricultural development.
g) To promote, and secure the co-operation of government departments, state institutions, local authorities, public corporations and other persons, whether private or public, in the planning and implementation of Mahaweli Ganga Development Scheme.

1.0 Functions of the Mahaweli Authority of Sri Lanka

The administration of the Projects and Field Offices established under each subject area of the MASL by the Director General is coordinated by the respective Deputy Directors General, Directors, Project Directors and Resident Project Managers.

Accordingly, the MASL has performed the following functions:

- Conducting monthly reviews on the progress of the Authority as per the Corporate Plan and Annual Activity Plan and achieving the relevant targets through required interventions.

- Disposal of assets according to a Plan prepared for the maintenance and administration of assets.
- Construction of the Moragahakanda-Kaluganga Reservoir and Kivuloya Reservoir according to a time frame.
- Identifying of areas and conducting Initial Environmental Studies in order to expand the extent of irrigated lands in the Right Bank of the System ‘B’ and System ‘L’.
- Promoting agricultural supporting services, promoting agriculture and income generating programs and ensuring the food security of the country.
- Empowerment of Officers and farmer representatives to enable them to strengthen the Farmers Organizations to facilitate the delegation of the maintenance and management of Irrigation Systems to the Farmers Organizations.
- Empowering livestock sector under the theme of “Mahaweli Animal productions for a Prosperous Nation” to improve the livelihoods of the Mahaweli settler communities.
- Initiating investment projects for employment creation in sectors other than traditional agriculture for the economic development and employment of second and third generations of Mahaweli settlers, who possess only limited land resources.
- Capacity development of Officers and employees at all levels and taking steps to introduce an e-human resources management system by computerizing all personnel related information.
- Distribution of water from the major reservoirs for settlement schemes, hydro-power generation, domestic hydro-power and domestic water supply through the process of Season Planning by conducting discussions with the line agencies.
- Initiating steps to facilitate for crop diversification, socio-economic development and employment creation in B, C, H, L, D, Moragahakanda, Huruluwewa, Walawe, Victoria and newly declared Rabbakkanoya project areas.
- Raising the awareness of the community on issues such as water management, human resources management, livestock development, agricultural development, soil and water conservation, watershed management, environment pollution and water pollution.
- Formulation and implementation of effective operational maintenance programs in order to ensure the safety of main diversion reservoirs and raising awareness of the Farmer Organizations.

1.1 General Administrative Structure of the MASL

Director General

Additional Director General

- **Deputy Director General (Technical Services)**
  - Director- HeadWorks Administration and Maintenance
  - Director– Engineering Construction
  - Director– Downstream Development
  - Director– River Basin Development
  - Director– Land use Planning
  - Director– Forestry and Environment
  - Director– Land use Planning
  - Director– Water Management Secretariat
- **Deputy Director General (Admin & Finance)**
  - Director– Personnel and Administration
  - Director– Finance
  - Director– Legal
  - Director– Mahaweli Centre
  - Director- Mahaweli Security Corps
- **Deputy Director General (Development)**
  - Director– Lands
  - Director– Agriculture
  - Director– Institutional Development
  - Director– Business Development
  - Director- Livestock Development
- **Resident Business Managers**
  B, C, D, H, L, Moragahakanda, Victoria, Rambakannoya, Huruluwewa, Walawe,Mahaweli System
- Director– Internal Audit
- Director– Planning &Operations
- Director– Head Quarters Operations

1.2 Mahaweli Systems –Structure & Administration

Mahaweli area is divided into 10 Administrative Units according to the Master Plan for the Development of the Mahaweli Basin, so as to facilitate the settlements administration, operations and maintenance of the Irrigation Systems. The Systems B, C, D, H, Moragahakanda, Victoria and Huruluwewa are established along the Mahaweli river basin and Udawalawe, Weliloya (System 'L') and Rambakkan oya Systems have been set up as Special Areas.

The development and management functions of the Mahaweli Systems and the Special Areas have been delegated to the Resident Project Managers. The Resident Project Managers are required to report directly to the Director General and Additional Director General. They are supported by Directors appointedat Head Office level for each subject area, in respect of the functions to be carried out at System level under the purview of Deputy Directors General.

The Resident Project Manager functions as the Chief Executive Officer in respect of each System and Deputy Resident Project Managers are attached as the supervisory officers looking after the technical, land, agricultural and development functions. The Block Office, which comprises a few Units, functions under the purview of the Block Managers and an Irrigation Engineer, Institutional Development Officer, Agriculture Officer and a Land Officer are attached to each Block Office. Unit Managers are appointed for each Unit and they perform their duties in respect of each subject area, under the supervision of the above Officers. Approximately 250 – 300 allotters of land are settled under each Unit.

Land administration in the Mahaweli Systems is carried out according to the Land Policy of the government based on the Land Development Ordinance and Crown Lands Ordinance. From functions related to alienation of state lands for development activities to issuing of Grants are performed in this regard. Further, activities related to leasing out of land for commercial and investment purposes and granting of lands to the second and third generations of settlers, in addition to the original settlers, are handled by the Zonal Offices.

The following activities are also being carried out under the supervision of Administration Offices: Irrigation, water management, maintenance and improvement of irrigation Systems under institutional development , production of seeds, farm development, training and demonstrations under agriculture development, livestock, fisheries and environment conservation, project development, implementation of small and medium scale credit schemes, commercial agriculture ventures, agro- industries and related self-employment programs.

1.3 Divisions directly controlled by the Director General

- ❖ Head Quarters Operations Division
- ❖ Planning &Operations Division
- ❖ Internal Audit Division

1.3. 1 Head Quarters Operations Division

Functions

- Conducting the Board Meetings of the MASL and carrying out all related functions.
- Coordination, management and follow-up of inward mail of the organization.
- Planning and organizing all internal and external meetings and conferences conducted by the Director General.
- Making required arrangements with regard to the conduct of national, regional and international conferences; coordinating activities during the visits of Foreign Aid Groups and Delegations.
- Submission of nominations for foreign scholarships, conferences and workshops and related coordination functions.
- Coordination with the Parliament, Presidential Secretariat, Ministry of Finance, all other Ministries, Departments and International Organizations with regard to the functions of the MASL.
- Submission of Cabinet Memoranda and Drafts and follow-up activities related to the Cabinet approvals.
- Handling of the procurement functions of the Departments and confirming the decisions of the regional and project related procurement functions.
- Coordination and documentation of the Executive Management/ Audit Management Committeemeetings and informing the decisions of such meetings.
- Coordination related to conducting of Business Operations Committees with regard to the special projects.

1.3.2 Planning and Operations Division

- Preparation of a Corporate Action Plan according to the Vision & Mission of the organization and act according to the Annual Plan.

- Preparation of Special Project Reports, conducting Economic and Social Surveys and carrying out analysis.
- Review the progress of projects on monthly, quarterly and annual basis, coordination of project evaluation functions and ensuring the Operation Evaluation System.
- Preserving the Technical Reports, Feasibility Reports and Evaluation Reports and providing them for use.
- Operation and maintenance of the Mahaweli Computer Network. Establishment and updating of Official Website, providing IT support System.
- Coordination of Studies with regard to the impact areas.

1.3.3 Internal Audit Division

- Formulation of the Internal Audit scope according to the Sri Lanka Auditing Standards, Public Enterprises Policy Circulars for Good Governance, Financial Regulations of the Democratic Socialist Republic of Sri Lanka, Internal Audit policies issued by the Ministry of Finance,Policy Planning, regulations and management decisions.
- Perusal, audit and reporting on the operational functions of the organization in a management perspective, in addition to accounting perspective.
- Evaluating the extent of progress reported in the relevant Projects and Programs, along with the given time frame, on a continuous basis.
- Conducting on site investigations to find out the issues that lead to delays in the implementation of work on time.
- Evaluation and review of management systems andcontrols used to monitor the operational functions.

CHAPTER TWO

Technical Services Division

2.0 **Functions**

1. Formulation of a Strategic Plan with the objective of achieving targets set out in the Corporate Plan / Annual Plan.

2. Providing guidance and direction for the preparation of Technical Plans and Estimates.

3. Formulation of an appropriate process to ensure the proper maintenance and protection of the physical assets including major dams, diversion tunnels and downstream irrigation structures areas.

4. Formulation of proper plans to supply required water on time for agricultural activities and other requirements through the reservoirs and irrigation systems.

5. Planning of Projects, Feasibility Studies, operation and progress review.

The Technical Division of the MASL carries out its activities mainly focusing on the above functions. Accordingly, the following activities were implemented by this Division in 2016.

2.1 Engineering Planning & Constructions

2.1.1 Road and Irrigation Works

1. Planning and preparation of estimates for Madirigiriya reservoir No. 02 / Yaya 03.
2. Planning of the sluice gates and diversion of the above reservoir.
3. Planning of Kaudula Left Bank Canal and preparation of estimates.
4. Planning of the drap structure of the canal No. 01 of the Kandepitawale branch canal.
5. Planning of culverts at km 3.290 and 3.650 at Madirigiriya – Kanthalai road.
6. Planning and preparation of estimates for the rehabilitation of Samaudanawawe in the System L.
7. Planning of the bridge and culverts at km. 0.0 in the Madirigiriya-Agbopura road.
8. Planning and preparation of estimates for the modernization of causeway of the Ethawatunwawe in System L.
9. Planning of the diversion of field canal No.01 and 02 in the main canal of the Kaluganga Right Bank.
10. Preparation of plans to the conservation of the downstream section of the Polgolla dam.
11. Planning and preparation of estimates from km. 0 to km. 7.150 in the Halambawawe road in System L.
12. Planning of the diversion at km. 4.60 in the main canal of Kaluganga Right Bank.
13. Planning of the culvert at km. 8.0 in Madirigiriya - Agbopura road.
14. Planning of the diversion at km. 0.975 in Kaudulla Left Bank
15. Preparation of plans for the rehabilitation of Kiriibbanwewa and Ethawatunuwawe in the System L.

2.2 Architectural Unit – Planning of Buildings

1. Additional buildings for the proposed Regional Hospital in Laggala town.
2. Proposed Laboratory, Workshop, Computer Buildings and School Buildings in the Laggala town.
3. Proposed Grade IV Official Quarters in the System L.
4. Modernization of the bed rooms, dining rooms and the pantry of the Ruhunuketha circuit bungalow.
5. Proposed canteen at the Mahaweli Authority Head Office.
6. Proposed Assembly Hall in the school at Laggala town.
7. Proposed Mahaweli Authority of Sri Lanka cafeteria at Dehiyaththakandiya.
8. Proposed circuit bungalow at Madirigiriya zone.
9. Primary school, proposed library, computer room, teacher's rest room in the Moragahakanda-Kaluganga Development project.
10. Proposed Gem Research Institute at the Bakamuna town.
11. Proposed Surgical Unit at Dasgiriya town.
12. Extension of the proposed Resident Project Manager Office in the System L.
13. Proposed circuit bungalow at Nuwareliya.
14. Proposed circuit bungalow at Dehiyaththakandiya.

Downstream Development Activities

- Main Function of this Division include: Operation and maintenance if the Irrigation Systems, management of building premises, repairs and construction of roads, preparation estimates, quality control of constructions and progress review.

- **Development of Mini Hydro-power Generation Projects**

Coordination and monitoring activities in respect of the construction of the following Mini Hydro-power generation plants were carried out during the year 2016:

1. Dambuluoya – H.P.D. Power (Pvt) ltd
2. Athkanda (MW 6.5) – Access (Pvt) ltd

Accordingly, the provisions made by the General Treasury for each System and the expenditures in 2016 are given below:

- Coordination of the preparation of Environmental Study Reports by the investors in respect of the following projects:

    1. Ukuwela (MW 2.2) – Digala and Maduruoya Left bank

2.2 River Basin Development

The special tasks carried out in 2016 include completion of the rehabilitation works of the dams of Dambuluoya, Kandalama and Chandrikawewa reservoirs under the Dam Safety and Water Resources Management Project and the technical evaluation of the National Plan for Water Resources Development.

	System/Project	2016 - Total Allocation the T. Ser. Division Rs. Million	Financial progress in 2016 Rs. (m.)	Financial progress %
	Project			
1	Ridimaliyadde	65.010	50.731	78%
2	Integrated Development Project-System L	485.595	452.935	93%
3	Kivuloya Project	19.400	19.000	98%
4	Integrated Development Project-System B	474.000	471.695	100%
5	Malwenna Development Project – System B	217.000	177.668	82%
6	Rehabilitation of small and medium scale irrigation shcemes	200.000	177.915	89%
7	GetambeMahaweli bank conservation	125.000	65.554	52%
	Sub total	1.586.005	1.415.498	89%
	Systems			
8	System B	58.111	63.322	109%
9	System C	128.071	127.937	100%
10	System D	35.250	21.081	60%
11	System G	38.750	38.164	98%
12	System H	102.000	102.404	100%
13	System L	165.000	165.199	100%
14	Walawe System	138.902	145.864	105%
15	Huruluwewa System	39.500	36.202	92%
16	Rambakkanoya	32.232	29.598	92%
17	Victoria System	42.650	42.278	99%
	Sub total	780.466	772.049	99%
	Divisions			
18	Head Office (Technical Services)	25.303	27.886	110.2%
19	Mechanical Workshop – Tambuttegama	5.000	4.040	81%
20	River basin management - Madatugama	880	726	83%
21	Project Coordination Office - Mdatugama	700	631	90%
22	Headwork's Administration, Operation and Maintenance Division	220.360	226.761	103%
	Sub total	252.243	260.044	103%
	Total	2618.714	2447.591	93%

2.3 Headworks Administration, Operation and Maintenance Division

Headwork's Administration, Operation and Maintenance Division (HAO&M) was established in 1985 for the purpose of managing the major reservoirs, trans-basin canals, canal networks and dam related structures constructed under the accelerated Mahaweli Program, in order to ensure their uninterrupted operation.

2.3.1 Activities implemented in 2016

- Completion of the routine maintenance work of reservoirs, dams and associated structures.
- Completion of safety operations and permanent maintenance activities planned for all dams.
- Compilation and analysis of data collected by instruments, as planned.
- Completion of water quality monitoring activities, as planned.
- Completion of initial activities related to the conservation of reservoirs and re-acquiring of encroachments.
- Carrying out institutional inspections through the Engineers attached to the HAO & M Division.
- Carrying out permanent maintenance work at Digana Village.
- Dengue eradication Shramadana programs, obtaining of environmental conservation License, implementation of solid waste management programs.

2.4 Water Management Secretariat

MahaSeason 2015/16 (01. 10. 2015 to 31.03. 2016)

Although water levels at the main reservoirs of Mahaweli and Walawe Systems remained substantially high, commencement of Maha season 2015/2016 was delayed till November, since the water levels at irrigation reservoirs remained at lower levels. Sluice gates were opened during the months of November and December of all remaining reservoirs, except Kothmale, as the upper catchment areas of the Mahaweli system received heavy inflows, exceeding the normal levels.
During this season 1289 gwh power was added to the national grid from the Mahaweli system. It was 20% of the total electricity generated in the country.
Figure 01 indicates the Cultivation Plan of the 2015/16 Maha season under the Water Management Committee.

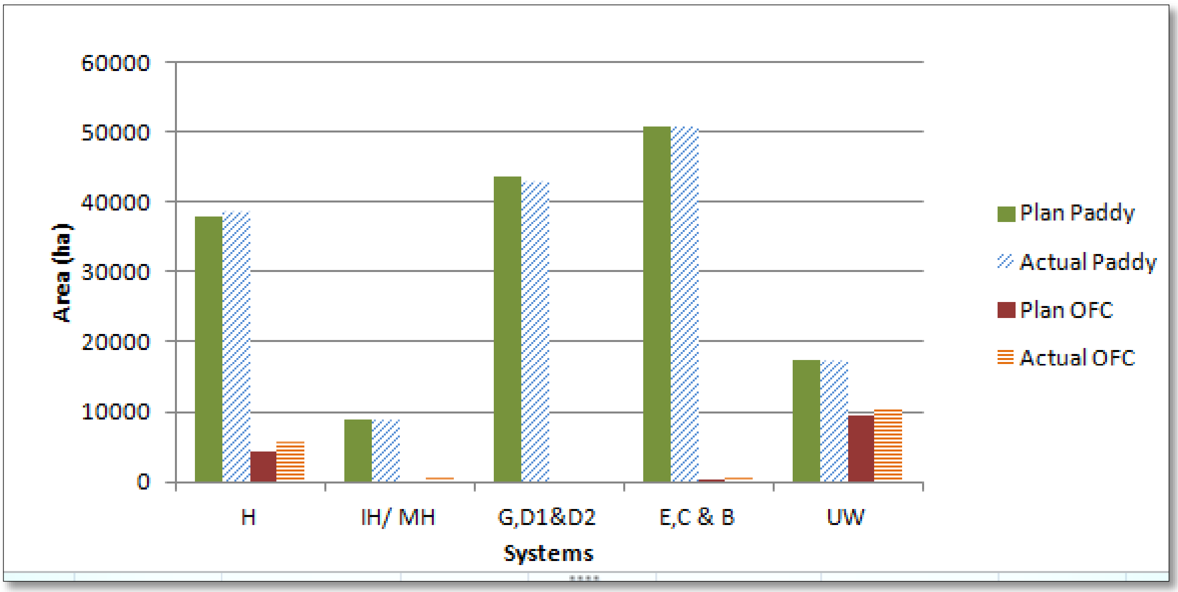


Figure 01

2016 Yala Season (01.04.2016 – 30.09.2016)

In flows into the all reservoirs of the Mahaweli System, except Polgolla, during the 2016 Yala season, remained low compared to the expected normal inflow levels; meanwhile, inflows into the UdaWalawe reservoir remained higher than the expected normal level.

Since the water levels at irrigation reservoirs went up along with inflows received in the month of May, cultivation activities of 2016 Yala season commenced around April 25 – May 25 period. Figure 02 indicates the Cultivation Plan and actual production during the 2016 Yala season.

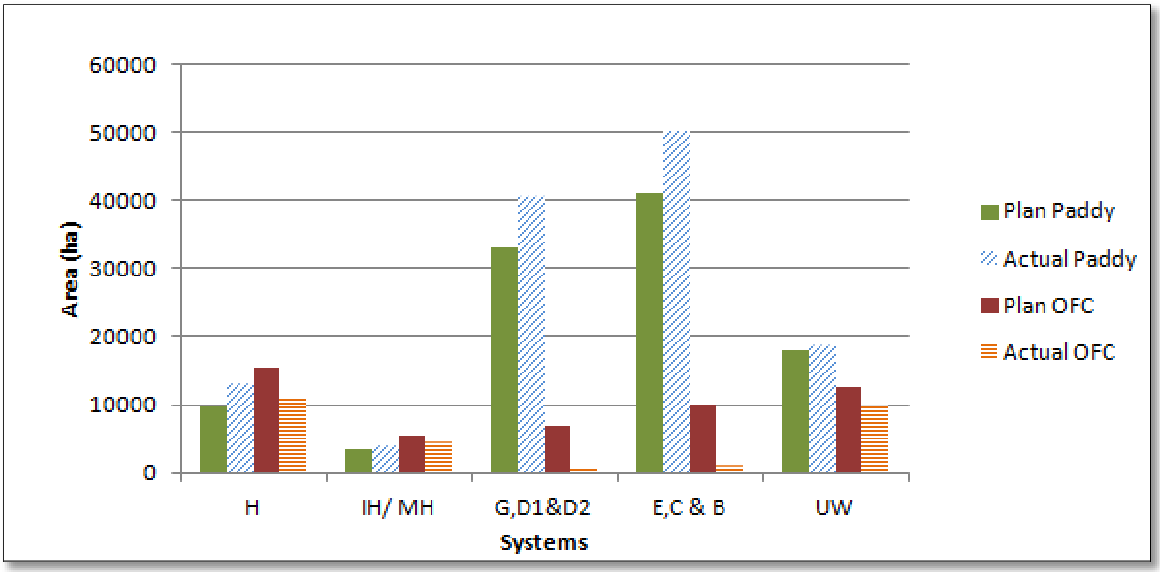


Figure 02

Generation of electricity at the Mahaweli System during this season remained 746Gwh.

Maha Season 2016/17 (01.10.2016 – 31.03.2017)

Cultivation activities during this season were restricted since the water levels at all main reservoirs of the Mahaweli and Walawe systems, as well as irrigation reservoirs, remained very low. Commencement of the Season was delayed from November 15th to December 01st

2.5 Land Use Planning Division

2.5.1 Functions

The land use Planning Division has been established within the Mahaweli Authority of Sri Lanka, with the following objectives:

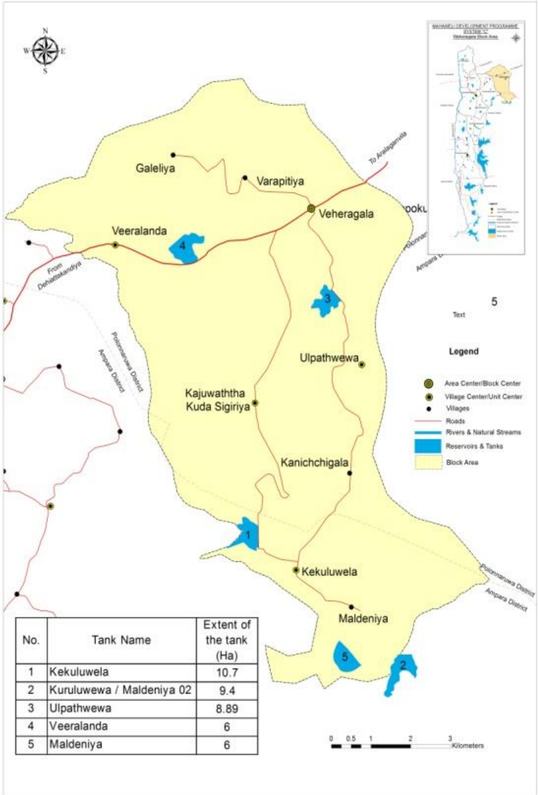
- Preparation of physical plans for land use in Mahaweli areas and acquisition of lands in new developed areas, formulation of strategies for se-settlement according to the National Plan.
- Collection of data and information required for the preparation of land and physical plans for new projects and special projects.
- Preparation and updating of GIS and maps based on secondary and primary information.
- Preparation of plans for settlements and towns in the Mahaweli areas.
- Collection of information and compiling of reports with regard to demography, agriculture, physical infra-structure facilities and other human activities in the Mahaweli areas.

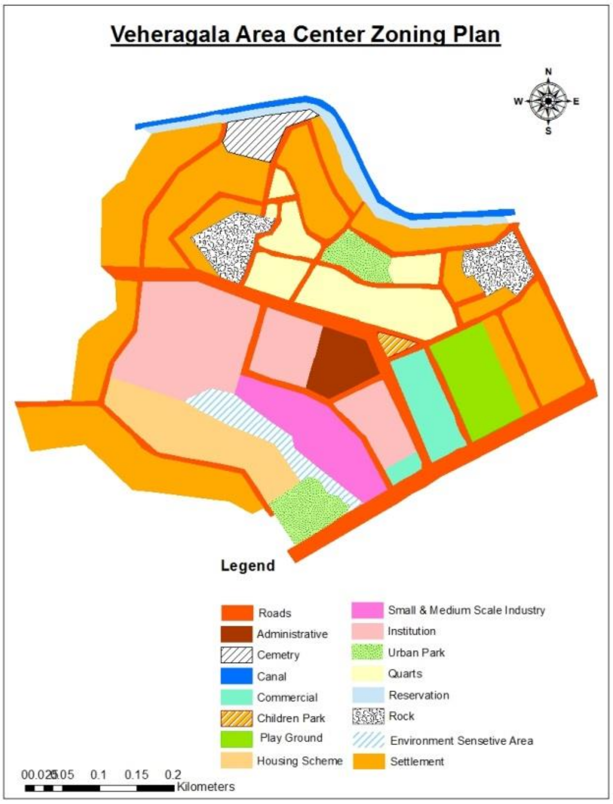
2.5.2 Activities implemented in 2016

- Preparation of Structural Plans

System C

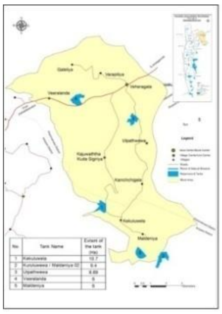
A field survey was carried out in 2016 in order to study the changes occurred in the land use patterns, compared to the initial plans of the township of Weharagala in the system C and also to study the future planning of the area.

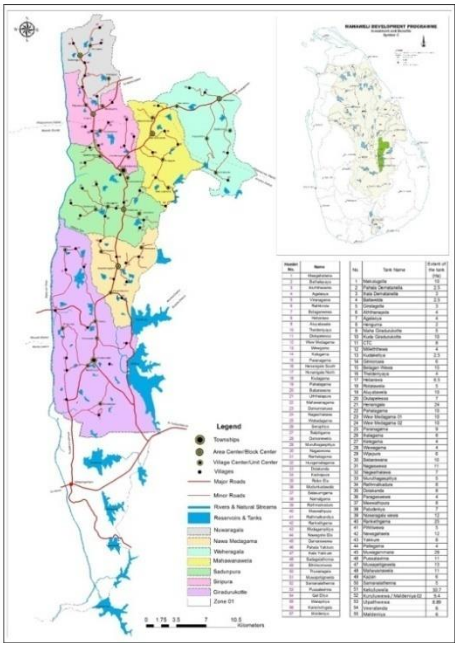
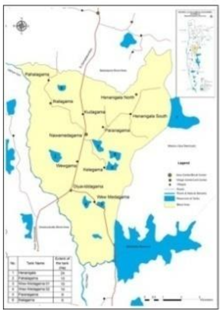
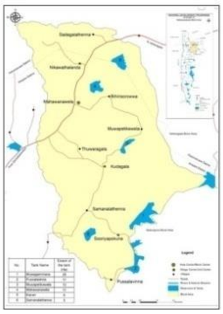




Final settlement maps and final geological maps related to System C have been prepared. Initial steps of converting the hardcopies of these maps as softcopies and preparation of electronic data base of these maps have been completed.

Printouts of maps related to each Block of system C were printed and provided. Such prints facilitate easy identification of areas coming under each Block and provision of efficient services.

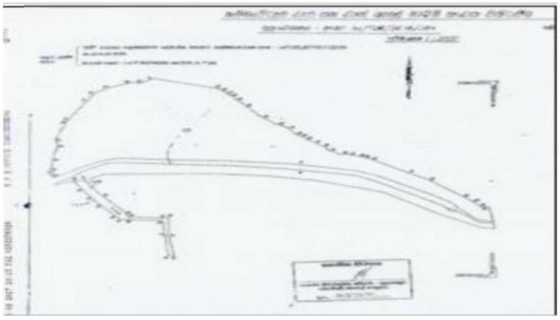



System H

Initial steps have been taken to convert the hard copies of all the final settlement and village maps of the System H to soft copies and prepare an electronic data base of such maps.

Work related to surveying and marking of reservations in the either side of the entire System H has also been completed at the end of year 2016. It is being carried out with the objective of protecting the catchment areas of the tank, preventing encroachment by the unauthorized settlers and taking steps to preserving the reservations of the tank




Tammattawa Tank – Eppawela Tank

Walawe System

Initial steps related to the conversion of the hard copies of all final settlement and village maps of the Walawe System into soft copies and preparation of an electronic data base have already been completed.

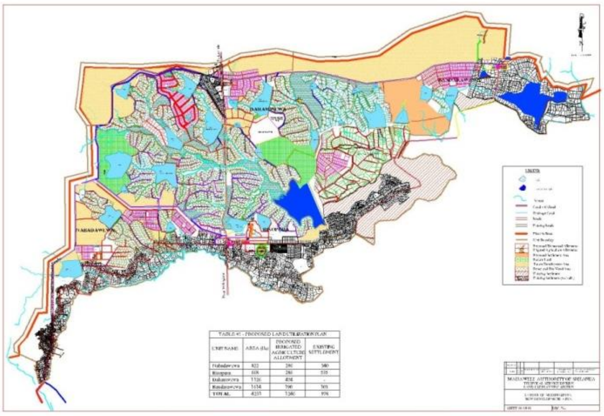
Further, in order to prepare the Town Development Plan of Embilipitiya in the Walawe System, discussion held with the relevant line agencies. Issues prevailing at the Embilipitiya town were identified and prioritized. Accordingly, the needs such as

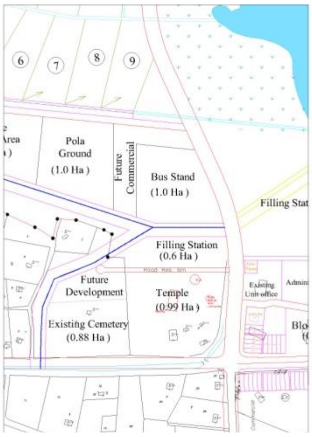
unavailability of adequate parking facilities to commensurate with the increasing number of entering into the town along with its rapid development and proper disposal of solid waste were identified.
Committees were formed in respect of each prioritized issue and strategic projects were identified as solutions for these issues. Arrangements were made to implement one of the projects in the vicinity of Presidents College, Embilipitiya, where heavy vehicular traffic occurs during school hours.

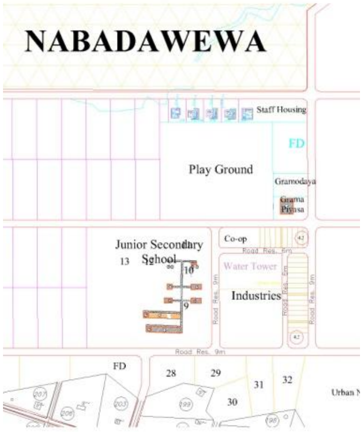
Number of projects were identified for the proper management of solid waste in the Embilipitiya town. Construction of a waste water treatment plant, improvement of waste recycling center and familiarizing the community of producing renewable energy using waste by introducing bio-gas systems to large scale business ventures were included in these projects. Programs also have been planned in order to minimize the volume of solid waste by popularizing the segregation of waste.

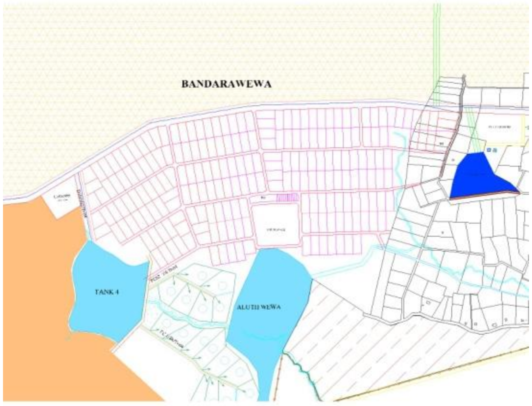
<u>System D</u>

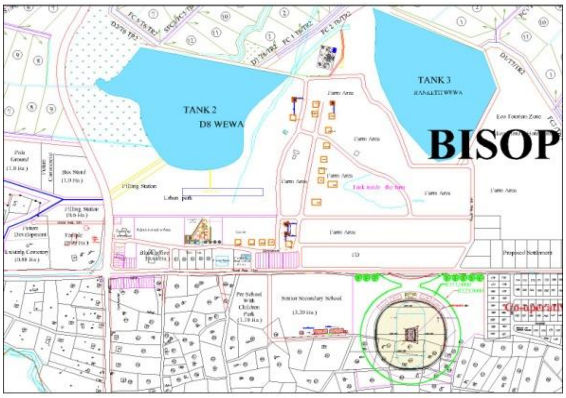
System D is being developed under the Moragahakanda – Kaluganga Agricultural Development Project. Regional Development Plans with regard to the settlement planning of Bisopura Regional Centre have been prepared.





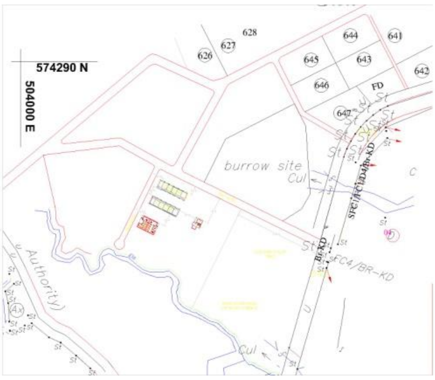


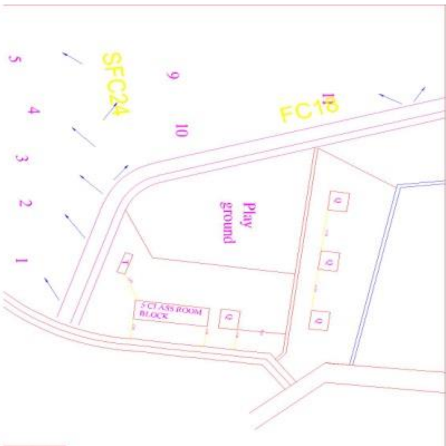


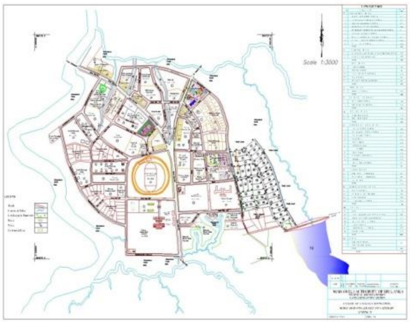


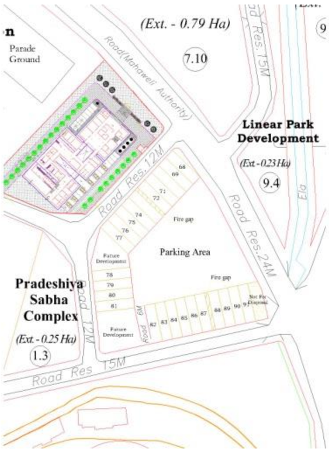
Moragahakanda Development Area

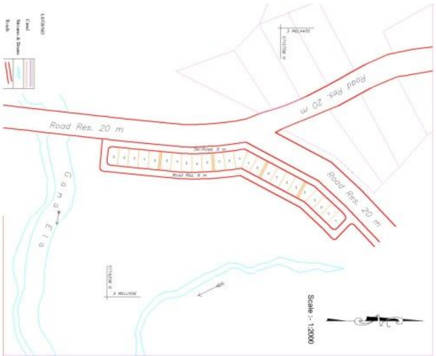
Laggala town center is being developed under Moragahakanda – Kaluganga Agricultural Development Project. In this regard plans for the development of commercial areas in the town have been prepared and plans related to the common amenities in the town center have been updated.











2.6 Environment and Forestry Division

2.6.1 Functions

- Extending assistance for formulating Environment Policy in respect of development activities carried out by the Organization and preparation of relevant management conservation plans in respect of such activities.
- Evaluating the environmental impact of all development projects, follow up and co-ordination with other organizations.
- Co-ordination of Environment and Forestry Management activities, preparation of plans, follow up and preparation of relevant guidelines.
- Developing scientific research in the relevant fields.
- Collecting data on natural resources available at Mahaweli Authority areas and management.

2.6.2 Activities implemented in 2016

1. Activities related to the conservation of Upper Mahaweli Catchment areas.

2. Implementation of environmental programs in the Mahaweli downstream areas and other Mahaweli systems and implementation of environmental programs in the Integrated Projects.

3. Fulfilling the conditions indicated in the Environment clearance certificates in respect of environmental conservation aspects of large scale projects implemented by the MASL and follow-up activities; Representing in the Technical Committees, Operations Committees and standing Committees.

4. Administration and follow-up activities in respect of Environmental Impact Assessments, as the approving authority of projects under the National Environmental Act.

5. Representing in the Technical Committees of the Development Projects implemented by the line State institutions, representing the Authority in the meetings and workshops related to the proposed environmental activities implemented at national level.

- **Financial Allocation and Progress – 2016**

No.	Division/System	Financial Allocations (Rs. m.)	Revised Financial Allocations (Rs. m.)	Financial Progress (Rs. m.)	Percentage (%)
01	Forestry and Environmental Division – Kothmale	26.00	27.51	21.53	78.24
02	Systems - B, C, D, G, H, Walawe, Huruluwewa, Victoria, Rambakkanoya Systems	24.00	23.03	21.96	95.35
	Total	50.00	50.55	43.49	86.03

Capital Expenditure

Budgetary Code	Division	Estimated Amount – Rs.	Revised Estimate – Rs.	Expenditure - Rs.	Percentage (%)
2965	Natural Resources Conservation Division	5,000,000.00	5,053,000.00	5,040,778.62	99.76
2965	Environmental Education & Training Division	4050,000.00,	4328,091.00,	4090,802.78,	94.52
2965	Land Use Planning & GPS Technology Division	500,000.00	146,120.00	146,120.00	100
2965	Hydraulic Study Division	3,000,000.00	2,958,000.00	301,755.00	10.20
2965	Tissue Culture Division	6,650,000.00	,6424000.00,	,6479,91412.	100.87
2113	Acquisition of Fixed Assets	1,000,000.00	1,000,000.000	1,010,489.50	101.05
2383	Maintenance of Vehicles & Repairs	1,200,000.00	1,999,800.00	2107,504.63	105.3
2385	Maintenance of Building Division	4500,000.00,	5,587,000.00	,2,333489.72	41.76
2386	Repairing of Office Eqquipment	100,000.00	18,000.00	18,341.64	101.89
Total		**26,000,000.00**	**27,514,011.00**	**21,529,196.01**	**78.24**

CHAPTER THREE

DEVELOPMENT DIVISION

The Development Division is comprised of the following five main Divisions:

01. Land Division
02. Agricultural Development Division
03. Livestock Development Division
04. Institutional Development Division
05. Business Development Division

3.1 Land Division

The main functions performed by this Division include: Organization of land related duties at all Systems of the MASL as per powers vested in the Authority by legislations such as Land Development Ordinance, Crown Lands Ordinance, Re-acquisition of lands Act and Forest Ordinance, conducting of Land Kachcheries and inspection of encroachments, taking steps to obtain the approval of Director General for the applications referred from the Systems and informing of such approvals, issuing of required instructions to monitor these activities.

Activities Implemented during the year 2016

- Selection of eligible persons for land alienation
- Alienation of lands among allotters
- Issuing of Land Permits / Grants
- Transferring of ownership of lands.
- Acquisition of lands and compensation payments
- Transfer of lands to State Institutions
- Issuing of deeds to ‘Poojabhoomi’ Lands
- Allocation of lands for medium scale entrepreneurs.

System	Target	Progress
B	4,060	3,885
C	1,910	1,765
Moragahakanda	1,900	1,828
H	2,810	2,230
L	3,200	2,701
Udawalawe	7,200	7,108
Victoria/Kothmale	1,000	704
Medirigiriya	750	400
Huruluwewa	1,400	1,044
Rambakkanoya	1,400	1,118
Total	**25,630**	**22,783**

3.1.1 Progress in 2016

Issue of Grants under the Land Development Ordinance - 2016

System	Target	Progress
B	7,060	6,955
C	5,915	5,768
Moragahakanda	1,205	983
H	3,200	2,864
L	1,900	1,753
Udawalawe	7,500	7,315
Victoria/Kothmale	805	688
Medirigiriya	300	-
Huruluwewa	2,000	1,032
Rambakkanoya	150	-
Total	**30,035**	**27,358**

Issuing of Permits under Crown Lands Ordinance

System	Target	Progress
B	15	-
C	15	2
Moragahakanda	5	1
H	30	14
L	-	-
Udawalawe	55	48
Victoria, Kothmale	640	550
Medirigiriya	-	-
Huruluwewa	40	-
Rambakkanoya	5	-
Total	**805**	**615**

Allocation of Land to State Institutions -2016

System	Transfer Order		Handing over Lands	
	Target	Progress	Target	Progress
B	10	-	15	11
C	350	341	-	-
Moragahakanda	5	-	-	-
H	10	-	-	-
L	2	-	-	-
Udawalawe	10	-	-	-
Victoria, Kothmale	5	-	-	-
Medirigiriya	-	-	-	-
Huruluwewa	5	2	-	-
Rambakkanoya	3	-	-	-
Total	**400**	**343**	**15**	**11**

Distribution of Viharasthana Grants under Crown Lands Ordinance - 2016

System	Target	Progress
B	25	18
C	10	6
Moragahakanda	5	3
H	25	19
L	-	-
Udawalawe	5	-
Victoria/Kothmale	15	12
Medirigiriya	-	-
Huruluwewa	10	3
Rambakkanoya	5	-
Total	**100**	**61**

Long-term Leases –2016

System	Target	Progress
B	75	41
C	35	8
Moragahakanda	10	3
H	235	168
L	20	-
Udawalawe	50	-
Victoria/Kothmale	605	523
Medirigiriya	10	-
Huruluwewa	25	2
Rambakkanoya	10	-
Total	**1,075**	**745**

3.2 Agriculture Development Division

The main functions assigned to this Division include promotion of agricultural support services, improvement of agricultural promotion services, contributing towards the food security of the country and enhancing the efficiency of the irrigated water. In addition to that the following special functions are also being carried out by this Division: Increasing crop intensity and improving commercial agriculture with the objective of crop diversification and increasing the productivity of the agricultural production. Further, this Division also focuses on the provision of new technology to the farmers, development of home gardens and uplifting the living standards of farmers.

3.2.2 Activities implemented in 2016

Budgetary Allocations for Agricultural Productivity Programmes - 2016

System	Approved Amount Rs. m.
B	33
C	17
D	4
G	9
H	80
Huruluwewa	12
Walawe	38
Victoria/Kothmale	2
Rambakkanoya	6
Head Office	2
Total	203

Financial Progress of the Agricultural Productivity Program - 2016

System	Amount Allocated (Rs. '000)	Amount Spent (Rs. '000)	Percentage
B	32,709	32,762	100%
C	17,437	17,663	101%
D	4,000	3,844	96%
G	9,325	8,500	91%
H	80,111	72,200	90%
Huruluwewa	12,000	8,208	68%
Rambakkanoya	6,013	4,785	80%
Walawe	37,855	38,491	102%
Victoria/Kothmale	2,000	2,137	107%
Head Office	2,000	2,258	113%
Total	**203,451**	**190,847**	**94%**

Physical progress achieved in the Agricultural Productivity Program – 2016

Activity	Unit	Target 2016	Progress 2016
Promotion of paddy production			
Communication Workshops	Workshops	422	512
Yaya Programs	No.	300	297
Harvesting Surveys	Surveys	431	454
New Technology Demonstration	Programs	168	132
Farmer Training for efficient use of fertilizer	Farmers	11,965	9,530
Other Field Crops			
Farmer Training	Programs	1501	1256
Crop demonstration	Programs	539	734
Production of big onion seeds	Kg.	226,000	95,500
Pre contracts	Farmers	9280	7618
Supply of Bee Production Boxes	No.	315	255
Supply of Mini Water Systems	No.	171	126
Agricultural Wells	No.	94	88
Horticultural Development			
Mango Tree Rehabilitation Programs	No.	193	156
Fruit Pest Control Programs	No.	344	255
Farmer Training workshops	Programs	12	15
Development of the Home Economics			
Bee Production Programs	Bee Colonies	442	433
Mushroom Production Program	No.	45	77
Model Home Gradening Programs	No. of Home gardens	1248	1582
Farmer Training	Programs	346	358
Programs to promote the use of Organic Fertilizer			
Farmer Training	Programs	243	228
Compost production	Programs	3513	2169
Husk Coal Production Programs	Programs	1335	1800
Agricultural Extention Activities			
Implementation of 3 year Program	Programs	254	277
Crop Competitions & Exhibitions	Programs	24	29
Officer Training			
Pre-season Training	Programs	103	84
Special Training	Programs	97	92

Progress and Contribution of the Crop Production – Maha 2015/16 and Yala 2016

Crop	Cultivation (Ha.)	Mahaweli Production (Mt)	National Production (Mt)	Mahaweli Contribution (%)
Paddy	158,628	872,454	4,540,000	19
Maize	4,373	15,368	247,340	6
Kurakkan	486	1,166	5,044	23
Green Gram	986	1,479	23,419	6
Black Gram	813	1,221	10,511	12
Cowpea	1,238	1,362	21,438	6
Soya	2,421	4,850	9,931	49
Groundnuts	536	1,072	26,316	4
Sesame	395	237	13,871	2
Chillies	821	9,852	78,251	13
Red onion	25	500	89,704	1
Big onion	1,713	42,850	73,191	59

Fruits

Crops	Cultivation (Ha.)	Production / metric tons
Plantain	8,274	124,115
Papaw	711	12,806
Mango	2,136	8,544

Vegetables and other Crops

Crop	Cultivation (Ha.)	Production
Vegetables	4,352	78,340 (mt)
Coconut	6,461	205,999,200 (nuts)
Others	1,559	

- Obtaining higher levels of harvest and efficient weed control by using planting machines - Field Demonstrations

- Supply of Quality seed paddy

- Use of parachute technology for paddy cultivation

- Minimising urea fertilizer use

- Enhancing the efficiency of water by construction of dams

Integrated Pest Control Training Program – Supply of seeds for the promotion of soya and beans

Provision of water spray systems to address water crisis

Supply Rain Spray Houses to protect big onion seed production from rains

Supply of chilli seeds to promote chillie production and establishment of chilli villages

Establishment of Fruit villages as a solution to the water shortage in Yala season - Mahaweli Contribution for the Construction of
Agricultural wells

Supply of Mushroom houses to strengthen home economy

Farmer Training Programs for the production and use of Organic Fertilizer

Conducting Crop Clinic Programs

Home Gardening Development Programs

3.4 Institutional Development Division

The Institutional Development Division which has been established with the main objective of forming of Farmers Organizations for the management of Irrigation Projects have so far established approximately 1000 Farmers' Organizations. Such organizations have also been empowered within the legal framework of the Agrarainian Services Act. Management of the Irrigation Systems – i.e protection, preservation, maintenance and operations of the Irrigation Systems - need to be carried out by the Farmers Organizations, which are comprised of the of the farmers who are the owners of such Systems.

Administration functions up to distribution canals have been delegated to the farmers organizations, based on this concept and theory. However, under the prevailing circumstances such organizations have not been empowered in such a manner to handle this entire process. At present the empowerment of farmers' organizations is under way through a special program.

3.4.1. Strengthening of Farmers Organisations

Irrigation System management and strengthening of Farmers Organizations can be considered the key role of Institutional Development Division.

Farmers Organizations have formed based on the distribution canals. The Program of Strengthening of Farmers Organization envisages to uplift the economic conditions of the farmers and Farmers Organizations. Office bearers have been appointed at the field canal level by the Farmers Organizations for that purpose. This Division also focuses on directing farmers Organizations towards proper maintenance of Irrigation System and efficient water management. In addition, the Farmers Organizations are also involved in distribution of water among the systems, preparation Cultivation Calendar and fixing targets.

Summary of Mahaweli Farmers Organizations

System	No.of Farmers Organisation
B	133
C	196
D	10
G	44
H	225
L	22
Walawe	287
Huruluwewa	82
Rambankkanoya	08
Total	**1007**

3.4.2. Community Participatory Irrigation System Management Program

The main objective of the Community Participatory Irrigation System Management Program is to providing capacity to the farmer's community, so as to maintain and operate field canals of the Selected Farmers Organizations of the Mahaweli Systems. This program also envisages to ensure the maintenance of field canals and roads at desired standards and instilling a culture of efficient water use among the farmers by regulating water management.

3.4.3 Community Development

The main objective of the Community Development Program is to provide guidance to create a morally developed, healthy community free from alcohol, violence and abuses, within the Mahaweli Systems. This includes: Sujatha Dharuwo Program, Clinics for kidney patients, clean portable water projects, conducting awareness programs to prevent alcohol and tobacco, child abuse, violence against women, prevention of under age pregnancy and programs to prevent domestic violence.

<u>Progress of Institutional Development Division – 2016</u>

- Competition for the selection of Best Mahaweli Farmer and Best Mahaweli Farmers Organization – 2016 was held covering all Mahaweli Systems. In this competition the best Mahaweli Farmer was selected from the Huruluwewa System. Bakamuna was selected as the zone which operates best Mahaweli Farmers Organisation. Prizes to the value of Rs. 7.434 million were distributed among them. All prizes were awarded by HE the President.
- Under Irrigation System Management Program an expenditure of Rs. 3.2 million was incurred for organizing functions related to the competition for selecting the Best Mahaweli Farmer and Best Farmer Organization – 2016 and promotional activities of Farmer Organizations.
- Rehabilitation work related to the canals and dams covering all Mahaweli Sytems was carried out under Participatory Irrigation Management Program and Mahaweli Authority of Sri Lanka contributed for this work by supplying raw materials. The government could save a substantial amount in this regard, since the labour was provided by the Farmers Organizations to complete this task.
- Ten Volunteer Leaders Training programs were held covering all systems under Sujatha Daruwo Program for eradication of drugs. Around 250 young volunteer leaders were trained under this program. Out of the total allocation of this program, an amount of Rs. 0.924 million was spent.
- Plants were provided to the villages in the Mahaweli System ‘L’ and ‘B’ by the National Community Water Supply Department to fix 20 water cleaning machines. The relevant construction works of plant rooms have been completed in the systems. Accordingly, as of now, most of the water purification plants have been constructed by the National Community water supply Department

3.5 Business Development Division

The functions entrusted to this Division, include: Planning of projects for business development by utilizing the irrigation and land resources available in the Mahaweli settlement areas, Formulation of strategies for the implementation of projects and evaluation, conducting of market surveys according to the nature of demand, small scale business promotion and promotion of Mahaweli products, provision of job opportunities to the second and and third generation of the settlers and iproving their entrepreneurial skills, promotion of environment friendly and farm-based tourism, addressing the capital requirements of investors by implementing small & medium scale credit schemes.

The Role of the Business Development Division

- Collection of lease income from lands granted under investment projects such as animal husbandry, ornamental fish production, coconut cultivation, other crops and fruits
- Issuing of permits to operate tourist boat services at the reservoirs so as to expand opportunities for environment friendly tourism and collection of annual lease income from such operators.

S.No	Reservoir/River	Details of the investor(Address)	Lease Period	Initial Deposit Rs.	Annual Lease Rs.
01	Victoria	339/6 Negambo Road, Peliyagoda	From 2016.01.06 to 2021.01.05	100,000.00	For the first 2 years Rs. 75,000 annualy – Thereafter 5% increase per annum
02	Polgolla	Mahaweli Reach Hotel,35 P.B.A. WeerakoonMawatha, Kandy	From 2016.02.09 to 2019.02.08	100,000.00	181,912.50
02	Polgolla	No.117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02	From 2016.02.09 to 2019.02.08	100,000.00	181,912.50
02	Polgolla	Mahaweli Reach Hotel,35 P.B.A. WeerakoonMawatha, Kandy	From 2016.08.02 to 2018.08.02	02 years	300,000.00
03	Kotmale	No.27/15, Rosmead Place, Colombo 07	01 year	50,000.00	30,000.00
04	Dambuluoya	D.P.Thalagala Pleasure Island, Reservoir Road, Dambulla	01 year	100,000.00	330,000.00
05	Mahaweli Ganga	Nimal N. Perris Managing Director, Rivers Edge Kandy(Pvt) Ltd, No.409,George R De Silva Mawatha, Kandy	02 years		75,000.00
06	Katupila Wewa	Katiyapa Gamage, Sudharama Priyadarisini, No. 159, Kovulara North, Sevanagala	01 year	10,000.00	100,000.00

- Generating income from local and foriegn tourists by providing accomadation at mordernised tourist bangloes located at seenic places within the Mahaweli region.
- Earning profit through opperating joint ventures with the MASL from the lands leased out to the private sectorr for solar energy, hydro-power and bio energy projects.
- Earning income by supplying required water for the projects that directly contribute to the regional development.
- Creating investment opportunities afloat Mahaweli reservoirs by establishing floating solar energy projects at reservoirs.

- Earning lease income and royalties by providing land for sugar factory projects in order to meet the local demand for sugar; Distribution of lands among the farmers of the area.
- Collecting lease from lands leased out for industries such as quarry and petrolium products (Dolomite, Apetite, Mica, Limestones) on the basis of volume of cubes

Summary of Progress of Investment Projects (as at the end of 2016)

				No. of Projects								
S.No.	Mahaweli System	No.of Investment Projects	Extent (ha.)	Commercial Crops	Animal Husbandry	Ornamental fish	Garments	Paddy mills	Power	Tourism	Business	Others
1	B	297	2833.63	168	19	31	3	18	4	9	12	33
2	C	20	971.3	8	-	-	1	3	2	1	3	2
3	D	8	698.05	7	1	-	-	-	-	-	-	-
4	H	33	209.14	15	1	2	4	6	-	2	2	-
5	L	38	406	36	-	-	-	-	-	-	2	1
6	Walawe	37	331.8	13	-	-	3	-	7	4	-	10
7	Rambakan oya	6	42.89	2	1	-	1	-	-	1	-	1
8	Victoria	24	30.33	1	-	-	2	-	-	2	1	18
9	Huruluwewa	5	65.4	1	-	-	1	2	-	1	-	-
		468	**5588.51**	**251**	**22**	**33**	**15**	**29**	**13**	**20**	**20**	**65**

excavated.

- Strengthning the regional economy by maintaining industrial parks.
- Providing incentives to the small & medium scale entrepreneurs to produce fresh water fish such as Thilapiya at reservoirs

3.5.1. Activities implemented in 2016

- Lands have been allocated for investors on lease basis for cultivation of commercial agricultural crops, cultivation of fruits, ornamental fish projects, Garment factories, processing of rice and small power plant projects.
- In addition to number of mills established in lands provided for the above investment projects, 620 mills have been established in the Mahaweli Systems.

Mahaweli Diriya Credit Scheme (upto December 2016)

System	No. of Farmers Organisation which obtained loans	Loan Amount Rs.
H	09	12,700,000.00
Walawe	02	4,735,000.00
Total	11	17,435,000.00

Mahaweli Saviya Credit Scheme (Upto December 2016)

System	No.of Farmers Organisations which obtained loans	Loan Amount – Rs.
H	162	27,040,000.00
C	87	15,455,000.00
B	479	81,800,000.00
G	99	14,545,000.00
D	64	10,730,000.00
Rambakanoya	3	400,000.00
Huruluwewa	134	7,340,000.00
Victoria	7	543,400.00
Walawe	183	37,740,000.00
Total	**1218**	**190,593,400.00**

CHAPTER FOUR

Human Resources and Financial Management Division

4.1 Human Resource Management Division

The main functions handled by the Human Resources Management Division include preparation of Human Resources Plans covering 4628 employees of the Mahaweli Authority of Sri Lanka, selection and recruitment of staff, implementation of capacity development programs, placement of staff, determining job description for each position, evaluation of performance, promotions, retirements, staff emoluments and other benefits, monitoring of staff placement, maintenance of discipline, implementation of the relevant labour laws with regard to the administration of staff, implementation of the judgments given by the relevant constitutional bodies, reservation, administration and management of vehicles, official quarters, holiday homes, conference halls and training centers owned by MASL.

- Planning of personnel
- Identification of cadre and obtaining permission from the Management Services Department
- Calling of applications, conducting examinations/ interviews and selection of suitable persons
- Disciplinary activities
- Conducting training workshops for the human resources capacity development
- Providing local and foreign scholarships
- Conducting of programs for human resources motivation, attitude and skills development
- Provision of other benefits including transfers, retirement gratuities
- Public relations
- Submission of replies to the oral questions referred by Parliamentary Advisory Committee and Public Petitions Committee.

Recruitment			Promotion
S.No	Staff Category	No .of positions	No. of positions
01	HM 1-1	01	01
02	MM 1-1	56	45
03	JM 1-1	12	68
04	MA 2-2		
05	MA 1-2	262	62
06	PL 1		
	Total	**164**	176

Staff and Administration Division – Progress in 2016

Retirements

S.No	Staff Category	No. of Positions
01	HM 1-1	04
02	MM 1-1	22
03	JM 1-1	10
04	MA 2-2	20
05	MA 3	01
06	MA 1-2	06
07	PL 1	01
08	PL 3	06
	Total	**70**

Training programs - 2016		
Program category	**No. of participants**	**No. of programs**
Awareness Programs	85	03
Skills Development Programs	200	8
Management Programs	60	3
Capacity Development Programs	95	3
Agricultural Development Programs	250	10
Technical Development Programs	10	1

4.2 Legal Division

As per the MASL Act No. 23 of 1979 and the other 23 Incidental Acts, the following main functions have been delegated to this Division : Planning of legal actions, preparation and implementation of various legal contracts between different organizations and persons, co-ordination with constituent bodies such as Parliamentary Advisory Committees, Petition Committees, Parliamentary Commissioner for Administration, Arbitration, Labour Tribunals and Human Rights Commission with regard to the complaints submitted in respect of Employer/Employee issues.

4.3 Finance Division

The main functions delegated to the Finance Division include: Preparation of estimates according to Corporate and Annual Plans of the Organization, preparation of Budgetary proposals in order to obtain allocations made for the Mahaweli Authority of Sri Lanka under the National Budget, forecasting of monthly fund requirements and receipt of funds from the Treasury, preparation of annual estimates for National and Foreign Projects, payment of staff salaries and other payments, management of physical assets, responding to the Audit Queries, providing information to the Parliamentary Committee on Public Enterprises (COPE).

Table 53 - Funds Allocated for the Organization and the Expenditure Incurred - 2016

Expenditure Head	Details	Capital Source	Amount Allocated	Expenditure ('000)
160-2-4-1503	Recurrent Expenditure	Local	3,054,493	2,949,426
160-2-4-5-2201	Capital Expenditure	Local	2,000,000	854,663
	Other Mahaweli Projects			
160-2-5-3-2001	Mahaweli Consolidated Project	Local	500,000	494,216
160-2-5-6-2105	Ridimaliyadde Development Project	Local	120,000	99,974
160-2-5-7-2105	Welioya Integrated Development Project	Local	605,000	580,508
160-2-5-8-2105	MaduruOya Right Bank Development Project	Local	225,000	182,852
160-2-5-10-2502	Getambe Mahaweli River Bank Development Project	Local	125,000	63,000
118-2-6-8-2105	Major and medium level Irrigation Schemes Rehabilitation Project	Local	200,000	178,207
				1,598,757

Table 54 - **Assets, Properties and Equipment**

Description	Cost as at 2016.01.01	**Purchases**	**Sales, Disposals Transfers**	Cost as at 2016.12.31	**Depreciation**	**Value after Depreciation**
						Rs '000
Lands	14,929	-	-	14,929	-	14,929
Land Buildings - Office	1,610,749	129,094	9,813	1,749,656	334,352	1,415,304
Land and Buildings -Others	2,772,895	108,719	(9,813)	2,871,801	1,188.149	1,683,652
Vehicles	1,091,291	8,200	(6,060)	1,093,431	574,636	518,795
Office Equipment	57,323	30,934	(969)	87,288	16,928	70,360
Generators	13,702	3,144	901	17,747	4,258	13,489
Machinery and Equipment	10,274	1,189	1,493	12,956	3,472	9,484
Machinery and Equipment -Construction	334,210	1,823	(2,123)	333,910	94,561	239,349
Machinery and Equipment -General	85,754	11,695	322	97,771	33,869	63,902
Furniture and Fittings	150,077	33,269	(2,762)	180,584	84,375	96,209
Computers and Accessories	67,355	32,406	(134)	99,627	29,376	70,251
Total	6,208,559	360,473	-9,332	6,559,700	2,363,976	4,195,724

4.4 Mahaweli Security Corps

Main functions handled by the Mahaweli Security Corps include ensuring the security of lands, buildings, quarters, large irrigation systems, reservoirs, power plants, work sites, employees and settlers coming under the purview of the Mahaweli Authority of Sri Lanka, extending support with regard to security related matters in conducting special functions with VIP participation and providing security in implementing Forest Ordinance and Acquisition of Possession Act.

Accordingly, Security Officers are deployed under 40 Detachments covering 10 security areas and security duties are being carried out at Resident Project Managers' Offices, Project Offices and all Engineers' Offices attached to main reservoirs.

4.5 Mahaweli Centre

The Mahaweli Centre was established with the objective of formulation of policies for the promotion of education, culture and social development of the children living within the Mahaweli areas, promoting the artistic talents, communication, media skills and moral development of the Mahaweli community and the staff, maintaining of an Irrigation Museum in order to raise awareness among the community on hydraulic civilization and traditional farming systems.

Accordingly, during the year 2016, activities have been carried out in such a manner to achieve these objectives. The Centre functions as an Information Centre highlighting the progress achieved in Mahaweli development with the backing of ancient hydraulic civilization. It has also resulted in social and cultural development among the Mahaweli settlers. This Centre has also contributed for the sustainable development process through exploring the proud heritage of our hydraulic civilization, development concepts and skills. Information required for planning has been provided by this Centre to the school and University students and other organizations. The progress achieved during this year is indicated below:

- As per the revised Work Plan of the Mahaweli Center an allocation of Rs. 25.084 million was made for the year 2016. An amount of Rs. 32.12 million was allocated for all systems. By the end of the year 2016 Rs. 48.54 million was spent out of the overall allocation of Rs. 57.2 million, including allocations made for Systems, Mahaweli Sports events and Prathiba Programs. This indicates a physical progress of 84%. Mahaweli Sports events and Mahaweli Prathiba Programs which have been planned at zonal levels were implemented in a very successful manner. The total expenditure incurred by the Mahweli Center was Rs. 18.91 million and the physical progress remained 75.39%.

- An allocation of Rs.14.824 million was made for the renovation of the Mahaweli Center and purchase of audio visual equipment, according to the Work Plan for the year 2016. The initial stage of the plan for renovation work was successfully completed. Two issues of *Diyawara* publication were issued and distributed.

- Total No.of 15,028 talented children were enrolled in sports clubs and sports organizations, at system level. Culture Corps and Cultural Centers were established with the participation of 4300 children at system level.

Details of Sports Club and Organizations

S.No	System	Sports Club	Sports Organizations
1	System B	48	08
2	System C	12	07
3	System D	04	02
4	System G	11	03
5	System H	25	07
6	System L	11	02
7	Huruluwewa System	05	05
8	Walawe System	12	06
9	Victoria System	05	02
10	Rambankkanoya System	48	02

Details of Culture Corps and Cultural Centers

S.No	Cultural Corps	No.of Cultural Centers	No.of Students
1	System B	07	900
2	System C	08	825
3	System D	02	750
4	System G	04	250
5	System H	08	400
6	System L	03	75
7	Huruluwewa System	05	400
8	Walawe System	05	250
9	Victoria System	02	200
10	Rambankkanoya System	03	250

4.6 Transport Division

Mahaweli Authority of Sri Lanka maintains approximately 558 vehicles. The tasks such as acquiring of such vehicles, maintenance and management has been assigned to this Division. At present most of the vehicles remain road-worthy and during the year the Transport Division implemented the following activities:

Functions performed during the year 2016

An allocation of Rs. 12, 000, 00 was made by the 2016 budget and accordingly, the following activities were implemented during the year 2016:

1. Repairs to 321 vehicles at a cost of Rs. 14,820,047.38.
2. An amount of Rs. 2,114,524.91 has been paid in respect of servicing of 101 vehicles from private companies.
3. 68 vehicles were serviced at the Mechanical Workshop.
4. The expenditure incurred for Third Party and Full Insurance policies for the year 2016 was Rs 1,205,325.22

Chapter Five

5.1 Companies established under the MASL

Management of some of the business activities carried out by the MASL has been handed over to the following Companies, under the Companies Act:

1. **Mahaweli Livestock & Agro Enterprises (Pvt) Ltd**

2. **Mahaweli Consultancy Bureau (Pvt) Ltd**

3. **Natural Resources Management Services (Pvt) Ltd**

Table55 -Performance of the Companies during the year 2016

S.No	Company	Functions performed during the year/Status
01	Mahaweli Livestock & Agro Enterprises (Pvt) Ltd	❖ Collection of milk from the farmers of the area and provision of services ❖ Activities related to the products of milk ❖ Supply of pullets to the farmers under the Village Poultry Project ❖ Supply of buffaloes to the Department of Animal Production and Health to be used as studs ❖ Production and marketing of high quality broilers
02	Venture Capital Company (Pvt) Ltd	Arrangements are being made to close down this company
03	Mahaweli Consultancy Bureau (Pvt) Ltd	Operational income has been generated during the year 2016 by Feasibility Studies and Contracts.
04	Natural Resources Management Services (Pvt) Ltd	Operational income was generated during the year 2016, through the following activities: • Surveying of lands and preparations of plans in the Victoria and Kothmale systems – Rs. 213,800.00 • Soil Research Project – Rs. 1,018,479.01 • H – Q measurement of Nanuoya & Coledoniya gauging station – Rs. 437,472.00 • Organic Farm Project in Puwakpiliya and Ilukkumbura in the Matale district – Rs. 200,000.00 • Haputale Plantation Project – Rs. 160,000.00

Companies affiliated to the Mahaweli Authority of Sri Lanka

Name of the company	Year of establishment	Registration	Shareholders	Shares	Chairman	Board	Address of the Head Office	Status of the company as at 2015	Whether accounts audited for 2015
Venture Capital Company (Pvt) Ltd	17-03-1997	Under Company Act No.7 of 2007 PV9854	Mr. K.H.S. Gunathilaka Mr. LalithGodamunna Mr. Paul Leslie Benedict	01 01 01	Nil	Mr. Wigithasena, Mr. RathnasiriVeragala	7th Floor, Mahaweli Authority of Sri Lanka, No. 500, T.B. J ayah Mawatha, Colombo - 10	Arrangements are being made for liquidation	Audit draft report for 2015 submitted
Mahaweli Livestock & Agro Enterprises (Pvt) Ltd	14-06-1999	Sent for registration as per Company Act No. 07 of 2007 Old Registration(PVS)23849	MASL		Mr. Nimal N. Peiris	Mr. Edward de Mel Mr. Osman de Silva Mrs. Indrani Ramanayake	No. 260/20, Baseline Road Colombo 10	Functional	Audited
Mahaweli Consultancy Bureau (Pvt) Ltd	18-06-1998	Under Company Act No.7 of 2007 PV23849	MASL Mr. TissaSenaratne	6385 01	Mr.Harsha Samaraweera	Eng. (Mr). L.R.H. Perera Mr. K.L.S. Sahabandu D rHarsha Samaraweera	No. 11, Jawatta Road, Colombo 05	Functional	Audited
Natural Resources Management Services (Pvt) Ltd	1999-07-30	Under Company Act No.7 of 2007 PV4398	MASL Mr. H.M. Mantritilaka Mr. D.R. Wanigarathna	1500 01 01	Mr. Viraj Dias	Mr.A.M.K.B.Attanayaka Mr.B.W.M.W. Seneviratne Prof. LalDharmasiri	Dam Site, Polgolla	Functional	Audited

Annual Accounts
Part II

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

The Mahaweli Authority of Sri Lanka (MASL) was established under the Act No. 23 of 1979. The functions of the Mahaweli Authority of Sri Lanka are set out in Section 12 and are entrusted with the task of implementing the Mahaweli Development Programme.

According to the Mahaweli Act, the functions of the Authority in, or in relation to, any Special Area shall be:

(a) To plan and implement the Mahaweli Ganga Development Scheme including the construction and operation of reservoirs, irrigation distribution systems and installation of plants for the generation and supply of electrical energy. Provided, however, that the function relating to the distribution of electrical energy may be discharged by any authority competent to do so under any other written law.

(b) To foster and secure the full and integrated development of any Special Area.

(c) To optimize agricultural productivity and employment potential and to generate and secure economic and agricultural development within any Special Area.

(d) To conserve and maintain the physical environment within any Special Area.

(e) To further the general welfare and cultural progress of the community within any Special Area and to administer the affairs of such area.

(f) To promote and secure the participation of private capital, both internal and external, in the economic and agricultural development of any Special Area.

(g) To promote and secure the co-operation of Government Departments, state institutions, local authorities, public corporations and other persons, whether private or public, in the planning and implementation of Mahaweli Ganga Development Scheme and in the development of any Special Area. The Mahaweli Authority of Sri Lanka comprises four Subsidiary Companies and one Associate Company. They include: Mahaweli Venture Capital Company (Pvt) Ltd., Natural Resources Management Services (Pvt) Ltd., Mahaweli

Livestock and Agro Enterprises (Pvt) Ltd., Mahaweli Consultancy Company (Pvt) Ltd., and Mahaweli Livestock Enterprises Company (Pvt) Ltd.

All the above companies have been incorporated under Companies Act No.07 of 2007 and carry out the following principal activities:

<u>Principle Activities of Mahaweli Companies</u>

Subsidiary Companies

A) Mahaweli Venture Capital (Pvt) Ltd.

i] Provision of credit facilities and guidance for Mahaweli Entrepreneurs.
ii] Undertaking of commercial ventures to generate funds for the Company.

B) Natural Resources Management Services (Pvt) Ltd.

i] Provision of professional advice and services in the field of Natural Resources Management such as designing constructions, conducting training, hydrological monitoring, land use mapping, catchment area conservation and forestry etc.

ii] Provision of information and data and preparation of Feasibility Studies, Environmental Impact Assessments (EIA), Initial Environmental Evaluation Reports, etc.

C) Mahaweli Livestock and Agro Enterprises (Pvt) Ltd.

i] To make available high quality animals to Mahaweli farmers.
Ii] Production and marketing of dairy and meat products.

D) Mahaweli Consultancy Bureau (Pvt) Ltd.

i] Provision of consultancy services in the fields of construction of buildings, Irrigation works, land drainage and roads.
Ii] Undertake of construction contracts in the fields of construction of buildings, Irrigation works, land drainage and roads.

Associate Company

A) Mahaweli Livestock Enterprises Ltd.

i] Broiler production and marketing.
Ii] Broiler buy back arrangements with producer Mahaweli farmers.

However, the Board of Directors has decided in 2012 to liquidate Mahaweli Venture Capital (pvt) ltd.

2. Basis of Accounting

2.1 Statement of Compliance: The Financial Statements comprise the Statement of Financial Position, Statement of Performance, and Statement of Changes in Net Assets/Equity, Cash Flow Statements and Notes to the Financial Statements. These statements have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The Accounting Policies adopted are consistent with those used in the previous financial year.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the disclosure of property, plant and equipment.

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees. All Financial Information presented in Rupees has been rounded to the nearest Thousand.

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and result may differ from these judgments and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to Accounting Estimates are recognized in the period in which the estimates are revised, if the revision affects only that period.

2.5 Changes in Accounting Policies

The Accounting Policies followed during the previous year were continued in the same manner during the current year, as well.

3. Significant Accounting Policies

The Accounting Policies set out below have been applied consistently to all periods presented in those Financial Statement.

3.1 Basis of Consolidation

3.1.1 The Consolidated financial statements are prepared by consistent application of consolidated procedures, which include amalgamation of the financial statements of the Authority and subsidiaries. Thus, the consolidated financial statements present financial information about the Mahaweli Authority of Sri Lanka as a single economic entity.

3.2 Property and Equipment

3.2.1 The purchase price of assets or costs of constructions and any attributaral cost of bringing the asset for working condition for its intended use are considered as cost of the assets and all other assets, other than motor vehicles and furniture, were revalued in 2015 and taken into account.

3.2.2 The provision of depreciation is calculated on the cost of revaluation of all properties, plant and equipment other than free hold land, on a straight line basis such that the cost of the asset is amortized over the period appropriate to the estimated life of the type of asset.

1]	Buildings – Office	2-1/2 %	per annum
	Others	5%	per annum
2]	Motor Vehicles	20%	per annum
3]	Machinery and Equipment – Office Equipment and Welfare Items	15%	per annum
4]	Machinery and Equipment – Generators	15%	per annum
5]	Machinery and Equipment – Construction	15%	per annum
6]	Machinery and Equipment – General	15%	per annum
7]	Furniture and Fittings	10%	per annum
8]	Computer and Accessories	20%	per annum

3.3 Investments

3.3.1 Investment in Associate Company

Investment in the Associate Company is accounted for at cost and is classified as a long term investment in the Balance Sheet. Since the Authority has no significant influence in the financial and operating policy decisions of the investing company, the adoption of the equity method is inappropriate.

3.3.2 Other Investments

Other investments are treated as long term investments in Balance Sheet and stated at cost.

3.4 Inventories

Inventories are valued at the lower of cost and net realizable value. Provision has been made where necessary for slow moving, defective and obsolete stocks.

3.5 Trade and Other Receivables

Trade and other receivables are stated at the values estimated to be realized net of provision for bad and doubtful receivables.

3.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank overdrafts that are repayable on demand and form an integral part of the MASL cash management. They are included as a component of cash for the purpose of the Statement of Cash Flows.

3.8 Liabilities and Provisions

Liabilities classified as Current Liabilities on the Balance Sheet are those obligations payable on demand and within one year from the Balance Sheet date. Items classified as Non-current Liabilities are those obligations which exists beyond a period of one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the financial statements.

3.10 Retiring Benefit Plan

Provision has been made for payment of retirement gratuities for all employees. The computation of the provision is based on half month's qualifying Salary at the end of the financial year, for each year of service commencing from the first year of service.

3.11 Income Statement

3.11.1 The MASL revenue represent grant received from the General Treasury, lease rental Income from state land under administration of MASL. Royalties from quarters and income from investments and interest.

3.11.2 Revenue is recognized to the extent that it is probable that economic benefits will flow to MASL and that it can be reliably measured. Lease rentals, other rents, royalties and interest income is recognized on an accrual basis.

3.12 Expenditure

All expenses incurred in a day to day operation of the organization and maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit / loss for the year; provision has also been made for bad and doubtful debts, all known liabilities and depreciation on property, plant and equipment.

3.13 Post Balance Sheet Events

All material events occurring after the date of Balance Sheet were adjusted where necessary.

3.14 Contingencies

The contingent liability as at 31.12.2015 on various litigations filed against Mahaweli Authority of Sri Lanka was Rs.33.55 million.

Mahaweli Authority of Sri Lanka,

No. 500, T.B. JayahMawatha,

Colombo 10

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 31.12.2016				
		Group		**Authority**
		Rs' 000	**Rs' 000**	**Rs' 000**	**Rs' 000**
	Note	**2016**	**2015**	**2016**	**2015**
<u>ASSETS</u>					
Noncurrent Assets					
Property, Plant and Equipment	(1)	4,195,724	4,316,432	4,121,704	4,236,588
Investment	(2)	178,556	150,341	522,897	489,274
Work in progress		41,301	74,286	41,301	74,286
Total Non-Current Assets		4,415,581	4,541,059	4,685,902	4,800,148
Capital Assets		101,940		95,997	-
Proposed Write -offs		859			
Current Assets					
Inventories / stocks	(3)	168,173	155,663	164,489	145,562
Assets		22,630		20,995	
Trade and Other Receivables	(4)	1,730,015	1,278,682	1,656,666	1,216,559
Prepayments		8,754	5,172	8,754	5,172
Bank Guarantees		4,153	1,372	-	-
Cash and Cash Equivalents	(5)	312,750	427,869	282,264	387,421
Total Current Assets		2,246,475	1868,758	2,133,168	1,754,714
Total Assets		6,764,855	6,409,817	6,5915,067	6,554,862
<u>LIABILITIES</u>					
<u>Current Liabilities</u>					
Payable to the creditors	(6)	376,737	339,958	330,232	266,028
Lease – Alliance Fin. Co.		3,080			

Accrued Expenses	(7)	122,286	47,074	95,434	44,096
Total Current Liabilities		502,103	387,032	425,666	310,124
<u>Non-Current Liabilities</u>					
Provision for Gratuity	(8)	1,489,288	1,557,487	1,478,830	1,547,380
Bank Loans		2,455	600	-	
leases		2,653	11,247	-	
Deferred Tax		612	612	-	
Total Non-Current Liabilities		**1,495,008**	**1,569,946**	**1,478,830**	**1,547,380**
Total Liabilities		1,997,111	1,956,978	1,904,496	1,857,504
Total Net Assets		**4,767,744**	**4,452,839**	**5,010,571**	**4,697,358**
<u>Net Assets/Equity</u>					
Accumulated Fund	(9)	24, 066,161	23,715,096	24,063,157	23,712,092
Reserves- B/F Balance of Income and Expenditure A/C		(23,369,566)	(23,334,844)	(23,071,615)	(23,033,762)
Revenue Reserve - Companies		52,121	53,560	-	-
Revaluation Profits		4,019,027	4,019,027	4,019,027	4,019,027
Total Net Assets /Equity		**4,767,743**	**4,452,839**	**5,010,569**	**4,697,537**

Sri Lanka Mahaweli Authority,		
No. 500, T.B. Jaya Mawatha		
Colombo 10.		
CASH FLOW STATEMENT		
FOR THE YEAR ENDED 31st DECEMBER 2016		
	Group	Authority
	(Rs. '000)	(Rs. '000)
Cash Flows From Operating Activities (With adjustment for the previous year)	(33,576)	(37,828)
Non- cash Transaction		
Depreciation	476,655	472,675
Provision for Gratuity	(68,199)	(68,550)
Earnings from increased assets	(101,940)	(95,997)
Transfer of Assets	3,208	(7,186)
Taxes	(1,000)	
Dividends	(120)	
Increase/decrease in accrued expenses	75,212	51,338
Operational Activities		
Increase/decrease in payables	33,120	64,204
Increase/decrease in Stocks	(35,140)	(39,922)
Increase in other receivables	(457,696)	(443,689)
Net Cash flow from operations	**(109,476)**	**(104,955)**
Cash flow from investments		
Movements in properties, machineries & equipment	(360,473)	(351,065)
By Sales of Assets	434	434
Increase investments & work in progress	4,770	(638)
Net Cash flow from Investment Activities	**(355,269)**	**(351,269)**
Cash flow from Financial Activities		
Capital Grants	349,626	351,065
Net cash flow from Financial Activities	**349,626**	**351,065**
Net increase/decrease in cash & cash equivalents	**(115,119)**	**(105,159)**
Balance of Cash & Cash Equivalents as at 01.01.2016	427,869	387,421
Cash & Cash Equivalents on 31.12.2016	**312,750**	**282,262**

Mahaweli Authority of Sri Lanka
No. 500 T.B. Jaya Mawatha
Colombo 10

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31.12.2016

Group	Authority		Schedule	Group	Authority
Rs'000	**Rs'000**			**Rs'000**	**Rs'000**
2015	**2015**			**2016**	**2016**
		Income	**(1)**		
212,102	212,102	Taxes		270,109	270,109
214,113	214,113	Royalties		290,752	290,752
34,735	-	Contract Services		43,355	-
9,058	5,528	Farm Product Sales		6,267	-
1,147	1,147	Revolving Income		1,448	1,448
3,277	-	Investment Income (MCB, NRMS & Venture Capital)		6,651	120
90,865	90,299	Other Income		76,050	75,366
565,297	**523,189**	**Generated Income**		**694,632**	**637,795**
2,555,590	2,555,590	Treasury Grants - Recurrent		2,680,000	2,680,000
1,900,794	1,900,794	- Capital		2,300,694	2,300,694
5,021,681	**4,979,573**			**5,675,326**	**5,618,489**
		Less : Expenses	**(2)**		
2,852,205	2,828,909	Personnel Emoluments		2,558,421	2,531,241
38,013	37,871	Travelling &Subsistences		39,470	39,234
133,740	127,588	Supplies / Transportation		164,663	160,251
105,147	104,629	Maintenance Expenditure		95,980	94,531
105,836	103,930	Contractual Services		108,095	107,188
861	861	Insurance		276	276
		Other Expenses			

74,356	70,021					69,979		54,922
458,049	455,666		Depreciation			471,953		468,608
38,772	38,772		Write-off of income			-		-
1,464,131	1,464,131		Rehabilitation, Constructions, other Maintenance	**(3)**		2,227,532		2,227,532
			Community Development & Settler Service			-		-
	-		Circuit Bangloes			-		-
	-		Loss in Mechanical Workshop			12,520		12,520
54	54		Loss in Development Training Center			29		29
			Loss – Plant Nurseries	**(4)**		101		101
29,282	29,282		Farm Losses	**(5)**		(40,118)		(40,118)
5,300,446	5,261,714		**Total Operating Expenses**			**5,708,901**		**5,656,315**
(278,765)	**(282,141)**		**Surplus (Deficit) from Operating Activities**			**(33,575)**		**(37,826)**
8,691	8,691		Add: Profit / (Loss) on Sale of Assets	**(6)**		(25)		(25)
(1,172)			Less: Taxes			1,000		**-**
			Dividends			(120)		
(271,246)	(273,450)		**Net Surplus / (Deficit) after Tax**			**(34,602)**		**(37,851)**
(23,063,600)	**(22,760,312)**		Balance B/F as at 01.01.2016			(23,334,846		(23,033,762)
(23,334,846)	**(23,033,762)**		Net Surplus/ (Deficit) Brought Forward			**(23,369,568)**		**(23,071,613)**

Sri Lanka Mahaweli Authority,
No. 500, T.B. JayahMawatha,
Colombo 10

Statement on Changes in Equity

	Group			Rs.'000
	Consolidated Fund	Reserves	Retained Earnings	Total
Balance as at 1. 1 2015	23,422,602	3,860282	(23,049,330)	4,233,554
During the year	292,494	212,305	(285,514)	219,285
Balance as at 31.12.2015	**23,715,096**	**4,072,587**	**(23,334,844)**	**4,452,839**
Balance as at 1.1.2016	23,715,096	4,072,587	(23,334,844)	4,452,839
During the year	351,065	(1,439)	(34,722)	314,905
Balance as at 31.12.2016	**24,066,161**	**4,071,148**	**(23,369,566)**	**4,767,744**

Statement on Changes in Equity	**Mahaweli Authority**			**Rs.' 000**
	Consolidated Fund	**Reserves**	**Retained Earnings**	**Total**
Balance as at 01.01.2015	23,409,448	3,792,966	(22,745,674)	4,456,740
During the year	302,644	226,061	(288,088)	240,617
Balance as at 31.12.2016	**23,712,092**	**4,019,027**	**(23,033,762)**	**4,697,357**
Balance as at 01.01.2016	23,712,092	4,091,027	(23,033,762)	4,697,357
During the year	351,065	-	(37,853)	313,212
Balance as at 31.12.2016	**24,063,157**	**4,019,027**	**(23,071,615)**	**5,010,569**

Report of the Auditor General

Part III

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No. IEN/B/MASL/01/16/49 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 29 June 2018

Director General

Mahaweli Authority of Sri Lanka

Report of the Auditor General on the Consolidated Financial Statements of the Mahaweli Authority of Sri Lanka and its subsidiaries for the year ended 31 December 2016 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of consolidated financial statements of the Mahaweli Authority of Sri Lanka and its subsidiaries for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2) (c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Audit Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Audit Opinion

2.1.1 Group

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 of this report, the financial statements give a true and fair view of the financial position of the Mahaweli Authority of Sri Lanka and its subsidiaries as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards and Sri Lanka Accounting Standards for Small and Medium-sized Entities.

2.1.2 Authority

In my opinion, except for the effects of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the Mahaweli Authority of Sri Lanka as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements-Group

2.2.1 Consolidated Financial Statements

The consolidated financial statements had been prepared by integrating the Authority and 03 subsidiaries with full ownership and one Company was winding up. Out of that, the assets valued at Rs.15,510,548 and liabilities valued at Rs.406,708 of the Mahaweli Venture Capital (Pvt.) Limited who carry out the winding up activities in respect of the creditors, had not been included in the consolidated financial statements.

2.2.2 Sri Lanka Accounting Standards for Small and Medium-sized Entities

The following observations are made.

(a) The useful life of non-current assets of the Mahaweli Consultancy Bureau (pvt.) Limited had not been reviewed annually in terms of Section 17.19 of the Paragraph 17 of the Standard. As such, the fixes assets costing Rs.3,519,602 were being further used although they had been fully depreciated. Accordingly, action had not been taken to revise the estimated error.

(b) The Mahaweli Livestock and Agro Enterprises (Pvt.) Limited had not disclosed the Going Concern and the related parties of the Company in terms of Section 3.8 of the Paragraph 3 and Section 9 of the Paragraph 33 of the Standard respectively, in the financial statements.

(c) Even though the fixed assets amounting to Rs.6,926,566 matured by six months should be shown as current assets in the financial statements by the Natural Resources Management Services (Pvt.) Limited in terms of Section 4.5 of Paragraph 4, it had been shown as non-current assets in the financial statements .

2.2.3 Accounting Deficiencies

The following observations are made.

(a) Even though the Mahaweli Consultancy Bureau (pvt) Limited had paid a sum of Rs.4,135,400 as consultancy fees of March for the foreign Specialists excluding the Value Added Tax , accounting had been done by setting off a Value Added Tax of Rs.539,400 not included therein against the tax payable to the Inland Revenue Department. As such, the expenditure on consultancy fees had been understated by similar amount in the financial statements.

(b) Mahaweli Livestock and Agro Enterprises (Pvt.) Limited

(i) Salaries totalling Rs.1,242,000 paid from the funds of the Company to a Management Assistant released to the Mahaweli Authority of Sri Lanka from the year 2010 up to the end of the year under review, had not been shown as recoverable from the Authority in the financial statements.

(ii) The financial statements of the year under review had been balanced by including an unidentified Inter Farm Debtors balance amounting to Rs.35,682,485 in a Suspense Account.

(c) Natural Resources Management Services (Pvt.) Limited

(i) Even though the computer and computer accessories costing Rs.865,700 of which the carrying amount being zero, had been sold in the year under review, the cost and the accumulated depreciation thereof had not been eliminated from relevant accounts.

(ii) Even though the loan amounting to Rs.600,000 obtained from a State Bank had been settled with the interest on 11 January 2016, the relevant loan interest of Rs.14,748 had been shown in accounts further as payables.

2.2.4 Unexplained Differences

The following observations are made.

(a) According to the financial statements of the Mahaweli Consultancy Bureau (pvt) Limited , even though the value of creditors of two leasing companies amounted to Rs.4,732,952 and Rs.1,000,448, those had been Rs.4,850,729 and Rs.892,285 respectively as per the confirmation of balances.

(b) According to the financial statements of the Mahaweli Livestock and Agro Enterprises (Pvt.) Limited , even though the value of fixed assets amounted to Rs.88,183,837, it was Rs.88,094,019 as per the Ledger Accounts. Thus, a difference of Rs.89,818 was observed.

2.2.5 Lack of Evidence for Audit

The evidence indicated against the following items was not made available to audit.

(a) Mahaweli Livestock and Agro Enterprises (Pvt.) Limited

Item	Value	Evidence not made available
	Rs.	
Mahaweli Economic Agency	405,218,731	Documents pertaining to the confirmation and accounting of these values accounted as capital grants
Kothmale Milk Development Fund	2,900,000	
Capital Grants of the Economic Commission for Europe	3,583,706	
Foreign Aid	5,729,782	
Write off of Fixed Assets	859,256	Method of valuation and the relevant approval
Accounts receivable- Mahaweli Livestock and Agro Enterprises (Pvt.) Limited	1,382,468	Confirmation of Balances

Natural Resources Management Services (Pvt.) Limited

Item	Value	Evidence not made available
	Rs.	
Income Receivable	391,154	Confirmation of Balances
Goods and Services Tax Payable	109,498	Schedules of Tax Computation
Intangible Assets	29,500	Documentary Evidence relating to confirmation of values

2.3 Comments on Financial Statements- Authority

2.3.1 Sri Lanka Public Sector Accounting Standards

In terms of Paragraph 47 of Sri Lanka Public Sector Accounting Standard 07, assets experience significant and volatile changes in fair value should be revalued and brought to account the fair value. Nevertheless, the fair value of 03 plots of land purchased at a cost of Rs.67,440,853 by the Authority during the period 1984-1989 had not been brought to account.

2.3.2 Accounting Policies

The following observations are made.

(a) Even though the Mahaweli Authority and its subsidiaries had adopted the Sri Lanka Public Sector Accounting Standards and Sri Lanka Accounting Standards for Small and Medium-sized Entities respectively, it had not been disclosed in the financial statements.

(b) The accounting policy adopted to determine the value of stock of agro and livestock amounting to Rs.124,570,000 included in the financial statements, had not been disclosed.

2.3.3 Accounting Deficiencies

The following observations are made.

(a) Even though 7,588 library books existed at the Victoria Zone, those had not been shown as assets in the financial statements while the library books purchased at a cost of Rs.985,960 by the System L in the year under review had been brought to account as expenditure.

(b) A sum of Rs.7,700,890 receivable from the Electricity Board for the electricity generated from mini hydropower stations in the year under review had not been brought to account as income receivable while a sum of Rs.3,912,069 received for the preceding year had been shown as the income of the year under review.

(c) According to the computations of audit, depreciation of fixed assets relating to 06 Zones and a farm had been understated by Rs.4,003,885 in the account.

(d) The fixed assets worth of Rs.671,503,748 transferred to the Authority by the Dam Safety and Water Resources Planning Project on 27 September 2016 had not been brought to account and disclosed.

(e) The cattle weighing scale purchased at a cost of Rs.363,025 by the Weli Oya Zone in the year 2015 had been written off as the expenditure of that year, thus the non-current assets had been understated.

(f) Even though the 07 Sorge sewing machines purchased at a cost of Rs.247,800 in the year 2016 for the distribution among colonists in the Hurulu Wewa Zone should be brought to account as stocks, those had been brought to account as fixed assets.

(g) The total value of 59,484 various plants existed in two Zones and 8,765 various plants valued at Rs.352,620 in one Zone as at 31 December of the year under review had not been brought to account as the closing stock.

(h) The value of buildings of the Water Field Institute vested by the Victoria Zone in the year 2016 had not been assessed and brought to account.

(i) The capital nature expenditure of Rs.3,027,198 incurred for the construction of a goat shed in the Aralaganwila Breeding Farm and a paddy store in the Mahawelithenna Unit by the System "B" , had been shown as recurrent expenditure.

(j) The outstanding rental income of property totalling Rs.20,960,226 received in the year under review for preceding years had been shown as the income of the year under review in the financial statements.

(k) Lease rent of Rs.19,299,125 recoverable from the lands given to investors for the construction of 3 mini hydropower stations, had not been brought to account.

2.3.4 Unreconciled Control Accounts

In exchanging the fixed assets among the Zones of the Authority, the receipts and issue of fixed assets of relevant Zones should be balanced in consolidating accounts. Nevertheless, a difference of Rs.7,979,000 was observed in consolidating the accounts pertaining to the assets valued at Rs.136,709,000 received from Zones and assets valued at Rs.128,730,000 issued to the Zones.

2.3.5 Suspense Accounts

The Suspense Accounts of Rs.35,682,485 included in the financial statements of a Subsidiary owned by the Authority had not been identified and settled and instead, those had been shown as debtors under the current assets in the consolidated financial statements.

2.3.6 Lack of Evidence for Audit

Evidence indicated against the following account balances had not been made available to Audit.

	Item of Account	Value	Evidence not made available
		Rs.	
Investments	- Mahaweli Livestock and Agro Enterprises (Pvt.) Limited	10,000,000	Investment Certificates
	-Mahaweli Venture Capital (Pvt.) Limited	9,800,000	
	-Mahaweli Consultancy Bureau (pvt) Limited	64,000	
	-Natural Resources Management Services (Pvt.) Limited	15,000	
	-Mahaweli Livestock Enterprises Limited	10,000,000	

Savings Account	2,632,908	(i) Confirmation of Balances (ii) Bank Pass Book
Fixed Deposits	727,481	(i) Confirmation of Balances (ii) Deposit Certificates

2.4 Accounts Receivable and Payable

The following observations are made.

(a) The lease rent income of Rs.662,953,920 receivable as at the end of the year under review included a sum of Rs.140,623,878 over 05 years and a sum of Rs.35,119,000 relating to a period from 03 years to 05 years. Failure to meet the terms and conditions imposed on the collection of rental income from leasing out lands owned by the Authority had been the main reason for the increase in the balance of outstanding rental income.

(b) Even though the buildings owned by the Authority had been given on rent to external parties on the basis of reimbursement of electricity, water and sanitary expenses, an expenditure of Rs.3,228,320 incurred by the Authority as at 31 December 2016 had not been reimbursed by 06 external parties.

(c) The accounts payable by the end of the year under review amounted to Rs.330,231,855 out of which a sum of Rs.12,082,658 had elapsed a period of 05 years. However, action had not been taken to confirm the completion of contract work pertaining to the retention money of Rs.5,053,925 included in the said balances and to settle the retention money.

(d) A land of 25 acres in extent from the Kalankuttiya Farm owned by the Authority had not been properly leased out to the Livestock Enterprise Limited owned by another Ministry in the year 2010 and the lease rent recoverable from the year 2010 up to the year under review amounted to Rs.5,985,000.

(e) Out of the lease rent recoverable from the houses in Victoria – Kothmale Zone, a sum of Rs.8,847,821 was recoverable from the employees of Mahaweli and a lease rent amounting to Rs.1,507,427 was recoverable as at 31 December 2016 from the land where the Cinema Hall leased out was located. However, no court case had been filed for the recovery of outstanding lease rent.

(f) A sum of Rs.4,128,992 was recoverable from the Ceylon Electricity Board in respect of the kilowatts under-computed within the period from 12 December 2015 to 06 January 2016 due to a defect in the electricity meter of the Maduru Oya Power Station 1.

(g) Action had not been taken to recover the account balances over 03 years totalling Rs.1,852,118 receivable from the Mahaweli Consultancy Bureau (pvt) Limited as at the end of the year under review.

(h) A sum of Rs.5,820,430 receivable from the Ministry of Irrigation and Water Resource Development in respect of the stock of livestock provided by the Nirawiya Farm of the Mahaweli Livestock and Agro Enterprises (Pvt.) Limited in the year 2010, had not been recovered. Further, creditors balances over 05 years amounting to Rs.690,784 had not been settled.

(i) Action had not been taken to recover a sum of Rs.37,970,500 receivable from the Technical Services Private Limited as the charges for land use in respect of 75,941 cubes of sand obtained from May 2015 up to 31 December 2016 from the lands of System "B".

2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules and Regulations		Non-compliance
(a)	Mahaweli Authority of Sri Lanka Act, No.23 of 1979	
	(i) Section 39(1)	Even though the Board of Directors of Subsidiaries shall consist of Government Directors and 07 Shareholder Directors, the Board of Directors of Subsidiaries consisted of only three members.
	(ii)Section 42(1)	Even though the share capital of Subsidiaries shall consist of ordinary shares of Rs.100 each, the authorized capital of the Natural Resources Management Services (Pvt.) Limited consisted 10,000,000 ordinary shares of Rs.10 each and the capital of the Mahaweli Livestock and Agro Enterprises (Pvt.) Limited consisted 5,000,000 ordinary shares of Rs.10 each.
	(iii) Section 45(1)	Even though the Board of Directors of Subsidiaries should elect any one of the Directors to be the Chairman of the Subsidiary, a Director had been appointed as the Chairman by the line Minister of two Subsidiaries and the Director General of the Authority while a Chairman had not been appointed for one Subsidiary from September 2015.
(b)	Section 10 (b) of the Valued Added Tax (Amendment) Act, No.17 of 2013	If the total value of supplies of goods or services or goods and services exceeds Rs.12 million within a period of 12 months in the year under review and preceding year, registration should be made for the Value Added Tax under the Act. Although the Authority had collected Rs.18 million and Rs.87 million in the preceding year and the year under review respectively from the relevant income sources, action had not been taken to register for the Value Added Tax.

(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
	(i) Financial Regulation 104 (4)	Even though two motor vehicles released to two external parties had met with an accident, a proper investigation had not been conducted and action had not been taken to assess the loss and recover it from the parties responsible.
	(ii) Financial Regulation 756	Action in terms of financial regulations had not been taken on 292 excesses and 50 shortages identified in the Board of Survey carried out in the Hurulu Wewa Zone during the year under review.
(d)	Audit and Management Department Circular No.01/2016 of 01 January 2016	A computerized database on motor vehicles had not been maintained by the Sri Lanka Mahaweli Authority in terms of the Circular. As such, it was difficult to obtain the accurate information on the number of motor vehicles operate under the Authority, the registered ownership of those motor vehicles, the Division for which the motor vehicle and the driver is attached and also the motor vehicles owned by the Authority.
(e)	Section 1.5.1 of the Financial Procedure of the Authority and Section 05 of the Circular No.02/2012 dated 15 March 2012 of the Director General.	(i) Although the advances should be settled within 07 days from the completion of the purpose for which the advance was obtained, the advances unsettled and older than one year included in the financial statements of the System "L" amounted to Rs.11,881,612. (ii) Even though advances cannot be obtained without settling the advances previously obtained, contrary to that, 06 Zones had granted advances for fuel and purchases amounting to Rs.1,137,401 in 61 instances. Those advances had not been settled even by the end of the year.

(f) Public Enterprises Circular No.57 of 11 February 2011 and Paragraph 08 of the National Budget Circular No.2/2015 of 31 March 2015 — Mahaweli Consultancy Bureau (pvt) Limited had spent a sum of Rs.539,000 for rewards without the approval of the Board of Directors in the year under review.

3. Financial Review

3.1 Financial Results

According to the consolidated financial statements presented, the financial results of the Group and the Authority for the year under review had been deficits of Rs.34,602,000 and Rs.37,853,000 respectively as compared with the corresponding deficits of Rs.271,246,000 and Rs.273,450,000 respectively for the preceding year, thus indicating a decrease in the deficits of the financial results by Rs.236,644,000 and Rs.235,597,000 respectively in the year under review as compared with the preceding year.

An analysis of the financial results of the Authority for the year under review and 04 preceding years revealed that the deficit of Rs.350,271,000 in the year 2012 had been fluctuating and had become Rs.37,853,000 in the year 2016. In readjusting employees remuneration and depreciation for non-current assets and taxes to the financial result, the contribution of the Authority for the year 2012 amounting to Rs.1,876,561,000 had continuously increased in the years 2013 and 2014 and even though it had become Rs.3,081,393,000 in the year 2015, it had decreased as Rs.2,520,568,000 in the year under review.

3.2 Analytical Financial Review

The following observations are made.

(a) Sales income from dairy products had increased by Rs.81,911,000 in the year under review as compared with the year 2015. Vesting the Niraviya Farm which belonged to the Moragahakanda Project with the Authority, in the year under review had been the reason for this.

(b) Expenditure relating to rehabilitation, uplifting and sustenance of colonists had increased by Rs.763,401,000 in the year under review as compared with the year 2015. Implementation of the Consolidated Development Project in System "B" in the year under review had been the reason for this.

3.3 Legal Action instituted against or by the Authority

According to the information made available to Audit by the Head Office, 07 Zones, two divisions and a project, 161 court cases had been instituted against the Authority by external institutions and persons for the recovery of the possession of houses. Even though the financial commitment thereon amounted to Rs.8.491 million, it had been overstated in the financial statements as Rs.25.395 million. Moreover, the Authority had instituted 60 court cases against external institutions and persons claiming compensations of Rs.10,230,554 for the recovery of the possession of houses and lands and other reasons. However, it had not been shown in the financial statements.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Mahaweli Master Plan

According to the Mahaweli Master Plan, out of the quantity of water of about 6,900 million cubic metres of the Mahaweli River, had been proposed for production of electricity and supply of irrigation facilities for 365,853 hectares of land in 13 Mahaweli Zones. Irrigation facilities had been supplied for only 85,252 hectares of land as at the end of the year under review and hydro power had been produced by utilizing only 06 out of 11 reservoirs proposed to be utilized for production of electricity.

The revision of the Master Mahaweli Plan prepared in the year 1968, as an updated plan, taking into consideration the present requirements, the nature of natural resources and utilization is one of the functions of the Dam Safety and Water Resources Planning Project and those Plans had been prepared and completed in the year 2013. However, necessary action had not been taken even up to the end of the year under review to implement the said Plan.

(b) According to the Action Plan and the Performance Reports of the Lands Division, 665 blocks of land had been planned to be distributed in the year under review for commercial and investment projects. Nevertheless, only 91 blocks of land had been distributed. Moreover, even though Grants/Long Term Lease Permits had been planned to be distributed for 635 blocks of land, those permits had been issued for only 227 blocks of land.

(c) Even though a sum of Rs.48,000,000 had been invested by the Authority in the Uva Development and Rajarata Development Bank for setting up a revolving fund in the year 2002 with a view to implementing a loan scheme for colonists, the conditions in agreements entered into with banks, had not been met. As such, the aforesaid objectives had not been achieved.

(d) According to the Articles of Association of the Mahaweli Consultancy Bureau (Pvt) Ltd., objectives such as carrying out a feasibility study relevant to land and water resources development projects, planning and executing land use and water resources projects and planning, designing and executing social economic infrastructure facility development projects, conducting the surveys for environmental construction projects and preparing plans and implementing such projects and preparing survey plans and implementing environmental pollution control projects inside and outside Sri Lanka had not been implemented. Moreover, it could not be examined whether the performance of each sector had been achieved as planned due to failure in indicating intended targets of respective sectors according to the Action Plan and non-preparation of Performance Reports in accordance with the Action Plan.

(e) According to the Articles of Association of the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd., carrying on the business of farming, poultry farming for sale at wholesale and retail, manufacture of poultry feed and supply to farmers, breeding, selling, improving, processing and exporting of animals such as cattle, pigs, poultry etc. and carrying on business activities associated with fruits and cereals had not been achieved and only the buffaloes, milch cows, poultry, pigs and goat husbandry on a small scale and activities of dairy products were being functioned.

(f) The main objectives of the Natural Resources Management Services (Pvt.) Ltd., in terms of the Articles of Association are mapping environmental parameters such as soil, land structures, topography, use of lands, flora and fauna, bio- diversity, the quality of water by land survey in Sri Lanka and outside the country, aerial photography, satellite photography, geographical information system, global location system, analyzing, estimating land resources, planning on the use of land, soil erosion and soil conservation, management of protectorates, plantation of herbs and consulting for sustainable organic plantation systems, preparing plans and training. However, providing Environmental Reports had been a key function of the Company. A staff with technical knowledge was not available with the Company and environmental reports were prepared and obtained by an external party and the Company was unable to certify the accuracy of the reports as well.

4.2 Management Activities

The following observations are made.

(a) In purchasing goods required for Mahaweli System "H", 28 cheques valued at Rs.5,123,027 written in favour of suppliers as supply advances on the approval of the procurement committee and on purchase order had been issued to officers of each division of the Authority without a written request or an agreement made by suppliers. Those cheques had been cancelled after 03 months on failure in the achievement of the relevant purpose.

(b) Even though 02 blocks of land costing Rs.42,520,000 were being utilized by external parties without paying any rent, necessary action had not been taken to acquire those lands.

(c) Eleven officers were performing duties in the year 2006 relating to functions such as preparing and updating a data base on the geographical information of the Upper Mahaweli Watershed area of 3,118 square kilo meters in extent, preparing and updating maps on land use patterns of Mahaweli Zones by satellite photography, control of changes in land use patterns of the Upper Mahaweli Watershed area, identifying lands suitable for reforestation and areas in which soil should be conserved, preparing and updating maps according to information of rainfall, planning land use activities by geographical information system and satellite photography and carrying out watershed management activities. However, only one officer had been deployed in service after the year 2006. Accordingly, the opportunity of proper management in environment and forest conservation in Mahaweli Zones including the Upper Mahaweli Watershed area had been lost due to non-achievement of relevant functions at present. As such, action had not been taken to increase the number of officers required and achieve a higher performance.

(d) According to the recommendations of the Annual Physical Stock Verification Committee relating to the preceding year, the Deputy Director General (Administration and Finance) had granted approval on 18 August 2016 to dispose of 126 items of furniture, office equipment and plant which cannot be made use of in the Victoria Zone. However, they had been kept in the Warapitiya store premises even by 31 December 2017 without taking necessary steps thereon.

(e) Three stores and 2 stores and the accommodation room of the stores complex comprising a room for accommodation located at Warapitiya in the Victoria Zone, was being made use of by the Medical Supplies Division of the Department of Health. However, it had not been legally vested with that Division. The other remaining building on the premises was being subjected to destruction due to failure in repairing for a long period.

(f) No benefits whatsoever had been received from many years for investments of Rs.439,000,000 made by the Authority in 05 companies.

(g) The Kotmale Tissue Culture Division had produced 734,458 bamboo plants during the five preceding years and issued 515,837 plants to the relevant field. No follow up action had been taken on planting, maintaining, nurturing and growing of those plants.

(h) In terms of Section 13(13) of the Mahaweli Authority of Sri Lanka Act, No.23 of 1979, it has been determined that a charge or fee could be levied for the supply of water and for any service rendered by the Authority. Even though a fee is charged from external parties who use Mahaweli water, no fee had been charged from the Electricity Board for 211,391.93 million cubic metres of water used from the year 1985 up to 31 December 2016 for producing electricity from Mahaweli reservoirs. Nevertheless, the Dam Safety and Water Resources Planning Project and the Mahaweli Authority had spent a sum of Rs.8,210 million from the commencement up to 31 December 2016 for maintenance and monitor of those reservoirs and dams.

(i) Forty six mini hydro power stations and 24 hydro power stations approved to be implemented by using water of the main rivulets of the Mahaweli River in the Upper Mahaweli Watershed area such as Kotmale, Victoria and Randenigala and reserved lands existed. Nevertheless, no appropriate arrangement had been made for the recovery of royalty from the said power stations in terms of Sections 3(1), 12 and 13 of Mahaweli Authority of Sri Lanka Act, No.23 of 1979.

(j) The Authority had constructed buildings valued at Rs.76,580,000 on lands located in Jawatte area not owned by the Authority and action had not been taken even by 31 December 2016 to vest the ownership of those lands with the Authority.

(k) The excessive expenditure on maintenance and the decrease in income from animals had resulted in handing over 383 animals valued at Rs.7,347,608 belonging to the Niraviya Farm of the System H to the National Livestock and Development Board in the year under review. The two parties had not entered into an agreement for the recovery of the value of animals. As such, the value of livestock could not be recovered and it had not been shown in the financial statements even as a recoverable amount.

(l) (i) Mahaweli Consultancy Bureau (Private) Ltd

The following observations are made.

- The consultancy contract for one year amounting to Rs.167,174,700 (excluding tax) for evaluation, approval and supervision of constructions relating to plans of the contract of constructions of the Moragahakanda reservoir had been awarded to the Company since 15 March 2016 by the Cabinet Decision No.16/0416/704/012 of 24 March 2016. Instead of adhering to the procurement process and selecting consultants by the Company, five officers nominated by the Project Director of the Moragahakanda Project, had been appointed as local consultants and assigned with matters of consultancy and supervision. The Company had carried out only the preparation of bills thereon. Moreover, a sub-contract had been awarded to a private engineering consultancy firm for deploying foreign consultants relating to the contract.

- The Company had not appeared for the case claiming compensation filed in the year 2011 against the Company by an external party. As such, compensations of Rs.4.5 million had to be paid in the year 2013 according to the court order. No provision had been made in the financial statements for the years 2013, 2014 and 2015 for compensations payable while a provision of Rs.2,000,000 had been made in the year 2016 and the said amount had been paid in the year 2017. Despite the failure in properly fulfilling the responsibilities of duties by the Company Secretary relating to this case, she had been allowed to vacate the service without conducting a formal inquiry. Moreover, the driver relevant to the above mentioned case, who had been recruited without approval had been dismissed from service without conducting an inquiry on the accident.

(ii) Mahaweli Livestock and Agro Enterprises (Pvt) Ltd.,

The following observations are made.

- The production of the milk processing unit commenced in the year 1986 in the Girandurukotte Farm had been difficult due to the rise in hygienic problems as a result of existence of machinery used since the commencement, the worn-out buildings in the factory, damages in the roof and leakage of rain water into the factory, damages in the drainage system, weaknesses in internal cleaning system. Moreover, production had been carried out under unfavourable environmental conditions. Even though there was a possibility of a rise in legal problems, the Management had failed to take appropriate measures thereon.

- Contributions of Rs.8,237,607 and Rs.334,846 was payable to the Employees Provident Fund and the Employees Trust Fund respectively from the year 2014 up to the year 2016. As such, it was observed that the Company could be liable for payment of surcharge in future.

- Action had not been taken to vest the legal ownership of lands valued at Rs.14,929,159 shown under non-current assets in the financial statements.

- Three shares out of 5,000,000 shares valued at Rs.10 each which was the authorized capital of the Company had been issued to three Directors of another private company who were initial Directors. However, the remaining shares had not been issued even up to the end of the year under review. As no shares whatsoever of the Company had been issued to the Mahaweli Authority, problematic situations were observed in respect of the Authority's ownership over the Company.

(iii) Natural Resources Management Services (Pvt) Ltd

The following observation is made.

The Company operates its office in a building owned by the Mahaweli Authority located at Digana and no agreement had been entered into in that connection. Moreover, there was no definite basis for payment of monthly lease rent to the Authority and the Company had accounted a sum of Rs.600,000 as rent payable therefor as at 31 December 2015. Subsequently, the amount payable had been written off and brought to account as other income in the year under review without any approval whatsoever.

4.3 Operating Activities

The following observations are made.

(a) The land of approximately 26 acres in extent belonging to the Niraviya Farm of the Authority had been leased out to the Livestock Enterprises Ltd. for a period of thirty years by the Land Registry of Anuradhapura through the Long Term Lease Agreement No.2060 and එල්/4/සබු/6/102 of 26 October1989. Action had not been taken to recover the lease rent to the Authority by correcting this leasing carried out by an external party. Moreover, according to the Letter dated 20 September 2010 of the Secretary to the line Ministry, 07 coops belonging to the Niraviya Farm had been leased out to the above mentioned Company. Nevertheless, action had not been taken to recover the lease rents thereon.

(b) Even though buildings valued at Rs.104,394,675 owned by the Authority are used by 13 Government institutions without entering into an agreement, the Authority had not taken action even by 31 December 2016 to recover a rent therefor. Moreover, a building valued at Rs.26,030,780, three training halls and 24 official quarters belonging to the Mahaweli Security Corps had been handed over on temporary basis to the Kotmale International Training Institute from 24 December 2012. However, action had not been taken to obtain a rent income from the date of handing over the said buildings.

(c) In providing lands of the System H belonging to the Authority to media institutions for installation of 10 transmission towers, agreements had not been entered into with the relevant lessees and the annual lease rent had been decided on the rough assessment of the Authority on 05 lands without obtaining the market value from the Government Chief Valuer.

(d) The information on the water levels of the Mahaweli River and its tributaries could be obtained speedily by the automatic water measurement data collecting equipment system installed in 7 small catchment areas of the Upper Mahaweli Watershed Area by spending a sum of Rs.2,277,100. However, no methodology had been formulated for analyzing this data and reporting timely, according to requirements.

(e) Twelve motor vehicles of the Weli Oya Zone had been kept without being repaired for a period between 01 and 10 years. As such, those motor vehicles had become irreparable and disposal or any other measure relating to the motor vehicles had not been carried out.

(f) Out of 4,342.51 acres of land provided by the Authority for the commencement of projects in Systems H, D and B, the extent of land on which projects had been commenced, stood at only 2,744.32 acres. Accordingly, necessary legal action had not been taken by finding out reasons for non-commencement of projects on the remaining 1,598.19 acres in terms of agreements.

(g) Even though a large extent of land such as 755 acres in the System L had been provided in the years 2013 and 2014 to 30 investors for cultivation purposes, no cultivation had been commenced even by 14 July 2017. As suitable lands had not been selected before providing lands, damages to cultivation from wild animals could not be avoided. As such, the purpose in providing lands had not been achieved and it was observed that a massive damage to the environment as well had occurred due to felling of trees on the said lands.

(h) No agri projects had been commenced even by 30 June 2017 on the extent of 1700 acres of land provided to 123 entrepreneurs by the System B during the period from 2009 to 2014 for agri projects. Even though many years had passed, in terms of agreements, action had not been taken to obtain those lands back. Moreover, the approval of the Board of Directors obtained for providing lands to 49 investors as well was not made available to Audit.

(i) Even though lease rents amounting to Rs.52,685,874 had been recoverable as at the end of the year under review from 149 investors for lands leased out on long term basis, the Authority had not taken action to recover same.

(j) Seven farms had been in operation since the year 1999 under the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd., which is a subsidiary and 05 of those farms had been provided on lease basis and on a deed of transfer to the Authority and external parties. Nevertheless, buildings and motor vehicles belonging to those farms valued at Rs.16,806,745 and Rs.6,583,340 respectively and other assets had been further shown in the financial statements of the Company as property, plant and equipment.

4.4 Transactions of Contentious Nature

The following observations are made.

(a) It had not been planned to accurately evaluate the water collected in reservoirs for generation of power and as a result, 19,302 million cubic metres of water had spilled out from 05 Mahaweli reservoirs from the year 1985 up to the year 2016 during the rainy seasons. Finally, the quantity of water spilled out from the Rantambe and Bowatenna reservoirs which generate hydro power, stood at 8,495 million cubic metres alone and according to computations, its value had been Rs.57,125 million.

(b) Even though the installation of cable systems should be a duty of the Electricity Board, a new cable system had been installed at a cost of Rs.150,000,000 by an investor for increasing the capacity of Maduruoya power stations 1 and 2. Moreover, it had been recommended by a Committee appointed therefor that this expenditure should be divided at the ratio of 65.8 : 34.2 on which the royalty is divided between the investor and the Authority. Further, the Board of Directors had decided that a Tri-Party Agreement should be entered into among the Mahaweli Authority, Electricity Board and the Investor to set off the royalty received by the Authority from the investor against the amount payable to the investor by the Authority. The relevant parties had not entered into a Tri-Party Agreement and according to the recommendation of the said Committee, a sum of Rs.51,300,000 out of the expenditure incurred by the investor should be incurred by the Authority. However, contrary to that, a sum of Rs.75,000,000 had been deducted from the royalty received by the Authority.

(c) According to decisions of Cabinet meetings held on 08 July and 14 October 1992, approval had been granted to provide the land of 4.23089 hectares and building complex located at Digana owned by the Authority for a period of 50 years subjected to a long term lease of percentage of 6 per cent or maximum of 10 per cent of the assessed value for constructing a film location complex and a theme park. According to the Memory of Understanding entered into with the Company on 21 May 1993, the building complex and the land had been valued at Rs.20 million. According to the Cabinet decision, the rent recoverable from the year 1993 up to the end of the year under review subject to 6 per cent of the assessed value amounted to Rs.28,800,000 and the rent of Rs.4,542,500 recoverable for another 11 houses provided by the Zone for this purpose had not been recovered even by the end of the year under review. Even though the Authority had taken legal action for recovery of the possession of these assets, the judgement thereon had not been received even up to the end of the year under review.

(d) According to the agreement entered into on 09 April 1992 by the Government and the State Mining and Mineral Development Corporation for the land of 17.942 hectares in extent with the Eppawala Phosphate Deposit of the System H, lease rents had been paid to the Provincial Land Commissioner. As such, no lease whatsoever had been recovered from this land by the Authority from the year 1992 to the year 2015. However, according to the agreement subsequently entered into with Lanka Phosphate Limited by the Authority in the years 2016 and 2017, it had been agreed to pay a service charge of Rs.300 per cube of phosphate. However, the actual quantity of phosphate mined, could not be ascertained due to failure in carrying out mining under supervision of the Authority. According to the reports of the Company, only a sum of Rs.1,803,300 had been recovered for 6,011 cubes of phosphate and large rocks had remained here and there on the land due to non-rehabilitation of the land after mining.

Even though mining for Apatite had been carried out in another 9 hectares in the area of the authority of Mahaweli, the examination of mining licences revealed that this land had belonged to the Divisional Secretary. However, action had not been taken to settle this position.

(e) It had been planned to issue permits to 29 persons for the purpose of removing soil by surveying the lands of 671 acresacres owned by the Mahaweli Authority located in Mayurapura Division in the area of authority of Walawa for supplying about 500,000 cubes of soil for the Southern Expressway Development Project of the Road Development Authority and mining licences had been issued to two persons. The following observations were made in that connection.

(i) In terms of internal circulars of the Mahaweli Authority, the approval of the Regional Physical Planning Committee for mining minerals in the area of authority and the approval of the Head Office for granting lands, had not been obtained and an Initial Environmental Examination Report or an Environmental Impact Assessment Report as well had not been obtained therefor.

(ii) As per the request dated 23 March 2016 made by the lessee, the Residential Business Manager had granted the approval to increase the extent of land of 08 acres given to lessees for removing soil on lease basis up to 50 acres in extent without the proper approval. Moreover, the Residential Business Manager had recommended the extension of the Mining Licence as well in two instances without obtaining the environmental recommendations.

(iii) Various environmental issues such as deprivation of habitats of wild lives, destruction of trees with and without a commercial value and affecting the groundwater level due to removing of soil exceeding the approved limit with the approval of the zonal officers without a study on land using plans and a proper environmental evaluation. Out of the lands surveyed, 115 acres belonged to the wild elephant management area and as such, recommendations of the Central Environment Authority and the Department of Wild Life had not been given therefor.

(iv) According to the Order of the Geological Survey and Mines Bureau, the mining capacity and the mining depth should not be more than 1000 cubes and 08 feet respectively. However, the Residential Business Manager had increased the mining depth up to 15 meters (49 feet) and the mining capacity up to 3,000 cubes without the approval. Even though it had been proposed to create "Pathana" so as to retain water on the land after removing soil, a plan on extent, depth and location thereof had not been presented.

(v) Soil had been removed exceeding the approved limit due to failure in granting lands according to a proper plan and the quantity of soil removed from two places given as per the survey reports had been 137,719 cubes. However, land use charges of Rs.2,800,000 had been received to the Authority only for 5,000 cubes of soil. A sum of Rs.85,522,640 receivable for 132,719 cubes of soil removed in excess had not been recovered. Moreover, proper removal of soil required for this Project had not been planned and as such, the opportunity for providing an effective contribution, removing soil so as to minimize the environmental damage and for earning an income of approximately Rs.280 million from soil had been deprived of by the Authority.

(f) The Dolomite deposit in Digana had been leased out to the Mahaweli Venture Capital (Pvt.) Ltd in the year 2005 by the Victoria–Kotmale Zone. In terms of the recommendations of the Committee appointed for re-vesting the Dolomite deposit with the Zone in the year 2014, the Director General had informed the Residential Business Manager of the Zone on 17 September 2014 to take over the documents of the Project, stores of gun powder and the relevant licences properly and to enter into agreements with persons who involve in mining hither to under the Company by ascertaining that there was no money whatsoever recoverable to the said Company from them. Nevertheless, action had not been so taken even by 31 December 2017.

4.5 Idle and Underutilized Assets

The following observations are made.

(a) A sum totalling Rs.254,043,270 of the Head Office and 11 Zones had been retained as cash in hand as at the end of the year under review without paying attention to invest remaining money by retaining an adequate amount in hand for daily expenses.

(b) Out of 442 buildings valued at Rs.131,696,730 remained idle in 06 Zones and in one Division of the Authority, there were 262 unserviceable buildings, 34 buildings which are suitable to utilize and 146 buildings which can be utilized after renovating. However, expedite measures had not been taken to renovate those buildings before being subject to destruction.

(c) Two lorries, 03 tractors, 04 houses, 02 buildings, 12 coops, 05 piggeries, a goat shed and a slaughter house for chicken of the Niraviya Farm had remained idle and as such, a proper arrangement had not been made to dispose of or utilize those assets.

(d) The Geographic Information Systems Division (GIS) located at Polgolla had been transferred to the Environment and Forest Conservation Division at Kotmale in the year 2007. As such, a computer, a laptop, 03 GPS devices, 06 tables, 07 chairs, 03 printers 06 filing cupboards, a digital camera, a digital safe and a scanner owned by that Division, had remained idle.

(e) A circuit bungalow with 10 rooms and another building valued at Rs.9,953,619 in the Weli Oya Zone, owned by the Authority and the primary school building and the toilet system valued at Rs.5,492,833 belonging to the Project on Development of Southern Bank of the System "B" , had remained idle since the year 2015 without being utilized.

(f) Ten paddy planting machines and weeding machines valued at Rs.1,484,500 of the Mahaweli System "H" had remained idle since the year 2016 and it was ascertained at the physical verification that only 6 cattle had been herded in a cattle shed constructed for herding 20 cattle of the Weli Oya Zone.

(g) A number of 6,409 equipment and items valued at Rs.6,513,390 purchased in the year 2013 and furniture and equipment valued at Rs.2,425, 065 purchased in the years 1992, 2015 and 2016 to be distributed among resettled people in the Weli Oya Area, had remained idle in a store and in a circuit bungalow of the System L.

(h) Goods and constructions including cattle sheds and goat sheds constructed by spending Rs.12,501,900 in the years 2014/2015 with a view to converting the Girandurukotte Farm owned by the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. into an animal husbandry training centre, had been valued for Rs.8,967,600 and vested with the Livestock and Agro Enterprises (Pvt) Ltd. on 08 February 2016 by the System "C" of the Mahaweli Authority. These constructions and Goods were decaying since the date of vesting due to unavailability of a specific plan or methodology with the Company for utilizing them.

(i) No crops whatsoever had been cultivated in the Girandurukotte Farm with an extent of about 1,054 acres, owned by the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. and animal husbandry as well had been carried out on a small scale and as a result, that land had remained underutilized. Further, fixed assets valued at Rs.2,720,000 of the Dairy Products Factory located therein had remained idle since the year 2013 and 06 condemned motor vehicles and a machine costing Rs.2,056,000 had remained idle in the office premises of the Girandurukotte Farm.

4.6 Identified Losses

The following observations are made.

(a) The Value Added Tax, Nation Building Tax and Pay As You Earn Tax relating to the period from the year 2000 to the year 2012, had not been properly remitted to the Department of Inland Revenue by the Mahaweli Consultancy Bureau (Pvt) Ltd. As such, the Company had to pay a penalty of Rs.1,810,836 in the year under review. Further, a Deemed Dividend Tax of Rs.55,807 had to be paid in the year under review relating to the profit of the year 2015 due to failure in stating the dividends within the due period.

(b) Two cheques valued at Rs.25,202,879 written on 30 December 2016 in favour of the Electricity Board for obtaining power required for pumping of water from tube wells constructed by the Mahaweli System "L" for colonists, had been retained without being issued and had been issued only on 24 March 2017. As estimated rates had increased in the year 2017, those payments payable to the Board had been delayed. As such, an additional cost of Rs.2,121,320 had to be incurred due to making payments on new estimated rates.

4.7 Procurement and Contract Process

The following observations are made.

(a) The Authority had entered into an agreement with the Road Development Authority to construct the road from Gajabapura at Weli Oya to Nedunkarni to a contract value of Rs.466,312,000 within a period of 06 months from 08 December 2016 on the approval of the Cabinet of Ministers. A sum of Rs.390,085,714 of the contract, had been paid by April 2017 and it was observed at the physical inspection carried out on 11 July 2017 that the forest area had been cleared and about 23 small bridges /culverts had been constructed. Even though this contract to be completed on 08 June 2017, had not been completed, necessary measures in terms of agreements in that connection had not been taken.

(b) A sum of Rs.2,530,000 had been paid to the Faculty of Agriculture of the Rajarata University in the year 2014 for carrying out a hydro geological survey (a feasibility study) to construct agro wells in the Weli Oya Zone. Construction of agro wells in 48 places had been recommended by that survey and further it had been recommended that construction of agro wells in other 32 places is appropriate after carrying out a proper study. However, construction of 17 wells by spending Rs.4,203,200 had been abandoned halfway in the years 2014 and 2015.

(c) Even though a total sum of Rs.46,412,996 had been spent by the end of the year under review for the construction of 25 tube wells in the year 2014, 40 tube wells in the years 2015 and 2016 and for carrying out tests on water capacity and water samples and for the construction of 25 water tank stands required therefor in the Weli Oya Zone, works had not been completed even by 21 August 2017 in a manner in which water of those wells can be used. Moreover, it was observed that a sum of Rs.73,205,264 had to be spent further for obtaining electricity and for water tank stands in order to obtain benefits of this project.

(d) Contrary to the procurement process, the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. had purchased poultry feed valued at Rs.8,407,159 and 19,000 chicks valued at Rs.2,278,000 in the year under review. Variations in price of a chick ranging from Rs.70 to Rs.155 were observed due to purchase of chicks from various institutions.

4.8 **Utilization of Motor Vehicles**

The following observations are made.

(a) There were 881 motor vehicles owned by the Authority and out of them, 790 motor vehicles were older than 20 years. As such, the expenditure on repair and maintenance of motor vehicles had been Rs.67,800,000 and Rs.102,600,000 in the preceding year and the year under review respectively. The expenditure on repair and maintenance had increased by Rs.34,800,000 representing 51.3 per cent in the year under review as compared with the preceding year due to failure in taking action to remove old motor vehicles with high repair and maintenance cost or to take other alternative step in that connection.

(b) Even though the Director of the Head Work Administration, Operation and Maintenance Division had informed to take action to dispose 12 motor vehicles remained idle in that Division since year 2008 and to sell by calling Tenders in the years 2010 and 2014, action had not been so taken even by the end of the year under review.

(c) Even though 22 motor vehicles owned by external parties had been utilized by the Authority, action had not been taken to settle the ownership of those motor vehicles and to vest in the Authority.

4.9 **Delayed Projects**

The following observations are made.

(a) Even though provisions of Rs.1,775 million had been made from the year 2012 to the year 2016 for the Kiwuloya Reservoir Project proposed to be implemented in the Weli Oya area of the Mahaweli Authority, it could not be implemented due to failure in obtaining the environmental approval for the commencement of the Project. Out of the provisions made for that Reservoir Project, a sum of Rs.182 million had been spent for the functions of the Weli Oya Consolidated Project implemented by the Weli Oya Zone of the

Authority, such as development of access roads, rural areas and infrastructure facilities.

(b) The Authority had entered into an agreement with the Department of National Community Water Supply on 11 September 2015 for a sum of Rs.30 million for installation of water purification machines and for maintenance of them for a period of 10 years, required for the supply of pure water to colonists. In terms of agreements, water purification machines should be installed in 12 selected places before 30 November 2015. However, works in three places had not been completed even by the end of the year 2017.

4.10 Resources of the Authority given to other Government Institutions

The following observations are made.

(a) Forty Security Officers of the Mahaweli Security Corps had been released to the Government institutions in the year 2012 and a sum of Rs.29,976,062 as salaries in the year under review and a sum of Rs.18,720,252 as overtime and travelling expenses in the years 2015 and 2016 had been paid to those officers. However, action had not been taken to reimburse that money from the relevant institutions even up to 30 September 2017.

(b) Even though a Management Assistant and a Driver of the Hurulu Wewa Zone of the Authority had been attached to the line Ministry and a sum of Rs.697,324 had been paid as salaries in the year under review, those monies had not been reimbursed by the Authority.

4.11 Staff Administration

The following observations are made.

(a) There were 12 and 169 vacancies in the senior level management and the medium level management respectively and 118 were in excess as at 31 December 2016 of the Authority. Forty one persons recruited temporarily to the posts not approved had been included in excess cadre.

(b) Officers had been recruited on contract and secondary basis to cover duties of vacant posts instead of taking action to recruit qualified officers on permanent basis in terms of Scheme of Recruitment for the posts of Deputy Director General (Admin and Finance), Director (Lands), Director (Planning and Monitoring), Director (Mahaweli Centre) and Deputy Residential Business Manager of Systems "C", "B" and Hurulu Wewa Zone.

(c) A staff including 369 officers such as a Deputy Director, a Sociologist, a Geologist, 40 Engineers, 13 Assistant Engineers, 12 Technicians and 51 Management Assistants had been attached to the projects of the Ministry of Irrigation and Water Resources Management and Ministry of Mahaweli Development and Environment. As such, those officers who were so released could not be employed in the posts of approved cadre of the Authority and there were no vacancies in the posts of the cadre so released. Therefore, new officers could not be recruited to those posts.

(d) A specific cadre and a Scheme of Recruitment for the Natural Resources Management Services (Pvt) Ltd and the Mahaweli Consultancy Bureau (Pvt) Ltd. had not been approved by the Department of Management Services or the Board of Directors.

(e) A person holding a permanent post in another Ministry had been recruited on contract basis as the Secretary of the Mahaweli Consultancy Bureau (Pvt) Ltd. and an officer had been recruited on contract basis to the post of Accountant by the Natural Resources Management Services (Pvt) Ltd without conducting a proper interview.

(f) Salaries and contribution to the Employees Provident and Trust Funds of 06 employees of the Company attached to the Niraviya Farm owned by the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. which has come under the line Ministry since October 2010, were being paid by the Ministry of Finance and at present by the Mahaweli Authority. Nevertheless, the Company had not taken action to release those employees properly.

5. **Accountability and Good Governance**

5.1 **Presentation of Financial Statements**

The financial statements and the draft Annual Report should be furnished to Audit within 60 days after the close of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Even though the financial statements had been furnished to Audit by the Mahaweli Consultancy Bureau (Pvt) Ltd. and the Natural Resources Management Services (Pvt) Ltd in June 2017 and by the Authority in December 2017, the draft Annual Report had not been furnished along with them.

5.2 **Corporate Plan**

Even though the Corporate Plan should be prepared in terms of the Public Finance Circular No. 1/2014 dated 17 February 2014, the Corporate Plan for the year under review had not been prepared and the approval of the Board of Directors had not been obtained therefor. Further, the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. and the Natural Resources Management Services (Pvt) Ltd had not prepared a Corporate Plan including future plans for achievement of their objectives.

5.3 **Action Plan**

The following observations are made.

(a) The Annual Action Plan which should be prepared in terms of the Public Finance Circular No.1/2014 of 17 February 2014, had not been prepared and the revised Action Plan prepared in compliance with the performance of the year under review had been approved by the Board of Directors on 29 December 2016. The Performance Report of the Authority prepared according to the Action Plan had not been presented to Audit even by 10 January 2018.

(b) In terms of the Public Finance Circular No.1/2014 of 17 February 2014, the Annual Action Plans had not been prepared by the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. and the Natural Resources Management Services (Pvt) Ltd for operating the functions of the year under review properly.

5.4 **Internal Audit**

The Chief Internal Auditor is serving since the year 2015 in the post of Internal Auditor (Director) of the Authority, which was vacant over a period of 05 years from the year 2010 to the year 2015 and the Authority had failed even by the end of the year under review to recruit an officer who had fulfilled the qualifications cited in the Scheme of Recruitment.

5.5 **Budgetary Control**

The Natural Resources Management Services (Pvt) Ltd had not prepared a budget for the year under review and the variances ranging from 10 per cent to 582 per cent, 11 per cent to 121 per cent and 14 per cent to 100 per cent were observed between the budgeted and actual expenditure in the Authority, the Mahaweli Consultancy Bureau (Pvt) Ltd. and in the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. respectively, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.6 **Unresolved Audit Paragraphs**

The following observations are made.

(a) About 50 per cent of the total hydro power generation of the Ceylon Electricity Board is generated by hydro power stations associated with Mahaweli Reservoirs and it was observed that electricity charges for electric lamps installed on dams of reservoirs such as Polgolla, Victoria and Kotmale are paid by the Authority to the Ceylon Electricity Board. As charges are not paid for the maintenance of reservoirs and the water used by the Electricity Board, the Authority had not paid attention to the supply of electricity requirement of the main dams, free of charge.

(b) It was revealed that 655 encroachers were residing within the reservation areas of the Polgolla, Kothmale, Bowathenna, Mapakada, Maduruoya and Victoria reservoirs and the Authority had failed to evacuate those encroachers and prevent the resettlement of encroachers.

6. **Systems and Controls**

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Director General of the Authority. Special attention is needed in respect of the following areas of systems and controls.

	Areas of Systems and Controls	Observations
(a)	Management of Fixed Assets	Even though the annual verification of assets had been carried out for ascertaining the existence of assets, the relevant reports had not been presented and proper measures had not been taken in respect of idle and underutilized assets.
(b)	Utilization of Lands and Buildings	Utilization of buildings owned by the Authority, by external parties without paying rentals, idling of buildings of Zones and failure in taking action to manage the lands with mineral resources and to earn income.
(c)	Management of Income and Expenditure	Unavailability of an accurate methodology for collecting rental income and outstanding rental income, failure to enforce Terms and Conditions relating to collecting of rental income and non-settlement of advances obtained in terms of Financial Regulations.
(d)	Contract Administration	Dividing the contracts for which the approval of the Department Procurement Committee should be obtained, so as to obtain the approval of the Regional Procurement Committee and calling for bids therefor without basis whatsoever.

(e)	Project Management	Failure to obtain Environmental Evaluation Reports and approvals to be obtained from other relevant institutions prior to execution of projects.
(f)	Control over Motor Vehicles	Failure in taking action to get back the motor vehicles released to external parties and to carry out annual surveys in respect of motor vehicles.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe

Auditor General

Comments of the Director General on the Report of the Auditor General

Part IV

Report of the Auditor General in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971 on the Consolidated Financial Statements of the Mahaweli Authority of Sri Lanka and its Subsidiary Companies for the year ended on 31st December 2016

I here with submit my comments with regard to the Report of the Auditor General reffered to me under No. IEN/B/MASL/01/16/49 and dated 29th June 2018, in terms of Section 14 (2) (c) Finanace Act No.38 of 1971.

2.2. Comments on the Financial Statements - Group

2.2.1. Consolidation of Financial Statements

Accepted - This has been rectified in the Financial Statements of the year 2017.

2. 2. 2. Accounting Standards of Sri Lanka on Small and Meduim Scale Enterprises

(a) Accepted - This has been rectified in the Financial Statements of the year 2017.

(b) Accepted - This has been rectified in the Financial Statements of the year 2017.

The Directors of the Company have not signed any contract with the Company for business activities during the year 2016.

(c) This has been rectified in the Financial Statements of the year 2017.

2.2.3 Accounting Discrepancies

(a) This has been rectified in the Financial Statements of the year 2017.

(b) (i) This has been rectified in the Financial Statements of the year 2017.

However, as of now, payments in respect of salaries have been reimbursed for the period from September 2010 to October 2017.

(ii) The balance of this Suspence Account was reduced to Rs, 14,117,549.97 during the year 2017 and accordingly, an amount of Rs. 21,564,936.00 has been rectified. Instructions have been issued to the relavant Company to rectify the remaining balance in the year 2017.

(c) (i) This has been rectified in the Financial Statements of the year 2017.

(ii) This has been rectified in the Financial Statements of the year 2017.

2.2.4 Unexplained Changes

(a) The relavant Company has informed that it has been noted to rectify this error in the Financial Statements of the year 2017

(b) The relavant Company has informed that it has been noted to rectify this error in the Financial Statements of the year 2017

2.2.5. Lack of Evidence for Auditing

(a) Mahaweli Live stock and Agri Business (Private Ltd)

Mahaweli Economic Agency	Rs.405,218,731.00	The Company has reported that these balances were remaining since 1999 and it is unable to trace any documents related to the capital inputs.
Kothmale Dairy Development Fund	Rs. 2,900,000.00	
Capital grants by European Economic Commission ForeignAid	Rs. 5,729,782.00	

Write off of Fixed Assets	Rs.859,256.00	- To further proceed in this regard a Committee comprising 2 members of the MASL, as well, has been appointed and activities are being carried out by that Committee
Accounts Recievable – Mahaweli Dairy	Rs.382,780.00	This is an amount recievable from the Mahaweli Diary Enterprises Company and is being Resources & Agri carried forward. Noted to present in the future. Enterprises (Private Ltd)

.

(b) Accepted – Steps would be taken to inform the relavant parties to present this for Audit in future.

2.3. Comments on the Financial Statements

2.3.1. Sri Lankan State Sector Accounting Standards

The Valuation Department was requested to carry out the survey activities of the relevant premises and prepare a plan along with a Valuation Report. As of now, the Valuation Report has been recieved in respect of the land situated at No. 260/20 Baseline Road, Dematagoda, and accordingly, steps would be taken to include this value into the Accounts in the Financial Statements of the year 2017. I would like to inform that once the relevant Valuation Reports of the remaining 2 plots of land are received, such values as well, would be included in the Accounts, in proper manner.

2.3.2. Accounting Principles

(a) This has been rectified in the Financial Statements of the year 2017

(b) The Valuation Report was prepared based on the publication " Crop Enterprise Budget of Fruits & Floriculture Crops" issued by the Socio, Economic and Planning Center, Department of Agriculture at Peradeniya – August 2012 .

2.3.3. Accounting Discrepancies

a) A three member committee has been appointed by the Resident Project Manager of the Victoria System in order to make a valuation of 7588 books kept at the Mahaweli Public Library located at Neelagama, Digana (Victoria – Kothmale System) in order to convert them as an asset and include in to the Accounts. Accordingly, action has been taken to include them into the Accounts in the Financial Statements of the year 2017.

Although the value of the stocks of books at System L was indicated Rs.1,200,000.00 in the Audit Query, the valuation of that stock is Rs. 985,960.00. That value was debited to the Expenditure Account in the year 2016 and it will be taken in as a Fixed Asset in the Financial Statements of the year 2017, after rectifying that discrepency.

b) Amount of Rs.7,700,890.00 indicated as payments recievable from the Ceylon Electricity Board for the year 2016 with respect to electricity generated in the Mini-hydro Power Stations, has not been entered in the Accounts. However, this has been rectified by a Journal Entry No.107 at Headquarters, in the year 2017.

Futher, an amount of Rs. 3,912,069.00 received for the previous year, has been taken into account as an income of the year under review. This has been rectified by Journal Entry No. 02 in the year 2016.

c) Action has been taken to rectify this in the Financial Statements of the year 2017.

d) Although it was informed to take over this fixed asset to the Mahaweli Authority of Sri Lanka, along with the end of the Phase 1 of the Dam Safety and Water Resources Planing Project, the calculation of depreciation and relevant adjustments were not made from the date of purchase of that fixed asset till the date of handing over.

Therefore, since a need arose to carry out a revaluation of these assets, the task was entrusted to the Valuation Department. By now the relevant Valuation Reports are being forwarded by the respective Regional Valuation Officers. Valuation Reports in respect of assets owned by the Bowatanne and Kalaoya River Basin Office were recieved and the relevant values entered into Accounts. Once all relevant Valuation Reports are received from the Valauation Department, action would be taken by me to properly include in to the Accounts the values of such fixed assets indicated in relevant Reports.

e) Due to an oversight the ground scale purchased in December 2015, was not indicated as a fixed asset. Action was taken to make the relevant adjustments in order to account for that fixed asset, in the year the year 2017.

It was expected to bring and fix a 200KVA Marathan generator from the Engineer's Office, Headworks and Operations Division, Bowatenne in order to supply electricity for the resettlements that were taking place in Veharathanne area in 2011. Therefore, stocks of required spare parts of that generator were also taken to this Zone from Maduruoya Engineers Office. However, since arrangements were made by the Ministry of Economic Development to supply electricity for Veharathane area towards the year end, the need to obtain the above generator did not arise. Further, steps would be taken to despatch the stock of spare parts to any other System, which possesses this catergory of generator. If it is not needed for the other Systems, action would be taken by me to dispose of that generator in an appropriate manner.

f) Although it is indicated in the Audit Report that this matter was related to Huruluwewa System, I observe that it should be corrected as System H.

Seven "Zoje" brand sewing machines were purchased by System H in the year 2016 in order to provide them to the settlers, under 50% contribution system. Necessary adjustments were made in the Financial Statements of the year 2017 to remove these fixed assets from the Resident Project Manager's Office.

g) Plants produced by the farms and by the nursaries are not indicated as assets. Only diary resources and the permanent crops are indicated as Bio Assets.

In the preparation of farm accounts under Inventory of plants produced for marketing by the Nurseries and the Farms, it is considered as an argricultural stock (trade stocks).

h) Since these buildings were required to be valued before taking them into the accounts books, by now they have been referred to the Valuation Department and once the relavant report is recieved action would be taken by me to make necessary adjustments in the books.

i) The goats shed constructed at the Aralagangawila Seed Farm (Cost – Rs.1,964,346.00) and the paddy stores constructed at the Mahawelitanne Unit in Singhapura Block (Value – Rs.1,062,852.00) have been taken over by the Resident Project Manager Office of Mahaweli System B respectively on 3rd November 2016 and 20th December 2017. They have informed us in writing that these facilities were taken over by them.

Accordigly the relavant values of such constructions was capitalised in the year 2017 and adjustments were made in the accounts by transfering them to the relavant organizations through debit slips

j) An income of Rs. 20,960,266.00 which was recieved in the year under review in respect of previous years has been indicated as the income of the current year by an oversight. That has been rectified in the year 2017 by Journal Entry No. 20 at Victoria System.

k) The relavant adjustments were made in the Financial Statements of the year 2017.

2.3.4. Unreconciled Controlled Accounts

Transfer of the fixed assets of Mahaweli Authority of SriLanka – Failure to reconcile accounts.

(Rs. 136,709,000.00 – 128,730,000.00) - Rs. 7,979,000.00

Due to the transfer of buildings recieved by Neerawiya Farm from the Mahaweli Dairy Resources and Agri Business Private (Limited) and the velue of the vehicle tranferred to the Moragaha kanda Project from the miscellaneous Tools and River Basin Management Division, this discrepancy has occurred, The relevant adjustments were made in the consolidation of the accounts.

2.3.5. Suspence Account

Accepted.

An amount of Rs. 21,564,936.00 which was indicated in the Suspense Account was identified in the year the year 2017 and the relavant adjustments were made by removing this item from the Suspense Account. Action would be taken by me to rectify the the balance value, as well, by identifying through proper annalysis.

2.3.6. Lack of Evidence for Audit

Investment Certificates in respect of investments

Savings Account – Verification of balances
Bank Passbook

Noted to present them in future. (Instrcutions have been issued to the relavanDivisions)

Fixed Deposits - Verification of balances,
Deposit Certificates

2.4. Accounts Recievable and Accounts Payable

(a) Recovery of lease income from lands is being carried out under the Crown Lands Ordinance, and accordingly, these lease incomes are catergorised as leases of residential land, leases of commercial land and leases from investment projects, as per the Land Manual. However, during the initial periods land alienation has been carried out without any Government Valuation procedures under the Accelerated Mahaweli Program. During that period very low amounts were fixed as annual leases, based on a simple assesment. Since inordinate delays were experienced in obtaining the Valuation Reports from Government, by the time such reports are received lease holders were required to pay huge arrears amounts, which they could not afford. Hence, this situation has arisen.

Certian plots of land that have been identified as commercial land by the Mahaweli Master Plan.Out of them some plots of land are yet to be developed by commercial lands. However, since a higher amount of lease is required to be paid in respect of such commercial lands, the lease holders are not in a position to afford such amounts. Because of that this huge balance has arisen.

(b)

- Irrigation and Water Resources Management Ministry Office
- NCP Project
- NWP Project

It was informed by letter No. MASL/FIN/DDP/16/1 dated 10th August 2016 by Director (Finance) requesting the above institution to settle this payment without any delay. Accordingly, the Ministry of Irrigation and Water Resources has been made this payment. However, the other institution has failed to settle this amount, and action would be taken to recover this amount in the future.

- Moragahakanda Project

Although the relevant institution has informed in writing in this regard, we were informed that the amount has not been settled so far.

(c) Instructions have been issued to the relevant Divisions/ Systems to take immediate steps to ascertain the value of outstanding amounts exceeding 5 year period and settle such amounts expeditiously or conduct an inspection, in case any issue is encountered in this regard.

(d) Already discussions have been conducted with the relevant Officers attached to the 2 relevant Ministries and accordingly the remaining activities are being carried out.

(e) A Committee was formed comprising Officers of Headworks Operations and Maintainance Division (Digana), and Resident Project Managers Office (Victoria/ Kotmale) in order to conduct a census covering the official quarters located in the Victoria Kotmale System, so as to regulate them and formulate a methodology to recover rents from such quaters. The Committee having appointed Sub committees at the System/ Division/ Block/ Engineering office level is carrying out this fuction at present. Required legal action has been taken to recover the lease rental recoverable from the land in which the cinema theatre is located.

(f) The electricity units at Maduruoya Power Station - 01 was under calculated from 12th December 2015 to 6th January 2016 due to a fault prevailing at its meter.

A request has been made to the Ceylon Electricity Board on 20th May 2016 to make a payment of Rs. 4,128,992.00 payable for the under calculated electricity units, the reminders as well has been sent in this regard.

(g) Relevant Company has been informed to recover this amount in appropriate manner and it was noted to recover same in future.

(h) A discussion has been held between the two parties. Accordingly, I would like to inform that action would be taken in future to sort out this issue.

(i) The two parties were summoned and initial discussions were held between them under the chairman ship of the Secetary of the Ministry in order to recover this amount. I would like to inform that the recovery would be carried out accordingly, in future.

2.5. Non Compliance with Laws, Rules, Regulations and Management Decisions

(a) (i) (ii) and (iii)

A policy decision has been taken to close down all Subsidiary Companies of Mahaweli Authority of Sri Lanka, with the concurrence of the Minister in charge of the subject.

(b) An Internal Committee was formed in this regard and arrangements are underway to register for Value - added Tax. As an initial step of that process, a preliminary discussion was held with the Officers of the Inland Revenue Department by Director (Finance), Deputy Director (Revenue), and Deputy Director (Payments).

(c) (i) Steps have been taken to recover the losses, after conducting a Formal Inquiry.

(ii) Action has been taken to submit the relevant Verification Report for audit.

(d)) I would like to inform that steps would be taken to establish a Computer Information System, so as to rectify the information indicated in the Audit Query.

(e) (i) Instructions have been issued to the Resident Project Manager (System L) to immediately settle these advances and act in such a manner to avoid re-occurance of similar situations.

(ii) Action has been taken already to settle the above advances and steps have been taken to instruct the Accountants, in order to avoid similar situations in future.

(f) Noted to peruse this matter and carry out further activities.

3. Financial Review

3.1. Financial Results

Accepted.

3.2. Analytical Financial Review

(a) Accepted.

(b) Accepted.

3.3.Legal Action instituted against or/by the Authority

Accepted. It has been noted to rectify this by the Financial Statements of the year 2017

4. Operational Review

4.1. Performance

(a) Mahaweli Master Plan

Accepted. It has been noted to carry out future activities as per the updated plan.

(b) **Performance of the Land Division**

)i (The following targets were given for the 10Systems ,as per the Action Plan of the Land Division of the year of 2016.

Serial No.	Main Activity	Sub Activity	Target
1.	Alienation of lands	1. 2Long term leases under Crown Lands Ordinance/ Handing over the ownership	
		1. Commercial	620
		2. Investment Projects	45
2.	Awards/Long-term lease/ Permits	2. Issuing of Awards under Land Development Ordinance	

		3. Agriculture Rain fed	185
		2. 3Long term leases under the Crown Lands Ordinance	
		2. Commercial	240
		3. Investment Projects	95
		4. Others	115

Although a target was set to allocate 620 plots of land on long term lease for commercial purposes in the year 2016 and also to hand over the ownership of such lands, only the ownership of 84 plots of land was handed over, due to lack of adequate requests for such large number of land plots.

Although a target was set to hand over land plots in respect of 45 Investment Projects during this year, after obtaining permission it was only able to hand over the ownership of 7 plots lands. Non receipt of investment requests along with suitable project proposals was the reason for this situation.

Although it was targeted to allocate irrigated/rain fed lands under Land Development Ordinance and issue 185 awards, only 70 awards were provided.

Despite a target of 100 awards was set in respect of System D, it was unable to even issue one permit. System D was being developed as a new development area, and in that context plans have been made for the development of infrastructure facilities such as roads and canals. Since conruction work related to the basic infrastructure facilities were not completed in these areas, Survey Department could not prepare the relevant survey plans. Because of that situation survey plans could not be prepared in respect of irrigated and rain fed lands and therefore, it was unable to provide permits with relevant plans.

(c) Board approval has been obtained to provide loans through Regional Development Bank to the settler farmers under the supervision of the Business Development Division, utilising this Fund. As of now arrangements are being made in this regard.

(d) ,(e) and (f)

Accepted.

A policy decision has been taken to close down these Subsidiary Companies, with the concurrence of the Minister in charge of the subject.

4.2. Management Activities

(a) Instructions have been issued to all Directors and other Resident Managers, to act in such a manner to ensure the non - recorrence of similar situations in future.

(b) It is noted to take the relevant actions.

(c) Accepted.

The situation pointed out by the audit would have arisen perhaps due to the shortage of professionaly qualified experienced personnel, who are knowledgable in this field to work in the Geographical Information System Division. However, as of now, most of the vacancies that existed within the Environment Division have been filled.

Ex: Environment Officer Position

Accordingly, I would like to inform that steps would be taken to conduct the affairs of this Division in a productive and efficient manner from the year 2019.

(d) Since the items which were not disposed of in the years 2015 and 2016 would be subjected to verification in the year the year 2017, arangements have been made to carry out the diposal of items after the verifications carried out in 2018.

(e) Three stores premises at Warapitiya used by Victoria System and a part of a stores in the extent of 1423. 5 square feet with a resident room, were temporarily handed over to the Medical Supplies Division of the Department of Health on 29th August 2012, under my approval. Action would be taken by me to formalize that transaction. Although a Memorandum of Understanding was signed with the Medical Supplies Division in order to carry out repairs of the other building, a Committee appointed for that purpose has recommended to demolish and remove the above building, since it is located within 100 meter area and is subject to inundation. Accordingly, action would be taken by me to demolish this building, after obtaining proper approvals.

(f) Mahaweli Consultancy Bureau (Private Ltd) which was a running at an operational profit, out of the above Companies, had paid the dividends to the Authority up to the year 2016.

Since the other Companies annually running at a loss, no benefit has accrued to the Authority from such Companies.

(g) It has been noted for future action.

(h) It has been noted for future action.

(i) It was found that in respect of the lands in which the mini- hydro power plants are located, the ownership was also claimed by Divisional Secretary of the area. Therefore, it has been reported that the relevant investors pay a lease amount to the Divisional Secretary, as well. However, since our Authority is required to recover a charge from the relevant investors for utilising Mahaweli waters, instructions have been issued to the Deputy Director General (Technical Services) to take further action in this regard. Already the relevant parties have met and initial steps are being carried out by them in this regard.

(j) A request has been made by the Director General of the Mahaweli Authority of Sri Lanka by letters dated 2007/1/22, 2007/03/05, 2007/03/13 addressed to Divisional Secretary, Thimbirigasiyaya – Commissioner of Lands – Land Commissioners Office requesting to hand over these land to the Mahaweli Authority of Sri Lanka. To date the relevant organizations have not responded for this request. Since a recommendation has been made by a Cabinet Sub Committee to handover these lands to the use of Foreign Employeemnt Bureau by letter EA/AD/MU/07/12 dated 20th November 2017 by the Secretary, Minister of Foreign Affairs, activities related to aquiring this property to the Mahaweli Authority of Sri Lanka were required to be suspended temporarily.

(k) The relevant adjustments were made in the Financial Statements in the year 2018.

(l))i(It has been noted for future activities after perusal of the matter.

(ii) It is difficult to initiate action with regard to the matters pointed out in the Report, because of the serious financial crisis prevailing in the Company. This matter was brought to the attention of the Board of Directors and a news paper advertisement was published in order to select a suitable investor, so as to carry out this business as a private – public joint venture, with the concurrence of the Board of Directors. Accordingly, further activities are being carried out.

An amount of Rs. 2.5 million was paid in March 2018 in respect of the contributions towards the Employees Provident Fund which remained unpaid from the year 2014 to

2016. It has been planned to settle the remainig balance after recovering the livestock value and the value of other stocks in the transfer of the Neeraviya Farm

Although the values of lands under Non-current Assets in the Financial Statements indicated as Rs.14,929,159.00, since the relevant Company does not enjoy the legal right to the property the approval of the Board of Directors of the Company has been obtain to make adjustments in the Financial Statements.

It has been noted to rectify this situation after veryfying the legal position.

(iii) Instructions have been issued to the Subsidiary Company to rectify this in the Financial Statements of the Company in 2018.

4.3. Operational Activities

(a) It has been noted to take future action in this regard, after perusal of the matter.

(b) A valuation is required to be carried out so as to recover rents from the organizations that occupy these buildings. This matter has been refferred to the Valuation Department in order to obtain Valuation Reports of these buildings. However, an inordinate delay occured in obtaining these Reports from the Valuation Department and therefore, these buildings could not be given to those organizations under rent basis through proper lease agreements. Hence, the rent amounts could not be recovered. However, since the Valuation Report has been recieved in respect of the above buildings on 28^{th} April 2018, I would like to inform that steps would be taken immediately to rent out these buildings to the above organizations, under lease agreements.

Since some of the organizations refferred in the report are not functioning at the moment, the rent amounts could not be recovered from them, although we are receipt of the relevant valuation report.

Ex: Poyary Consultant Company

North Western Province Business Office.

This Training School was established to train Technical Officers required for the Mahaweli Authority and the Irrigation Department, when the Authority functioned under the Ministry of Irrigation and Water Management. However,consequet to the bifurcation of this Ministry these two entities – i.e. Irrigation Department and Mahaweli Authority of Sri Lanka – became under the purview of two separate ministries. Hence, this issue has arisen. Necessary steps are being taken to formally hand over this organization to one of the above ministries in future.

(c) Action would be taken by me in order to regularise these matters after obtaining the relevant approvals and the Government Valuation with regard to the establishment of communication towers.

(d) A methodology is being maintained in order to calculate the volume of silt and sand discharges flowed in to the natural streams of the selected sub water shed areas in the upper Mahaweli catchment area. The volume of water, silt and sand discharges are computed on monthly basis at the points established at selected locations. Utilising the data thus collected, the silt diposited in the rivers on the catchment areas are prepared on quarterly basis. In this regard I would like to inform that a Program could be formulated so as to release data to the Head Office and through the Haead Office to the relevant organizations (Ex: Agriculture Department, Water Resources Board, Irrigation Department) after processing the data obtained from the computing stations located within the water shed areas. Further, it is being planned to create awareness among organisations in this regard, during the year 2019.

(e) A long period of time was taken to carry out the repair works of this vehicles due to of lack of required funds. However, vehicles that were beyond repairing condition have already been disposed of.

(f) Monitoring the progress of the Investment Projects and the preparation of relevant Survey Reports were carried out by the Resident Project Managers. Through such reports legal proceedings have been initiated with regard to the businesses with outstanding balances. Actions have also been taken to cancel permits issued to the Investment Projects which have failed to develop such lands and also take legal action against persons who have defaulted on their payments.

(g) Allocation of lands under the large scale Investment Programs is being carried out with the positive object of developing the social and economic conditions of the Mahaweli System L. As of now, activities related to selection of suitable investors for investments, and providing necessary approvals, allocation of suitable lands for the investors and also alienation of lands for such projects are being carried out. However, an accelerated development could not be expected given the remoteness prevailing in this system. It has been noted to further focus in this regard in the future.

(h) Monitoring the progress of the Investment Projects and the preparation of relevant Survey Reports were carried out by the Resident Project Managers. Through such reports legal proceedings have been initiated with regard to the businesses with outstanding balances. Actions have also been taken to cancel permits issued to the Investment Projects which have failed to develop such lands and also take legal action against persons who have defaulted on their payments.

(i) A report has been prepared at at 31st December 2016 in order to identify lands allocated to unsuccessful projects and to reaquire them. As per that report and according to the methodology used by the Mahaweli Authority of Sri Lanka in order to cancel land permits, the relevant activities are being carried out since 15th Febraury 2018. I would like to inform that further action would be taken as indicated above in order to cancel the permits of lands allocated for the investment projects which remain undeveloped and also payment of leases have been overdue.

(j) I would take action to make necessary adjustments in the Financial Statements in the year 2018.

4.4. Transactions of Contentious Nature

(a) Since it is not clear from the reports from which reservoirs the said discharges are taking place, I would like to inform that it is difficult to present an opinion regarding this matter For example, Polgolla Reservoir does not possess a large capacity and the maximum volume of water that can be diverted by the maximum capacity of electricity generation from that power station (Ukuwela) remains 04 million cm. However, during the rainy season daily inflows into this reservoir sometimes remain around 50 million cm. Therefore, it is doubtful whether the above computation has taken into consideration the overflow of the above reservoir. Inflows into Bowatanne and Rantambe Reservoirs from 1985 to 2016 were respectively 5442 million cm and 7566 million cm. During that period the volume of water that over flowed was respectively 1156 and 3457 million cm. Accordingly, the volume of over flows through the sluice gates of these two reservoirs remain 4613 million cm. In addition to that in preparing/ moduling the data related to the Bowatanne Reservoir the water released by the diversions of the old irrigation schemes through the lower areas of the reservoir, as well, included. That volume remains 1696 million cm.

Further, Bowatanne and Rantambe Reservoirs have been constructed in such a manner to the distribution of water and they generate electricity at full capacity during the rainy seasons. These reservoirs cannot be used to store waters and their capacity remains very low. The maximum capacity of Bowatanne reservoir is 23.5 million cubic meters and Rantambe reservoir is 07 million cm.

(b) I present the following points in this regard:

(I) As per a decision of the Board of Directors made at its meeting held on 25th October 2013 (Board Paper No.2013/247/3688) the Authority has borne a cost of Rs. 75 million out of the total costs incurred by the Investor in respect of the electric wiring system.

(II) According to a tri-party agreement entered into by the Mahaweli Authority of Sri Lanka, Investor and the Ceylon Electricity Board, it was agreed to make a payment of Rs.75 million to the Investor by the Electricity Board out of the monies receivable by the Mahawli Authority for supply of electricity.

(III) The genarating capacity of a hydro power station depends on the height of the water flow and the velocity of the water released. Expected annual income of Rs. 131,157,653.00 indicated in the Committee Report has been estimated taking into consideration the situation prevailed during the past years of the corresponding period. However, due to the physical conditions including the reduced volume of water released during that period, generation of electricity has reduced and a decline of Rs. 62,865,408.00 recorded in the income level.

(IV) The electricity units at Maduruoya 01 Power Station was under calculated from 12th December 2015 to 6th January 2016, due to a fault prevailing at the meter of that Power Station. A request has been sent to the Ceylon Electricity Board on 20th May 2016 regarding the payment of Rs. 4, 128,992.00 payable for under calculated electricity units. The reminders, as well, have been forwarded in this regard.

(c) Court procedings in this regard has not been concluded. I would take future action in this regard, according to the judgement of the court.

(d) The required action has already been taken with reagard to the point indicated by the audit.

(e) Three Officers involved in this incident have already been interdicted from service. As of now, a formal disiplinary inquiry in this regard has been initiated and carried out. I would like to inform that actions would be taken by me in future, with regard to the points indicated in th Audit Report.

4.5. Idle and Under Utilised Assets

(a) I present the following points in this regard:

(ii) This consist of cash balances of road tax due in the current year but received in the following year; and

(iii) Cash balances related to the monies invested in Fixed Deposits and 7 Day Deposits.

(b) Consequent to a comprehensive survey conducted with regard to the buildings owned by the Mahaweli Authority of Sri Lanka it was found out that 444 usable buildings remain unused. Since such buildings are considered the properties of the State, the Goverment Agents of the relevant districts in which such buildings are located have been informed about the availability of that buildings so as to enable the Divisional Secretaries to submit requests according to their needs. However, the relevant Government Agents have expressed thier unwillingness to pay the value for such buildings computed under the methodology used by the Mahaweli Authority in transferring such assets.

Approval of the Board of Directors has been obtained for this transfer and arrangements have been made to transfer such lands in an appropriate manner to the relevant State Officials, after obtainig the approval of the Cabinet of Ministers.

(c) Information with regard to the vehicles owned by the Mahaweli Authority of Sri Lanka which are to be disposed of is being prepared by Assitant Director (Transport). Vehicles referred in the Audit Query are related to Neeraviya Farm and they are also included into that list. Accordingly, arrangements have been made to dispose of these vehicles through the disposal process scheduled to be carried out in future. Steps are being taken to supply electricity to the poultry pens and subsequently, arrangements will be made to recommence the animal productions, utilising this facility.

This situation has arisen because of the removal of the animals such as pigs, goats and chicken from the sheds/ pens. I would like to inform that by now arrangements have been made to procure high value animals from the National Livestock Development Board, and once such stocks are received the above building premises will be taken for use.

(d) Instructions have been issued to identify the items that can be used from this stock and issue them to the Divisions/ Systems and also to dipose of the other items, by following a proper disposal method.

(e) **(1) i) Building in which the Paddy Milling Machine to be fixed**

Financial allocations have been approved in order to launch a Rice Production Village Project in the year 2018, under the concept of alleviation of poverty within this System, and accordingly, arrangements have been made to utilise this building in an useful manner.

ii) Cicuit Bangalow

Consequent to the construction of a Circuit Bangalow with 10 rooms, it is being utilised to provide accommodation facilities to the new officers who assume duties in the System L, until such time official quaters are provided for them. At instan`ces where no rooms are available at the old Circuit Bangalow, all these new houses are being used to provide accommodation facilities to these officers. Therefore, this building does not remain idle. Whenever it can be used it is being used at all possible instances.

After the construction of this 10 room Circuit Bangalow, during the maintenance period some faults wer observed in the building. A written communication has been sent in order to get this fault corrected. However, the contractor was unable to carry out the maintenance work in a proper manner. Subsequently, an estimate was prepared for the maintenance work and approval was obtained to deduct the relevant amount from the retention money and repair the fault prevailing in the second building by utilising that money. I would like to inform that we would be able to correct the minor faults by march 2018 and hand over this building.

iii) Buildings for the Cattle Sheds

During the time of the development of the animal farm, the cattle kept at the farm were not belonged to the high breed category with higher production capacity. Therefore, such animals were sold at prices determined by a Committee of National Livestock Development Board. Subsequently, utilising the financial alocations approved by the Work Plan of 2016, 6 cows of hybrid catergory that would provide a higher prodcution were purchased. Due to factors such as downsizing the number of workers employed at the Mahaweli Farms and the objective of increasing the No. of hybrid animals in the farm, the purchase of cows was limited to 6 animals, as of now. The total heads of cattle includes 6 cows (five of them are pregnant), one stud and 10 buffaloes - Total number stands at 17.

(2) Written and oral communications made with the Zonal Director of Education Manampitiya, requesting him to take over the Primary School building and the toilet system of the Mahawelithanne Unit. It was informed that arrangements have been made to commence the school in the year 2018 and accordingly, steps would be taken in due course to take over this building. However, when a visit was made to the Zonal Education Office, Manampitiya on 29th January 2018 to inquire about this matter, we were informed that taking over the building would take place in the fourthcoming months.

(f) Instructions have been issued to the Resident Project Manager (System H) requesting him to use these items in a productive manner.

(g) **Equipment and Goods Recieved for distribution**

The goods that remain at the stores were provided to System L, so as to distribute among the new settlers in the year 2013. These items were purchased by the Head Office for that purpose and a portion of them were distributed among the settlers during the initial period. However, since no. of settlers who arrived to this System during the recent period was less than the expected number, the remaining part of these goods was kept at the stores. However, as of now, arrangements are underway to distribute these items to the settlers of Bogaswewe Unit, who have been included as Mahaweli settlers of the Weharathanne Division. In case the disposal of the entire stocks could not be carried out, arrangements would be made to provide them to the other Systems, where a need for such goods exist.

(h) and (i). In respect of these Companies steps would be taken in future to operate them as Public – Private Sector Joint Ventures (PPP).

4.6. Identified Shortcomings

(a) After having acknowledged this situation, it was informed that the statutory payments would be made in future in an appropraite manner by our response dated 28th June 2017 submitted you in respect of the Report of the Auditor General on the Financial Statements of the Mahaweli Consultancy Bureau (Private ltd) for the year ended 31st December 2016. I have noted to peruse this matter and take necessary action in this regard.

(b) The estimates of the Ceylon Electricity Board with regard to the tube wells were submitted in respect of the year 2016 and the cost of that estimate was Rs. 46,526,370.48 However, sufficient funds were not received from the Treasury during the year 2016, in order to pay the total amount. An amount of Rs. 25, 202,878.68 was paid in the year 2016 and the balance was settled in the year 2017, after receipt of funds from the Treasury. However, it was informed that according to the rules and regulations of the Electricity Board, work related to an estimate cannot be commenced until such time the entire estimated amount is received. Accordigly, along with the revision of the prices in the year 2017, a revision was made in respect of the total estimates prepared in the year 2016. I would like to inform that an additional amount of Rs. 1,282,081.58 was required to be paid in this regard.

In case we had sufficient funds to pay the estimated amount of Rs. 45,526,370.48 forwarded by the Electricity Board in the year 2016, a need would not have been arisen to pay this additional amount.

4.7. Procurement and Contract Process

(a) The improvement work of the road that runs from Welioya - Gajabarura village to Nedunkerni town was assigned directly to the Road Development Authority, under the approval of the Cabinet of Ministers. Accordingly, works related to the constrcution of culverts and bridges were carried out at the initial stage. In respect of this work a payment of Rs.390, 085,714.00 was made to the Road Development Authority by the Mahaweli Authority of Sri Lanka upto April 2017. The Road Development Authority has made payments to the Contractor as and when he completed a particular part of the work. Although the work related to this contract was to be completed by 9th May 2017 as per the Agreement, the contract period was extended due to the difficulties encounted in the supply of soil. I would like to inform that a letter has been forwarded to the Mahaweli Authority of Sri Lanka by the Road Development Authority dated 3rd May 2017 in this regard.

(b) and (c)

Instructions have been issued to the Director (Agriculture) and Resident Project Manager (System L) to carry out a field inspection in this regard, and proceed with further actions. I would like to inform that further action would be taken in this regard, according to the reports submitted by them.

(d) I would peruse this matter and carry out further activities.

4.8. Use of Vehicles

(a) Since most of the activities related to the objectives of the Mahaweli Authority of Sri Lanka are being carried out at field level, often the Officers are called upon to make field visits in order to undertake such activities. Because of that a heavy demand exists for vehicles in each System/ Division. However, since most of the vehicles owned by the Authority at present are more than 20 years old and as a policy matter approval is not given by the Government on policy basis to purchase new vehicles, it is required to even use the old vehicles for the above requirments. However, arrangements have been made to dispose of about 48 old vehicles in the year the year 2017, through an appropriate disposal method.

(b) Out of the vehicles referred by the Headworks Administration, Operation and Maintenance Unit for disposal, vehicles bearing numbers 50-2641, 36-3573, 42-0889 were disposed of in the year 2017. Disposal of the other vehicles could not be carried out because of discrepancies prevailed between the registered owership of such vehicles and the other details indicated in the registration. However, already arrangements are being made to dispose of vehicles such in the year 2018. The relevant vehicles have been registered under the names of the Consultancy Services Firms IAZAMATODA – SKANSKA. These firms at present do not exist within Sri Lanka. Therefore, I would like to inform that arrangements would be made to dispose of such vehicles by taking proper steps through the Comptroller General Office established within the Ministry of Finance.

(c) As a first step of taking back the vehicles temporarily provided to the external parties, they have been notified to return such vehicles. In case such vehicles are not returned, arrangements would be made through the Comptroller General Office established under the Ministry of Finance
either to verify the ownership of such vehicles or get back them.

4.9 Delayed Projects

(a) Although the EIA was to be obtained for the construction of the tank bed, which was the main objective of the project, the relevant approval has not been recieved so far. However, I would like to inform that the activities such as development of infrastructure facilities, development of the villages, construction of official quaters and office buildings within the project area, have been carried out utilising the allocations made.

(b) Instructions have been issued to the Director (Agriculture) and Resident Project Manager (System L) to carry out a field inspection in this regard and proceed with the further activities. I would like to inform that further actions would be taken in this regard, according to the reports submitted by them.

4.10 Resources of the Authority given to the other State Institutions

(a) **i)** Out of the employees released to the external institutions, in respect of the employees released to the Ministry of Defence and the Presidential Secretariat a clause has been included in their release letters to the effect that their salaries and allowances would be continuously paid by the Mahaweli Authority of Sri Lanka.

In order to obtain reimbursements for the salaries and allowances of the empolyees released to the Ministry of Disaster Management, relevant in ministry has been informed.

In respect of the Officers released to the staff of the Ministry of Mahweli Development and Environment, State Ministry and Deputy Ministry, arrangements have been made to continue the payment of their salaries by the Authority. Steps have been taken to reimburse the overtime and traveling allowances paid to the employees who have been released to the staff of the Line Ministry, State Ministry and the Deputy Ministry.

ii) In respect of overtime, combined allowances and travelling expences paid to the Officers attached to the Line Ministry, Presidential Secretariat and the Ministry of Defence, arrangements are being made by now to get them reimbursed.

(b) This employee has been released subject to that his salaries and allowances would be contineously paid by the Authority. Therefore, arrangements have not been made to recover such amounts.

4.11 Personnel Administration

(a),(b) and (c)

Approved Cadre and the Present Cadre as at 31st December 2016

Serial No.	Service Catergory	Approved Cadre	Present No. of Employees	Surplus/ (Vacancies)
1	Senior Management Level	33	21	(12)
2	Middle Management Level	442	337	(105)
3	Junior Management Level	362	298	(64)
4	Others (Up to MA 3 - PL 1)	3787	3864	77
5	Others (Temporary)	-	41	-

The above number of employees were employed at the Mahaweli Authority of Sri Lanka as at 31.12.2016 and in respect of Senior Management level and Junior Management level 117 and 64 vacancies were existing, respectively.

Instructions and directives were given by the Management Services Department by its letters dated 22.08.2011 and 19.12.2012 with regard to the approved cadre of the Authority. Accordingly, the recruitment procedure was prepared and approval has been obtained from that Department for same in the year 2013. However, the Management Services Department by its letter No. DMS/G2/15/02(TEM) dated 31st October 2013 informed us to obtain approval for this recruitment procedure, using specified forms introduced in this regard. Accordingly, intermittant revisions were made in the recruitment prodedure to be followed with respect all catergories of employees of the Mahaweli Authority of Sri Lanka and finally it was approved by the Management Services Department on 26th September 2016. Subsequently to this approval, immediate arrangements were made to fill the vacancies existing in the posts mentioned in the recruitment procedure. Because of the revision made in the recruitment process intermittently and it was required to obtain the approval from the relevant Department, it was not possible to recruit all employees in order to fill the vacancies prevailed during the particular year.

Arrangements were made by the end of the year 2017 to grant 212 internal promotions and also for the external recruitment of 268 employees. In respect of senior management level 25 internal promotions and 46 external recruitments were made. Further, in respect of junior management level the number of internal promotions remained 64 and the external recruitment 04.
The number of employees indicated as 'Others' include the employees in the allied catergory (MA 3) and non skilled (PL 1) employees and according to this information it indicates a surplus of 77 employees.

According to the Public Administration Circular No. 25/2014 and 25/2014 (I) employees in the catergory of Management Assistant (Non technical) and other service catergory (MA 1-2) and Primary Unskilled catergory (PL 1) who have completed 180 days uninterrupted of satisfactory service, were given perpenant appointments.

Accordingly, it was informed to obtain the approval of the Management Services Department for the relevant cadre and a surplus exists because of the number of employees has not been revised accordingly. Similarly, since the approval cadre exceeded the existing numbet of permanent employees' catergories a surplus prevailed. Along with their retirements in future it would correspond to the approved number.

Dairy Development Assistant Trainees, Officers seconded to the organisations and Officers/ Employees recruited on contract basis are included into the number 41, as indicated above.

(d) and (e) Accepted.

The chairmen of the relevant Companies have been informed that steps would be taken to obtain the approval of the Management Services Department, after formulating a specific cadre and recruitment procedure.

(f) I would like to inform that arrangements are being made to regularise this situation.

05. Accounting Procedures and Good Governance

5.1. Presentation of Financial Statements

Accepted.

Although the Final Accounts of the Mahaweli Authority of Sri Lanka have been prepared within the specified period, a delay occured in consolidating and the Accounts of the Authority and the Subsidiary Companies and the preparation of the Consolidated Final Financial Statements. This happened due to the accounting dificiencies prevailing in the accounts of the relevant companies. We had to delay the preparation of the Consolidated Final Financial Statements until such time we recieve the audited final accounts from the Auditor General.

5.2. Corporate Plan

Accepted.

Steps would be taken to rectify this sutuation in future.

5.3. Action Plan

(a) Accepted.

(b) Accepted.

5.4. Internal Audit

Applications were called for the post of Director (Internal Audit) internaly and externally, respectively on 29th June 2016 and 1st july 2016. However, not even a single applicant among the applicants has fulfilled the qualifications specified to the recruitment procedure. Therefore, an Officer was appointed to cover these duties. However, as of now, a female Officer has been appointed on permanent basis for the post of Director (Internal Audit).

5.5. Budgetary Control

Arrangements would be made in future to utilise the budget as a useful management tool.

5.6. Unresolved Audit Issues

(a) It is noted to take in further action in this regard.

(b) It is noted to take in further action in this regard.

6. Systems and Controls

(a) to (e). It is noted to pay special attention and proceed accordingly.

Dr D M S Dissanayake,
Director General,
Mahaweli Authority of Sri Lanka

Performance Report

2016

Part V

1. Development Activities carried out in year 2016

1.1 Cumulative Financial Progress

Capital budget (Revised) for the financial year 2016 was SLRM 3,775. In addition donor funded projects such as Moragahakanda Kaluganga Development Project (OPEC, KUWEIT, CHINA), Dam safety and Water Resources Planning Project (World Bank), Umaoya Multipurpose Development Project (IRAN) and Climate Resilient Improvement Project (World Bank) are being implemented covering Mahaweli development area zones. Accordingly, for the financial total capital investment for the financial year 2016 was accounted SLRM 46,621. Financial progress for the financial year given below.

Description	Budget Provision	Amount Released (Up to December 2016)	Expenditure Rs .Million December 2016)
Mahaweli Projects	**44,621.00**	**31,335.89**	**31,308.31**
Mahaweli Consolidated Project (CF)	500.00	499.00	494.22
System B Maduru oya RB Development project (CF)	225.00	192.10	182.85
Redeemaliyadda Integrated Development Project (CF)	120.00	100.29	99.98
Welioya Integrated Development Project - System L (CF)	605.00	580.50	580.50
Implementing a mechanism to protect river bank of Mahaweli – Gatambe (CF)	125.00	63.00	63.00
Rehabilitation of Major and Medium Irrigation Schemes including emergency infrastructure rehabilitation works (CF)	200.00	191.45	178.21
*Moragahakanda Kaluganga Development Project (FL,RF,FF)	22,500.00	19,797.5	19,797.5
*Dam Safety and Water Resources Planning Project (Mahaweli Portion) (FL,FF)	709.00	1,099.00	1,099.00
*Umaoya Multipurpose Development Project (FF)	19,176.00	8,354.05	8,354.05
**Climate Resilience Improvement Project (Mahaweli Portion) (FL,FF)	461.00	459.00	459.00
Administration and Maintenance (CF)	**2,000.00**	**1,053.00**	**1,663.38**
Total	**46,621.00**	**32,388.89**	**32,971.69**

*These projects are being implemented in the Mahaweli development areas and is directly supervised by the Ministry of Mahaweli Development and Environment. At the successful completion, all the projects will be handed over to MASL.

**This project is being implemented directly under the Ministry of Irrigation and Water Resources Management and partially implemented in the Mahaweli areas.

CF –Consolidated Funds, FL – Foreign Loans, RF – Reimbursable Foreign Loans, FF – Foreign Funds

1.2 Mahaweli Projects

1.2 Mahaweli Projects

1.2.1 Mahaweli Consolidated Project

Source of Funds : Domestic Funds

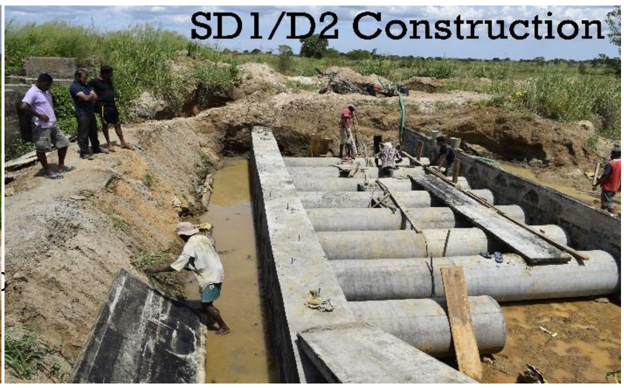
Total Estimated Investment : SLRM 4,910 (Revised Budget)

Project Period : 2007-2018

Mahaweli Consolidated Project has been commenced with the objective of increasing income levels of rural communities settled in the Maduru Oya Left Bank area assuring irrigation water supply for their agriculture. Project activities include rehabilitation of irrigation network that was built during 1982- 1986. (a) Maduru Oya Left Bank for improving water management including 52km of main channels, 65km of branch channels, 459km of distributary channels, 1,138km of field channel, 54km of drainage channels, 80km of operation and maintenance of rural roads, and small tanks (b) Improve selected water supply schemes built under the Village Self-Help Project, (c) Supporting agricultural development and strengthening farmer organizations (d) Implementation of appropriate environmental conservation programmes.

Financial allocation (revised) for the financial year 2016 SLRM 500 out of which SLRM 494.21 (99 %) has been effectively utilized during the year 2016

No	Avtivity	Unit	Physical progress Jan. –Dec. 2016
01	*Construction and Rehabilitation of Field Channels*	*Km*	*140*
02	*Construction and Rehabilitation of Distributery Channels*	*Km*	*11.1*
04	*Rehabilitation of Rural Tanks*	*No*	*05*
05	*Construction of Drainage Channels*	*Km*	*40.2*
06	*Rehabilittaion of Village Roads*	*Km*	*2.2*



1.2.2 System B Maduru Oya RB Development Project (Malwenna and Mahawelithanna)

Source of Funds : Domestic Funds

Total Estimated Investment : SLRM 935.49

Project Period : 2014-2018

The Mahawelithanna and Malwenna Mahaweli sysem Units are falls within the upper part of the Singhapura Block of the Mahaweli System B covering Polonnaruwa and Batticloa administrative Districts are being developed under the Project. Due to the internal conflict situation during last few decades within this area, most of the settlers were internally displaced. As a result there were approximately 1200 families left for their original native places from the settlement areas.

Once the conflict was is over, resettlement & rehabilitation work of the area has once again commenced under this special project in 2014. It is proposed to develop 859 homesteads and 859 irrigated land plots within the area of Mahawelithanna and Malwenna Units in Sighapura Block. Major activities of the project are ,(a) Resettle 859 displaced families in Singhapura block and reestablishment of the settlements (b) Develop 521 ha of existing underutilize lands for irrigated agriculture purpose and 174 ha of homesteads (c) Construction of Mahawelithenna Tank and related irrigation channels.

Financial allocation (revised) for the year 2016 was SLRM 225 out of which SLRM 182.85 (81%) has been effectively utilized during the year 2016.

No	Avtivity	Unit	Physical progress Jan. -Dec. 2016
01	*Jungle Clearing and Rough Levelling*	*Ha*	*37.06*
02	*Construction of Distributery Channels*	*Km*	*3.1*
03	*Construction of Filed Channels*	*Km*	*5.85*
04	*Construction of Drainage Channels*	*Km*	*5.7*
05	*Construction of Village Roads*	*Km*	*3.34*

1.2.3 Redeemaliyadda Integrated Development Project

Source of Funds : Domestic Funds

Total Estimated Investment : SLRM 1,100

Project Period : 2012-2018

Redeemaliyadda Divisional Secretary's Division in the Badulla Administrative District has been identified as one of the most remote and poorest DS division's in the country as per the Household Income and Expenditure Survey of the Department and Census and Statistics. Therefore five year investment plan has been prepared to development this DS area by the Mahaweli Authority. Main objectives of this project are to develop infrastructure facilities and to open up agriculture based production and sustainable income avenues for the families in the area. Thus this project mainly focuses on (a) Development of commercial crop production (b) Livestock development and (c) Entrepreneurship development.

Allocation (revised) for the year 2016 was SLRM120 and were able to utilized SLRM 99.97 (83%) during the year.

No	Avtivity	Unit	Physical progress Jan. –Dec. 2016
01	*Rehabilitation of Rural Roads*	*Km*	*10*
02	*Rehabilitation of Tanks and Bunds*	*No*	*3*
03	*Construction of Agro Wells*	*No*	*40*
04	*Rural Infrastructure Development (Stores, Clincs etc.)*	*Buildings*	*18*
05	*Construction of Latrines*	*No*	*300*
06	*Construction of Drinking Wells*	*No*	*90*

Further, 82 training programmes in various subjects areas were conducted under the project to improve the skills and capacities of people in the project area.

Construction of Dunukewela Road Dehigama School building

1.2.4 Welioya Integrated Development Project -System L

Source of Funds	: Domestic Funds
Total Estimated Investment	: SLRM 3,957
Project Period	: 2012-2018

This project focuses to implement development activities in Mahaweli system "L" extent more than 62,000 ha of land area covering four Administrative Districts, Anuradhapura, Vavuniya, Trincomalee and Mullativu. Project area consist with 9 zones and zone 4 and 5 has been completed with initial infrastructure development activities while completing the settlement of 3,100 families during the year 1981. However, it was unable to continue the development process in the project area due to conflicts situation spread covering entire Northern Province, North Central and Eastern Province since mid 1980s.

Due to conflict situation, infrastructure facilities such as village tanks, irrigation system, road network as well as public buildings were subject to heavy damages which has been badly affected to general public in this areas.

Therefore this project has been introduced for the purpose of (a) Resettlement of approximately 7,000 families and (b) Rehabilitation of infrastructure facilities in the area.

Financial allocation (revised) for the year 2016 was SLRM 605 out of which SLRM 580.51

No	*Avtivity*	*Unit*	*Physical progress Jan. – Dec. 2016*
01	*Jungle clearing and Rough Leveling*	*Land lot*	*581*
02	*Rehabilitation of Roads*	*Km*	*40.2*
03	*Construction and Rehabilitation Of Distributary Channels*	*Km*	*5.19*
04	*Construction and Rehabilitation of Field Channels*	*Km*	*10.52*
05	*Construction of Drinking Wells*	*No*	*100*
06	*Construction and Digging of Agro Wells*	*No*	*30*
07	*Distribution of Nursery Trays*	*No*	*10,200*
08	*Construction of latrines*	*No*	*857*

(96%) utilized during the year 2016.

1.2.5 Implementing a mechanism to protect river bank of Mahaweli – Gatambe

Source of Funds : Domestic Funds

Total Estimated Investment : SLRM 698.97 (Revised)

Project Period : 2013-2017

This project has been commenced since 2013 for the construction of 499 m long gabion retaining wall with the height of 15 m along the Mahaweli River Bank beginning from the premises near Department of Animal production and Health up to Mahinda Rajapaksha ICT Center premises in Gatambe,Peradeniya in the Administrative District of Kandy due to severe erosion of the river banks in geological section. Up to end of December 2015,176 meters of gabion walls were constructed from the entire project.

Financial allocation (Revised) for the year 2016 was SLRM 125 of which SLRM 63 (50%) has been utilized during the year 2016

No	**Avtivity**	**Unit**	**Physical progress Jan. – Dec. 2016**
01	*Construction of Gabion Wall (Stage 1)*	*m*	*41*

Construction of Kiriibbanwewa road

Construction of Gajabapura –Nedunkani

Construction of gabion wall

2.6 Rehabilitation of Major and Medium Irrigation Schemes including emergency Infrastructure Rehabilitation Works

Source of Funds : Domestic Funds

Total Estimated Investment : SLRM 825

Project Period : 2015-2018

The project focuses for (a) Repair and maintenance of major head works and reservoirs, (b) Rehabilitation of irrigation infrastructure and (c) Construction and rehabilitation of roads along the irrigation distribution channels in Mahaweli Systems B, C, H, L, Huruluwewa, Udawalawa and EIC units under Head works and Maintenance Division of MASL.

Financial allocation (revised) for the year 2016 is SLRM 200 of which SLRM 178.21 (89%) has been effectively utilized during the year.

1.3 Maintenance and Development

Mahaweli Authority of Sri Lanka responsible for the Operation and Maintenance of 10,821 km. of irrigation channel network, 333 large, medium and minor reservoirs to ensure the efficient irrigation water management and supply for 105,522 ha. of agriculture land area in its 10 Systems for the purpose of agriculture enhancement in line with the country's National Food Production Programme. Maintenance and rehabilitation of road network and other infrastructure facilities in the Mahaweli areas coming directly under the purview of MASL for the benefit of approximately 275,000 families.

Further, effective land management, entrepreneurship development, environment conservation and institutional development and facilitation of cultural and sports development activities in Mahaweli settlement areas for the benefit of current and future generations of Settlers ares also key activities of MASL. The budget allocation for the year 2016 is SLRM 2, 000 of which SLRM 1,663.38 (83%) effectively utilized during the year.

1.3.1 Irrigation System Maintenance

Secondary growth clearing, de-silting, repairs and improvement of irrigation systems and structures, graveling roads etc. are coming under Mahaweli irrigation systems maintenance tasks. The allocation in the year 2016 is SLRM 337.09, of which SLRM 299.31 (89%) effectively utilized to perform above activities successfully during the year.

1,007 registered farmer organizations are operating in the Mahaweli areas and operation and maintenance of distribution channel network has already been handed over among 10 highly efficient farmer organizations during the year 2016 and amounting to total no of 789 farmer organizations up to end of 2016. Further, upgrading 20 framer organizations to demonstration level and 36 farmer organizations to the commercial level during the year 2016 under the guidance of Institutional development division.

1.3.2 Land Alienation

During this period, 82 new land plots for housing and 06 land plots for commercial purpose were issued under the Crown Land Ordinance (CLO) and 60,574 land grants/permits were issued among the settlers to ensure their land ownership, while issuing 50 no of land grants among the temples during the year. 13,291 new land plots have been surveyed up to end of December 2016. SLRM 217.2 of lease income has been collected during the year 2016.

1.3.3 Agriculture & Livestock Development

Agricultural Productivity Enhancement Programme

The programme has been initiated to entire enhancement of local food crop cultivation and livestock production which will lead to reduce agricultural imports to the country thus establishing country's food security in line with National Food Production Programme. Series of programmes such as promotion of OFC, introduction of hybrid seed paddy, increasing use of organic fertilizers, establishment of new farms & nurseries, promotion of export quality rice production were launched and cultivation of traditional paddy varieties has been also promoted under the program. Awareness programmes and workshops were held on improved Dairy production, poultry production, inland and ornamental fish production activities were conducted under the livestock development programme.

Agricultural Crop Cultivation

Extent of paddy cultivation in Mahaweli areas recorded as 94,735 ha with approximately production of 541,000 mt of paddy production were recorded in 2015/2016 Maha season. The average yield in terms of paddy was 5.62 mt/ha in Mahaweli areas. The extent of paddy cultivation in 2016 Yala season were approximately 63,893 ha with approximately production of paddy were recorded as 343,454 Mt. The total paddy production for 2015/2016 Maha and 2016 Yala were approximately 884,868 Metric Tons.

The extent of Other Crop Cultivation (Other Field Crops, Fruits, Vegetables and Perennial crops) were approximately 45,000 ha consist 2,421 ha of Soya Bean, 4,373 ha of Maize, 1,713 ha of Big Onion, 821 ha of Chili, 813 ha of Black Gram, 1,238 ha of Cowpea, 536 ha of Ground Nuts. Cropping intensity was recorded as 178 during the end of the year. Further 13,046 ha of Fruits and 7,111 ha of Perennial Crops were also cultivated.

According to the Department of Agriculture data, MASL plays an active role in local agriculture production and development of the country while it accounts to 20% of Paddy, 55% of Soya bean, 35 % of Big Onion and 8% of Chili production during the year 2016.

Dairy Development Programme

Dairy farming is promoted in Mahaweli areas as an additional income generation source and supported to provide high nutrient level among Mahaweli settler community. Livestock Development Division of MASL is responsible for the implementation and monitoring of dairy development programmes in the Mahaweli systems.

It was recorded as 110,630 Cattle population in the Mahaweli areas while produced approximately 30 million liters of milk during the year 2016.

During the period, 135 new cattle sheds were built and 11 milking machines were distributed among needed farmers. Further, 6 breading centers were established to upgrade genetic potential of dairy cattle population in the systems.

118 training programmes were conducted for the capacity building of farmers, school children's and field officers. Further, 39 animal clinics were conducted for the improvement of animal health. While 3 milk cooling centers were established, 22 programmes were conducted under the "Milk Week" diary programme during the 2016.

Inland Fisheries and Ornamental Fish Culture

Inland Fishery Development within Mahaweli reservoirs was a key initiative implemented which helped farmers to increse the income levels and to upgrade the nutrition consumption level among Mahaweli Settlers. 14650 Metric Tons of inland fish production reported within the year 2016. Inorder to improve the fish production, 632,000 fingerlings were released and 4 breading centers were established. Further, for the improvement of ornamental fish production 92 mud ponds were constructed and 2 collection centers were established. Furthermore, to strengthen the fishery communites 7 Fisheries Societies were established during the year.

1.3.4 Institutional Development

Upgrading socio – economic conditions of Mahaweli settlers through providing entrepreneurship opportunities, capacity building, institutional strengthening, women empowerment, social and cultural development were major initiatives implemented as post settlement programme of MASL. Accordingly, Institutional Development Division of MASL has organized series of programmes and workshops covering above subject areas for the betterment of second and third generations of Mahaweli settlers.

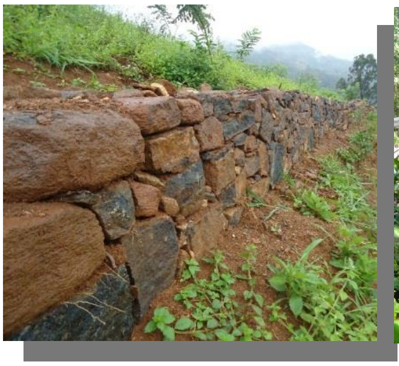
It was able to conduct 3,067 institutional development programmes, 736 Community development programmes and 61 programmes related to women development during the year.

1.3.5 Forest & Environment

Forest & Environment Conservation

Environment Division continues to manage and co-ordinate all environmental activities within Mahaweli areas. Assigning priorities for the “Punurudhaya (පුනරුදය) ” the three year action plan under the national environment programme while conducting a “Neela Haritha (නීල හරිත)” programme with the Environment Ministry for the implementation of green concepts practically in all Mahaweli areas starting the year 2016.

Annual allocation for the forest & environment conservation activities was SLRM 50 of which SLRM 48.7 (97%) utilized during the year 2016. During this period 230 cubic meters and 15,423 meters of soil conservation under the natural resource conservation and construction of 21 Km long of live fence, 6 Km of Electric fence and further maintenance of 75 Km long existing fence was completed. During the period, 88 water quality reports were produced under the water quality monitoring programnme to ensure the water quality of the Mahaweli area. 763,632 plants were produced under the nursery management and plant production programme while 133 no of Environmental Education and Awareness programmes were conducted during this period with the participation of school children .To control and manage the intensive alian species, 15 tanks were cleaned in systems, B,H and C



Renewable Energy production Enhancement (Mini Hydro Power Projects)

Letters of intents have been issued for the construction of 20 mini hydropower stations in Mahaweli areas with a total capacity of 57.3 MW of hydropower. Environmental approval has been given for 16 projects of which 10 projects have been already commenced for commercial operation up to end December 2016 with the capacity of 30.1 MW.

1.3.6 Business Development

Renovation of 07 circuit bungalows have already been completed and provision of new furniture purchased from Timber Corporation have been completed for all of the bungalows (07) during the year 2016. It is supposed to complete the renovation work of Pimbureththewa at the end of June 2017.

Dehiaththakandiya

Investments opportunities for Private Sector in Mahaweli Areas

Approvals were granted to new commercial agriculture and other development projects in Mahaweli lands during the year 2016.

Agriculture and Livestock 7	*Industries (Rice, Quarry ,Garment ,Salt) 6*
Service (Fuel station , other) 4	*Environment Projects (Boat , Land) 6*
Solar Power plants 2	

Promotion of Small and Medium Scale Enterprises (SME's)

SME programmes organized with the support of Regional Development Bank (RDB) were able to assist 78 entrepreneurs in Mahaweli areas amounting to SLRM 13.82 under the "Mahaweli Saviya (මහවැලි සවිය)" special loan programme. Under the "Mahaweli Diriya (මහවැලි දිරිය)" special loan programme it was able to assist 8 farmer organizations for their business development accounted SLRM 10.7 during the year 2016.

1.3.7 Facilitate the Convenient Working Environment

i. Human Resource Development / New Recruitments / Staff Promotions

To provide efficient and effective service the authority was able to complete most of it's carder recruitments in line with revised SOR.

Number of Vacancies Fulfilled		Promotions	
Senior Management (HM)	01	Senior Management (HM)	01
Middle Management (MM)	56	Middle Management (MM)	45
Junior Management (JM)	12	Junior Management (JM)	68
Management Staff (MA 3, MA 2-2, MA 1-2)	262	Management Staff (MA 3, MA 2-2, MA 1-2)	62
Total	**331**	**Total**	**176**

ii. Procurement Plan

During the year 2016 following equipment were process and supplied to improve the working efficiency.

Office Equipment	Number of Units
Desktop Computers	261
Laptop Computers	68
Printers	106
Photocopy Machine	74

Office Equipment	Number of Units
UPS	252
Media Projectors and Screen	28
Fax Machine	8
Dot Matrix Printers	10

iii. Training

To improve the strengthen of the employee while bringing them to the higher level of skills and knowledge several training programmes were conducted under varies subject by the training division of the authority.

Training Programmes Conducted		
	Programmes	Participants
Senior Management (HM)	1	35
Middle Management (MM)	4	128
Junior Management (JM)	11	237
Management Staff	16	827
Total	**32**	**1227**

1.3.8 Legal Enforcement

During the year 2016, 116 court cases were follow up by the legal division under the guidance of Attorney General Department while the head works division involved in 11 case hearings, 04 legal discussion were conducted to solve some of the pending legal cases of MASL.

1.3.9 Water Management

The Water Management Secretariat (WMS) ensured the efficient utilization of the water resources of Mahaweli reservoirs. While coordinating with CEB, Water Board, Dept. Irrigation, and Metrology Dept. to meet the countries' Agriculture, Hydro energy, Drinking and water requirements. WMS also provided information and recommendations to the Water Management Panel to assist it in reaching its operational policy decisions.

Water Storage Capacity of MASL Reservoirs

Reservoirs	Maximum Capacity Level (MCM) 2016
Kothmale	172.9
Polgolla	4.1
Victoria	721.2
Randenigala	861.4
Rantambe	7.0
Bowatenna	23.5
Uda Walawa	278.2
Dambulu Oya	11.7
Kandalama	33.8
Kalawewa	123.7
Ulhitiya/ Rathkinda	145.3
Maduru Oya	596.6
Total	**2979.4**

1.3.10 Internal Audit

To ensure the effectiveness of the functions of the authority under the Internal Audit division 11 field visits were conducted for audit in the systems, Issued 14 audit reports and conducted 24 audit inquiries during 2016.

2. Power Generation Capacity of Mahaweli Reservoirs

Reservoir	**Total Capacity** (Approximately) **(MCM)**	**Maximum Power Capacity (MW)**	**Power Generation 2015 (GWh)**	**Power Generation 2016 Jan. – November (GWh)**
Kothmale	174	201	480.44	257.69
Polgolla	4	-		-
Victoria	722	210	795.28	563.12
Randenigala	860	126	434.56	304.94
Rantambe	7	49	213.05	134.79
Ulhitiya/Rathkinda	146	-		-
Maduruoya	596	-		-
Bowathanna	23	40	64.42	39.25
Udawalawa	268	6	21.42	15.54
Ukuwela (Power Station Only)		40	157.51	146.62
Total	**2,800**	**672**	**2,166.68**	**1,461.94**

3. Cabinet Memorandums forwarded in 2016

Cabinet Paper no and date forwarded		Title	Cabinet decision
No	Date		
16/0063/704/003	2016.01.20	Combining a private investor to reorganize Mahaweli Livestock and Agri Business (Pvt)Ltd.	Grant approval to the proposal
16/0621/704/015	2016.04.19	Taking a policy decision with regard to the alienation of lands of Mahaweli system "L"	(i) Grant approval for the allocation of blocks of land as proposed (ii) Direct the relevant authorities to allocate the blocks of land as at (i) above , in a manner which does not interrupt the existing elephant corridors in the relevant areas
16/0629/704/016	2016.04.19	Requesting a 100 acre land for the construction of cattle orphanage – Sri Bodhiraja Foundation, Bodhiraja Dharmayathanaya, Embilipitiya	(i) Grant approval for the proposal (ii) Direct the officers of Bodhiraja Darmayathanaya to register the proposed cattle orphanage under the Department of Animal Production and Health, Embilipitiya
16/1274/704/034	2016.07.26	Granting tax relief for commercial lands alienated on lease basis in terms of the State Land Ordinance No.08 of 1947	(i)Grant approval for the proposals (ii)Ministry of lands to take action to review paragraph (2) of Regulation 2017 made under the State Land Ordinance, No 08 of 1947 pertaining to annual lease amount of the land leased for commercial purposes and recommended suitable proposals to the cabinet

16/1883/704/053 /TBR	2016.09. 27	Direct assignment to Road Development Authority for improvement and surfacing of 11.1 km long main road , in Mullativu district that runs from Gajabapura area of Welioya to Nadunkerni town	Decide to grant the approval for the proposals
16/2013/704/055	2016.10. 11	Annual Report of the Sri Lanka Mahaweli Authority for the year 2013	(i) Grant approval to present the Annual Report of the Sri Lanka Mahaweli Authority for the year 2013 (ii)Rectify the shortcomings and deficiencies pointed out by the Auditor General pertaining to the financial statement of the Sri Lanka Mahaweli Authority for the year 2013 (iii)Submit the Annual Report of the Sri Lanka Mahaweli Authority for the year 2014 and 2015 to the cabinet
16/2343/704/011 -II	2016.11. 15	Request for the proposals (RFPs) for Development of Renewable Energy project in Mahaweli economic zones.	(i)Grant approval in principle to the recommendation (ii)Implement the recommendation in the memorandum and submit to the cabinet as join proposal,