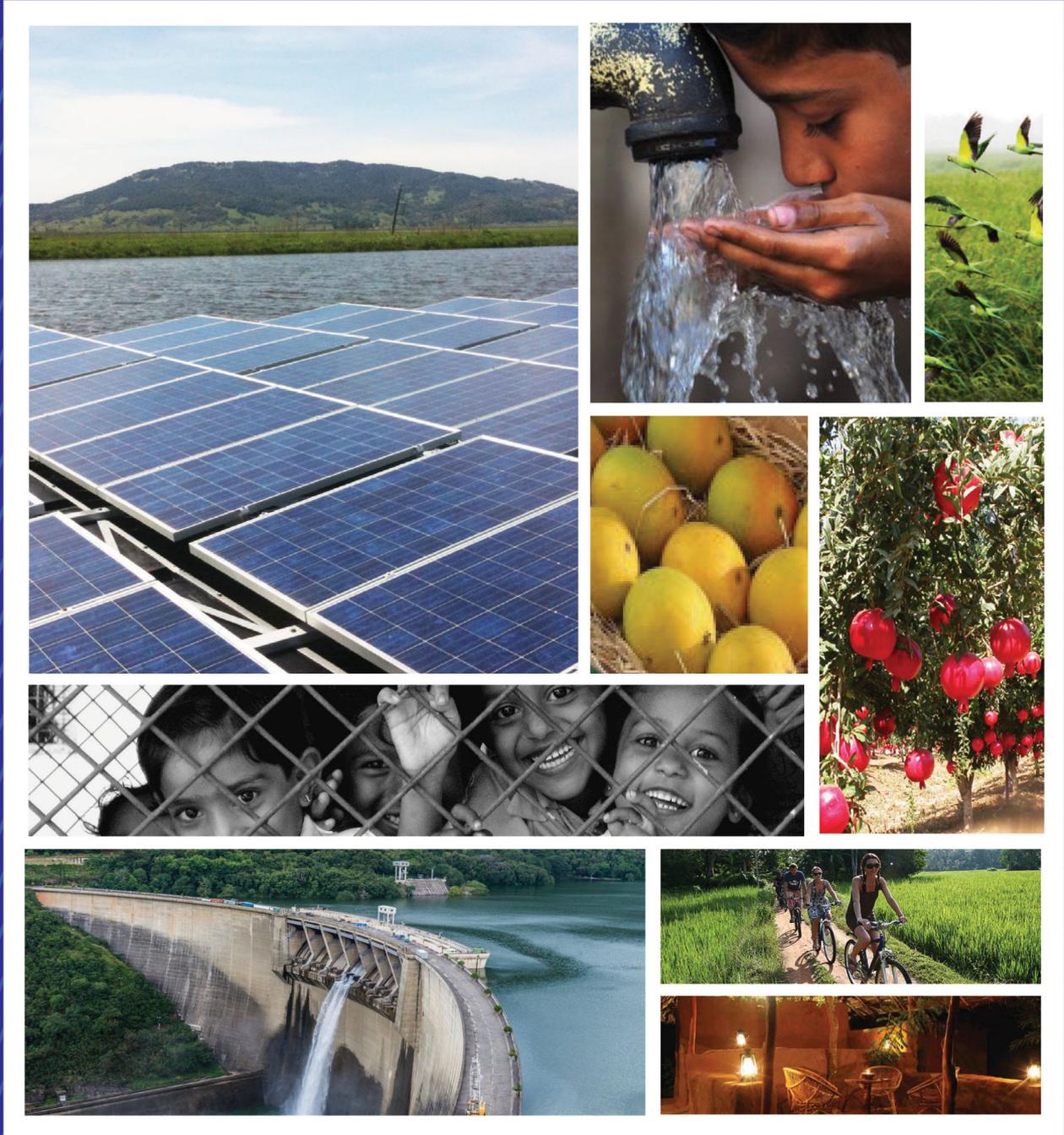




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இலங்கை மகாவலி அதிகார சபை
Mahaweli Authority of Sri Lanka



වාර්ෂික වාර්තාව - 2014
ஆண்டறிக்கை - 2014
Annual Report -2014

ANNUAL REPORT
2014

MAHAWELI AUTHORITY OF
SRI LANKA

**MAHAWELI AUTHORITY OF SRI LANKA
ANNUAL REPORT - 2014**

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VISION

“Functioning as the premier body to plan, develop, manage and regulate river basins and water resources in Sri Lanka.”

MISSION

- **Improve the efficiency of land and water resources in order to enhance National Food Production.**
- **Improve the management capacity of Farmer Organizations to enable them to undertake the management of Irrigation Systems and entrusting the management of such Systems to them.**
- **Expanding the water retention capacity of the Mahaweli Reservoirs to meet the present water requirements and developing new Irrigation Schemes.**

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 byproducts 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 0.8 million 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 2000 GWh. However, annual generation of electricity remained at 470 GWh 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.

At that 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 entire 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 sea flowing through the dry zone after having collected rain water inflows of an area which is equality 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 agriculture 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 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 the North 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 the relevant 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 extent, 253, 968 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 2037 GWh of electricity could be generated by 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 820 GWh electricity 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 Multipurpose 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 15 MWh at Thaldene, to construct a tunnel from Ruthkinda reservoir to the Maduruoya reservoir in order to feed it with water, construction of a mini hydro power plant along with Maduruoya reservoir with a installed capacity of 4.9 MWh.

III. Third Phase

Under this phase 105, 668 hectares of new land 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 160 km North Central Canal, construction of reservoirs such as Ottalawala, Umaoya, Rantmbe, Kotmale, and Kaluganga were included under this phase.

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)

As the first project of the Mahaweli Master Plan, Polgolla and Bowatanna Project 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 40 MWh. 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 408 mwh 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 remained at 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 Headworks 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, Multipurpose 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 113,823 hectares of new lands by 2020 under this Phase. It includes 82,000 hectares under the Moragahakanda Project, 13,000 hectares under the North Western Canal Project, 18,000 hectares under the Maduruoya Right Bank Development Project, 2400 hectares under the Kiwuloya Reservoir Project and 11,423 hectares under the Umaoya Multipurpose Development Project.

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

Profile of the Board of Directors - 2014

Serial No.	Name / Position	Period
01	Mr. Gamini Rajakaruna Director General Sri Lanka Mahaweli Authority of Sri Lanka Chairman	January - November
02	Mr. Anuradha Wijekoon Director General Mahaweli Authority of Sri Lanka	December 2014 only
03	Eng. (Dr.) P. U. Wickamaratne Additional Secretary (Technical) Ministry of Irrigation and Water Resources Management, Director	January 2014 only
04	Eng. (Mr.) D. D. Ariyaratne Director (Planning & Implementation) Ministry of Irrigation & Water Resources Management	February – December 2014
05	Eng. (Mrs.) Badra Kamaladasa Director General, Irrigation Department Director	Full period
06	Mrs. S.G. Patharage, Assistant Secretary, Ministry of Finance Planning Director	February – December 2014
07	Eng. (Mr) M. A. P Hemachandra Working Director Central Engineering Consultancy Bureau	Full period

SENIOR MANAGEMENT

Serial No.	Position	Name	Period
01	Director General	Mr. Gamini Rajakaruna	
02	Additional Director General	Eng.(Mr.) D.C.S. Elakanda	03. 02. 2014 14. 11. 2014
03	Deputy Director General (Technical Service)	Eng. N. C. M. Navaratne	Retirement 01. 08. 2014
		Eng. H. H. P. Premakumara	Since 04. 08. 2014
04	Deputy Director General (Administrations & Finance)	Mr. Ranjith Ariyaratne	Termination of service 08. 01. 2014
		N. C. Withanage	09. 01. 2014- 01. 01. 2015
05	Director (Planning & Operations)	Mr. C. Vellappilli	Jan 2014 – 01. 12. 2014
06	Director (Agriculture)	Mr. M. S. Dayaratne	Jan 2014 – 23. 11. 2014
		W. E de Mel	From 24. 11. 2014 01. 03. 2013
07	Director (Land Use Planning)	Mr. H. H. Leelananada	- To date
08	Director (Head works Administration, Operation & Maintenance)	Eng. (Mr.) S. S. Jayaweera	Full period
09	Director (Engineering Designing & Planning)	Eng. (Mrs.) P. Thalagala	Full period
10	Director (Downstream Development)	Eng. (Mr.) K.G. Perera	Full period
11	Director (Water Management Secretariat)	Eng. (Miss) G. K. T. Samaratunga	Full period
12	Director (River Basin Management)	Eng. H. H. P. Premakumara	Jan 2014 – 03.08. 2014
13	Director (Security)	Major (Mr) L. P. A. Jayawardane	Full period
14	Director (Lands)	Mr. M.S.A.S. Kumara (Actg.)	Full period

15	Director (Animal Husbandry)	Mrs. K. G .Wijesooriya	Full period
16	Director (Finance)	Mrs. Indrani Ramanayaka (Actg.)	Full period
17	Director (Business Development)	Mr. K. P. C. Perera	Full period
18	Director (Legal)	Mrs. R. L. Rajapakse	Full period
19	Director (Institutional Development)	Dr. D. M. S. Dissanayake	Full period
20	Director (Forestry & Environment)	Mr. A. M. K. B. Attanayake	Full period
21	Director (Head Quarters Operations)	Mrs. D. K. V. Wijeweera	Full period
22	Director (Mahaweli Centre)	Mr. T. M.V. Mallaheva (On contract basis)	Full period
23	Director (Personnel & Administration)	Mr. N.C. Vithanage (Actg.)	Jan 2014 – 08. 01 2014
		Mr. C. C. Hidalla Arachchi	From 08. 01 2014
24	Project Director (Dam Safety & Water Resources Planning Project)	Eng. (Mr.) D. C. S. Elakanda	Full period
25	Project Manager (Moragahakande / Kaluganga Development Project)	Eng. (Mr.) R. B. Tennakoon	Full period
26	Project Director (Mahaweli Consolidated Project)	Eng. (Mr.) P. G. Gunapala	Full period
27	Resident Project Manager (System B)	Mr. W. K. Ranjith Perera	Full period
		Mr. P. G. Dayananda	From 01.03. 2014
28	Resident Project Manager (Rambakkanoya)	Mr.A.M.A.P.G. Gunawardena	Full period
29	Resident Project Manager (System C)	Mr. I.M.U.K. Kumara	From-14. 02. 2013
		Mr. W. K. Ranjith Perera	From-01.03. 2014
30	Resident Project Manager (Victoria)	Mr. W.M.R.W.Wijetunga	Retired on -11. 02. 2014
		Mr. I. M. U. K. Kumara	From 01. 03. 2014 02.

31	Resident Project Manager (Huruluwewa)	Mr. H. K. P. Jayanatha	From 18. 02. 2013
		Mr. R.B. Sirisena	From 01.03. 2014
32	Resident Project Manager (H)	Mr. R.B. Sirisena	01. 01. 2014 28. 02. 2014
		Mr. H. M. K. R. Herath	From 01. 03. 2014
33	Resident Project Manager (L)	Mr. P.G. Dayananda	01. 01. 2014 28. 02. 2014
		Mr. H. K. P. Jayanatha	From 01. 03. 2014
34	Resident Project Manager (D)	Eng. (Miss) Chandra Senarath	From 22. 03. 2013
35	Resident Project Manager (G)	Mr. H.M.K.R. Herath	01. 01. 2014 -
		Mr. A. H. M. Banda	28. 02. 2014 From 01. 03. 2014
36	Resident Project Manager (Walawe)	Mr. M.M. Asanka Gunatillake	From 18. 03. 2013

Review of Director General for the Year 2014

Areas that come under the purview of the Mahaweli Authority of Sri Lanka, which was established under the Act No. 23 of 1979, comprise 42% of the total land area of Sri Lanka and as a Multi-purpose Development Program based on the development of the Mahaweli basin, it plays a key role in the economic development of the country. At the initial stage of the Mahaweli Program, new development approaches were made with a view to bringing prosperity to the dry zone areas by constructing five large reservoirs.

Since then, targeted development activities have been successfully implemented through various projects. By the year 2014 an Action Plan has been formulated in order to carry out required operations and maintenance functions to ensure the efficiency of the Irrigation Systems and the relevant infrastructure facilities. According to this plan, further steps are being taken to enhance the agricultural productivity of the Mahaweli areas and to ensure the supply of irrigated water for the prosperity of the dry zone by implementing the remaining development activities of proposed projects of the Mahaweli Master Plan. During the year, priority was accorded by the MASL to develop Mahaweli areas which face high risks in terms of water and food, in compliance with the National Irrigation Policy directives which envisage development of Water Resources and Management, Modernization of Irrigation Infrastructure Facilities, Management of Water Shed Areas, institutional reforms research and development.

Particularly during the year 2014 the Mahaweli Authority of Sri Lanka, with a view to creating an agricultural and economic revival in the northern and eastern parts of the country in which development functions remained standstill for more than 30 years due to the then prevailing insecurity, formulated plans and implemented them. Accordingly, development activities related Maduru Oya Right Back development, finalization of the feasibility study and plans for Allai-Kantale Project and development of Welioya and Kiwuloya were commenced. The main tasks required to be performed during the year included successful completion of the remaining work of the proposed development projects, activities related to settlements development, improving the rural economy by generating new income opportunities and irrigation water management covering an extent of 100,000 hectares of agricultural lands.

During the year 2014 an investment of Rs. 110 million was made in the Mahaweli Development Program and it resulted in an accrued benefit to the value of Rs. 900 million through activities related agriculture and animal husbandry. Thus the Mahaweli Authority of Sri Lanka has succeeded in contributing to the national economy in the following manner: paddy production 22%; soya production 98%; chili production 6%. Production of other field crops has also contributed to the national economy.

I take this opportunity to thank the employees of the Mahaweli Authority of Sri Lanka who worked with commitment in order to achieve the agricultural targets set for the year in both financial and real terms so as to enhance the national economy through a multipurpose agricultural process. I also wish to record my gratitude to the Hon. Ministers, Deputy Ministers and Board of Directors for their guidance in this regard.



Gamini Rajakaruna
Director General
Mahaweli Authority of Sri Lanka

Brief Note of the Board of Directors

The Board of Directors of the Mahaweli Authority of Sri Lanka has pleasure in presenting its Report together with the Audited Financial Statements of the Organisation as at 31st December 2014.

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 2014. 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 detection of fraud and other irregularities and minimizing of risks.

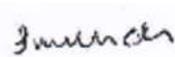
The Board wishes to express great appreciation to all Staff Members of MASL for the enormous commitment shown by them in fulfilling the tasks entrusted to them.



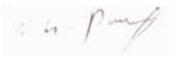
Gamini Rajakaruna
Chairman
Mahaweli Authority of Sri Lanka



Engineer P. U. Wickramaratne
Additional Secretary (Technical Services)
Ministry of Finance & Planning



S. G. Pathirage
Assistant Secretary



Engineer (Mrs.) Badra Kamaladasa
Ministry of Irrigation & Director – Irrigation Department
Water Resource Management



Engineer (Mr.) M.A.P. Hemachandra
Director
Central Consultancy Bureau of Engineering

Report of the Audit Committee – 2014

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 – 2014

- Mr. S. G. Pathirage (Chairman of the Committee)
- Eng. (Mrs) Badra Kamaladasa Member
- Mr. M. A. P. Hemachandra Member

Presence at Committee Meetings

- Secretary to the Board of Directors
- Deputy Director (Administration & Finance)
- Director (Finance)
- Chief Internal Auditor
- An External Auditor representing the Auditor General
- Other relevant Officers who are summoned when necessary

Functions of the Committee

- Monitoring and reviewing of the internal control systems of the Authority, reorganization and approval of Annual Audit Plans, When necessary.
- Review of the Internal Audit Reports, perusal of issues and take Corrective actions to overcome deficiencies, if any.
- 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 investigation in order to ensure productive performance. The Internal audit of the Authority was carried out according to the Internal Audit Plan, under the guidance of the Audit Committee during the year 2014. Further, this Division took steps to conduct a System Audit to eliminate inefficient procedures, improve internal controls, check and minimize possible instances of fraud and errors.

Progress achieved during the year 2014

- 21 Audit Reports were issued during the year under the Internal Audit Plan.
- 07 Investigations were conducted and the relevant reports were issued.
- 03 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

	2014	2013	2012	2011	2010	2009	2008
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
Assets							
Non-Current Assets							
Property, Plant & Equipment	4,259,208	4,549,301	3,733,498	4,011,792	5,325,181	5,271,286	5,031,173
Other Financial Assets					59,848,291	72,794,406	71,941,143
Work in progress	62,506	48,362	12,821		2,940,429	1,940,878	1,076,819
Investments	<u>175,359</u>	<u>166,731</u>	<u>135,392</u>	<u>135,392</u>	<u>124,801</u>	<u>134,976</u>	<u>145,827</u>
	4,497,074	4,764,394	3,883,909	4,147,184	68,238,702	80,141,537	78,194,964
Current Assets							
Inventories	180,890	174,028	161,801	157,725	162,219	140,686	178,128
Receivables	1,274,329	1,150,958	898,804	684,392	1,129,552	1,183,988	1,028,909
Pre payments		38	1,548	19,470	4,209	1,358	312
Bank Guarantees	837	905	2,210	2,160	359	503	503
Cash & cash equivalents	190,391	140,950	121,802	143,521	209,735	44,435	55,454
Total Current Assets	<u>1,646,447</u>	<u>1,466,879</u>	<u>1,186,165</u>	<u>1,007,268</u>	<u>1,506,074</u>	<u>1,370,966</u>	<u>1,262,803</u>
Total Assets	6,143,521	6,231,273	5,070,074	5,154,452	69,744,776	81,512,502	81,512,502
Liabilities							
Current Liabilities							
Payables	491,622	528,482	478,223	364,983	238,803	254,085	259,194
Accrued Expenses	207,705	87,145	61,525	47,494	39,385	70,231	64,707
Total current liabilities	699,327	615,627	539,748	412,477	278,188	324,317	323,901
Provisions for Gratuity	1,311,876	1,157,688	1,077,205	1,022,674	1,071,471	1,091,555	988,026
Taxes	612	612	612	612	1,142	370	8,100
Leases	14,329	6,243	9269				
Total non - Current Liabilities	<u>1,326,817</u>	<u>1,164,543</u>	<u>1,087,086</u>	<u>1,023,286</u>	<u>1,072,613</u>	<u>1,091,925</u>	<u>996,126</u>
Total Liabilities	2,026,144	1,780,170	1,626,834	1,435,763	1,350,801	1,416,241	1,230,027
Net Assets/Equity							
Accumulated Fund	23,383,849	23,224,435	23,116,473	230,009,463	87,422,561	98,404,890	96,161,823
Revenue Reserve	67,466	53,560	53,560	53,560	65,731	59,904	10,990
Revaluation	3,837,266	3,851,627	3,061,097	3,061,146	3,119,639	3,340,644	3,238,397
B/F Balance of Income & Expenditure	(23,171,205)	(22,678,520)	(22,787,889)	(22,405,480)	(22,213,956)	(21,709,177)	(21,273,471)
Total Net Assets/Equity	4,117,377	4,451,102	3,443,240	3,718,689	68,393,975	80,096,260	78,137,739

**Board of Directors of the Companies established under the Mahaweli
Authority of Sri Lanka - 2014**

S. No	Name of the Company	Chairman	Board	Address of the Head Office
01	Mahaweli Livestock & Agro Enterprises (Pvt) Ltd		Mr. M. D. Piyatilaka Mr. Edward de Mel Mr. NimalMahawatta Mr. Osman de Silva Mrs. K. G. Wiresooriya	No. 260/20, Baseline Road,,Colombo 09
02	Mahaweli Consultancy Bureau (Pvt) Ltd	Dr.Harsha Samaraweera	Eng (Mr.) D.C. S. Elakanda Mr. Gamini Wejenayaka Eng. Sirira Kumara	No. 11, Jawatta Road, Colombo 05
03	Mahaweli Venture Capital Company (Pvt) Ltd		Mr. Wijithasena, Mr. Rathnasiri Veragala	07 th Floor, Mahaweli Authority of Sri Lanka, No. 500, T. B. Jayah Mawatha, Colombo – 10
04	Natural Resources Management Services (Pvt) Ltd	Mr. K. W. N. D Karunaratna	Mr.A.M.K.B.Attanayaka Mr.B.W.M.W.Senaviratne	Dam Site, Polgolla
05	Mahaweli Engineering Services Company		Closed down	

Administrative Report

Part I

CHAPTER ONE

ESTABLISHMENT AND FUNCTIONS 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 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 sustainability 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

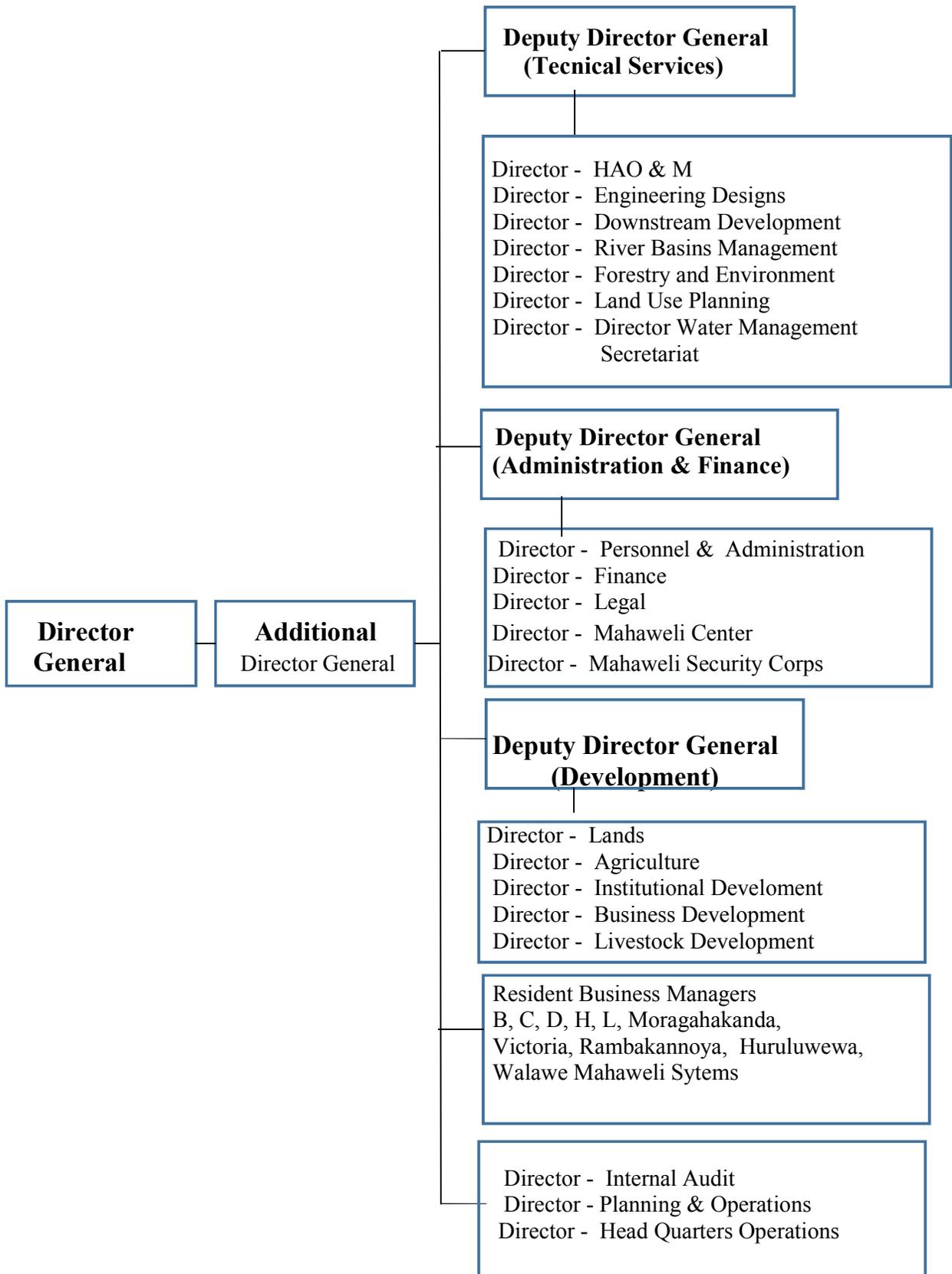
The administration of the Projects and Field Offices established under each subject area of the MASL by the Director General is coordinated by the respective Deputy Directors General, Directors, Project Directors and Resident Project Managers.

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 an Initial Environmental Study in order to expand the extent of irrigated lands in the Right Bank of the System 'B' and System 'L'.
- Promoting agriculture supporting services, agricultural 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 Organisations to facilitate the delegation of the maintenance and management of Irrigation Systems to the Farmers Organisations.
- Empowering livestock sector under the theme of "Mahaweli Animal productions for a Prosperous Nation" to enhance 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 by computerizing all personnel related information.
- Allocation of water from the major reservoirs for settlement schemes, hydro-power generation, domestic electricity 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 Rabbukkanoya 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



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 appointed at Head Office level for each subject area, in respect of the functions to be carried out at System level under the purview of Deputy Director Generals.

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, agriculture and development functions. 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 families 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 Zonal 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

- Coordinating the Board Meetings of the MASL and carrying out all related functions.
- Coordinating, 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.
- 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 Committee/Audit Management Committee meetings and informing the decisions of such meetings.

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 of Socio-economic Surveys and carrying out analysis.
- Review the progress of the 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
- Coordination of Studies with regard to the impact areas.

1.3.3 Internal Audit Division

Internal Audit scope has been prepared according to the Sri Lanka Auditing Standards, Public Enterprises Guidelines for Good Governance (Public Enterprises Circular No. PED/12), Financial Regulations of the Democratic Socialist Republic of Sri Lanka, Guidelines on Internal Auditing issued by the Department of Public Finance of the Ministry of Finance and Planning and Management decisions.

- Perusal and reporting on the operational functions of the organization in a management perspective, instead of an accounting perspective.
- Evaluating the extent of progress reported in the relevant Projects and Programs, along with the given time frame.
- Conducting on site investigations to find out the issues that lead to delays in the implementation of work.
- Evaluation and review of controls used to monitor the operational functions.
- After conducting field audit inspections 21 Audit Reports 07 Investigation Reports were submitted for the perusal of the Director General during 2014.

CHAPTER TWO

Technical Services Division

The responsibility for fulfilling the following tasks is delegated to the Deputy Director General (Technical Services):

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.
4. Formulation of proper plans to supply available 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 Services Division of the Mahaweli Authority of Sri Lanka performs its functions focusing mainly on the above mentioned processes. Accordingly, this Division implemented following activities during the year 2014.

2.1 Project Planning and Implementation

2.1.1 System B

- Construction of a bridge with a sluice gate for Piburaththawa tank.
- Construction of a canal system along with branch canal no. D4/302 in the Malwanne Unit 302.

Madirigirava System

- Planning and construction of a bridge across Atambaoya

2.1.2 Downstream development activities

- The main functions of this division include the operation and maintenance of the irrigation systems of the Mahaweli areas, maintenance and management of the buildings and premises, repairs to the road networks and related planning, preparation of estimates, quality control of constructions.

2.1.3 Development of Mini Hydro Power Generation Projects

- Coordination of the activities with regard to the construction of mini hydro power generation plants under the investments of the following companies:
 1. Eagle Power (Pvt) - Maduruoya II (mw 0.6)
 2. Escas Power (Pvt) - Owala (mw 2.8)

- The construction work of the following mini hydro power projects were completed and added to the national grid:
 1. Rosstate - (mw 4.5)
 2. Lower Kothmale - (mw 4.55)

2.1.4 Development of River Banks and Reservoirs

In this regard following activities were carried out under the Water Resources Development Component: Creating awareness among community on the development and conservation of water resources, environment friendly rehabilitation of the selected tanks from upper catchment areas of Kalawewa, planting of trees at tank banks and upper catchment areas and bank conversation activities of Havanella Oya, one of the tributaries of Kalawewa.

In addition to the above mentioned activities, the following activities as well, were completed with a cost of Rs.9.84 million under the Environmental and Natural Resources Development Component: Water quality test at Dambuluoya, Kandalama and Kalawewa reservoirs situated at the upper basin of Kalawewa and Bowatenna reservoir at the Mahaweli basin, development of upper catchment areas, awareness creation and competition among school students on the conservation of environment and the quality of water, testing of the quality of portable water in selected areas and creating awareness among the community on solid waste management to persuade them to take measures in that regard.

2.1.5 Consolidated Development Project - System L

The following construction activities were carried out under the Consolidated Development Project at System 'L' during 2014:

	Activities	Expenditure (Rs m.)
01	Construction of canals	
	Field canals - 15 km	8. 63
	Distributary canals - 2.62	5. 58
	Construction of side bunds	1. 62
	Renovation - Flood damages	1. 2
02	Construction of Roads	21. 29
03	Construction of Buildings	0. 81

2.1.6 Project Activities

	Project	Activity	Expenditure (Rs m.)
01	Kiwuloya Reservoir Project	<ul style="list-style-type: none"> • Construction of buildings and repairs • Purchase of machinery & equipment • Construction of rural roads • Construction of roads for agricultural lands • Construction of canal network and clearing of jungle • Improvement of irrigation canals • Engineering surveys • Land plots and planning • Construction of wells • Entrepreneurship training 	<p style="text-align: right;">2.41</p> <p style="text-align: right;">1.29</p> <p style="text-align: right;">30.58</p> <p style="text-align: right;">2.91</p> <p style="text-align: right;">2.6</p> <p style="text-align: right;">1.46</p> <p style="text-align: right;">9.48</p> <p style="text-align: right;">0.82</p> <p style="text-align: right;">4.92</p> <p style="text-align: right;">0.23</p>
02	Ridimalidda	<ul style="list-style-type: none"> • Construction of buildings • Irrigation Activities • Construction of roads 	<p style="text-align: right;">4.187</p> <p style="text-align: right;">21.704</p> <p style="text-align: right;">3.44</p>
02	Rambakkanoya	<ul style="list-style-type: none"> • Repairs and improvements to the Buildings 	<p style="text-align: right;">29.66</p>
03	Sevenagala	<ul style="list-style-type: none"> • Improvements to field canals • Improvements to distributary canals • Other activities 	<p style="text-align: right;">20.83</p> <p style="text-align: right;">6.51</p> <p style="text-align: right;">8.21</p>

2.2 River Basin Development Division -Functions

- Study, analysis and forecasting the existing situations of the basins of Mahaweli and other related basins.
- Preparation of River Basin management plans and maintaining an information system with regard to that plan.
- Developing the infrastructure facilities of the river basins.
- Monitoring of water flows of the rivers and streams.
- Measuring the quantity of soil mixtures of rivers and reservoirs and formulation of future development plans based on the analysis of water samples.

The activities implemented under the River Basin Development Program include creating awareness among the community on the development and conservation of water resources under Water Resources Component, rehabilitation of few selected tanks located in the upper catchment areas of Kalawewa in an environment friendly manner, planting of trees in the upper catchment areas and conservation of the banks of Havanwellaoya, one of the tributaries of Kalawewa.

The activities implemented under the Conservation of Environment and National Resources component include water quality monitoring at Dambuluoya, Kandalama and Kalawewa reservoirs of the Kalaoya upper basin and Bowatenna reservoir of the Mahaweli river basin, development activities at the upper catchment areas, creating awareness among school children on the importance of conservation of the environment and the quality of water, checking the quality of portable water in selected areas and creating awareness among the community and related activities.

Other special activities carried out during the year 2014 include rehabilitation 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.

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 The work sites managed by HAO&M Division:

Kotmale	Victoria
Polgolla	Randenigala
Minipe	Rantambe
Ulhitiya	Maduru Oya
Kandalama	Dambulu Oya

2.3.2 Main functions of HAO & M Division

- A. Administration
- B. Operation
- C. Maintenance

2.3.4 Progress in 2014

- 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 Engineers attached to the HAO & M Division.
- Carrying out permanent maintenance work at Digana Village.

2.4 Water Management Secretariat

2.4.1 Functions

Required information and recommendations are being provided by the Water Management Secretariat to the Water Management Committee meetings held during Yala/Maha seasons. Preparation of seasonal operations plans, coordination among organizations related to the Water Management Committee, implementation of plans and monitoring are also carried out by this secretariat.

2.4.2 Maha Season 2013/2014 (From 01st October 2013 to 31st March 2014)

At the commencement 2013/2014 Maha season storage of water remained at lowest levels in all irrigation reservoirs. Therefore, cultivation activities of Kalawewa Right Bank, IH and MH zones and Sorabora, Dambarawa and Maduru oya irrigation schemes commenced at the last week of October, with the expectation of utilizing water from South East monsoonal rains. Cultivation activities of all irrigation schemes that come under Mahaweli and Walawe areas commenced at November 2015. Along with the dry climatically conditions that prevailed in the middle of the season water flows to the reservoirs remained at lowest levels. Therefore, more volume of water, than expected was required to be released from the main reservoirs to maintain the Maha crop. The hydro electricity generated by utilizing the waters of such reservoirs was 996 gwh.

Thus the volume of water – 402 million cm – diverted through Ukuwela tunnel to Anuradhapura and Polonnaruwa districts remained double as planned. At the end of 2013/2014 season capacity of all reservoirs, other than Rajanganaya and Parakrama Sumudra, remained at the lowest levels.

As at February 2014, generation of electricity at Castlereigh reservoir was limited to the extent of fulfilling the water requirement of the Ambatale Water project of the National Water Supplies and Drainage Board.

2.4.3 Yala 2014 (From 01st April 2014 to 30th September 2014)

At the commencement of the 2014 Yala season water levels at all major reservoirs of the all Mahaweli Systems remained at lower level. Water flows into the reservoirs during the season were very low than the volume of water expected under normal conditions. Therefore, the water levels at reservoirs remained very much closer to the levels which were forecasted when the cultivation plans were made for 2014 Yala season.

Although the reservoirs received rains at the commencement of the season, due to the dry weather conditions prevailed from June, around 50 % of inflows into Kotmale and Polgolla reservoirs were diverted to systems H, IH, MH, D1, D2 and G so as to supply water to those systems. Power generated at the Mahaweli Systems during this season was 486 gwh. Cultivation was not planned in respect of Thisawewa, Huruluwewa and Kantale irrigation systems because of the low levels of water prevailing in the reservoirs and cultivation was carried out at approximately 25-30% of lands by utilizing water supplied for domestic consumption.

Planting was carried out only at Rajanganaya and Parakrama Samdra irrigation schemes by end of March and in respect of other schemes planting was completed by end of May and early part of June.

2.4.4. Maha 2014/2015 (1st October 2014 - December 31st)

The Seasonal Operations Meeting for the 2014/2015 Maha season was held at Gannoruwa Plants and Genetic Resources Centre on the 10th October 2014.

Despite the water levels at all irrigation reservoirs remained at the lowest level at the end of the season, water levels went up along with the north- east monsoonal rains and by end of November cultivation was completed at all irrigation systems other than Huruluwewa and Udawalawe Schemes.

By the end of December all hydropower generating reservoirs reached spill levels because of the higher inflows in to the Mahaweli reservoirs.

2.5 Land Use Planning Division

2.5.1 Functions

- 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.

The activities implemented by the Land Use Planning Division during the year 2014 are given below:

System H

A socio-economic survey was conducted at Yoda Elagama Village located in the Eppawela Block Office area that comes under the purview of Thambuttegama Resident Business Manager's Office, in respect of 191 blocks of lands. Accordingly, it was planned to computerize information related to the land ownership and occupancy in the relevant area along with economic data and information. The following table indicates year-wise information with regard to total residents. Information on forest reserves of these areas was collected with the coordination of Archeological and Irrigation Departments.

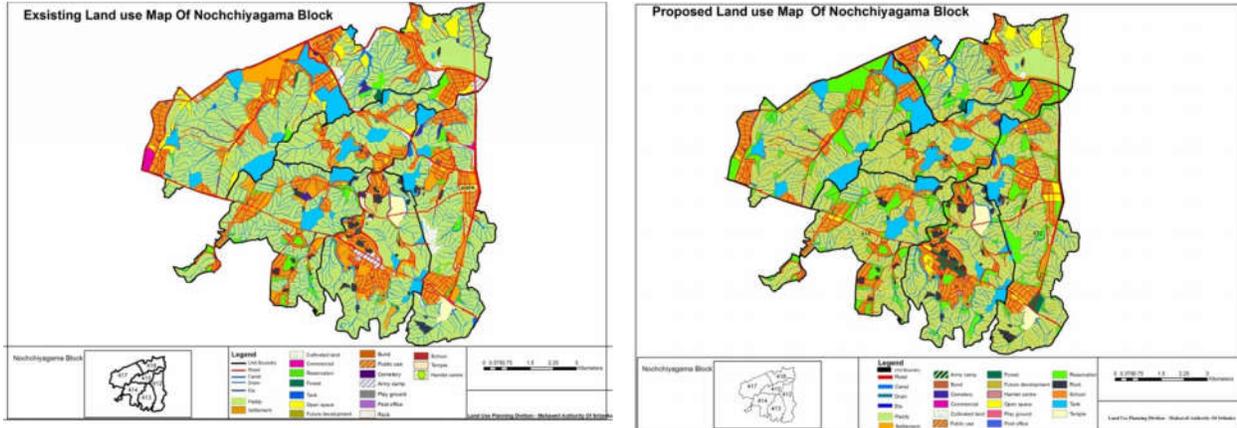
Year	No. of Residents
1960 - 1979	4
1980 - 1999	88
2000 - 2014	59
Total	151

Eppawela - Yoda Ela Gama



Nochchiyagama Town

A field survey was conducted in order to update the map of Nochchiyagama Block and subsequently the mapping of the service delivery system within the town was completed. Steps are being taken to re-establish that system with the involvement of the Urban Development Authority and the Pradeshiya Sabha.



Compilation of an Electronic Land Information System

The initial program of the project of compilation of an electronic land information system including all information related to lands owned by the Mahaweli Authority of Sri Lanka, is being carried out at Thambuttegama Divisional Secretariat Division of system 'H'. The basic objective of this program is to facilitate efficient and effective management land use patterns by compiling accurate information.

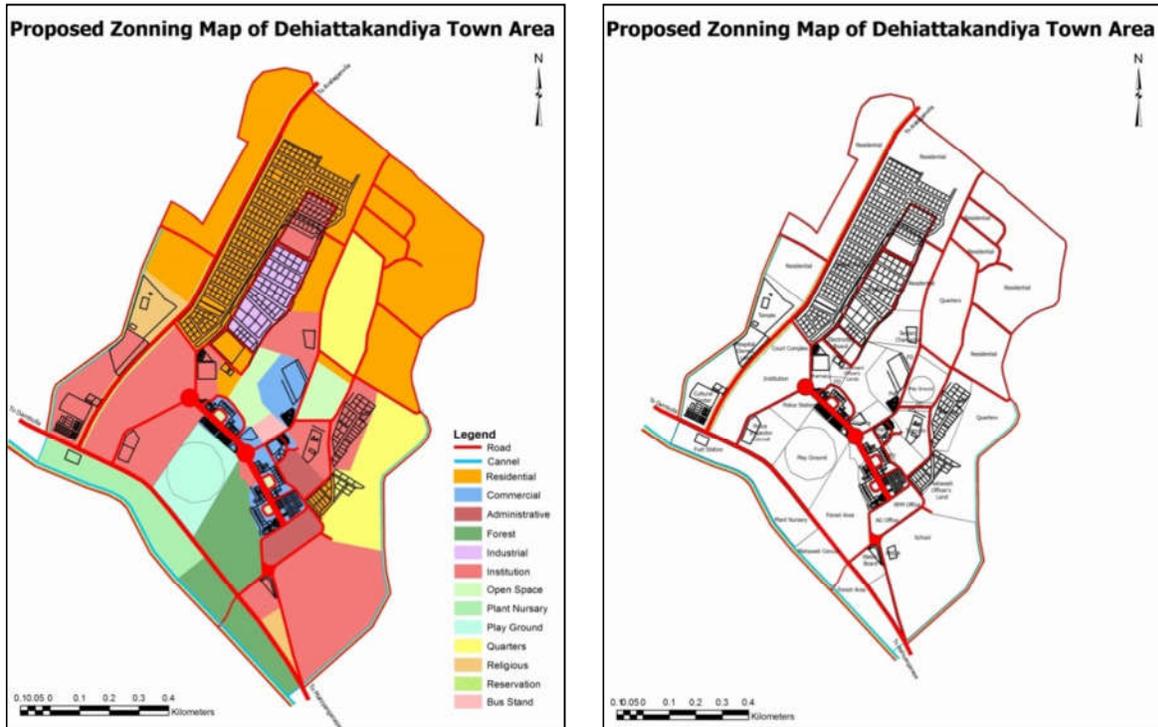
Huruluwewa



A survey has been conducted in order to computerize information related to the changes occurred in land use planning and economic data with the objective of preparing a proper town plan for Madatugama town and to update the Galkiriyagama Urban Development Plan.

System C

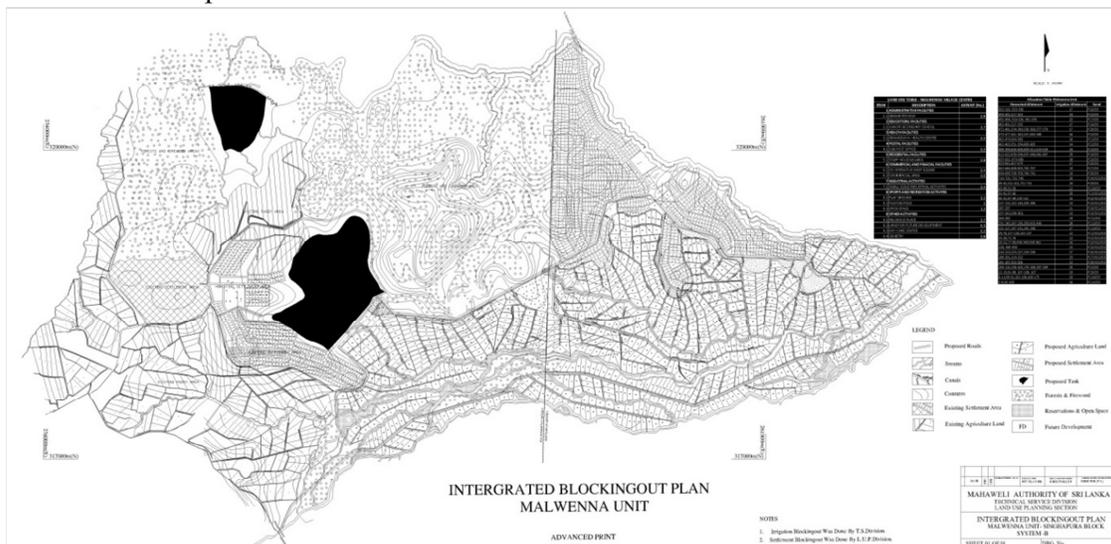
A field survey was conducted in order to initiate a study to find out changes required to be



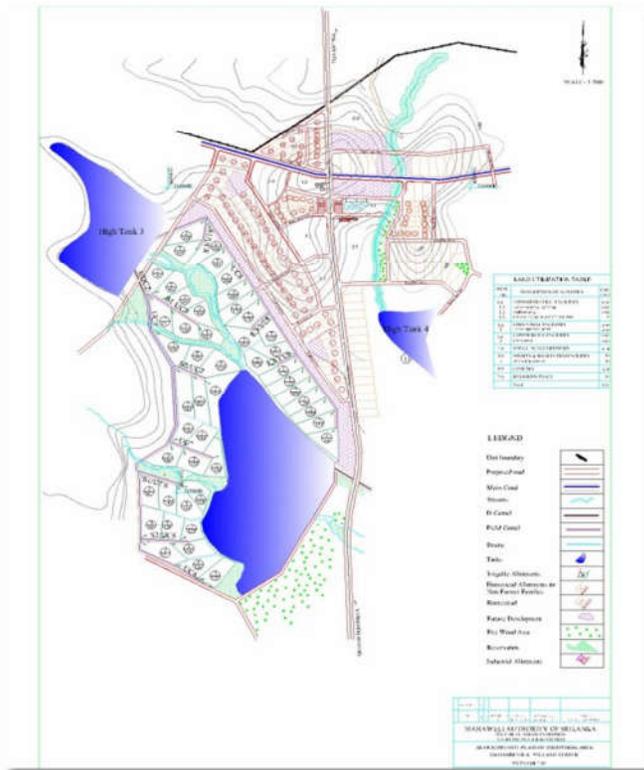
carried in respect of Dehiattakandiya town, which was planned and constructed several years ago, to suit with the changes occurred over the years.

System B

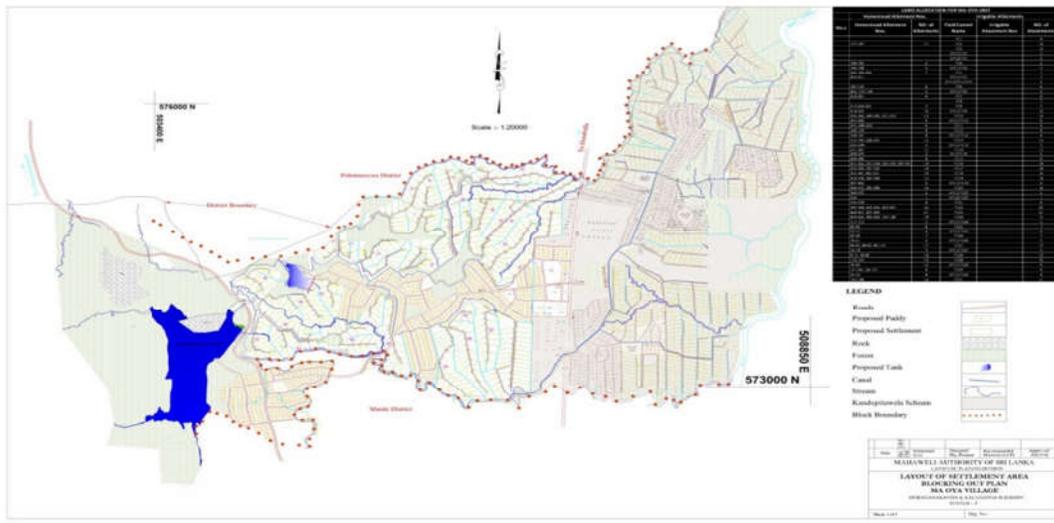
Action was taken to prepare an integrated plan for Malwenna and Mahawelitenna areas for the future development.



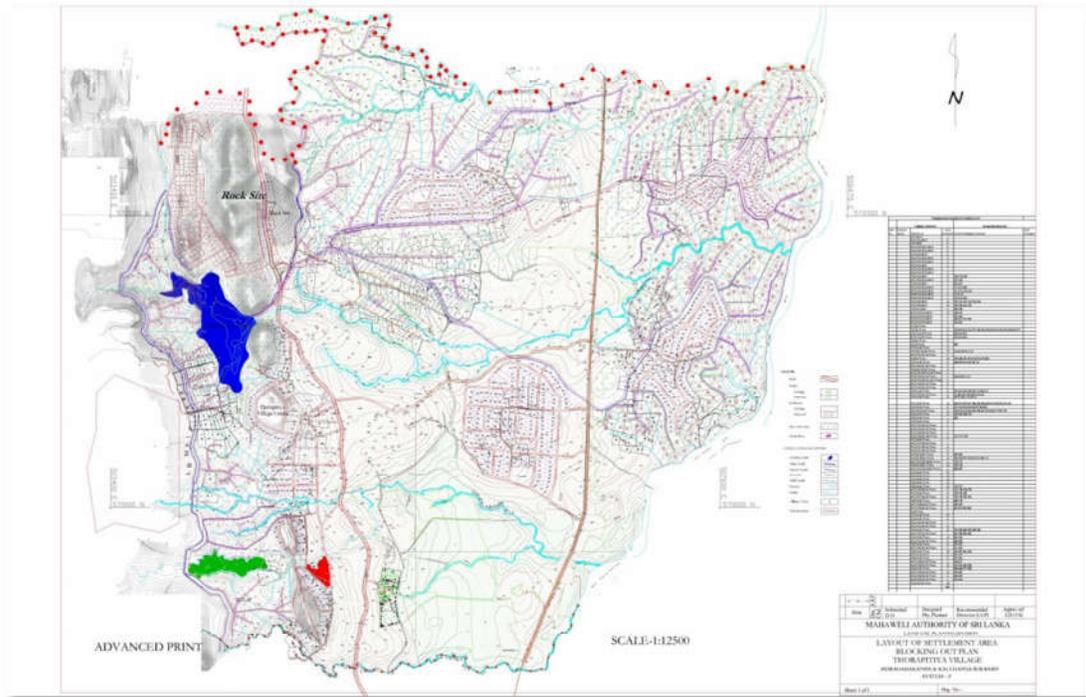
Dahamwewa Settlement Plan



Thorapitiya Settlement Plan

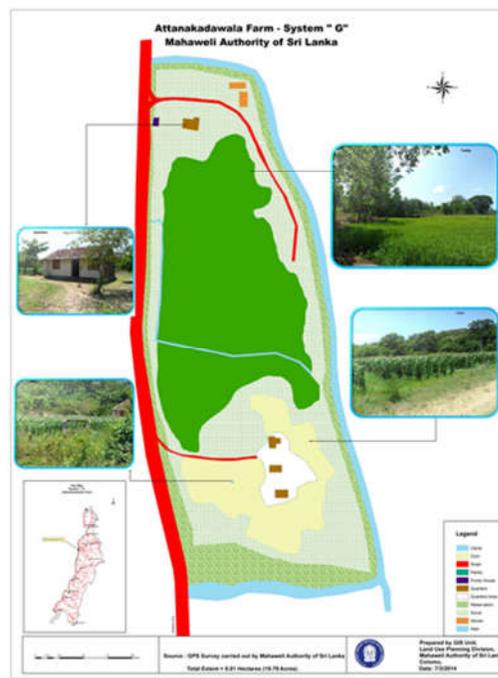
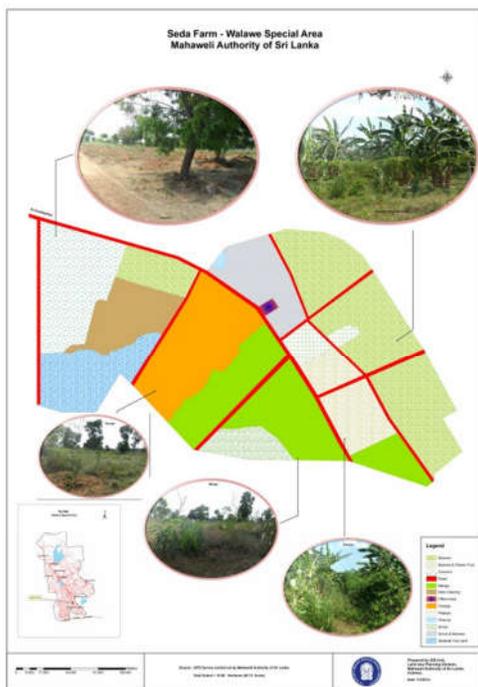


Maoya Settlement Plan



Mapping of Mahaweli Farms

A mapping was carried out covering all farms owned by the Mahaweli Authority of Sri Lanka, by collecting information utilizing GPS technology.



2.6 Environment and Forestry Division

2.6.1 Functions

Director (Forestry and Environment) is responsible for the following functions:

- Extending assistance for formulating Environment Policy in respect of development activities carried out by the Division 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 MASL areas and management.

0.1 The following activities have been carried out by the Environment and Forestry Division, during the year 2014.

- 1.1 Preparation, review and follow of feasibility studies and policies in respect of environmental conservation aspects of large scale projects implemented by the Mahaweli Authority of Sri Lanka. Representing the Technical Committees in the irrigation and development programs implemented by the Ministry of Irrigation and Water Management and the Mahaweli Authority of Sri Lanka and conducting technical evaluation.
- 1.2 Functioning as an organization that grant approvals to projects under National Environmental Act and administering and follow up of environmental impact assessment activities.
- 1.3 Functioning as a member of the Technical and Follow up Committees of development programs and projects implemented by line organizations; participation at national level meetings/workshops representing MASL as a member of the Technical Evaluation Committee Resource Person.
- 1.4 Representation in Internal Technical Committees and Steering Committees.
- 1.5 Management and monitoring of activities related to environment and forestry in the Mahaweli areas.

Preparation, Review and Follow up of Feasibility Studies and Policies in respect of environmental conservation aspects of large scale projects implemented by the Mahaweli Authority of Sri Lanka

- Coordination and Follow up activities of environmental aspects related to the Kaluganga and Moragahakanda project.
- Implementation of the first stage of the Bio-diversity Program in association with IUCN, field monitoring and follow up activities, technical evaluation of the final report and reparation TOR in respect of the second stage.

- Under this program-
 1. Samples of plants collected from the areas inundated under the reservoir project sites were collected and deposited at Peradeniya National Botanical Gardens and Hambantota Botanical Gardens; the collection of live plants also carried out.
 2. Parts of exclusive plants and crops (seeds/plants) were collected by Preservation of Genetics and Research Center (PGRG) for planting and depositing.
 3. Activities related to nine specimens of endemic fish for the purpose of propagation and maintenance within the national zoological gardens.
 4. Provision of certain specimens of fish to the Giritale Wildlife Training Center.

- **Proposed Kiwuloya Reservoir Project**

A Technical Evaluation Committee was appointed by the Ministry of Irrigation and Water Resources Management in order to evaluate the Environmental Impact Report. Evaluation with regard to the Initial Environmental Evaluation Report and the final Environmental Evaluation Report was carried out during the year 2014 and recommendations were submitted.

- Dam Safety Project
- Maduruoya Right Bank Project
- Upper Elahara Canal Project
- Yanoya Project
- Umaoya Project
- Maduruoya Project- Project for raising the sluice gate.
- Project to increase the height of the Minipe Dam

Administrative functions related the environment impact assessment process during the year of 2014, as a project approval agency under the National Environmental Act

- Mini hydro power plants
 - ❖ Gatambe Mini Hydro Power Plant (10 mw) – Asia Hydro Power (pvt)
 - ❖ Maduruoya left bank main sluice gate Mini Hydro Power Plant (5mw) – Eagle Power (pvt)
 - ❖ Maduruoya left bank spillway(24+140) Mini Hydro Power Plant (2mw) - Eagle Power (pvt)



❖ **Maduruoya Left Bank Spillway (28+450) Mini Hydro Power Plant (2 mw) - Eagle Power (pvt)**



- ❖ Dambuluoya Hydro Power Plant (3.25 mw) HPD Power (pvt)
- ❖ Ross Estate Mini Hydro Power Plant (4.55 mw) - Ross Hydro Power Company
- ❖ Owala Mini Hydro Power Plant (2.8 mw) – Escos Owala (pvt)
- ❖ Digala Mini Hydro Power Plant (4.4 mw) – Digala (pvt)
- ❖ Athkanda Mini Hydro Power Plant (6.5 mw) – Escas Athkanda (pvt)
- ❖ Hingura Mini Hydro Power Plant (0.9 mw) – Asset Hydro Power (pvt)
- ❖ Damduluoya Nayakumbura Mini Hydro Power Plant (1 mw)

Environmental and Forestry Conservation Programs implemented in the Mahaweli Systems

A provision of Rs 20 million was made in 2014 for these activities. The basic objective of implementing of conservation activities related to environment and forestry was conservation and strengthening of the environment of the Mahaweli areas. Under this programs activities were carried out in order to preserve and maintain the bio-diversity of the relevant Mahaweli Systems which have

been impacted due to the accelerated development process carried out in these areas. It was also intended to minimize the environmental impact of the population increase in the Mahaweli Systems.

Basically the following environmental and forest resources preservation programs are being implemented:

- i. Implementing activities to protect and improve micro catchment areas and reserves of the reservoirs.
- ii. Creating nurseries for tree planting and forestry.
- iii. Implementation of school and community environmental education and training programs.
- iv. Water quality monitoring activities and conservation of reservoirs in order to protect the quality of the water.
- v. Urban Mahaweli Villages and Urban Environmental Programs.

Progress of the Program

Financial Progress of the Environmental Programs implemented in the Mahaweli Systems

	Total Provisions	System									Total Exp.
	(Rs .000)	B	C	H	G	L	Udawalawe	Hurluwewa	Med.giriya	Ram.oya	
Provision (Rs .000)	20 000	2500.0	2900.0	2265.0	2400.0	2800.0	2000.0	2000.0	615.0	2520.0	
Financial Progress		1540.8	1693.7	1334.4	1175.0	1228.1	73.5	1428.7	21.2	57.8	9066.2
%		61.63	58.40	58.91	48.96	43.86	3.68	71.4	3.45	22.65	45.33

CHAPTER THREE

DEVELOPMENT DIVISION

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

01. Land Division
02. Agricultural Development
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 legislation 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 2014

- Selection of eligible persons for land alienation
- Alienation of lands among allottees
- Issuing of 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
- Alienation of lands for medium scale entrepreneurs.
- Recovery of lease rentals for the lands.
- Surveying of lands and valuation
- Conducting of Block Days

3.1.1 Progress in 2014

Table 30 - Allocation of plots of land under Land Development Ordinance - 2014

System	Target		Progress	
	High land	Irrigated land	High land	Irrigated land
B	1004	255	565	138
C	1500	-	1333	2
Moraghakanda	469	-	98	3
H	995	-	2	-
L	1242	3989	64	1127
Udawalawe	2911	100	219	-
Vic/Kot.	35	-	-	-
Medirigiriya	1317	1612	53	105
Huruluwewa	731	-	295	-
Rabakkanoya	580	600	4	22
Total	10784	6556	2633	1397

Table 31 – Allocation of plots of land under Crown Lands Ordinance - 2014

System	Target	Progress
B	253	175
C	226	78
Moraghakanda	05	-
H	581	5
L	517	33
Uda Walawe	318	10
Victoria	317	-
Medirigiriya	11	8
Huruluwewa	77	2
Rambakkanoya	2	2
Total	2307	313

Table 32 – Issuing of Permits under the Land Development Ordinance and Crown Lands Ordinance - 2014

System	Issuing of Permits under the Land Development Ordinance		Issuing of Permits under Crown Land Ordinance	
	Target	Progress	Target	Progress
B	2075	1614	723	260
C	2623	1913	399	85
Moragahakanda	469	742	66	29
H	985	1025	1496	279
L	9093	2240	213	38
Uda Walawe	6580	4914	746	365
Vic / Kot	60	30	95	76
D	858	171	7	-
Huruluwewa	36	355	80	126
Rambakkanoya	650	21	15	-
Total	23429	13025	3840	1258

Table 33 – Issuing of Grants under Land Development Ordinance

System	Issuing of Permits under the Land Development Ordinance	
	Target	Progress
B	5975	4900
C	5802	2550
Moragahakanda	1550	704
H	5855	1969
L	8000	497
Walawe	4259	3966
Victoria	100	-
	-	-
D	-	-
Huruluwewa	2750	1208
Rambakkanoya	-	-
Total	34291	15794

Table 34 – Long Term Leases under Crown Lands Ordinance

System	Target	Progress
B	104	30
C	86	4
Moragahakanda	86	7
H	915	149
L	35	-
Walawe	399	265
Victoria	72	71
D	2	-
Huruluwewa	103	11
Rambakkanoya	-	-
Total	1802	537

Table 35 – Lease Income 2014 (Rs. Million)

System	Target	Progress
B	47.92	30.75
C	151.18	29.95
Moragahakanda	5.88	3.81
H	132.83	43.17
L	3.19	2.18
Walawe	227.32	62.8
Victoria	147.79	43.45
D	10.34	4.06
Hurulawewa	5.79	4.28
Rambakkanoya	0.6	0.29
Total	732.84	224.74

3.2 Agriculture Development Division

Functions of the Agricultural Development Division

- Enhancing the productivity of the irrigated lands
 - Increasing the productivity of paddy from 6.0 to 7.5 mt / ha
 - Increasing the contribution to the national production from 23% to 30%
- Crop diversification at irrigated lands
- Increasing crop intensity of the irrigated lands from 183% to 190%.
- Enhancing the quality of the agricultural production
 - Promoting poison free products
 - Minimizing post-harvest losses
 - Promoting value added products
- Development of domestic economics
- Maintaining of Mahaweli Farms
 - Model Farms
 - Productions of seed materials
 - Research and Experiments

3.2.1 Progress in Crop Production

In spite of a severe drought situation that prevailed during the 2014 yala season, the share of the Mahaweli areas in the total land extent cultivated remained 16% and it contributed 23% to the national paddy production in 2014. The contributions made by Mahaweli farmers towards the national production of soya, papaw and mango remained respectively at 80%, 35%, and 17%.

Table 01 - Crop Production 2014

Crop	National Production (MT)	Mahaweli Production (MT)	Contribution (%)
Paddy	3,480,000	640000	23
Soya	9750	7870	80
Big onions	131250	43485	35
Maize	237170	12990	6
Green gram	25195	2010	8
Black gram	14008	1100	8
Plantain	670300	230228	35
Papaw	96522	22985	23
Mango	94807	15715	17

Various methodologies were used by the Mahaweli Authority of Sri Lanka in order to increase crop production. These included: Improving the nutrition quality of the soil to an optimum level to suit the crop, reducing the salinity of the soil, promotion of organic fertilizer, expansion of technology through demonstrations, introduction of proper technology through training programs, production of high quality seeds in respect of each area, providing suitable protection cover to each crop, contributing to the process of big onions production, entering in to trade agreements with external organization for the marketing of soya, distribution of perennial plants, bee keeping, promotion of mushroom cultivation and ornamental flowers, ensuring food security under agricultural wells and conducting harvesting surveys and evaluation of the progress.

3.2.2 Progress in Paddy Production

The average paddy production has been maintained 5.8 metric tons per hectare due to the Mahaweli agricultural expansion activities and the efficiency and effectiveness of the management functions. Compared to the national production, it indicates a decrease of 1.8 metric tons. Per hectare and it necessitated an increase in the efficiency of land and water use in the Mahaweli areas. Accordingly, special focus has given at national level towards paddy production of Mahaweli areas, in order to ensure food security. A few methodologies used for the expansion of paddy production are given below:

Table 02 – Expansion of Paddy Production 2014

Activity	Unit	Progress
Model Fields	No.	231
Use of Parachute Technology in Paddy Production	Ha.	6,853
Use of micro nutrients	Packet	4,748
Integrated Pest Control Technology – Extention schools	No.	65
Organic Fertilizer Models	No.	277

3.2.3 Seed Production Programs

As per the Mahaweli target, the Mahaweli farmers are required to supply seeds to cater to the demand of their relevant zones. The quality productions of essential seeds are being carried out by the Mahaweli farmers throughout the year. Among the main categories of seeds produced in the Mahaweli zones, seeds of paddy, big onions and soya assume importance.

Seed	Unit	Progress
Paddy	Bushel	90,000
Big Onions	Kg	10,000
Chillies	Kg	1,950
Green Gram	Kg	10,360
Soya	Kg	58,300
Black Gram	Kg	18,200
Ground Nuts	Kg	15,325

3.2.4 Home Garden Development Programs

The Mahaweli Authority of Sri Lanka has developed 10,210 home gardens of the farmers living in the Mahaweli areas, during the year 2014. This development was carried through activities such as distribution of perennial crop plants, distribution of boxes for bee keeping, establishment of organic fertilizer manufacturing units, provision of materials for mushroom production and conducting of training programs.

Table 36 – Home Gardens Development Program - 2014

Program	Target	Progress
Developed Home Gardens	No.	10,210
Distribution perennial crop plants	No.	70,250
Distribution of Boxes for bee keeping	No.	1,022
Organic fertilizer production units	No.	7,980
Provision of materials for Mushroom Production	No.	10
Training Programs	No.	420

3.2.5 Organic Chillie Production in Pots Program

During this year 249,350 chillie plant pots were distributed with the objective of reducing to certain extent the import of chillies produced by utilizing pesticides that are inimical to human health. This program was implemented with a 50% contribution of the Mahaweli farmers. The expected production of chillies under this program was 250,000 kg.

Table 37 – Organic Chile Production Program - 2014

	B	C	D	G	H	Huruluwewa	L	Victoria	Total
No.of pots with chillie plants distributed	28,375	21,000	175	2,300	5,000	60,000	87,500	15,000	249,350
Expected chillie production (Kg. 1000)	29	51	0.175	2.3	5	60	87.5	15	250

3.2.6 Agricultural Extension Programs

Arrangements were made to conduct 699 Special Zonal Farmer Training Programs and 76 Officer Training Programs in order to promote an appropriate agricultural technology for the Mahaweli areas. Arrangements have also been made to conduct 110 Field Days / Crop Clinics at Zonal levels. Such programs have enabled us to add Mahaweli productions into the mainstream production, in an efficient and effective manner.

Zone	Farmer Training Programs		Officer Training Programs		Field Days/ Crop Clinics	
	Target	Progress	Target	Progress	Target	Progress
B	47	266	25	26	2	14
C	45	67	2	3	-	-
G	48	31	16	13	2	2
H	70	63	15	15	43	45
Walawe	160	157	9	7	20	30
Huruluwewa	80	89	4	3	17	18
Victoria	14	26	3	3	2	1
Head Office	-	-	6	6	-	-
Total	464	699	80	76	86	110

3.2.7 Construction of Agricultural Wells in order to face drought situations

With the objective of ensuring food security by uninterrupted production throughout the year, even admits unfavorable climatic conditions, 11 new agricultural wells were constructed in 2014 at Mahaweli zones. Meanwhile, old wells as well, were rehabilitated. Accordingly, at present 9926 wells remain active in the Mahaweli areas. The presence of such wells enables cultivation of crops under any inclement weather conditions

3.3. Livestock Development Division

The Livestock Development Division has been established with a mission of contributing to the livelihood development of Mahaweli settlers under the vision of “Mahaweli Animal Productions for a prosperous Nation”.

The main functions of this Division include promotion of goat farming and poultry keeping at home gardens, focusing on dairy development, promotion of fresh water fishing with an objective of enhancing the productivity of the Mahaweli reservoirs.

3.3.1 Promotion of Dairy Sector

Focusing on achieving self – sufficiency in milk production increasing the contribution towards the national milk production by 10%, remains the basic goal of dairy development. This include development of dairy farms and infrastructure facilities, enhancing the stock of animals, improving the nutrition and health of animals and implementing field level programs in order to develop the knowledge and attitudes of farmers to enable them to use new technologies in a productive manner. This has resulted in the creation of entrepreneur dairy farmers. Milk production recorded in the Mahaweli areas during the year 2014 was 23.5 million liters.

Theoretical and practical programs are being implemented so as to persuade school students and school leavers to engage in animal husbandry. The Model Mahaweli Farm and the Agricultural Management Training Center are also used in a productive manner for this purpose. Each year during the first week of July technical and practical programs under the theme of “Mahaweli Milk Week” are implemented at unit level in each zone in order to popularize milk among school students.

3.3.2 Homestead Poultry Keeping

A higher level contribution is made towards the economy and nutrition of the family by promoting homestead poultry keeping. Homestead poultry keeping is becoming popular in Mahaweli areas because of its ability to provide more benefits with less expenditure. Poultry breeding units were established within the premises of Mahaweli Farm under this program in order to encourage farmers. Annually around 20,500 chicks have been distributed on concessionary terms. Construction of proper poultry sheds at home gardens is also being encouraged

3.3.3 Promotion of Aquaculture

Fresh Water Fisheries

Fresh water fisheries is being promoted as the main and simple source of animal protein required to the nutrition of the families. Infrastructure facilities in terms deposit of fisher lings and formation of fishery societies are being developed in order to popularize fresh water fisheries and fresh water prawn culture in the seasonal and permanent reservoirs situated within Mahaweli areas. Annual production of fresh water fish remains at 11,334 metric tons. Production of dried fish, fillet and other fishery products are being promoted in order to add value to the fishery production.

Ornamental Fish Production

Ornamental fish production targeting the local and overseas market remains an attractive self-employment venture of the younger generation of the Mahaweli settlers. Special Extension Programs were implemented during the year for the promotion of breeding, production and marketing of ornamental fish.

Activity	Nos.
Farmers engaged in ornamental fish culture	618
No. of ponds	712
Fishing storage	49.2
No. fishing produced- millions	35.5
Estimated income (Rs. Million)	220

3.3.4 Development of Model Mahaweli Farm

Animal husbandry units were established within the Model Mahaweli Farm premises for the purpose of integrated animal production farm management at zonal levels. This is being carried out with the objective of provision of breeding animals to the farmers and conducting training programs for the development of knowledge and attitudes. Further, these units are also being developed in order to increase farm incomes and produce organic materials required for the farm. Immense benefits are accrued by implementing training and demonstration programs for the farmers of Mahaweli zones and school students.

3.4 Institutional Development Division

Institutional Development Division plays a key role in the management of Irrigation Systems and strengthening of Farmer Organizations.

Farmers Organizations have been formed based on distributor canals. The program for strengthening of Farmers Organizations envisages enhancing the economic conditions of such organizations and farmers. Officers have been appointed by the members of the Farmers Organizations for that purpose at field canal levels. This Division also focuses on the proper maintenance of the Irrigation Systems and efficient management of irrigated water. In addition to that, Farmer Organization also engages in distribution of water at zonal level, preparation of cultivation calendars and finalization of targets.

3.4.1 Irrigation Systems Management Program

The main objective of the Irrigation Systems Management Program is to provide capacity to the farmer community in order to carry out the maintenance and operation of field canals of selected Farmers Organizations of the Mahaweli zones. It is expected to inculcate an efficient water use culture among the farmer community through maintaining the field canals and roads in prescribed standards and regulating the function of water distribution.

Irrigation Systems Management Program with Community Participation

(On the basis of provision of materials)

Serial No	System	Name of Farmers Organization	Approved Amount Rs.
1	Haruluwewa	204/D03 Distributory Canal Farmers Organization FO	953,396.00
		203/D3/4 -7 Distributory Canal FO	396,925.63
			1,350,321.63
2	H	L/B/ Gemunu Ela FO	251,055.96
		414/D7 Manelwewa Distributory Canal FO	235,678.84
		414/D4 Peramaga Distributory Canal FO	230,697.45
		405/D5 Isura FO	172,350.00
		411/D2 Distributory Canal FO	208,220.00
			1,098,002.25
3	B	D 06 Aruna Distributory Canal FO	143,000.00
		SD 02/D05 Distributory Canal FO	115,250.00
		SD 02/D05 – do -	114,240.50
		SD 02,03 Madura Distributory Canal FO	278,600.00
		SD 02,03 – do-	258,790.00
		D 3,4 Maha Perakum Distributory Canal FO	60,460.00
			970,340.50
4	Walawe	D 06/ Samagi Distributory Canal FO	484,384.80
		MBD 09 Eksath Veera Distributory Canal FO	341,158.88
		MD 03 Ranketha Distributory Canal FO	160,326.70
		RBD 21 Rantharu Distributory Canal FO	311,020.00
		CWD 1-5 Distributory Canal FO	160,125.00
		MKD 04 Ranketha Distributory Canal FO	455,447.50
		RBD 21 Ranmuthu Distributory Canal FO	311,020.00
			2,525,732.88
Total Amount			5,944,397.26

3.4.2 Strengthening of Farmers Organizations

In order to develop the capacity of the Farmers Organizations, 33 such organizations were selected from all Systems and Awareness Programs and Training Programs were conducted so as to enhance them to commercial level.

Summary of Mahaweli Farmers Organizations

System	No. of Farmers Organizations
B	133
C	196
G	40
H	222
L	14
Walawe	282
Huruluwewa	80
Rambakkanoya	8
Total	975

- No. of Training and Guidance Programs conducted during the year in order to develop Model Farmers Organizations to commercial level - 16
- No. of Training and Guidance Programs conducted in order to develop Farmers Organizations to Model level – 67
- No. of Training and Guidance Programs conducted in order to introduce market to commercial level Farmers Organizations - 33

3.4.3 Capacity Development and Training for the Settlers

The basic objective of this initiative is empowering the agricultural economy through proper management practices of the Mahaweli farmer community so as to improve agriculture in Sri Lanka and imparting knowledge to the second and third generations of Mahaweli farmer community in order to guide them to various employment opportunities. This would enable them to face the global economic ideologies equipped with relevant technical knowledge.

Vocational Training

- Training – Mobile Phone Repairing

No. of programs - 10

Participants - 230

Zone - Digana, Ridimaliadde, Welikanda, Dehiattakandiya, Walawe, H, Huruluwewa, Medirigiriya, Rambakkanoya

- Training – Three Wheeler Repairing

No. of programs - 01

Participants - 35

- Training – Food Technology

No. of programs - 05

Participants - 170

Audit Training

02 Programs were conducted with the support of Polgolla Cooperative College.

3.4.4 Community Development

The basic objective of the Community Development Program is creating of a healthy farmer community with high moral values within the Mahaweli Systems, free of alcohol, violence and abuse. In tandem with this, following activities are being implemented under the community development component:

- Clinic Programs for kidney patients
- Programs to commemorate International Days
- Isura Monthly Television Program
- Prevention of use of drugs and tobacco and prevention of child abuse, violence against women and domestic violence

Summary of Community Development Programs

Serial No.	Program	System	No. of Programs Conducted
1	Clinics for kidney patients	C,D,H,L	19
2	International Day Programs – Womens Day	B	1
3	Isura Monthly Television Program	Recordings - C,B,G,H,UW, VIC	9
4	Prevention of use of drugs and tobacco and prevention of child abuse, violence against women and domestic violence		4

3.4.5 Mahaweli Games

The main objective of the Mahaweli Sports Development Program is to create opportunities to the second and third generations of Mahaweli Systems, in order to enhance their sporting skills and to display their talents at national level.

Activities implemented under the Mahaweli Sports:

Activities carried out under Mahaweli Sports

- Establishment and reorganization of Sports Clubs
- Unit level competitions
- Block level competitions
- Zonal level competitions
- Mahaweli Sports Festival at Inter Zonal level
- Conducting of Sports Training Camps
- Participation of Mahaweli teams at national level competitions
- Providing international exposures to best sportsmen/sportswomen who are chosen from the sports events

Sports Training Camps

Training camps were conducted for the following games with the participation of all zones:

- Net Ball (Women)
- Volley Ball (Men)
- Kabadi (Men)
- Foot Ball (Men)

Establishment of a Sports Team

Mahaweli Authority of Sri Lanka (Sports Club) has been established for net ball, kabadi and football.

Team Competitions

Mahaweli inter zonal sports competitions for the year 2014 have been completed

Program	System
Inter – zonal Volley Ball (men/women)	All systems
Inter – zonal Zonal Kabadi (men/women)	All systems
Inter – zonal Elle (men/women)	All systems
Inter – zonal Net Ball (Officers/women)	All systems
Cricket (men/women)	All systems
5000 meter (men/women)	All systems
10000meter (men)	All systems

- Inter zonal Sports Festival was not conducted during this year.

3.5 Business Development Division

This Division was established with the objective of encouraging the settlers and their second generation to engage in businesses that are different from traditional agriculture, to ensure economic development and employment creation for them, whose agricultural lands remain as a limited resource. Initially it functioned under the name of Employment, Investment and Business Development Division and subsequently it faced a collapse situation. As of now, it has been re-established as Business Development Division and has commenced its activities. The business Development Division is located at the 5th floor of the MASL Building (No. 500 T.B. Jayah Mawatha) and comprised of 18 staff members including Director, Deputy Director, Assistant Director and Business Development Officers attached to the Zones.

3.5.1 Services provided by the Business Development Division

- Activities related to allocation of lands for investment promotion activities within the Mahaweli Systems
- Entrepreneur development
- Propagation of technology
- Implementation of Credit Programs for small and medium scale entrepreneurs
- Implementation of environment-friendly, farm – based Tourism Programs and promotion of tourism in Mahaweli Systems.
- Provision of business consultancy services
- Availing of boat services and C plane projects, entering into agreements and monitoring
- Creating of employment opportunities through generating new business avenues and contributing to the national production
- Marketing Services (Implementation of Mahaweli Sales Centres, organizing of fairs to sell produce and creating marketing linkages)
- Coordinating and monitoring of MASL Companies

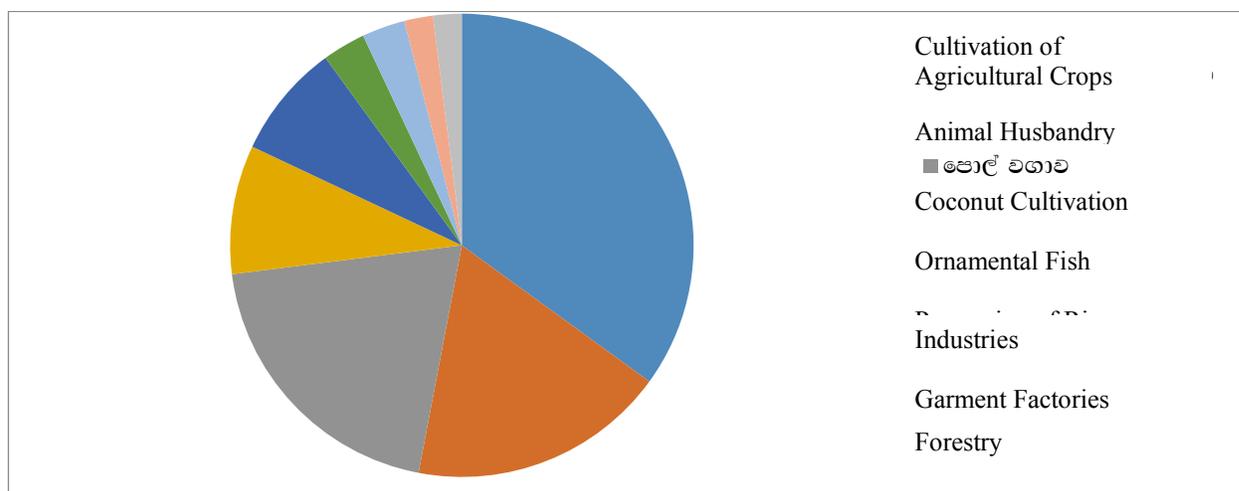
3.5.2 Progress recorded in Commercial Agricultural Lands

Mahaweli lands are being allocated to the commercial investors under lease basis, for various types of investment ventures. It was not only resulted in creation of job opportunities and expansion of new technology to the Mahaweli Systems, but also supported the government's program of expanding the benefits of development which were hitherto limited to certain areas, towards remote rural areas, as well. It has contributed to the national production through the following sectors:

- Cultivation of agricultural crops
- Manufacturing industries
- Garment factories
- Animal husbandry
- Ornamental fish production
- Coconut cultivation
- Forestry
- Processing of rice
- Others

Progress recorded in Commercial Agricultural Lands – 2014

System	No. of projects for which land was allocated with the approval of the Board	Extent of land allocated (Hectares)	Creation of Jobs
B	312	5465	5160
C	35	1399	1420
Moragahakanda	3	30	75
H	51	150	870
L	73	629	1282
Huruluwewa	3	70	25
Udawalawawe	36	180	1010
Victoria	7	48	738
Rambakkanoya	5	52	93
Medirigiriya	18	709	196
Total	543	8732	10869



3.5.3 Small and Medium Scale Credit Schemes

1.1 Mahaweli Saviya Small and Medium Scale Credit Scheme implemented with the Regional Development Bank. This credit program operated as a Revolving Fund provides loans to Mahaweli settlers at 7% interest and the Mahaweli Authority has given Rs. 78 million to the Regional Development Bank for this purpose.

S.No	Projects for which loans were released	Amount released up to 31.12.2014	No. of applicants up to 31.12.2014
1	Agricultural development activities	42,291,499	263
2	Livestock development	29,656,694	186
3	Rice mills and food processing projects	36,500,547	222
4	Ornamental fish projects	25,971,543	74
5	Others	41,063,115	383
	Total	175,483,400	1128

Mahaweli Aruna Small and Medium Scale Credit Scheme – Peoples’ Bank

A memorandum of understanding was signed on the 07th January 2013 and this Credit Scheme is being successfully implemented in Systems. It was agreed to release a loan amount of Rs. 100 million annually and loans are granted to farmers on 9% concessionary interest rate.

Progress as at 31.12.2014
Mahaweli Aruna Small & Medium Scale Credit Scheme

Year	Amount Released	No. of Borrowers
As at December 31, 2013	65.79	450
As at December 31, 2014	96.10	654

A total amount of Rs. 96 million was released as loans for 654 applicants covering all Systems and it is also expected to implement this program during the year 2015, as well. Although a target of Rs. 100 million was set for the year 2013, this target could not be achieved due to the following reasons: It was required to carry out a wide publicity for this program after having signed the agreements in order to raise awareness of officers attached to each System and Mahaweli settlers; Further, a time period was required for filling of applications in a proper manner and monitoring of such applications. Therefore, during the year, a period of 4 months was spent to complete these tasks.

3.5.4 Commencement of Boat Services at Mahaweli Reservoirs

Mahaweli reservoirs provide a unique opportunity to promote tourism. A tourist boat service was operated in the Mahaweli reservoirs with the objective of attracting tourists and generating income. At present tourist boats are operated at 5 Mahaweli reservoirs (Table 4.1).

Boat services at Mahaweli Reservoirs

Reservoir	Name of Investor	Initial deposit	Annual lease amount	Lease income collected
Polgolla	Mahaweli Walkin	100,000.00	150,000.00	450,000.00
	Mahaweli Reach	100,000.00	150,000.00	450,000.00
Dambuluoya	Thalagala	100,000.00	333,334.00	433,334.00
Total		300,000.00	633,334.00	1,333,334.00

3.5.5 Promotion of Environment - friendly Tourism and Farm - based Tourism

Since unique opportunities are available within the Mahaweli Systems for this type of tourism, more attention was given to promote tourism in those areas. This program was expanded up to large scale tourist hotels. During this year the following projects were implemented in this sector:

Forest Rock Garden Hotel	---	Thambuttegama
Eastern Hotel Developers	---	Ella Kanthale
Udawalawe Safari Hotel	---	Uda Walawe

3.5.6 Promotion of Marketing and Market Relations

Various programs were implemented in order to market the products of Mahaweli farmers and market links were built with the involvement of various private sector organisations. *Janadivi Aruna Avurudu Pola* program was implemented with the participation of the Ministry of Economic Development.

As of now, arrangements have been made by the Business Development Division of the Mahaweli Authority of Sri Lanka with Cargills and John Keels, the largest super market chains of the country, to establish Purchasing Centres in order to purchase the agricultural produce of Mahaweli farmers at higher prices than the prevailing market prices, with the objective of enhancing their income levels. These super market chains have established their Purchasing Centres at Systems H, Walawe and Moragahakanda.

Ex:

Cargills Purchasing Centre – Thambuttegama

Purchases vegetables from farmers on daily basis valued at approximately Rs. 300,000.

Cargills Purchasing Centre – Moragahakanda System

Big onions purchase (2014) from farmers – 472,172 kg at the value of Rs. 33,262,313. Further, approximately 1500 kg of vegetables are being purchased from the farmers on daily basis.

3.5.7 Establishment of Rice Mills at Mahaweli Systems

With the objective of achieving self- sufficiency in rice, arrangements have been made with the participation of the Private Sector to establish rice mills at Mahaweli Systems.

System	No. of Rice Mills
B	70
C	37
H	179
Udawawalawe	152
L	9
Moragahakanda	142
Huruluwewa	31
Total	620

CHAPTER FOUR

Human Resources and Financial Management Division

4.1 Human Resource Management Division

The main functions handled by the Human Resource 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 labor 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, training centers owned by MASL.

Table 46 - No. of Employees - 2014

S/No.	Category	Total Employees
01	Permanent Employees	4540
02	On Second men Basis	04
03	On Contract Basis	49
04	On Probation	35
	Total	4628

Table 47 - Overall Performance - 2014

S/No.	Function	Performance
01	New Recruitments, Promotions to Grades	496
02	Retirements and Terminations	267
03	Provision of Benefits	267

4.1.1 Capacity Development for the Staff

Training Programs were planned and implemented under the following three main themes:

1. Training of Officers
 - Internal Training Programs
 - Training at External Institutions (Local Scholarships)
2. Training Programs to issue Certificates at NVQ levels
3. Creation of computer software and operation of computer systems

4.1.2 Officer Training

An amount of Rs. 17.6 million was allocated to conduct training programs and as at end of 2014 an amount of Rs. 9.37 million was spent in this regard.

4.1.2.1 Officer Training – Internal

Under internal training, 17 Officer Training Programs were conducted, covering themes such as Raising of awareness, Management Development, Capacity Development and Skills Development.

278 Officers, in all categories participated in these training programs. A minimum training of 50 hours was given to each officer.

Table 48 – Progress of Internal Training Programs - 2014

Category of Program	No. of Participants	No. of Programs conducted	Expenditure (Rs. Cts.)
Awareness Programs	40	2	1,010,601.00
Skills Development Programs	40	1	379,940.00
Management Programs	55	2	558,141.00
Capacity Development Programs	75	2	5,590,566.00
Agricultural Development Programs	40	1	1,581,900.00
Total	1545	52	9,371,705.00

4.1.2.2 Officer Training – External

25 Officers were sent for Government approved training programmes , NVQ level programs, as well as Diploma and Degree level courses. 28 Officers were sent for short term courses.

Table 49 – Training Programs for Officers 2013 (External) – Government approved Courses and NVQ Diploma and Diploma Courses

S/No.	Institution/Course	No. of Participants
1.	Agriculture Diploma (02 years)	02
2.	Human Resources Development Course and State Personnel Management and Human Resource Management (NJMB)	03
3.	Training Course on Environmental impact Assessment	01
4.	Post graduate Course on Earth Engineering	01
5.	Post graduate Course on Media	01
6.	Masters Degree in Economics	01
7.	Diploma in Sports	01
8.	Masters Degree in Sociology	01
9.	Computer Based Project Management Course	02
10.	International Intensive Environment Impact Assessment Program	02
11.	Workshop on maintaining emotional balance for productivity improvement	10
	Total	25

Table 50 – Short Term Courses

S/No.	Institution/Course	No. of Participants
1.	Course on Assessment of Environment Impact	03
2.	Course on Contracts and Procurement Management	01
3.	National Institute of Labor Studies – Program on communications skills	07
4.	IESL	03
5.	ICTAD/RDA	02
6.	AAT	03
7.	SDFS	05
8.	Central Environment Authority	02
9.	Distress Learning Center	03
	Total	28

4.1.3 Training Programs to award NVQ Certificates

Nawa Medagama Agricultural Training Centre was registered under the Tertiary Education Commission under No. P18/0057 in order to link the training activities of this Centre with the National Level Courses. After this registration, this Centre has commenced NVQ Level 4 Certificate Courses, such as Agriculture Field Assistant, Livestock Development Assistant, Nursery Management and Park Beautification. At present this Centre has been accredited as an Institute which award International Level Certificates for training. In addition to that, arrangements have been made for accreditation to award NVQ Level 5 and 6 in Agricultural Production Technology. Accordingly, NVQ – Level 04 certificates were awarded to 75 field Assistants and NVQ level 05 Training is being provided to 35 students Nawa Medagama Agricultural Training Center Initial arrangements have been made to obtain ISO certificate for this center.



4.1.4 Computer Software Creation and Operation of Computer Systems

An e-Human Resources System has been developed for the Mahaweli Authority of Sri Lanka and, as of now data related to all employees has been fed into this system. The introduction of this system takes place under the facilities and supervision of the Information Technology Institute.

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.

Table 52 - Overall Performance - 2014

Court	No. of cases pending at the commencement of the year	Year 2013			No. of cases pending at year end
		No. of Cases heard	No of new cases	No. of Cases Completed	
Supreme Court	15	03	00	00	15
Appeal Court	56	08	00	00	56
Civil Appellate Court	08	00	00	00	08
Commercial High Court	01	00	00	00	01
High Court	10	04	00	00	10
District Court	76	08	00	01	75
Magistrate Court	01	00	00	00	01
Labour Tribunal	12	07	00	01	11
Arbitration	11	05	00	00	11
Total	190	35	00	02	188

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 during the year 2014

Expenditure Head	□ Details	Capital Source	Amount Allocated	Expenditure
152-2-4-1503	Recurrent Expenditure	Local	1,995,854,000	2,037,884,885
152-2-4-2201	Capital Expenditure	Local	1,350,000,000	1,234,886,078
152-2-4-2201	Other Mahaweli Projects Weli Oya Development Project (Kiwul Oya)	Local	150,000,000	280,366,342
152-2-5-2001	Mahaweli Consolidated Project	Local	450,000,000	450,000,000
152-2-5-2105	Maduru Oya Right Bank Development Project	Local	125,000,000	125,000,000
152-2-5-2105	Ridimaliyadde Development Project	Local	115,000,000	115,136,882
	Total		4,220,854,000	4,243,274,187

The funds of the Authority were used in respect of expenses beyond allocation

Table 54 - Assets, Properties and Equipment

Description	2014.01.01 Cost	Purchases	Sales Disposals Transfers	31.12.2013 Cost	Depreciation	Value after Depreciation
Land and Buildings (Office)	14,929	-	-	14,929	-	14,929
Land and Buildings (Others)	1,301,171	139,105	895	1,439,381	251,379	1,188,003
Vehicles	2,774,421	288	59,064	2,715,644	916,687	1,798,957
Office Equipment	1,083,575	35,702	21,771	1,097,506	200,785	896,721
Generators	66,138	15,368	3115	78,391	40,264	38,127
Machinery and Equipment	15,187	-	2	15,185	12,617	2,568
Machinery and Equipment (Construction)	14,176	366	153	14,389	11,510	2,879
Machinery and Equipment (General)	345,949	1,176	193	346,932	195,325	151,607
Furniture and Fittings	96,503	9,184	225	104,457	63,320	41,137
Computers and Accessories	113,199	21,636	3,704	131,131	57,459	73,673
Total	5,904,659	257420	99138	6,061,935	1802728	4,259,209

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 2014, 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 has been provided by this Centre to the school and University students and other organizations required for planning. The progress achieved during this year is indicated below:

- A training course was conducted for 50 children from the farmer families of Rambakkan oya project on the production and direction of TV programs.
- Publication of 4 issues of DiyawaraWaari (For 4 quarters – each issue 5000 copies).
- Conducting a training course on public announcing for 40 children from farmer families of System ‘C’.
- Initial studies and explorations for the construction of the second phase National Hydraulic Museum in two phases were carried out during the year.

4.6 Transport Division

Mahaweli Authority of Sri Lanka maintains 958 Nos. of vehicles. The task 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 has implemented the following activities:

Functions performed during the year 2013

An allocation of Rs. 61,325,400 was made and accordingly the following activities were implemented during the year 2013:

1. Repairs to 61 vehicles at a cost of Rs. 2,510,026.00.
2. An amount of Rs. 1,875,973.39 has been paid in respect of servicing of vehicles from private organizations.
3. 111 vehicles were serviced at the Mechanical Workshop.
4. The expenditure incurred for Third Party and Full Insurance policies for the year 2014 was Rs 1,035,810.26.

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 Venture Capital (Pvt) Ltd**
- 3. Mahaweli Consultancy Bureau (Pvt) Ltd**
- 4. Natural Resources Management Services (Pvt) Ltd**
- 5. Mahaweli Engineering Services (Pvt) Ltd**

Table 55 -Performance of the Companies during the year 2014

S.No	Company	Functions performed during the year/status									
01	Mahaweli Livestock & Agro Enterprises (Pvt) Ltd	<ul style="list-style-type: none"> ❖ Collection of milk from the farmers of the area and provision of services ❖ Milk and allied products ❖ 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	<ul style="list-style-type: none"> ❖ Income has been generated by an investment in Treasury Bills and from the Dolomite Project located in Digana: <p>Dominate Project: 946, 060. 14</p>									
03	Mahaweli Consultancy Bureau (Pvt) Ltd	<ul style="list-style-type: none"> ❖ Operational income has been generated during the year 2014 by following Feasibility Studies and Contracts: <table style="margin-left: 40px;"> <tr> <td>Kotmale KITI</td> <td>-</td> <td>7,673,571</td> </tr> <tr> <td>Madatugama</td> <td>-</td> <td>4,203,162</td> </tr> <tr> <td>Moragahakanda</td> <td>-</td> <td>7,306,573</td> </tr> </table>	Kotmale KITI	-	7,673,571	Madatugama	-	4,203,162	Moragahakanda	-	7,306,573
Kotmale KITI	-	7,673,571									
Madatugama	-	4,203,162									
Moragahakanda	-	7,306,573									
04	Natural Resources Management Services (Pvt) Ltd	<ul style="list-style-type: none"> ❖ Operational income was generated during the year 2014, through the following activities: <ul style="list-style-type: none"> • Digilioya Dam Project - 607,475 • Doragamuwa Tank Project - 8000 • IEE for the Hotel - 6000 									
05	Mahaweli Engineering Services Company	Liquidated									

Table56 – 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 2014	Whether accounts audited for 2014
Venture Capital Company (Pvt) Ltd	17-03-1997	Under Company Act No.7 of 2007 PV9854	Mr. K.H.S. Gunathilaka Mr. Lalith Godamunna Mr. Paul Leslie Benedict	01 01 01	Nil	Mr. Wigithasena, Mr. Rathnasiri Veragala	7 th floor, Mahaweli Authority of Sri Lanka No. 500, T.B. Jayah Mawatha, Colombo - 10	Functional	Audit draft report for 2014 submitted
Mahaweli Livestock & Agro Enterprises (Pvt) Ltd	14-06-1999	Sent for registration as per Company Act No. 07 of 2007 Old registration N(PVS)238 49	MASL		Nil	Mr.M.D. Piyatilaka Mr. Edward de Mel Mr. Nimal Mahawatta, Mr. Osman de Silva Mrs. K.P. Wijesooriya	No. 260/20, Baseline Road Colombo 10	Functional	Audited
Mahaweli Consultancy Bureau (Pvt) Ltd	18-06-1998	Under company Act No.7 of 2007PV238 49	MASL Mr. Tissa Senaratne	6385 01	Mr.Harsha Samara weera	Mr. Harsha Samaraweera Eng. (Mr). Elakanda Mr. Gamini Wejenayaka Eng. (Mr.) Sisira Kumara	No. 11, Jawatta Road, Colombo 05	Functional	Audited
Natural Resources Management Services (Pvt) Ltd	1999-07-30	Under old company Act No.7 of 2007 PV4398	MASL Mr. H.M. Mantritolaka Mr. D.R. Wanigarathna	1500 01 01	Mr. K.W.N. D. Karunaratna	Mr.A.M.K.B. Attanayaka Mr.B.W.M.W .Senaratne	Dam Site, Polgolla	Functional	Audited
Mahaweli Engineering Services Company			Liquidated						

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 is 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 five 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 Engineering Services (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:

Principle Activities of Mahaweli Companies

Subsidiary Companies

A) Mahaweli Venture Capital (Pvt) Ltd.

- i] Provision of credit facilities 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, catchments 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 Engineering Services (Pvt) Ltd.

- i] Servicing and repairing of light and heavy machinery and equipment.
- ii] Undertaking land development contracts and hiring out of heavy machinery.

E) 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 Mahaweli farmers.

2. Basis of Preparation

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 Judgements

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 on the basis of reported results and of the equity method. Thus, the consolidated financial statements present financial information about the Mahaweli Authority of Sri Lanka as a single economic entity.

3.1.2 Draft financial statements are used for the consolidation purpose since –

- a] The financial statements and the audit of the companies are being under process and,
- b] The reporting financial year of the companies is different that of the Authority.

3.1.3 The audited accounts of the Mahaweli Consultancy Services Bureau (Pvt) Ltd and Mahaweli Livestock & Agro Enterprises (Pvt) Ltd have been used for consolidation .

3.2 Property, Plant and Equipment

3.2.1 The cost of the assets purchased after 01.01.2009 comprises its purchase price or cost of construction and any directly attributable cost of bringing the asset to working condition for its intended use and the assets purchased or constructed before the above date were revalued and taken into the account with effect from 01.01.2009. Motor vehicles were revalued as at 31.12.2013 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. Depreciation is charged applying the depreciation rates given below from the month the asset is available for use.

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.

3.7 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 expire beyond a period of one year from the Balance Sheet date. All known liabilities have been accounted for in preparing the financial statements.

3.8 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.

3.9 Income Statement

3.9.1 The MASL revenue represent recurrent 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.

3.9.2 Revenue is recognized to the extent that it is probable those economic benefits will flow to MASL and that it can be reliably measured. A lease rental, other rents, royalties and interest income is recognized on an accrual basis.

3.10 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.

3.11 Post Balance Sheet Events

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

3.12 Contingencies

The contingent liability as at 31.12.2014 on various litigations filed against Mahaweli Authority of Sri Lanka was Rs.19 million.

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

Statement of Consolidated Financial Position as at 31.12.2014

	Notes	Group		Mahaweli Authority	
		Rs 000 2014	Rs 000 2013	Rs000 2014	Rs 000 2013
Assets					
Non Current Assets					
Property, Machinery & Equipment	1	4,259,208	4,549,301	4,176,797	4,471,121
Investments	2	175,359	166,731	97,876	87,535
Work in Progress		62,506	48,362	62,506	48,362
Total Non Current Assets		4,497,074	4,764,394	4,337,180	4,607,018
Current Assets					
Inventories in Stores	3	180,890	174,028	171,087	163,492
Trade & Other Recievables	4	1,274,329	1,150,958	1,595,253	1,485,043
Pre-payments		-	38	-	-
Bank Securities		837	905	-	-
Cash & Cash Equalents	5	190,391	140,950	147,825	108,976
Total Current Assets		1,646,447	1,466,879	1,914,165	1,757,510
Total Assets		6,143,521	6,231,273	6,251,345	6,364,528
Liabilities					
Current Liabilities					
Payable to the Creditors	6	491,622	528,482	380,700	437,175
Incurred Expences	7	207,705	87,145	202,405	77,645
Total Current Liabilities		699,327	615,627	583,105	514,821
Non Current Liabilities					
Provisions for Gratuity payments	8	1,311,876	1,157,688	1,307,474	1,153,643
Leasings		14,329	6,243	-	-
Deferred Taxes		612	612	-	-
Total Non Current Liabilities		1,326,817	1,164,543	1,307,474	1,153,643
Total Liabilities		2,026,144	1,780,170	1,890,579	1,668,464
Total Net Assets		4,117,377	4,451,103	4,360,765	4,696,065
Net Assets/ Equities					
Consolidated Fund		23,383,849	23,224,435	23,370,845	23,211,146
Reserves: B/F Income & Expenditure A/C	9	-23,171,205	-22,678,520	-22,874,346	-22,352,802
Revenue Reserves - Companies		67,466	53,560	-	-
Revaluation Profit		3,837,627	3,851,627	3,837,266	3,837,721
Total Net Assets/ Equities		4,117,377	4,451,102	4,360,766	4,696,064

Indrani Ramanayaka
Director Finance
Mahaweli Authority of Sri Lanka
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Gamini Rajakaruna
Director General
Mahaweli Authority of Sri Lanka

Mahaweli Authority of Sri Lanka
No. 500 T.B. Jayah Mawatha
Colombo 10
Cashflow Statement as at 31.12.2014

	Group	Authority
	2,014	2,014
	<u>(Rs, 000)</u>	<u>(Rs, 000)</u>
Cashflow from Operations	(495,724)	(497,583)
(With adjustments relvent to the previous year)		
Non Cash Transactions		
Depreciation	452,558	449,443
Provision for Gratuity Payments	154,188	153,831
Increase/Decrease in Accumalated Expenditures	120,560	124,760
Opperations		
Increase/Decrease in Payables	(28,775)	(56,475)
Increase/Decrease in Stocks	(6,863)	(7,595)
Increase in other Recievables	(123,265)	(110,210)
Net Cashflow from Operations	72,680	56,170
Cashflows from Investment Activities		
Movement in Property, Machinery and Equipment	(162,465)	(155,119)
By sales of Assets	3,038	3,038
Increase in Investment and Work in Progress	(22,773)	(24,485)
Net Cashflow from Investment Activities	(182,200)	(176,566)
Cashflows from Finanail Activities		
Capital Grants	158,960	159,245
Net Cashflow from Financial Activities	158,960	159,245
Net Increase in Cash & Cash Equalents	49,441	38,849
Cash & Cash Equalents at 01.01.2014	140,950	108,976
Cash & Cash Equalents at 31.12.2014	190,391	147,825

Mahaweli Authority of Sri Lanka

No. 500 T.B. Jayah Mawatha

Colombo 10

Statements of Changes in Equities

	Group			Rs000
	Accumulated Fund	Reserves	Retained Earnings	Total
Balance as at 01.01.2013	23,110,401	3,109,686	(22,627,990)	3,592,097
During the year	114,034	795,501	(50,530)	(859,005)
Balance as at 31.12.2013	23,224,435	3,905,187	(22,678,520)	4,451,102
Balance as at 01.01.2014	23,224,435	3,905,187	(22,678,520)	4,451,102
During the year	159,414	(454)	(492,686)	(333,726)
Balance as at 31.12.2014	22,383,849	3,904,733	(23,171,206)	4,117,377

Statement of Changes in Equities

	Mahaweli Authority			Total
	Accumulated Fund	Reserves	Retained Earnings	
Balance as at 01.01.2013	23,097,112	3,043,901	(22,307,970)	3,833,043
During the year	114,034	793,820	(44,832)	863,022
Balance as at 31.12.2013	23,211,146	3,837,721	(22,352,802)	4,696,065
Balance as at 01.01.2014	23,211,146	3,837,721	(22,352,802)	4,696,065
During the year	159,699	(454)	(494,544)	(335,299)
Balance as at 31.12.2014	23,370,845	3,837,267	(22,847,347)	4,360,766

Auditor General Report

Part III



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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31 December 2015

The 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 2014 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 2014 comprising the statements of financial position as at 31 December 2014 and the statements of financial performance, statements of changes in equity 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. The financial statements of the Subsidiaries were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued to the Chairman of the Authority in due course.

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.



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 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 judgment, including the assessment of the risks of material misstatement 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 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 Opinion

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



2. Financial Statements

2.1 Qualified Opinion- Group

In my opinion, except for the effects of the matters described in paragraph 2.2 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 2014 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

Qualified Opinion- Authority

In my opinion, except for the effects of the matters described in paragraph 2.2 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 2014 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 Consolidated Financial Statements

2.2.1 Amalgamation of Financial Statements

(a) The consolidated financial statements had been prepared by amalgamating of the financial statements of the Authority and its four Subsidiaries. However, only one Subsidiary had submitted audited financial statements. The names and the ownership of the Subsidiaries are as follows.

<u>Name of the Subsidiary</u>	<u>Percentage of Ownership</u>
Mahaweli Consultancy Bureau (Pvt) Ltd	100
Natural Resources Management Services (Pvt) Ltd	100
Mahaweli Venture Capital (Pvt) Ltd	100
Mahaweli Livestock and Agro Enterprises (Pvt) Ltd	100



(b) The Board of Directors had decided on 04 December 2014 to dissolve the Mahaweli Engineering Services (Pvt) Ltd and the Registrar of Companies has ensured that necessary action had been taken to liquidate the Subsidiary on 31 July 2014. However, Accounts of Dissolution had not been made available to audit.

2.2.2 Going Concern

The following matters were revealed in the examination of Accounts of the Subsidiaries amalgamated with the Authority.

(a) The income of the Mahaweli Venture Capital (Pvt) Ltd for the year 2014 amounted to Rs.1,018,746 out of which, the deposit income amounted to Rs.328,046. The operating income amounted to Rs.690,700 and the annual operating loss and accumulated operating loss amounted to Rs.164,355 and Rs.7,295,954 respectively. As such, it was observed that the operating activities of the Subsidiary are not carried out efficiently and it affects the going concern of the Subsidiary.

(b) In the examination of income and expenditure of the Natural Resources Management Services (Pvt) Ltd, the income received from operating activities amounted to Rs.2,412,855 and a sum of Rs.2,453,926 had been paid to external consultants and other parties relating to operating activities. As such, it was observed that the actual loss sustained from operating activities amounted to Rs.41,071. The net loss of the year under review amounted to Rs.106,560 and the other income amounted to Rs.1,000,605. A bank loan of Rs.600,000 as well existed in the Subsidiary. It was observed in audit that the operating activities of the Subsidiary are not carried out in a proper and efficient manner and as such, the going concern of the Subsidiary is problematic.



2.2.3 Accounting Policies

The following observations are made.

- (a) The Mahaweli Livestock and Agro Enterprises (Pvt) Ltd had prepared the financial statements in compliance with the Sri Lanka Accounting Standards and the accounting policies adopted in accounts submitted by the Mahaweli Venture Capital (Pvt) Ltd, Natural Resources Management Project and the Mahaweli Consultantancy Bureau (Pvt) Ltd. had not been disclosed.
- (b) A proper accounting system had not been introduced for 18 farms under purview of the Authority.

2.2.4 Accounting Deficiencies

The following observations are made.

- (a) The value of 03 blocks of land with an extent of 1 acre 2 roods and 13.6 perches costing Rs.67,440,853 owned by the Authority and located in Colombo, had not been shown in the accounts.
- (b) A sum of Rs.418,871,277 invested in the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd. had been shown under sundry debtors instead of showing under the investments in the financial statements of the Authority.
- (c) The retention money amounting to Rs.1,918,988 relating to the Project on Minimizing the Climatic Effects had been shown as expenditure in the statement of income and expenditure by the Residential Enterprises Management Office of the Zone "C". As such, the profit had decreased by the same amount.
- (d) Even though the bank had ensured the interest on fixed deposits receivable to the Residential Enterprises Management Office of the Zone "C", the interests receivable had been understated by Rs.1,000,000 in the account.



2.2.5 Unexplained Differences

The following observations are made.

- (a) In the comparison of the lease rental income for the year under review and the outstanding lease rental income as at the end of the year with the Income Account and relevant schedules, there were differences amounting to Rs.143,741,000 and Rs.146,510,000 respectively. Nevertheless, the reason for that difference had not been explained. In the comparison of sundry stocks and fuel and stationery stocks of the Main Operations and Maintenance Division with the verification reports, differences of Rs.21,343,203 and Rs.1,177,434 were observed respectively.

- (b) Even though according to the financial statements of the Authority, investments made in the Mahaweli Venture Capital (Pvt) Ltd had been shown as Rs.9,800,000, the nature of the investment had not been clearly indicated. According to the accounts of the Mahaweli Venture Capital (Pvt) Ltd, investments made in the shares of the Subsidiary and the contribution for other capital had been shown as Rs.10,398,000 and Rs.351,000 respectively by the Authority. However, such an investment had not been shown in the financial statements of the company as such. reasons for those differences were not explained to audit.

2.2.6 Suspense Accounts

According to the accounts presented by the Mahaweli Consultancy Bureau (Pvt.) Ltd, an unusual credit balance of Rs.2,134,832 and unusual debit balance of Rs.1,261,164 had been included in the accounts receivable and accounts payable respectively.

2.2.7 Lack of evidence for audit

Copies of certificates of investments and shares for the investment amounting to Rs.19,879,000 made in 04 Subsidiaries by the Authority had not been made available to audit.



2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the outstanding lease income amounting to Rs.704,516,782 receivable by the end of the year under review, a sum of Rs.342,753,000 had remained for over 05 years and a sum of Rs.325,187,000 had remained for over a period from 03 to 05 years. It was further observed that out of this amount, a sum of Rs.645,983,499 had been the outstanding lease income receivable from 04 Residential Enterprises Management Offices.

According to the audit test check carried out in the Victoria-Kothmale Residential Enterprises Management Office, the outstanding lease income recoverable from the employees of the Authority for granted lands amounted to Rs.31,253,000 or 21.8 per cent from the outstanding lease income.

- (b) A sum of Rs.18,824,000 receivable from sundry debtors and trade debtors had remained outstanding for a period ranging from 1 to 3 years and a sum of Rs.11,849,000 had remained outstanding for more than 5 years.

- (c) Out of the mobilization advances recoverable, sums amounting to Rs.1,600,000 and Rs.7,357,000 had not been recovered for a period ranging from 1 to 3 years and for more than 5 years respectively. It was further observed that out of the above amount over 5 years, a sum of Rs.6,725,803 had related to the Mahaweli Consolidated Project and Mahaweli Reconstruction and Rehabilitation Project of the Zone "B" completed in the year 2005. Moreover, the Authority had sustained losses due to failure in taking action to recover those amounts in making payments for final bills by the relevant officers. It was further observed that action will be taken to write off the money in future which cannot be recovered, instead of taking action against the officers who were responsible for those losses.



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

The following instances of non-compliances were observed.

Reference to laws, rules,
regulations and management
decisions

Non compliance

- | | |
|---|--|
| (a) Public Administration
Circular No.7/92 of 18
February 1992 | A diesel motor vehicle belonging to the fleet of vehicles had been utilized for duties in addition to the motor vehicle allocated for the Director General and fuel valued at Rs.412,852 had been obtained thereon for a period of 09 months from January to September of the year under review. |
| (b) Public Enterprises
Department Circular
No.95 of 14 June 1994 | Even though only benefits approved specifically by the Cabinet of Ministers, Ministry of Public Administration or the Treasury can be paid to employees with the approval of its Board of Control, the Victoria-Kottumale Residential Enterprises Management Office had paid a sum of Rs.1,272,791 to the staff of the Authority as incentives for the collection of lease rent in the year under review without such a proper approval. Further, it was revealed that the outstanding lease rent payable to the Authority as at 31 December 2014 by 11 Officers who obtained a sum of Rs.278,853 as incentives, amounted to Rs.2,427,600. |
| (c) The Gazette of 06 May
2009 of the Democratic
Socialist Republic of Sri
Lanka | A royalty of Rs.560 per cube of soil removed from the lands owned by the Authority should be paid by contractors. Nevertheless, it was revealed at audit test check that the royalty of Rs.9,929,360 receivable in the year under review to the Residential Enterprises Management Office of the Zone "B", had not been recovered in removing soil estimated at 17,731 cubes in respect of 16 contracts. |



- (d) Internal Circulars and Financial Procedure Paragraph 1.5.1 of the Financial Procedure and Section 5 of the Internal Circular No.02/2012 of 15 March 2012
- Fuel advances amounting to Rs.117,012 obtained by 15 officers in 15 instances had been fully resettled without being utilized. Thirteen instances of delays from 14 to 118 days thereon were observed.

2.5 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) A sum of Rs.1,501,960 had been spent in December 2014 to make ten officers to participate in a productivity building workshop through the emotional equilibrium held in India from 16 to 25 January 2015. Provisions had not been made in the budget for this programme which was not directly related to the functions of the Authority and this programme had not been included in the Action Plan as well. Further, an approval of the Board of Directors as well had not been obtained thereon. According to the Policy of the Authority, an officer who participated in a foreign tour is not given an opportunity for another tour till one year passes. However, two officers who were participated in this workshop had participated in foreign tours 06 months ago.
- (b) A sum of Rs.50,000 as course fees for the Director (Headquarters Operations) who participated in a training programme of the Sri Lanka Institute of Development Administration and a sum of Rs.242,148 for a foreign field trip affiliated to it, had been paid in the year under review without the approval of the Local Scholarship Committee and the Director General. Even though the maximum amount granted for such training programmes is Rs.30,000 according to the Policies of the Authority, it had not been done accordingly.



(c) A one day programme for 500 Ayurvedic and Indigenous Medical Practitioners had been held by spending Rs.565,263 on 06 September 2014 at the auditorium of the Badulla Post Office. Even though the objective of the programme was to make the practitioners aware of preventing kidney and diabetic diseases spreading among Mahaweli colonists, particulars of the programme and resource persons had not been made available to audit. Even though only 69 practitioners had participated in the workshop, uniforms had been distributed for 460 persons.

3. Financial Review

3.1 Financial Results

According to the consolidated financial statements presented, the operations of the Authority and its Subsidiaries during the year under review had resulted in a deficit of Rs.492,686,000 as compared with the corresponding deficit of Rs.50,530,000 for the preceding year, thus indicating a deterioration of Rs.442,156,000 in the consolidated financial results.

3.2 Analytical Financial Review

The following observations are made.

- (a) Increase in Personal emoluments by 15 per cent, annual depreciation by 73 per cent and spending a sum of Rs.123,683,000 exceeding capital provisions received from the General Treasury in the year under review as compared with the preceding year had mainly attributed to the deterioration of the financial result. However, the annual lease income had increased by Rs.103,633,000 or 38 per cent as compared with the preceding year.
- (b) The 04 Subsidiaries amalgamated with the Authority had contributed 7 per cent to the income earned by the Authority, 2 per cent to the total expenditure, 0.37 per cent (profit Rs.1,859,000) to the total loss of the Authority and 3.67 per cent from the fixed assets to the Authority.



3.3 Legal Action instituted against or by the Authority

According to the information presented to audit by the Authority, 179 external institutions and persons had filed 179 cases in the Courts against the Authority due to reasons such as recovery of possession of houses.

The Head Office of the Authority and the Residential Enterprises Management Office had filed 143 cases in the Courts against 143 external institutions and persons in respect of recovery of possession of houses and lands and other matters.

4. Operating Review

4.1 Performance

The following observations are made.

(a) Land Development Activities

According to the Mahaweli Master Plan, the total extent of lands expected to be developed within 14 Mahaweli Zones was 420,170 hectares. However, the total extent of lands developed as at 31 December 2014 was only 102,528 hectares and the extent of lands currently being developed under the Moragahakanda Project, is 81,422 hectares. Accordingly, a specific plan for the development of 236,220 hectares of lands had not been formulated up to 31 December 2014.

Even though the updating of the Mahaweli Master Plan had been completed in the year 2013 by taking into consideration the current needs, nature of the natural resources and their usage, necessary action had not been taken to implement it even up to 30 June 2015.



(b) It was revealed in the examination of detailed Action Plans of 3 Residential Enterprises Management Offices, 3 projects and 5 Divisions of the Head Office that the total expenditure estimated for the year 2014 for those Divisions amounted to Rs.795 million and activities valued at Rs.76.297 million had not been implemented. Further, activities valued at Rs.33.18 million but not included in the Action Plan of the year 2014 had been implemented. It was observed that the completion level of 4 activities valued at Rs.88.37 million had been less than 10 per cent whereas the completion percentage of 14 activities estimated at Rs.5,930.082 million had been from 10 per cent to 40 per cent.

(c) Performance of the Land Division

A number of 899,605 targeted activities relating to 09 main activities of the Land Division existed from the year 2009 to the year 2014 due to setting impracticable targets and inefficiencies of the relevant Divisions out of which, 653,805 activities or 72.7 per cent had not been completed. Further, performance of those activities of 06 years from the year 2009 to 2014 had been from 11 per cent to 45 per cent.

Even though it had been planned in the year under review to distribute 19,647 blocks of lands for various purposes, 57,717 permits and deeds and 3,840 annual permits and 1,807 long term leases under the Land Development Ordinance and Crown Land Ordinance, only 4,343 blocks of lands, 28,819 permits and deeds, 1,258 annual permits and 542 leases had been granted.

4.2 Management Inefficiencies

The following observations are made.

(a) The total cost estimate prepared for one purpose under the Mahaweli Consolidated "B" Project, had been divided into several parts and 11 contracts had been awarded to several persons so as to reduce one contract sum for Rs. two million and the total estimated value thereof was Rs.17,020,085.



- (b) Even though the purpose of construction of market route between Bodhiyagama Aaru and Malwenna which was one of the activities of the Mahawelienna Project, had been divided into 11 parts and 07 contracts had been awarded to the same contractor and 03 contracts to another contractor, recommendations of the Regional Procurement Committee for the award of contracts had not been made available to audit. The contractor who had been awarded 07 contracts, had prepared estimates in terms of paragraph 8.13 of the Procurement Guidelines and constructed 06 culverts as additional works without obtaining a prior approval in addition to proposed activities.
- (c) The number of Board Papers submitted for 09 meetings of the Board of Directors held by the Authority during the year 2014 was 238. Out of them, 115 papers on granting appointments to officers, 103 on granting lands on lease basis and 6 on accounts and audit reports had been presented. However, number of papers submitted for other activities was only 14.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Even though the number of lands with an extent of 9369,4 hectares granted for agricultural and enterprises development purposes as at 31 December 2014 by the Enterprises Development Division had been 437, a specific and noticeable policy approved by the Board of Directors in respect of the methodology of granting lands, maximum extent of lands that can be used thereon and identification of persons, had not been made available to audit. Moreover, in identifying persons to whom lands are granted on long term lease basis, appropriate criteria had not been determined. Action had been taken by considering that only the submission of a project plan is the qualification and the investment plans submitted by the applicants had not been evaluated so as to be accepted by the Authority. The relevant development activities had not been carried out on lands with an extent of 404,56 hectares granted to 52 land recipients from the year 1991 to the year 2011 and no action had been taken to retransfer of those lands in terms of agreements.



- (b) Even though the mechanical workshop located at Ratmalana Kaldemulla, belonging to the Mahaweli Engineering Services (Pvt) Ltd which had been decided to dissolve in the year 2014 operated under the supervision of the Irrigation Department, no action had been taken to transfer those assets on lease or other basis and to regularize the functions thereof. Further, Irrigation Department had constructed a temporary building as well for erecting of spillway gates for tanks and reservoirs. As a separate electricity meter and a water meter had not been fixed for the mechanical workshop, the Authority had settled all bills. Expenses on electricity and water had increased by Rs.157,745 and Rs.43,780 respectively as compared with the year 2013 after inception of the mechanical workshop in the year 2014.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) A sum of Rs.451,038 had been granted improperly to five officers of the Ministry and the Ministerial Staff but not in the Authority as fuel expenses up to 30 September 2014.
- (b) Even though the project on operating of Chandrikaweve Mini Hydropower Station vested without the procurement procedure by the letter No. RBM/EIA/MH/10-5 of 28 December 2010 of the Director General, had been vested with the Mahaweli Consultant Services Bureau (Pvt) Ltd., it had not been operated even up to 20 November 2014. The approval had been granted at the 258 meeting of the Board of Directors held on 04 December 2014 to vest this project with the Chandrikaweve Hydropower (Pvt) Ltd, established on 30 October 2014 without following the procurement procedure but the Board of Directors had not considered the qualifications of the company.



- (c) An estimate valued at Rs.400,000 submitted by the Residential Enterprises Manager of Victoria Kothmale Zone to establish a Fitness Center which was not included in the Action Plan, had been approved by the Director General. No arrangement based on the policy whatsoever had been made in respect of requirement, maximum expenditure limit, manner in which it should be maintained, control introduced on usage of this newly commenced activity. Goods valued at Rs.392,750 granted for this activity had been stored in the official quarter No.56 without transferring to a responsible officer and using those goods.
- (d) A 3D television had been purchased for Rs.149,900 on 29 November 2014 by adding the term "3D" improperly on the letter from which the approval had been granted to purchase a LED Television to the official quarter of the Residential Enterprises Manager of Victoria Kothmale Zone by the Director General. It was observed that granting a 3D television of a high cost is uneconomic.
- (e) An engineer – Grade ii had been recruited to the Authority with effect from 22 August 2012 by the Secretary to the Ministry for the Ratmalana Mechanical Workshop. The aforesaid officer had reported for duty at the mechanical workshop on 17 December 2013 under supervision of the Department of Irrigation without vesting the mechanical workshop with the Department of Irrigation properly. A total sum of Rs.726,674 had been paid as salaries and allowances and Provident Funds to this officer for the year 2014. The Authority had not taken action to reimburse that money from the Department of Irrigation.

4.5 Idle and Underutilized Assets

The following observations are made.

- (a) Two official quarters of Grade A belonging to the Victoria Kothmale Residential Enterprises Management Office had not been utilized due to failure in renovating those quarters since the years 2004 and 2011. Further, as an officer who was entitled to an official quarter of Grade A, was staying free of charge at the circuit bungalow belonging to the Authority from January 2014 to 31 August 2015, one room thereof could not be given to applicants. As such, the income that could



have been obtained from the circuit bungalow at a rate of Rs.1,000 per day had been deprived of due to failure in providing an official quarter to the officer.

- (b) A total sum of Rs.48 million in 2 Revolving Funds Deposits of the Regional Development Bank since the year 2002 by the Residential Enterprises Management Office of the Zone "C" had not been utilized to fulfill the objectives thereof. Further, the bank had not computed the interests so as to receive interest by adding the annually computed interest to the initial deposit and the bank had certified the accumulated interest as Rs.24,998,107 payable to the Authority as at 31 December 2014.

4.6 Uneconomic Transactions

The following observations are made.

- (a) An expenditure of Rs.19,538,336 had been incurred by the Residential Enterprises Management Offices at Walawa and Welioya in two instances in the year 2013 for conducting two award ceremonies for the distribution of 3055 deeds without the approval of the Board of Directors. Budgetary provisions of the year 2013 had not been made thereon and it had not been included in the Action Plan as well.
- (b) A sum of Rs.2,315,835 had been spent for the ceremony held for the distribution of 785 motor bicycles to field officers in the year under review.

4.7 Commencement of Projects on Lands not properly vested

The following observations are made.

- (a) The Authority had spent a sum of Rs.108,154,180 for the construction of the Mahaweli Centre on the land located at Ananda Coomaraswamy Mawatha, Colombo 07 belonging to a private company.



(h) The training centre, motor vehicles service centre and the mechanical workshop had been constructed on a land with an extent of 0.45 hectares, located at Ratmalana, Kaldemulla belonging to the Divisional Secretary.

4.8 Resources of the Authority given to other institutions

Fourteen vehicles owned by the Authority were being utilized by the Government Ministries and Departments by 30 October 2015 contrary to the Public Enterprises Circular No. PED/12 dated 02 June 2003 and one motor vehicle was in the custody of the Courts, Nuwara - Eliya.

4.9 Personnel Administration

The Authority had released 34 officers on full time and part time basis for the Dam Safety and Water Resources Management Project by 31 December 2014. However, it was not confirmed to audit that those officers were deployed on release basis and they reported for duty properly to the Authority by the end of that period. Attention had not been paid to the Management Services Circular No. 33 of 05 April 2007 and the amended Circular No. 33(1) of 20 December 2007 in that connection.

5. Accountability and Good Governance

5.1 Action Plan

The officers responsible for each activity of the Action Plan prepared for the year under review, had not been identified.



5.2 Internal Audit

The post of the Director (Internal Audit) had fallen vacant from 30 November 2010 even up to 31 August 2015, the date of audit and internal audit reports had not been made available to audit.

5.3 Procurement Plan

Even though a Procurement Plan had been prepared for the year under review, it had not been adequately implemented.

5.4 Budgetary Control

Even though a budget had been prepared at the beginning of the year, the budget had been revised so as not to make changes to the budgeted expenditure considering the expenditure incurred at the end of the year and the approval of the Board of Directors had been obtained and as such, the budget had not been made use of as an effective instrument of management control.

5.5 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 produced by hydro power stations constructed in association with the Mahaweli reservoirs and the Authority had paid their electricity bills to the Ceylon Electricity Board in respect of the electric lamps fixed on the dams of the Polgolla, Victoria and Kothmale reservoirs. Since payment of charges for the maintenance of reservoirs and water used by the Electricity Board are not made, attention of the Authority should be focused on securing electricity requirements of the major dams, free of charge.



(b) It was revealed that there were 655 encroachers in the reservation areas of Pollgolla, Kothmale, Bowathenna, Mapakada, Maduruoya and Victoria reservoirs. However, the Authority had failed to evict those squatters and preclude the further arrival of such encroachers.

(c) The Residential Enterprises Manager of the Zone 'H' had used another vehicle in addition to the vehicle allocated to him. It was observed as per the Gate Registers maintained by the Security Division that the above vehicle had not arrived at the office premises from May 2010 to December 2011. Nevertheless, the Residential Enterprises Manager had certified all trip specified therein placing his signature.

Even though the driver of this vehicle had stated that the daily travelling of the vehicle was started from Thambutthegama, he had not signed the Attendance Register maintained at the Thambutthegama office during the period from February 2010 to December 2011.

An expenditure of Rs.201,385 had been incurred in respect of repairs and replacement of 04 tyres to this vehicle during the period in which the vehicle was not used by the office and the Director General had informed that a preliminary investigation had been initiated in this connection.

(d) The lease rent receivable per year from the lands granted for the use of farms at Niraviya and Kalankuttiya to the Mahaweli Livestock and Agro Enterprises (Pvt) Ltd for their use had not been computed and brought to account in the year under review. Even though the Director General had informed me by his letter of reply dated 04 December 2013 that action will be taken to recover lease rent for the relevant buildings since the year 2013, it had not been so done in the years 2013 or 2014.

(e) According to the records of the Land Division, the number of blocks of lands that had been encroached, was 7,333. It was observed that, the Authority could be deprived of the income which could be earned from lands due to delaying of legalizing process of these lands.



6. Systems and Controls

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

- (a) Fixed Assets Control
- (b) Stores Control
- (c) Financial Control
- (d) Motor Vehicles Control
- (e) Contract Administration

H. M. Gamini Wijesinghe
Auditor General

Director General's Comments on Audit Report

Auditor General's Report on Consolidated Financial Statements

Comments of the Director General on the Report of the Auditor General dated 21st December 2015 under reference LP/H/MASL/14/55 under section 14 (2) (e) of the Finance Act No. 38 of 1971 regarding the Consolidated Financial Statements of the Mahaweli Authority of Sri Lanka and the Companies managed by the Authority, as at 31st December 2015.

2.2 Comments on Combined Financial Statements

2.2.1 Consolidation of Financial Statements

- a) By now the Reports of the audited accounts of the remaining three Companies have been submitted.
- b) Audit firms have informed that liquidation accounts reports have been submitted to the Auditor General on 29th February 2016.

2.2.2 Continuous Operation

- a) As per a decision made to liquidate Mahaweli Venture Capital Company, the process of liquidation is underway now.
- b) A change has been effected in the management by appointing a Chairman and a Board of Directors. A development in the company is expected in the future.

2.2.3 Accounting Policies

- a) Action has been taken to only consolidate the audited accounts for the year 2015. Accordingly, disclosures are made in Accounting Policies.
- b) Actions are being taken.

2.2.4 Accounting Deficiencies

- a) Valuation Department has been informed in order to obtain the value of the land. Required activities are being carried out.
- b) Rectified.
- c) Rectified.
- d) Rectified.

2.2.5 Unexplained Changes

- a) Instructions were issued to the Officers to carry out required rectifications after scrutinizing the relevant records and reports.
- b) An amount of Rs 9,800,000 provided by Authority at the commencement of the Venture Capital Company (pvt) ltd. has been indicated as an investment made by the Authority and the value of the shares issued by the Company amounting Rs 1,039,800 has been indicated as capital in the accounts of the Company. Since it is required to scrutinize the records of 1987 in order to ascertain this discrepancy, a note has been made to this effect.

2.2.6 Suspense Accounts

Rectified

2.2.7 Lack of Evidence for Auditing

The relevant share and investment certificates are not found among the available records and I presume that this would have occurred because of shortcomings prevailed in the handing over / taking over of files among officers over a long period of time due to change of responsibilities among the relevant officers.

2.3 Accounts Receivable and Payable

- a) Necessary arrangements have been made to strengthen the machinery for the recovery of arrears of lease rentals; a progress is expected in the recovery of leases in the future.

In respect of the arrears of lease rentals to be recovered from the staff members of Officers of the Resident Managers of Victorial and Kothmale, the relevant authorities have been informed to deduct that amounts from their salaries.

- b) These balances include an amount of Rs 7,975,195/= , which is to be recovered from the Mahaweli Consultancy Service Bureau for a service provided to that Bureau several years ago and an overcharged debit tax amount of Rs 1,921,512/= recovered from our organization by the Bank of Ceylon.

Necessary action is being taken, as of now, to verify the remaining balances, including the above amounts, and to recover them.

- c) The advance payments with a time period of 1-3 years, are being recovered and the projects related to an amount of Rs 6,725,803/= which remains over due for more than five years , have already been completed . Therefore, it has not been possible to indicate action in this regard, due to the unavailability of records, lack of information and the relevant officers are no more in service.

2.4 Non – compliance with Rules, Regulations and Management Decisions

- a) As per a decision made by the Board of Directors of the Mahaweli Authority of Sri Lanka, according to Government Circular No. 11 / 2006, approval has been given for a monthly allowance and no limit is fixed on the distance to be travelled. Neither submission of bills nor maintenance of travel records is required.

A practice prevailed in the Mahaweli Authority was allocating 02 vehicles to the Director General, including a 4x4 Jeep, considering the nature of field duties such as inspection of construction sites, various projects and Resident Manager areas. However, at no occasion two vehicles have been used simultaneously. Only one vehicle is being used by the present Director General.

- b) Incentive payments have been paid for recovering of leases as per letter urs / 01 / 1410 / 2010-11-6. Making of such payments now remains stopped. Therefore, payments were made officers for the tasks performed by them.

- c) A response MASL / FIN / AQ / 2015 dated 05.10. 2015 has been submitted with regard to the Query LP / H / MASL / 1 / 14 / 20 (Annex 1).

- d) Instructions have been issued to the relevant Officers requesting them to take serious note of this situation and initiate action against Officers who fail to settle advances within due dates.

2.5 Transactions that were not adequately authorized

- a) I accept the fact there did not exist an Action Plan in this regard. However, as the head of the organization a decision was made that it is appropriate to afford an opportunity to the Officers of the MASL participate in this training course. Approval of the Minister in charge of the subject, as well was obtained. Instructions were issued to properly follow a policy which considers a 06 months period in sending Officers to overseas training, as per the policy of the Authority.
- b) Action has been taken to recover monies in respect of the relevant Officers according to the decision of the Special Committee appointed for this purpose.
- c) The fact that this workshop was not included in the Action Plan of 2014 is accepted. This program has been implemented subject to the approval of the Director General as requested by the Private Secretary of the Ministry of Mahaweli and water Resources Management, as instructed by the Minister. The District Medical Officer, Dehiattakandiya, President and Secretary of the Uva Ayurveda Associated have functioned as the Resource Persons of this workshop. Uniforms were issued as per the signature list of the Medical Officers participated. Although Ayurvedic doctors have indicated their designations in the signature list, traditional doctors have failed to go.

3. Financial Review

3.1 Financial Results

3.2 (a) A provision of Rs. 197.85 million made for depreciation and a provision of Rs. 75.558 million for bonus payments in 2014 as per the accounting policies, have resulted in the deterioration of the financial results, although real expenditures were not incurred. An increase recorded in the provisions for the accrued expenses has also contributed to this situation. Further, an increase has been recorded in the salary expenses because of the recruitments made to fill the vacancies. A further increase could be expected in the lease income in the future years.

3.3 I accept the existence of legal proceedings initiated by the Authority or legal proceedings initiated against the Authority. These legislations have resulted in due to various interventions made with regard to land and housing during the recent past, and of now, steps are being taken to prevent the emergence of such litigations.

4. Operational review

4.1 (a) Necessary steps would be taken by me in the near future so as to implement the Mahaweli Plan which was updated by Dam Safety and Water Management Division. A delay occurred in this regard is accepted.

(b) The relevant Business Manager Offices and sectors are not indicated in this query. However, steps are being taken to comply with Action Plan after having carried out a monthly progress review. In case a need arises to implement an activity, which is not included in the Action Plan, arrangements will be made to obtain approval for such activities.

Performance of the Land Division

(c) In the light of the facts indicated in the query, a situation of lagging behind is observed in the performance of the Land Division. The following reasons could be attributed to this situation: The prevailing shortage of surveyors hinders the activities such as preparing block plans before alienation of land, marking borders and preparation of plans.

Due to the unavailability adequate number of surveyor in the MASL, arrangements were made to obtain the services of surveyors under the procurement process. In respect of systems B and C above functions have already been commenced.

Land related activities remained suspended during the recent past because of number of elections held.

A certain time period is required for the activities as several organizations are involved with MASL in blocking out of lands and preparation plans.

Management Inefficiencies

Responses to matter referred in (a) and (b) are given in Annex 2. Response to the query LP/ H/ MASL/ 1/ 14/ 20 has been forwarded to the Assistant Auditor General through letter dated 15th October 2015

(c) Conducting of meetings of the Board of Directors during the year 2014 under the practical situations could be considered a satisfactory development. Since large numbers of recruitments were made within the MASL during the year 2014 in order to fill prevailing vacancies, 115 board papers were submitted. Further, 103 papers on leasing were submitted. Submission of other board papers, as well, indicates the adequate contributions made by the Board of Directives towards fulfilling the objectives and functions of the Authority.

4.3 Operational Inefficiencies

(a) Allocation of Lands for agricultural and business development activities. The clarifications of the Director, Business Development in this regard are given as an Annexure. Arrangements will be made in order to introduce required changes so as to ensure the progress and promotion of the activities of this Division

(b) Valuation work is being carried out to acquire the Mechanical Workshop situated at Kaldemulla, Ratmalana. Arrangements were made with Irrigation Department in order to get reimbursed the electricity and water bills of this Mechanical Workshop.

4.4 Transactions of Controversial Nature

- (a) Approval has been given for the payment of such advances, with regard to the functions carried out by the Ministry and Mahaweli Authority concurrently, subject to my approval.
- (b) The relevant schemes have been discontinued as per instructions issued by the Secretary, Ministry of Mahaweli Development and Environment based on the observation of Attorney - General Department, due to their irregular nature. I expect to rectify this situation by a proper interrogation.
- (c) This Project was established with approval, on the request of the sportsman and Officers of the Victoria system, since a part of allocations made for Mahaweli Sports (Expenditure vote 2822) remained unused. Materials purchased for this purpose were stored at premises No.56, because of a problem faced in obtaining the premises which was to be used to store these materials. The Project, by now, remains regularized.
- (d) Proper approval has been obtained to purchase this television set. Considering a request made by the Resident Business Manager for the purchase of 3D television, this approval was granted.
- (e) The Engineer recruited has been deployed at the Mechanical Workshop, considering service requirements. A need does not arise with regard to the reimbursement of the salaries and EPF of that Officer.

4.5 Underutilized Assets

- (a) A shortage of official quarters exists in Resident Business Manager's Office. On the basis of service requirement, accommodation facilities are provided to the Deputy Resident Business Manager (Lands) in the Holiday Home. Considering the higher volume of expenditure to be incurred in case a building is rented out for this purpose, this alternative step was followed.
- (b) The relevant officers who conducted inspections in this regard, have been apprised of this situation

4.6 Uneconomical Transactions

- (a) The cost incurred for the functions held on 20th April 2013 and 31st December 2013 respectively by Welioya Office and Resident Business Manager Office to award deeds was Rs 19,538,336. These functions were organized as per instructions issued by the subject Minister in charge of the subject. As the HE President participated in this function, organizational activities and supply of relevant services and goods were carried out as instructed by security divisions. The said expenditure has incurred because of the participation of the beneficiaries and their families. This deeds award ceremony was held under the National Deed Award Program of the government.

- (b) The function held at the Head Office premises of the Mahaweli Authority of Sri Lanka on 31st December 2014 was held concurrently with the National Program of the Government to distribute Motorcycles to the Field Officers. This cost has been incurred since the HE President was scheduled to participate in this function and the likelihood of rains in the evening

4.7 Commencement of Project at Lands which were not acquired in a formal manner

- (a) In this regard a building was constructed at the land for the organization called Royal Asiatech Society. The longstanding understanding prevailing between the MASL and said organizations was instrumental in facilitating this construction. No ownership issues have emerged so far in this regard. The relevant expenditures have been incurred since the Offices of the Mahaweli Authority of Sri Lanka are being maintained at this office.
- (b) As of now, arrangements are being made to carry out a valuation so as to acquire this land.

4.8. I accept that assets of the Authority handed over to other Institutions remain at their possession.

Arrangements are being made in order to re acquire them. At present the following numbers of vehicles owned by the Authority are being possessed by institutions indicated below: Irrigation Department – 09; Ministry of Health 01; Ministry of Agriculture 03; Presidential Secretariat 01; Nuwareliya Court 01 and Ministry of Mahaweli Development and Environment 01. Accordingly, 16 vehicles are being possessed by other ministries as indicated above. Dam Safety and Water Resources Management Project was under the direct purview of the Ministry of Mahaweli Development and Environment and as requested by the Ministry the services of the experienced Officers have been obtained by the Authority by attaching them to various places, because the functioning of this Project required deployment of experienced employees. I accept the prevalence of lapses in procedures followed in releasing of such Officers. Steps have been taken to have a policy decision with regard to releasing of Officers to the Projects in the future according to Management Services Circular No. 33 of 05.04.2007 and the Amendment 33 (1) of 20.12.2007.

5. Accounting and Good Governance

5.1 Action Plan

Action has been taken to include designations of the Officers responsible.

5.2 Internal Audit

Although applications were called to fill these vacancies, qualified applicants have not sent in their applications, due to the salary scales of the Mahaweli Authority of Sri Lanka. Therefore, the vacancy is yet to be filled. As of now, Head of Internal Audit Division of the Ministry has been appointed to cover the functions of the Internal Audit Division, on acting basis. The lapse of failure to submit the audit reports is accepted.

5.3 Procurement Plan

Accepted.

Although the Procurement Plan has been prepared, the implementation of this plan remained defective due to weaknesses prevailing in the internal controls. Actions have been taken to rectify this situation in 2015.

5.4 Budgetary Control

Attention has been focused in this regard and instructions will be issued so as to use the budget as an effective control tool.

5.5 Unsolved Audit Issues

a) I accept that water required for generation of electricity is being obtained from the main reservoirs managed and maintained by the Mahaweli Authority of Sri Lanka. From the very inception of the Mahaweli Authority this matter has been discussed continuously. A policy decision required to be taken by the Minister in charge of the subject with regard to obtaining a payment. The Mahaweli Authority of Sri Lanka has continuously focused on this matter. Since Ceylon Electricity Board enjoys monopoly in hydro-power generation, as a consumer of electricity supplied by the organization, we are called upon to honor the bills submitted to us for settlements. Hence, electricity bills are being honored by us accordingly. When attempts are made to obtain some payment for this service, the following response is given to our claims: The income generated from this activity is being credited to the Consolidation Fund, and in return, MASL receive monies from this Fund. Therefore, a need does not arise to make a special payment for this purpose.

b) Presence of illicit encroachments at the reserves of Polgolla, Kotmale, Bowatenne, Mapakada, Maduru oya and Victoria reservoirs poses a problem. This fact is accepted. This situation has been deteriorated because of the shortage of land in surrounding areas of these reserves along with the rapid increase in population and the resultant pressures exerted by the local population on the reserve lands. However, I have noted to take action in this regard during this year in order to solve this issue by drawing the attention of the Subject Minister.

c) A formal inquiry is being carried out by the Internal Audit Division in this regard and it has been decided to take required action as per the recommendations of that inquiry.

d) I accept the fact that lease income receivable from the lands granted Neeraviya and Kalankuttiya Farms by the Mahaweli Authority of Sri Lanka for the use of Mahaweli Livestock Enterprises (pvt) Ltd. was not calculated and taken into accounts. Action has been taken to include that into accounts in the year 2015.

f) According to the records of the Land Division, the number of unauthorized lands plots is 7333 and I accept that there is a delay in regularizing them. A delay has occurred in these activities due to shortage of Officers at the Land Division and suspension of land related duties during the elections held in the country in 2015. With the special attention and instructions of the subject Minister, required action will be made in the future.

6. Systems and Controls

Action will be taken by me in order to address the weaknesses prevailing in the systems and controls by particularly focus on the areas indicated.



Anura Dissanayake
Director General
Mahaweli Authority Of Sri Lanka

Mahaweli Authority of Sri Lanka
Performance Report – 2014
And
Investment Plan - 2015

**Mahaweli Authority
of
Sri Lanka**

**Performance - 2014
And
Investment Plan -
2015**

Mahaweli Development Programme significantly contribute to the Irrigation, agriculture and rural development sector over three decades since 1970s to the present, currently it has been focuses and act on development targets outlined in the National development policy framework of the Ten Year Development Plan.

Mahaweli Authority of Sri Lanka placed high priority in operation and maintenance of already built irrigation infrastructure, while enhancing agricultural Production in Mahaweli areas and to complete the balance works remained under the Mahaweli Development Programmed secure

Most needed irrigation water for the dry zone.

National Irrigation policy direction, plan to achieve its goal with the five drives as,1) Water resources development and management (2) Improvement and the modernization of irrigation infrastructures (3)

Watershed management (4)Institutional reforms (5) Research & Development. In line with those directions MASL pay attention to develop regions which known as high vulnerable in terms of water and food security, Northern and Eastern provinces where development initiates were obstructed due to conflict situation prevailed for last three decades. Under that,Planning and designing works are underway of irrigation and development projects of North Central Province Canal, Maduruoya Right Bank, AllaiKantale, and also implementation works of Kivuloya and System L- Welioyawhich contribute significant benefits in agriculture and food security of the country while ensuring sustainable employment opportunities for large amount of rural community.

The multi-purpose Mahaweli Development Programme is partly completed and its benefits are already consolidated and moving forwards to the National prosperity. It performs to substantial increase of country's food production through irrigation, agriculture extension, productivity enhancement and its provide extensive benefits through hydro power generation. Rural Infrastructure development is another key function throughout the programme, since sustainable resource mobilization within the rural part of the country is a must for achieving the balanced regional development. The programme has been able to build the credibility in terms of ensuring substantial growth in rural household income through opening up new revenue streams and strengthening entrepreneurship capacity of rural community. Proposed projects under the programme are now focused for the utilization of hitherto untapped water resources of the Mahaweli River and its allied river basins.

Mahaweli Development programme had envisaged to develop 365,000 ha of land for agriculture in 13 Mahaweli systems defined in the Mahaweli Master Plan. It included construction of series of reservoirs with hydro power plants, irrigation network, opening up of lands for agricultural and land development for settlements with necessary socio economic infrastructure facilities. The proposed development spread over 55 percent of the dry zone, while making a significant contribution to the national hydro power generation.

Mahaweli Authority of Sri Lanka was established in 1979 by the Parliament Act No. 23 of 1979 with a mandate to implement the Mahaweli Master Plan. Its ongoing task is to plan and develop balance area proposed in the Master Plan, operation, maintenance and rehabilitation of irrigation network,

land administration, increase agriculture production, post-settlement activities and introduce sustainable revenue streams for the settlers to upgrade their socio economic standards. Managing irrigation water for 100,000 ha of agricultural land in the dry zone is the key responsibility of Mahaweli Authority.

Total investment made in the Mahaweli Development Programme up to end of December 2014 was approximately Rs.110 billion. Value of cumulative benefits through agriculture production and livestock approximately Rs. 900 billion at the end of December 2014.

MASL plays an active role in Agriculture development of the country. It accounts more than 22% of domestic paddy production, 98% of soya bean, 9% of Green grams and 6 % of chili production and many more other field crops.

1.0 Development Activities carried out in year 2014

1.1 Overall Financial Progress

Total capital budget (Revised) for the year 2014 was Rs.2,225 Million. Financial progress up to the end of December 2014 is given below:

Rs. Mn

Type of Project	Budget Provision	Amount Released from the Treasury (Up to end of December 2014)	Expenditure (Up to end of December 2014)
Mahaweli Projects	1,090.00	1,106.00	1,119.182
Administration and Maintenance	1,135.00	1,144.80	1087.805
Total	2,225.00	2,250.80	2,206.99

1.2 Mahaweli Projects

1.2.1 Mahaweli Consolidated Project

The objective of the project is to increase income levels of rural community in the MaduruOya Left Bank through assuring irrigation water for agriculture. Project activities include (a) rehabilitation of the irrigation network that was built in 1982- 1986 in MaduruOya Left Bank to improve water management (b) improve selected water supply schemes built under the Village Self-Help Project, (c) supporting agricultural development and farmer organizations, and (d) implementation of environmental conservation programmes. The irrigation system rehabilitation includes 52km of main canals, 65km of branch canals, 459km of distributary canals, 1,138km of field canals, 54km of drainage canals, 80km of O&M roads, and small tanks. The estimated total project cost is Rs.2, 800 million. The project is scheduled for 06 years.

This project commenced in 2007, and cumulatively Rs.2716.3 million has been utilized at the end of December 2014. Total financial allocation (revised) for the year 2014 is Rs.450 Mn and Rs. 492.05 Mn

been utilized until end of December 2014.. During this year 52 km of distributary canals and the 133 km of field canals rehabilitated and 82 km of D & F canal road competed. The project assisted farmers in livestock development through provision of 479 of cattle, establishing 37 pasture plots and constructing of 661 of cattle sheds.



Mahaweli Consolidated Project

1.2.2 Malwenna & Mahawelithenna Balance part Development Project

The Mahawelithanna area is falls within the upper part of the Singhapura Division of polonnaruwa amalgamating Polonnaruwa and Batticaloa Districts. It is almost 30 years that system B (left bank) project was started and after the 10 year time people were settled in Singhapura Division under the management of 08 block units. But few years later, the development and resettlement work was abandoned with the effect of worse conflict situation spread in to the area being isolated from the civil society and most of inhabitants were internally displaced and homeless during the war period. As a result of that it has been counted that there were over 1200 displaced which were send back to their native places by Mahaweli Authority of Sri Lanka.

But with the dawn of the peace, resettlement and rehabilitation of canal network was started and project will targeted to develop 850 of homestead lots and 850 of irrigated within the area of the Mahawelithanna balance part and Malwenna unit in Singhapura block by resettling the internally Displaced Persons and other resettler's within area to sustain the it with the agriculture development. Major activities of the project are, Resettled 859 displaced families in Singhapura block and establish the settlements, Develop 521 ha of existing underutilize lands for irrigated agriculture purpose and 174 ha as homestead lands in Malwenna and Mahawelithanna units and Ensure reliable water supply through construction of mahawelithenna tank and related irrigation canals. Total estimation cost of the project is Rs. 935 Million and 2014 financial allocation is Rs. 125 million. At the end of December 2014 total expenditure is Rs. 84.55 million. 100 hectares of jungle clearing and rough levelling works has been completed during year and construction works of multipurpose common buildings commenced during the year.

1.2.3 RambakenOya Integrated Project

RambukkanOya Reservoir and Irrigation Project, planned for provision of irrigation network and land development benefiting 3,550 families within the area. The Project falls within MahaOya Divisional Secretary's Division which is also falling within the Mahaweli gazetted area. RambakenOya reservoir has been completed by the Irrigation Department and commissioned on July 20th2013. Reservoir and other main Irrigation infrastructure is being developed by the Irrigation Department. The settlement, land development and agriculture/livestock activities have been assigned to the Mahaweli Authority of Sri Lanka. MASL commenced assigned work in 2012. For the year 2014, Rs. 115 million allocated for the work and utilized Rs. 84.5 Million at the end of December 2014. Three school buildings in niloba & pollebedda secondary schools and another 12 buildings works were carried out.. Demonstration farm is in operation focusing commercial fruit & OFC cultivation. Dairy development activities promoted through supply of 30 no of cattle and construction of 20 no of cattle sheds. Nearly 50 no of Awareness and training programmes were conducted under different themes for over 500 peoples to improve their capabilities.



RambakenOya Integrated Project

1.2.4 KiwulOya Reservoir Developments

Kiwuloya Reservoir project is located within the Districts of Vavunia, and Mullativu. Objective of the project is to utilize hitherto untapped water resources of the Maoya Basin for agriculture and domestic purposes. Initially, the reservoir operates independently within the basin water resources and later, it will be connected to the proposed NCP Canal. The project activities includes; (a) construction of a reservoir across the Kiwuloya main tributary of Maoya River, close to Sampathnuwara, (b) construction of canal network to irrigate for 1,700 ha of new lands and provide adequate water for existing 5 village tanks which serves 700 ha. (c) Settle 2,000 new families and (d) downstream development. Total estimated Cost for the project is Rs. 6,000 million. The project was commenced in 2012. Engineering surveys of 1900ha were completed during the year, while improvements of hamlet road(63.5 km) ,Access and Agriculture roads (43 Km), further 9 no of dug wells completed within the year. Fund allocation for the year 2014 is 100 Million and Utilized Rs.62.6 Million at end of December 2014.

1.2.5. Integrated development project System L

System L development project is located within the district of Anuradhapura, Vavuniya, Trincomalee, Mullativu and gross extent is 62,000 ha. System L project area has been divided into 9 zones based on hydrological boundaries. Zones 4 and 5 were taken up for development in the year 1981. 3,100 families settled within these two zones with common facilities. Development of the balance area held up and many families were displaced due to prevailed insecurity situation. Already developed socio-infrastructure such as village tanks, irrigation system, road network and common buildings were heavily damaged due to the war. With the revival of the Northern development programme MASL planned to rehabilitate damaged infrastructure facilities and resettle displaced families. Accordingly, 6,900 displaced families to be resettled in the project area during the period of 2012- 2015. Estimated total cost for the project is Rs3, 957 Million. 30 km of field canal and 6 km of distributary canal construction works were completed. 2,688 settlers were resettled and 1,700 no of families received monthly dry ration subsidy, for this year 35 no of Home garden planning programmes & 58 no of Yaya demonstration programmes were conducted. Rs. 150 Million (revised allocation) was allocated for the year 2014 and the project has been utilized 280.37 Million at the end of December 2014.

1.2.6. Rideemaliyadda Integrated Development

Rideemaliyadda Divisional Secretary Division has been identified as one of the most remote division and recorded as the poorest DS division in the country. A five year investment plan has been prepared to develop above division by Mahaweli Authority. The main objective of this plan is to develop social infrastructure facilities and opening up agriculture based productive and sustainable income avenues for the settlers. Under this programme main attention has been focused on commercial crop production, livestock and entrepreneurship development. In terms of providing sanitary facilities, required assistance has been given to construct the latrines for 1150 families. Among that 750 no of toilets completed and 9 no of bund & tank improvement works carried out including Thorapalayaya amunaanicut & canal, Rotagollawewa, Allapitawala canal, kakkutu waulpatha canal, medakumburaanicut and kalawalthenna canal. In addition 40 no of drinking water wells constructed during the period. Rs. 6.65 million incur to the dairy development of the area including the activities of supply of 80 cows and 5 no of cattle sheds. In the context of social enhancement, 03 no of socio-cultural enhancement programmes were carried out incurring Rs. 3.75 lacks. 150 Mn is allocated for the year 2014 and the project has been expended 115.16 Mn up to end of December 2014.

1.3 Maintenance and Administration

Mahaweli Authority of Sri Lanka manages irrigation water for 100,000 ha. of lands, maintenance of 10,049 km. of irrigation network, 8 large reservoirs, over 400 minor reservoirs and 800 km. of road network in 8 Mahaweli systems. Further, MASL is responsible for providing post settlement activities for 100,000 farmer families, land administration in 9 Mahaweli systems, implementing agricultural/livestock programs, training for second and third generation and implementing environmental conservation programs. The Revised budget allocation for the year 2014 is Rs. 1,135 million of which Rs. 1,087.8 million utilized up to end of December 2014.

1.3.1 Progress of Mahaweli Zones

The fund allocation for operation & maintenance of land, and land administration, and agricultural & post settlement activities of Mahaweli systems 'B', 'C', 'D', 'G', 'H', 'L', Udawalawa, Huruluwewa, Victoria and Kotmaleis Rs. 1,135 million. The regions carry out maintenance of irrigation system; land alienation, settlement development extending the facilities for 171,695 families in Mahaweli areas.

1.3.1.1 Irrigation system operation

Secondary growth clearing, de-silting, repairs and improvement to the irrigation system and structures, graveling, etc. are coming under Mahaweli irrigation systems maintenance tasks. The allocation in the year 2014 is Rs. 673.64million, of which Rs. 595.40 million was utilized to complete these activities up to end of December 2014.

975 Farmer Organizations have been formed within the Mahaweli areas. Operation & maintenance distribution canal network has been handed over to 789 farmer organizations. Promotion of 190 farmer organizations to Demonstration level and 36 farmer organizations to commercial level were initiated.

1.3.1.2 Women Empowerment Activities

The women play a key role in achieving agricultural and economic targets within the Mahaweli areas. MASL has encouraged many women empowerment programmes which included forming small women groups, encouraging savings and organizing their own credit programmes.

1.3.1.3 Institutional Development

Upgrading Socio – economic condition of Mahaweli settlers through entrepreneurship, capacity building institutional strengthening, women empowerment, socio cultural development and sport activities are major areas of post settlement activities. Accordingly, Institutional Development Division of MASL organized various programmes and workshops for the second and third generations.

It offered 05 no of vocational training programmes and 10 settler training programmes at the end of December 2014. In addition 34 total no of programmes related to community development, social health and educational and health programmes were also conducted.

- “ISURA” Programme – telecast 09 nos. of programmes on Swarnavahini Channel on last week Fridays of every month.
- 35 nos. of Irrigation System Management Activities have conducted.

1.3.1.4 Land Alienation

During the year2014 the issuing of lands Under the Crown Land Ordinance (CLO)89lots for housing, 110 lots for commercial, 16 lots for rice mills, 11 lots for metal quarries, 31 lots for commercial agriculture projects were handed over. 12,860 LDO permits and 1258 annul permits under CLO were also issued during this year. Out of 237,241 alienatedlots 15,794 grants had been issued. Issuance of land grants for the settlers was expedited during the year continuing last year special surveying and land marking programme with the Registered Surveyors under the supervision of the Survey Department. Under the Expedited Land Grants Programme 74,947 lots have been surveyed and land marked during the year. Plans for 71,990 lots were certified by the Survey Department and submitted to the MASL.

Annual rent collection target for the year is Rs. 196.74 million of which Rs. 182 million was collected at the end of Year.

1.4 Agriculture Development

1.4.1 Agricultural Productivity Enhancement Programme

The programme was initiated for enhancement of local food crop cultivation and livestock production which will lead to reduce agricultural imports for the country and establish country's food security. Series of programmes such as promoting other field crops, introduction of hybrid seed paddy production, increasing use of organic fertilizers, establishment of farms & nurseries, promotion of export quality rice programme were launched and cultivation of traditional paddy varieties such as "Suwadal..Etc. was implemented under the program. Improved cattle management activities, upgrading of dairy cattle population, poultry management, and Inland fish development activities were taken up under the livestock development program.

1.4.2 Agricultural Crop Cultivation

In 2013/2014 Maha season, the cultivation of paddy extent in Mahaweli areas record as 88,939 ha and total paddy production was 512,521 Metric Tons during 2013/2014 Maha season. The average yield of paddy was 5.5 Mt/ha in Mahaweli areas. The highest average yield was recorded as 6.4 Mt/ha in system Udawalawe. The other field crop cultivation extent is 36,527 ha. Cultivation extent of Yala season was decreased due to drought. The extent of paddy cultivation in 2014 Yala season was 41,700 ha. The other field crop cultivation extent is 29,944 ha. The total paddy production in both seasons is estimated as 753,802 Mts from Mahaweli Systems.

Crop production programme in Mahaweli areas for 2014 achievements includes 3,933 ha of soya bean, 4,768 ha of Maize, 2,899 ha of big onion, 717 ha of chili, 754 ha of Black gram, 1,376 ha of green gram, 1,470 ha of cowpea and 748 ha of ground nut. Further, 9546ha of banana were under cultivation.

1.4.3 Dairy Development Programme

Dairy farming is promoted in Mahaweli areas as an additional income sources and maintain the high nutrient level of the community. Livestock Management Division of MASL is responsible for implementation and monitoring of dairy development programme for each Mahaweli system.

187,800 Cattle population in Mahaweli areas produced 23.3 million liters of milk during this period of the year 2014.

18 training programmes for dairy farmers carried out and 40 farmers were trained to improve animal nutrition and sufficient feeding techniques in dairy farming. Further, 48 programmes were conducted under "Milk Week" diary programme to promote fresh milk production.

Two animal husbandry training centers are established in Girandurukotte system C and system L to provide new technologies, improve skills of officers and farmers on enhance productivity and cattle management.



Dairy Development Programme

1.4.4 Inland Fisheries and Ornamental Fish Culture

Inland Fishery Development within Mahaweli reservoirs is key programmes which help to upgrade income levels as well as nutrition levels among the Mahaweli Settlers. 4,747 Metric Tons of inland fish production reported during the year 2014. Meanwhile Ornamental Fish culture programmes were also organized and promoted in Mahaweli areas focusing young generation for sustainable employment opportunities within the area.



MASL has established 18 agricultural farms in Mahaweli areas in order to achieve high land productivity, generate more employment opportunities, and maintain the self-sufficiency in seeds and plant species, demonstration of new farm practices, integration of livestock component and farm practices for increase water productivity.

Management of Mahaweli farms carried out under six objectives of,

- Management of farms as a training center for farmers and officers.
- Establish as a center for research and development.
- Meet the regional need of seeds and planning materials.
- Center for good agriculture practices.
- Manage as eco-friendly local tourist residence.
- Establish as a maximum profitable commercial economic unit.

At the end of December 2014 the total as weddumized extent of the farms was 1484 acres which includes 975 acre of paddy, 50 acre of mango and 93 acre of Banana, Papaw 5 ac, Pineapple 1.8 ac, Dragon fruit 3 ac and Mixed cultivation of fruit crops 75 ac.

1.5 Forest & Environment Conservation

Environment Division continues to manage and co-ordinate all environmental activities within the Mahaweli areas. The priority works for this year, Monitor and follow up all activities of environmental management plan given under EIA for Moragahakanda & Kaluganga Project were continued and necessary action has been taken for the environmental clearance to next extension.

Under the natural resources conservation component 19,224 meters of biological soil bunds and 7,553 meters of mechanical soil conservation boulder bunds were prepared to avoid possible siltation of the Mahaweli River. Tissue culture laboratory produced 96,963 plants which include bamboo, fruits and plants which can be used as a biological fence for elephants. Water quality monitoring programme was continued and 84 planting programme for forest development, 107 of environmental education programmes were also conducted during the period. Annual allocation was Rs.20 million of which Rs.14.58 million utilized at the end of December 2014.

1.5.1 Mini Hydro Power Projects

Letters of Intends have been issued for construction of 19 mini hydropower stations in Mahaweli areas with a capacity of 59.3 MW of hydropower. Environmental Approval has been given for 16 projects of which work of 6 projects have been already commenced commercial operation.



1.6 Eco-Friendly Tourism

Feasibility studies to start an eco-friendly accommodation and tourism activities harnessing the environmental potentials of moragahakanda project area has been initiated while carrying out Boat services, further improvement and landscaping areas of Mahaweli reservoirs and green areas, attracting tourist into beautiful sceneries in Mahaweli zone.

1.7 Local Investments for Lands

Development Lands in Mahaweli areas are provided for high productive agriculture projects with the objective of motivation of private sector investments through Mahaweli Development. 543 no. of investors were given lands for commercial agriculture projects up to end of December 2014. SME programme organized with the support of Peoples Bank and Regional Development Bank financially assisted 1,782 SMEs in Mahaweli Areas which was worth over Rs. 271.50 Million during this year.

2. Key performance indicators

With the key objective of providing better service to the nation, The MASL delivers its service through a Six Key performance indicators (which have been identified as important principals that monitor the progress on MASL performance). These indicators are all quantitative in nature and are measured annually at the end of each year.

- Increase of surface Water Storage Capacity within Mahaweli & aliened basins
- Increase of total Irrigable Extent in Mahaweli Areas (ha)
- Increase of Cropping Intensity
- Increase of Diversified Crop areas (OFC)
- Completion of Human Resources Requirement in MASL
- Increase of Immediate Response for the Public Complains and grievances

Increase surface water storage capacity from 2,843 MCM to 3,745 MCM

66 MCM will be added in year 2015 with the completion of KiulOya Reservoir in Northern Province where water is inadequate and much essential in the context of area development. 570 MCM will be added with the completion of Moragahakanda In year 2016 and in year 2017 another 266 MCM will be added from Kaluganga Reservoir. The present status of construction works of the above as follows

- Kiwuloya—construction is in progress
- Moragahakanda - construction is in progress
- Kaluganga - Contract awards

Increase irrigable extent from 102,898 to 121,725 ha.

7,300 ha will be open up in 2016 with the system B right bank development and the rest will be increase with the new development projects of Moragahakanda, Madirigiriya and Allai- Kanthale.

Increase cropping intensity from 192 to 195

MASL continues increase and maintain high cropping intensity within Mahaweli areas. Currently average cropping intensity rate is 192 and with the Agriculture enhancement programmes and new projects it is targeted to increase up to 195 within next 2 years.

Increase of Diversified Crop areas (OFC) from 24,368 ha to 50,990 ha.

Diversified crop area will be increase with the crop diversification programmes. Especially Soya beans, Maize, Big onion and Chilies will targeted to increase by extending necessary facilities.

Completion of Human Resources Requirement in MASL

Strengthening workforce required for the development and management of water resources continues. MASL approved carder consists of 4614 and present staff is 4327, out of that 36 in high management and 804 in middle management level. At present MASL operate 74% of technical staff, 55% of required professional staff and 89% of managerial staff. The required technical and professional staff will be filled 85% in within this year and other will be filled within 2015.

Increase of Immediate Response for the Public Complains and grievances.

To increase the immediate response for the public complains Planning and Monitoring unit of MASL records public complaints, report from newspapers and other media (Television, Radio etc...) and make needy arrangement & respond quickly. At end of December 2014, 80 complain were recorded and taken necessary action for the relevant cases.

3. Development Priorities for 2015

1. Operation and maintenance of irrigation network.
2. Moraghakanda & Kaluganga project.
3. Kiuloya & system L integrated development projects..
4. Completion system B resettlement.
5. Agriculture Enhancement.
6. Livestock Development.
7. Establish and maintenance 30 Farms.
8. New commercial farms.
9. Establish of New mini hydropower projects.
10. Proposed new projects.

4. Financial Provision for year 2015

Type of Project	Budget Allocation for 2015 (Rs million)
Mahaweli Projects	1,250.00
Administration Capital	875.00
Total Capital	2,125.00