

Water Resources Board -2019

1.1 Qualified Opinion

The audit of the financial statements of the Water Resources Board for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Board as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

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

1.4 Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board ;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Contrat over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting standards

Audit Observation	Comments of the Management	Recommendation
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(a) Although the final stock of the Board should be shown to be less than either the cost of the net gain value is accorded for by in accordance with No 9 of the Public Sector Accounting Standard of Sri Lanka, with a calculated the net gain value of spare parts for disposable machinery Rs.4.31 million was calculated on the basis of its	The spare parts that come with it when arrived at the Drilling Machine Board and net gain value are difficult to calculate as they are not common in the market.	Should be comply with Sri Lanka Public sector Accounting Standards.

cost had been accounted financial statements.

- (b) Although the adjustments valued at Rs.3.13 million had been adjusted during the year under review as a correction for the errors of the previous year, but in accordance with Sri Lanka Public Sector Accounting Standards No 03, these adjustment had been adjusted in the past and the relevant information of the year had not been restated and published in the financial statement and the details of the relevant adjustments had not been disclosed.
- Accounts for the year 2020 will be presented as restated statements.
- Accounts should be prepared in accordance with the Sri Lanka Public sector Accounting Standards.
- (c) Although the government capital had been provided for the establishment of the Board, the relevant capital contribution provided by the Government in accordance with Sri Lanka Public Sector Accounting Standards No 1 had not been identified and stated in the financial statements and inseed of Rs.256 million was mentioned in the financial statements as Accumulated fund.
- Relevant Capital contributions provided by the government will be presented in the financial statements as Government Grant from the year 2020.
- Must conform to Sri Lanka public Sector Accounting Standards.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although 6 drilling Machine cost of Rs.5.8 million had been removed 3 years ago, the value of these machines was stated in the financial Statements as Machinery and Equipment without action being taken to remove from the accounts.	Three out of six drilling machines pointed out by the audit had been parked for disposal and the other three drilling machines had been handed over to the Rathmalana workshop for repairs.	Action should be taken to remove from the cost of disposed of assets financial statements.
(b) The Value of 3 Tube Wall Rs.4.98 million had been completed; action had not been taken on revenue during the year under review.	3 Tube Wall completed in one year 2019, it had been invoiced in that year.	Action should be taken to enter in the accounts value of approval contract under the agreement.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
A sum of Rs.7,603,424 out of debtors balances valued at Rs.20,502,733 as at the end of the year under review, were balances older than one year and action had not been taken this debtors balance recovered.	Action had been taken to recover debtor's balances older than one year.	Loan balances should be recovered in an updated manner.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
Out of service advances amounting to Rs.14,174,980 made available by 96 persons and institutions for rendering of various services, a sum of Rs.179,626,000 had been	Attention had been taken to paid to settle the advanced received for the performance of various services and the balance of Rs.179,626,000 had been settled which	Action should be made to account for the advance income on which the relevant work had been completed.

lapsed over a period of one year, The Board had been failed to perform the relevant work as at 31 December 2019 expired more than one year as at 31 December 2019.

1.7 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation No 104	The stack losses Rs.118,000 incurred from last year had not been taken in term of Financial Regulation 104	It is expected to settle the balance of Rs.118,000 which has been in arrears since last year, as the year is almost over.	Loss should be dealt with in accordance with Financial Regulation 104
(b) The Gazette Extraordinary No.2010/23 of 16 March 2017	(i) Approval of the Water Resources Board had not been obtained for constructing cultivation wells for agricultural purposes with a diameter of 4 meters or more and tube wells required for commercial, agricultural and industrial purposes. Eventhough all institutions engaged in constructing tube wells should be registered in the Board such institutions had not been registered done so.	Agreed. The preliminary work to regulatory the acquisition of ground water and the construction of deep tube well for the same purpose was commenced , in the same year in accordance with the Extraordinary Gazette Notification No 2010/23 and 16 March 2017, and accordingly preliminary steps were taken including the registration of external Institute for the construction of tube wells, conducting geological test prior to the construction, and submitting the relevant reports to the water Resources Board and giving the necessary approval and obtaining technical data to the Water Resources Board's main database. Further in	The procedure of granting relevant approval before constructing tube wells, should be carried out properly and efficiently.

- carring out the regulatory work in this regard, the issues pointed out by the audit have been taken into consideration and steps have been taken to further formalize the regulatory criteria introduced.
- (ii) The Board had not issued quality reports on the water source relevant for all projects obtaining underground water of 30,000 litres per month for commercial agriculture or industries.
- (iii) Action had not been taken to obtain the relevant analytical report to the Water Resources Board for approval as per section 3 of the Gazette.
- (iv) According to Article 2 of the Gazette Notification, data on daily water volumes should be maintained, but some private institutions had not been done so and the Board had not taken any legal action in this regard.
- to the water Resources Board and giving the to the Water Resources Board's main database. Further in carring out the regulatory work in this regard, the issues pointed out by the audit have been taken into consideration and steps have been taken to further formalize the regulatory criteria introduced.
- Action should be taken to regularize registration activities.
- Issue of quality water reports and supervision should be regularized.

2. Financial Review

2.1 Financial Results

The operations of the year under review resulted in a surplus of Rs.41,201,000 as compared with the corresponding surplus of Rs.33,658,000 for the preceding year, thus observing an improvement of Rs.7,543,000 in the financial result. Although the revenue had decreased by Rs.54,992,000 in the year under review as compared to the previous year, in comparison, the expenditure has decreased by Rs.62,545,000 less than previous year had mainly attributed to this increased.

2.2 Analysis of Tendencies in Main Items of Income and Expenditure

According to the financial statements presented to Audit, other operating expenditure had decreased by Rs.35,251,000 in the year under review as compared with the year 2018 and as a percentage, it had taken a value of 84.76 per cent.

2.3 Analysis of Ratios

Type of Ratio	2019	2018
Liquidity Ratio		
Current Ratio	11.06:1	6.25:1
Quick Ratio	5.48:1	3.16:1

The Board had not carried out an evaluation on the appropriate working capital requirement which should be available according to the nature of the operations of the Board and introduced an appropriate working capital management system. Accordingly, 11.06 current assets had been maintained for settling 1 current liability in the year under review.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Supply and installation of vehicle tracking machines for 30 vehicles belonging to the Water Resources Board the agreement value of Rs.1,419 million had been signed on 18 September 2019. According to the agreement the relevant Machines were to be installed by 2 October	Payment had not been made so far for the institute that supplied and installed these vehicle tracking machines and it is plan to operate under the Electronic Knowledge consultancy of the University of Moratuwa	Arrangements should be made to get the contractor to perform the relevant work in accordance with the contract agreement.

2019, but by 18 June 2020 it had not been carried out in accordance with the relevant specifications. Necessary action had not been taken until 20 June 2020 regarding non-compliance with the contract agreement.

- (b) Action had not been taken to transfer the land of the Head Office Promises used by the Water Resources Board, belonging to the Urban Development Authority, the Land belonging to the Irrigation Department at the Rathmalana Mechanical workshop and the land belonging to Aluthnuwara Divisional Secretary Aluthnuwara circuit Bungalaw to the Water Resources Board.
- The Head Office Land of the Water Resources Board is government land and the Thimbirigasyaya Divisional Secretary has informed that the office land cannot be transferred to the Water Resources Board it can be given on a short term lease basis. The official quarters of the Irrigation Department, including the land where the Rathmalana Mechanical workshop is located it have been seleted for a housing Project by the Housing Development Authority and informed an alternative land will be provided. The land where the Aunuradhapura Tourist House is Located it has been Gazetted to be handed over to the Water Resources Board on a long term basis.
- Action should be taken to waste the assets
- (c) With regard to the well-constructed with the approval of the Water Resources Board in the area of the Water Resources Board, a map with GPS Coordinates was not installed in the provincial offices so that the area of the well could be clearly identified and a database
- Agreed. The puttalam Provincial office was instructed to make computer maps of the tube wells in the area so that they could be clearly identified and display the relevant data on the office premises as far as possible
- Areas 5 of well to be registered with the Water Resources Board include GPS coordinates so that they can be clearly identified and a map installed in the provincial officers

containing information about those wells was not installed. on the website of the Water Resources Board for Public use, and the Water Resources Board may delay the process to some extent due to Limited Geological Officers and Technical Officers. and data containing wells information should be maintained

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) The Board had purchased 11 Generators for Rs.2,640 million and Three Generators purchased for Rs.2,250 million had been kept in stores for more than three years without any use . The warranty period of the machines had also expired and alternative action had not been considered for the use of the machines.	Agreed. As per to the pointed out of Audit the generators and water pumps remain in the Rathmalana Ware house, which are not in use at present. It had been handed over to the Board for disaster relief during the recent floods and previous disasters. Their initial value will be assessed and a committee consisting of member of the Ministry, the Department of Irrigation, and the water Resources Board will assign them to utilized institution and dispese of mactive items.	Action should be taken to utilize assets efficiently and effectively.
(b) 50 water pumps for the use of the water Resources Board were purchased on 31 May 2017 at a cost of Rs.8.94 million with the provisions of the Ministry. Its warranty period was 2 years and only 06 out of 50 water pumps were in use end of the year under review. The warranty period of 44 water pumps had been expired without any use in the stores and no alternative action had been taken on the use of the	Agreed. As per to the pointed out of Audit the generators and water pumps remain in the Rathmalana Ware house, which are not in use at present. It had been handed over to the Board for disaster relief during the recent floods and previous disasters. Their initial value will be assessed and a committee consisting of member of the Ministry, the Department of Irrigation, and the water Resources Board will assign them to utilized institution and despise of motive items.	Action should be taken to utilize assets efficiently and effectively.

machines. Also 50 water pumps received from the Department of Social Services in 2009 were kept idle at as the end of the year under review without any use and without checking the weather the machines are active or inactive.

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| <p>(c) While the board has severable usable drilling machines in storage and despite decrease in the construction of tube wells, as compared to the year 2016, a new drilling machine and equipment were purchased during the year under review at a cost of Rs.280 million on the provision of the Ministry. The drilling Machine was also idle for about 8 month from the date of purchase.</p> | <p>Submission to the Secretary Ministry of Irrigation and Water Resources Management these fact that most of the drilling machines in the Water Resources Board are very old and often have to be maintained at great expense, this new drilling machine valued at Rs.280 million has been handed over to Water Resources Board. Although the drilling machine was received in March 2019,its use was delayed due to verification of technical feasibility completion of the prccument and completion of registration</p> | <p>Action should be taken to utilize assets minimum productively and efficiently.</p> |
| <p>(d) Provided by the Dam Safety and Water Resources Planning Project in the Microbiology Laboratory established at the water testing Laboratory in Puttalam, six items of the fine types of laboratory equipment had been remain idle in the laboratory for more than 6 years and relevant laboratory had not been issued laboratory reports since December 2014.</p> | <p>During this period the client demand for microbiological tests was very low and there was no permanent water analyst to conduct chemical test for microbiological tests. However maintenance was carried out to keep equipment in working condition and it was decided to hand over the equipment to the new laboratory complex constructed at the Anuradhapura Provincial Office until the required staff is recruited</p> | <p>Action should be taken to utilize assets efficiently and effectively.</p> |

3.3 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
Although 413 employees were approved for 64 positions at the end of the year under review, 140 of the 46 positions remained vacant. Although these vacancies have existed for several years, action had not been taken to recruit them as at June 2020.	Applications have been called for recruitment after obtaining the approval of the Department of Management Services and recruitments had been suspended due to the 2019 Presidential and 2020 Parliamentary Elections.	Action should be taken to recruit officers following the formal recruitment procedures.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
(a) Although the 2030 Agenda of the United Nations on Sustainable Development had identified sustainable development goals to be achieved by water Resources Board. However, action had not been taken to identify the targets and based data relating thereto, the focal points to achieve the target as well as indices for measuring the progress	According to the Agenda on Sustainable Development, the goals achieved by the Water Resources Board were mainly based on island wide development of ground water resources, conservation and ensuring of management. Moreover, the Board's experience of preceding years and target based data and intermediate targets relevant to measuring progress as well as Key Progress Indices (KPI) are included in the Annual Action Plans of the Board and relevant projects are implemented accordingly. Action is being taken for further regularization of these activities as pointed out by Audit. Future action will be taken to achieve physical and human resources essential therefor.	Action should be taken to identify sustainable development goals and targets and data relating thereto and to identify indices in measuring the phenomena where targets should reach.

- (b) The Ministry of Environment, National Water Supply and Drainage Board, the Geological Survey and Mines Bureau, the Ministry of Disaster Management and the Department of Irrigation had been identified as parties interested on the role of the Water Resources Board relating to implementation of sustainable development goals. However, in the setting of targets relating to the Board, it was further observed that there is no reflection of a participatory access.
- The Board continuously works on its role with the Ministry of Environment, the National Water Supply and Drainage Board, the Geological Survey and Mines Bureau, the Ministry of Disaster Management and the Department of Irrigation and in planning the role of the Board, arrangements are being made in compliance with criteria prescribed specially by the Ministry of Irrigation, Water Resources and Disaster Management. Moreover, in terms of the Water Resources Board Act, action has been taken since the year 2017 to hold inter-departmental consultancy meetings proposed for coordination of required Government institutions.
- Action should be taken to strengthen preparatory access for sustainable development.
- (c) It is essential that an accurate data base exists for measuring the correct performance of a certain function. However, it was observed that the Board had not taken action to create an accurate data base for measuring the achievement of sustainable development goals. It was further observed that matters such as lack of financial provisions, physical facilities and trained employees had resulted therefor.
- Necessary infrastructure facilities will be improved by paying a great deal of attention to matters pointed out by Audit. Action will be taken to prepare long term plans in this connection.
- Collecting and analyzing of data relating to achievement of sustainable development should be carried out.