

## **Water Resources Board - 2021**

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### **1. Financial Statement**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Water Resources Board for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 the Financial 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 accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2021, and of 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**

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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**

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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 determine 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 intends 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 Section 16(1) of the National Audit Act No. 19 of 2018, it 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 Responsibilities for the Audit of the Financial Statements**

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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 internal control.
- Evaluate the appropriateness of the accounting policies adopted by the management and the fairness of the accounting estimates used the related disclosures.
- 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 auditor's 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 auditor's 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 it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Relevant Standard	Reference to Comments of Management	the Recommendation
<p>(a) As per the letter No. නිජරාමේ/1/10/2/160 dated 05 July 2016 of Thimbirigasyaya Divisional Secretary, it had been informed to obtain an lease agreement by paying a lease amount of Rs.12,772,000 annually from the year 2013 for the land where the Head Office of Hector Kobbekaduwa Mawatha, which had run by the Water Resources Board since 1978 . Due to failure to act accordingly, the Divisional Secretary of Thimbirigasaya had filed a case in the Colombo Magistrate Court in 2019 . The Board did not have any information about the current status of the case. An explanation about that had not been formally done by the Divisional Secretary of Thimbirigasaya. Disclosures had</p>	<p>The land located at Hector Kobbekaduwa Mawatha, Head Office of the Board was maintained, is a government land and although an application was made to give it to the Board on a long term lease basis and although it was notified to be availed on short-term basis lease amounting to Rs.12.772 million per annum, an agreement had not been entered into for that . A case was filed in the Colombo High Court issuing an Evacuation Notice for the land without considering the request made to give it on a long-term lease basis. However,</p>	<p>Actions should be taken in terms of Sri Lanka Accounting Standards 08.</p>

not been made in the financial statements for the doubtful debts that can be arisen, in terms of Sri Lanka Public Sector Accounting Standard No. 08 .

as both the parties are government agencies on the date of trial held on 12.10.2020, the Thimbirigasaya Divisional Secretariat has informed that according to the Attorney General, it should agree to a settlement without continuing the proceedings. It has not been reliably confirmed regarding the filing of the case at this time and a situation where there is no need to disclose as contingent liabilities by now and the Head Office has also been removed from that place from 18.07.2021 .

**1.6 Receivables and Payables**  
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**1.6.1 Receivables**  
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<b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
<p>There was a balance of Rs.700,763 which was more than a year old within the debtor balance at the end of the year under review and a sum of Rs. 287,763 included in that value was an outstanding balance for repair of hand pump tube wells in Mahaweli L Zone. The aforesaid value had remained for from the year 2018 and the Board had not taken steps to recover it from the Mahaweli Authority.</p>	<p>Although it had tried many times verbally and in writing to get this amount of 287,763 from Mahaweli Authority it was impossible to carry out those activities. The Chairman of the Water Resources Board was informed about this and the Secretary of the Mahaweli Ministry will be contacted and discussed in this regard in future and arrangements will be made to resolve this issue as soon as possible.</p>	<p>Recovery of Debt balances should be carried out up to date.</p>

## 1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
<p>Out of the balance in the service advance account, a sum of Rs.5,382,771 was an advance balance more than a year old. A sum of Rs. 3,553,471 out of that ,had to pay again due to failure to perform the functions related to that by the Board. Further, due to failure of construction of wells, a sum of Rs.1,597,000 had to be repaid by the Board. Due to the delay of performing of the tasks by the Board and the lack of effectiveness of the tasks perform, an income of Rs. 5,150,471 had lost to the Board.</p>	<p>Due to the Covid epidemic, coordination with the provincial offices was at a low level. Therefore, the service activities at various places were delayed to some extent in the year 2021 . Geological features in some areas make it difficult to determine the accuracy of those surveys. Although the relevant tests have shown that there is enough underground water in such areas, when tube wells are constructed, there are also some cases where there is not enough ground water in those places.</p>	<p>Necessary actions should be taken to perform the related activities to the accrued service.</p>

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
<p>Extraordinary Gazette No. 2010/23 dated 16 March 2017</p> <p>(a) Order No. 01</p>	<p>Although the written approval of the Water Resources Board should be taken for cultivation wells with a diameter of 4 meters or more constructed for agricultural purposes, no approval whatsoever has</p>	<p>As the provisions of the Water Resources Board Act are not sufficient to take legal action in cases of non-compliance with the Regulations, the Water Resources Board Act has been amended and</p>	<p>It should act in accordance with Rules and Regulations.</p>

been obtained for any such crop so far.

submitted to the Ministry and accordingly, Cabinet approval for amending the Act has been received. As the staff of the Water Resources Board is insufficient to maintain the ground water regulatory activities properly, necessary actions are being carried out to create and to recruit to new positions to conduct relevant regulatory activities covering all part of Sri Lanka. Plans are being prepared to collect the information of the institutions that extract water for commercial purposes and to carry out the relevant activities.

(b) Order No. 02

(i) Although all the institutions engaged in the construction of tube wells should be registered with the Water Resources Board, only 67 institutions had registered by the end of the year under review. Similarly, the organization had not taken an adequate measure to find out which organizations are not registered.

Vacant essential posts of approved staff have been filled to some extent and vacancies could not be filled completely. The activities related to the government responsibility related to the management of underground water resources are being carried out with the participation of the existing staff. Arrangements have

Legal actions should be taken against the institutions that have violated the provisions of the Act.

(ii) Although the above registered organization should provide a report containing the data of all the new construction of deep or shallow tube wells to the Water Resources Board every 03 months, none of them had submitted the above report out of the 67 institutions registered so far.

been made, to collect information on underground water sources in coordination with District Secretary, Divisional Secretary, Water Supply Board, Community Water Department considering the existing government mechanism and , the data is currently being received by the Water Resources Board.

Control systems related to renewing and cancelling of the registration of institutions engaged in the construction of tube wells should be introduced.

(c) Order No. 03

(i) Although any state or local government or non-governmental organization or agency or person engaged in the water bottling industry and beverage production uses a natural water source or ground water for its production activities, a water sample from that water source should be tested by a government recognized laboratory every 6 months and the relevant analysis report should be submitted for approval and 40 institutions were registered with the Board by the end of the year under review, none of the institutions had provided the above reports to the Board.

The Secretary to the Ministry has also briefed the District Secretaries about the importance of the work in order to obtain this information properly further and necessary activities are being done to get that information systematically. This data is analyzed to identify pipelines used for cultivation, commercial, agricultural and industrial purposes and accordingly, arrangements are being made to further maintain the regulatory activities in a formal manner.

Actions should be taken as per the Rules and Regulations.

- (e) (ii) A Perimeter Protection Report related to the relevant water source should be obtained from the Water Resources Board for projects that draw 30,000 litres of groundwater per month for commercial agriculture or industries. None of the institution had received the relevant quality report as per the terms therein. -do- Actions should be taken in accordance with laws and rules and legal actions should be taken against the institutions that have violated the provisions of the Act.
- (d) Order No. 05 Even though the said products or services should be entered and inspected at any reasonable times of the day with or without prior notice on places on organizations where production and service activities are carried out using a natural water source or ground water, none of on-site inspection had been conducted in the 40 drinking water bottling factories that had been registered up to the end of the year under review. -do- The examinations should be done properly and necessary actions should be taken against those responsible for not doing so.
- (e) Order No. 06 Necessary actions had not been taken against the State or Local Government Institutions or Non-Governmental Organizations or Individuals who do not act in accordance with -do- Actions should be taken as per the laws, rules and regulations and legal actions should be taken against the institutions that



the above provisions in terms of Section 20 of the Water Resources Board Act No. 29 of 1964 and No. 42 of 1999 as amended.

have violated the provisions of the Act.

**2. Financial Review**  
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**2.1 Financial Results**  
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The operating result of the year under review was a deficit of Rs. 23,910,000 and the corresponding deficit of the preceding year was Rs. 12,059,000. Accordingly, a deterioration of Rs. 11,851,000 was observed in financial results. The decrease in income of the year under review by Rs. 26,855,000 as compared to the preceding year had mainly attributed for this deterioration.

**3. Operational Review**  
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**3.1 Uneconomic Transactions**  
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<b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
<p>An amount of Rs.300,000 had been paid to the Central Engineering Consultancy Bureau (CECB) on 25 February 2015 for the work of preparing plans for the construction of a laboratory building on the land where the Head Office of the Urban Development Authority was located at Hector Kobbekaduwa Mawatha, Colombo 07 . Even though the amount paid so had been shown in the Building Working Project account up to the end of preceding year, it was observed in audit that the expenditure incurred for the construction of the building was an uneconomic transaction on failure to legally acquire the land in question till the year under review. The value of Rs.300,000 stated under work-in-</p>	<p>After submitting the building plan for the construction of a chemical building in the Head Office at that time, due to the approval was not received for that, the amount had to be deducted from the books after obtaining the approval of the Board of Directors.</p>	<p>Actions should be taken against the responsible officers in accordance with the provisions of Volume II of the Establishments Code .</p>

progress had been adjusted as an expenditure to the profit brought forward in the year under review.

### 3.2 Management Inefficiencies

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) Only 28 out of the 360 water samples sent to the Anuradhapura laboratory of the Water Resources Board for testings were completed during the year under review. As 332 more tests had to be conducted, it was observed that the performance was at a very low level.</p>	<p>A plan was prepared from December 2021 to February 2022 to analyze and finish this amount of water samples, and instructions were given to the relevant Chemist and accordingly, those activities were able to be completed on time.</p>	<p>Necessary measures should be taken to complete the investigation within the relevant period.</p>
<p>(b) A sum of Rs.6,095,000 had been paid to the Board in the year 2020 to construct 6 tube wells in connection with estate houses in relation to estate houses in Nuwara Eliya and Kandy Districts by the ongoing Indian Subsidized Housing Project, under Kandurata New Villages , the Ministry of Infrastructure and Community Development. Due to the 03 constructed tube wells had failure , the respective amount of Rs. 2,883,000 had to be repaid. Accordingly, a loss had incurred to the Board and no action whatsoever had been taken in respect of the Geo-hydrologists of the Board who made recommendations related to the construction of tube wells, do so.</p>	<p>Six tube wells have been constructed under these projects and only 02 tube wells have failed due to lack of sufficient water. As the required road for construction of tube well at one place was not laid, the well has not been constructed. Instructions were given to the relevant Geologists to take actions to avoid such situations in future.</p>	<p>Actions should be taken against the responsible officers in accordance with the provisions of Volume II of the Establishments Code and the process related to the construction of tube wells should be reviewed and necessary improvements should be made.</p>

- (c) Even though the Water Resources Board has undertaken to carry out the tasks related to the testing of 50 water samples from the tube wells installed in the vicinity of the Lakwijaya Power Plant located in the Norochchola area, an amount of Rs.3,831,300 had been paid to get the work done by an external institution due to the breakdowns in the electrical system that started at the Anuradhapura laboratory in the year 2018 and due to the fact that the Heavy Metal Analyzer Machine (shimaza AA-6300) installed in the laboratory at the Head Office premises of the Board has been inoperable since 2018. Accordingly, the Board had lost an income of Rs.3,831,300 during the year under review due to failure of the Board to repair and utilize its resources properly.
- The AAS instrument has been used for a long time and the device is a modern high-tech, sensitive device that can analyze several parameters simultaneously. Since the requirement of the related project was that the carrying out analytical work with more accurate by using modern equipment, it was decided to give this analytical work to the ITI Institute during the Departmental Meeting held on 30.03.2021 .
- Actions should be taken against the responsible officers in accordance with the provisions of Volume II of the Establishments Code and actions should be taken to generate income by using the resources of the Board properly .
- (d) The Cabinet of Ministers had ordered to amend the Water Resources Board Act on 12 July 2021. However, the relevant draft was not submitted to the Attorney General until the end of the year under review. Because of the steps were not taken to amend the Act, the Board had failed to take actions in respect of errors identified for the purpose of the amendment of the Act and the problems arising at the time of the relevant penalties impose and the problems of misuse and
- The Act has been amended and forwarded to the Ministry and it has been planned to be submitted to the Government Party Honourable Ministers and Members of Parliament on 08.02.2022 and however, it was impossible to present it on that day due to the Covid-19 situation in the country on those days.
- Necessary measures should be taken to amend the Water Resources Board Act in accordance with the Decision of the Cabinet of Ministers.

unlimited extraction of underground water.

- (e) It had been decided to hand over the 40 perches of land belonging to the Urban Development Authority to the Water Resources Board for a period of 30 years as per the Decision of the Cabinet of Ministers dated 06 December 2016. The Government Chief Valuer had determined an annual lease amount of Rs. 2,700,000 for that land. Arrangements had been made to pay the annual lease from the year 2016 without entering into a formal agreement with the Urban Development Authority for the said land. This land had not been used as planned and the amount of Rs. 10,745,680 paid for the aforesaid land so far had become a futile expenditure.
- Forty perches of land located at Densil Kobbekaduwa Mawatha belonging to the Urban Development Authority has been physically handed over to the Board and a plan for the construction of a building has been submitted for the approval in the year 2017 and as a result of the change in the Board of Directors in 2018, the construction works had been stopped. The plans have been prepared again in the year 2020, and submitted for the necessary approvals to construct a building. Arrangements have been made to pay legal fees and stamp duty for signing the agreement and a draft agreement has been given.
- An agreement should be formally entered into with the Urban Development Authority and arrangements should be made to utilize the land as planned..
- (f) The Head Office of the Water Resources Board had been removed from that location based on a request made by the letter No. PMO/2/13/20/bldg. of the Secretary to the Prime Minister submitted on 29 April 2021. No document whatsoever for handing over the land and building to the Prime Minister's Office were submitted for audit. Although it was mentioned in the said letter that the Ministry of Finance would provide the necessary funds for the construction of another building in place of the buildings on that land, actions had not been taken
- It is kindly informed that the land where the Head Office of Water Resources Board is located in Hector Kobbekaduwa Mawatha, Colombo 07 is not owned by the Water Resources Board. The letter dated 29.04.2021 submitted by the Prime Minister's Secretariat has informed that the land plot should be handed over before 01.05.2021 and also to get a temporary building and replace the offices of the Water Resources Board.
- Necessary steps should be taken by making aware the Cabinet of Ministers regarding the impact on the going concern of the institution due to the cost incurred in moving the Head Office to another place on rental basis.

to obtain policy clearance required for the receiving of relevant provisions accordingly . The provisions for that had also not been made available for that by the Appropriation Act 2022 . The Head Office at Hector Kobbekaduwa Mawatha had been moved to a private building in Rajagiriya at a monthly rental of Rs. 950,000 since 19 July 2021 . A cost of Rs. 671,985 had been incurred to install the Head Office in aforesaid building. A sum of Rs. 4,750,000 had been paid as rent for the building at the end of the year under review. Due to the fact that the relevant agreement had been entered into only valid for a period of one year, the Head Office of the Water Resources Board had to be moved to another place after 18 July 2022 .

- (g) The Memorandum of Cabinet of Ministers had been presented on 10 July 2015 to establish a groundwater monitoring network – pilot project information network for Sri Lanka based on a Project Plan prepared by the Water Resources Board in 2015 to establish a data system necessary to manage the quantitative and qualitative conditions of groundwater in Sri Lanka and the Cabinet of Ministers had given approval first to implement it as a pilot project in selected Districts
- Due to the absence of Dutch drilling crews to the island for over 1 ½ years to provide that training, there was a delay in training. Two drilling officers of Water Resources Board were trained and employed in drilling activities from 01.01.2022 .
- As the land was not formally handed over to the Water Resources Board, it had impossible to the contractor to prepare the building plan. In addition to the data centre building, 439,539.00 euros were also allocated for the
- Actions should be taken against the responsible officers in accordance with the provisions of Volume II of the Establishments Code and by assessing the impact of failure of complying with the Project Plan through a formal investigation.

such as Anuradhapura and Polonnaruwa, where kidney disease is widespread. An agreement had been entered into on 03 October 2017 to implement the said project to the Royal Eijkel Camp (Eijkelkamp Earth Sampling Group) in Netherlands at a cost of 20,629,921 euros. Even though 2 drilling machines valued at 2,240,030 euros or Rs. 393.976 million had to be handed over to the Board after the end of the Project, the necessary training was not given to operate the machines. Even though 04 years had elapsed, the data center proposed to be built under the Project at a cost of 1,033,928 euros had not been built. As a result of failure to construct the building concurrently with the operational activities of the Project, the objectives and expected benefits of the Project could not be achieved.

establishment of the Head Office of the Water Resources Board. Due to the current economic crisis in the country, it has been difficult to construct this building with the approved provision of the Project. However, As a data center has already been established at Ratmalana Project Office, there has been no adverse impact on the objectives of the Project.

### 3.3 Idle or Underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though the GC MS-MS equipment valued at Rs.32,535,430 used for the analysis of agrochemicals exists in the ground water was provided to the laboratory established in Anuradhapura Provincial Office was inoperable since the date of supply, the said equipment had	This equipment has not been inoperable since the date of supply. The equipment malfunctioned when the relevant supplier company was training the laboratory staff of the Water Resources Board and a part valued at Rs. 3,820,129 was necessary to	Arrangements should be made against the responsible officers for being failure to take necessary actions until the equipment becomes inoperable in accordance with the provisions of Volume II of the

not been repaired during the warranty period of one year (2018.08.09 to 2019.08.08) given by the supplier company. Despite the Water Resources Board does not have any other equipment that can analyze the agrochemical composition of water, it was problematic in the audit that the determination of the Chairman to give it to another project considering as it was unusable, instead of repairing and putting the equipment into use.

install . As the warranty period of one year had ended by that time, the Board had to incur that amount. Due to the financial difficulties of the Board at this time, the Management of the Board had decided to provide this equipment to JRDC project. Because of the Board does not have the financial ability to maintain such an instrument and run the analytical work at this time as well and it has to refit a part valued at Rs. 3,820,129 , it was decided to be handed over by the Chairman to the China Lanka Research Project.

- (b) There were 16 drilling machines belonging to the Water Resources Board and as a result of 03 out of them were inoperable, although it was planned to be disposed since 2013, it had not been disposed yet. Although 05 drilling machines were in repair condition, the relevant activities had not been completed so far . Only 08 drilling machines were put into service during the year under review. Only 80 tube wells had been constructed in the year 2021 and it was observed that the performance of the Drilling Division was at a very low level accordingly.

Many requests for tube well drilling has not been received under the Covid situation in the country. Similarly, 80 tube wells that has been paid by W.R.B were constructed in 2021 in view of the existing Covid situation. The balance of the tube wells which had to be drilled by the end of the year 2021 were constructed in January and February. The number was 20 tube wells . There is a delay due to the shortage of spare parts which were being used for the repair of new drilling machine and in the view of Covid. A tender should be called for the dispose again by having made a decision

Actions should be taken to utilize the assets in optimum by carrying out a review on the activities of the In the Drilling Division.

about the drilling machines  
to be disposed.