

## **Water Resources Board - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Water Resources Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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, Water Resources Board Act No. 29 of 1964 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 2022, 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**

My opinion is qualified 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 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, 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 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to Relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) Even though the Thimbirigasaya Divisional Secretary had informed the Board to pay an annual lease amount of Rs.12,772,000 and obtain an annual lease license from the year 2013 for the land located at Hector Kobbekaduwa Mawatha, Colombo 07 which had been maintained by the Water Resources Board since 1978, due to failure to comply with that, a case had been filed in the Colombo High Court in the year 2019 by the Divisional Secretary of Thimbirigasaya. Subsequently, despite the</p>	<p>Although the Board had made a request to acquire the land on Hector Kobbakaduwa Mawatha where the Head Office of the Water Resources Board has been running since 1978 on a long-term lease basis, the Thimbirigasaya Divisional Secretariat has informed that it can be given on a short-term lease basis for an annual lease amount of Rs.12,772,000. The Water Resources Board has not agreed to that and a lease agreement has not been entered into. A case was filed in the Colombo Magistrate's Court to evacuate from the land due to failure of paying lease and the courts has granted eviction</p>	<p>Necessary actions should be taken by making aware the the Minister of Finance about the decision taken by the Chairman and the Board of Directors to leave the Head Office premises without due consideration of their role and responsibility and without obtaining formal authority. Since unpaid leases from 2013 may be paid, there is a contingent</p>

Attorney General has given instructions to the Thimbirigasaya Divisional Secretary to be conciliated with the ownership of the land, the Head Office had been shifted from the premises where the Head Office of the Board was established for about 45 years to a private rented building in Koswatta, Nawala from 18 July 2021 without complying to the instructions of the Attorney General. Nevertheless, as the respective case had not been finalized or withdrawn by the Divisional Secretary, although it should be disclosed in the financial statements regarding that in terms of Paragraph 100 of Sri Lanka Public Sector Accounting Standards 8, it had not been so done .

orders. The Urban Development Authority had taken over the land from the Commissioner General of Lands and the Urban Development Authority has handed over a 40 perches plot of land at Battaramulla to the Board. However, the land was acquired for the Prime Minister's Residence on the notification of the Secretary to the Prime Minister and as the provision is made from the Treasury for monthly building rent, the Board was informed to vacate the land and move the Head Office to another building. Accordingly, since there is no liability on the condition that the Thimbirigasaya Divisional Secretariat does not proceed with the relevant case, financial provision is not needed. Further, relevant clarifications have been made with reference to Standard No. 08 on this matter by Note No. 15 of the final accounts statement submitted by the Board.

liability upon it. In this regard, the necessary disclosures should be made in the financial statements in terms of Sri Lanka Public Sector Accounting Standard.

(b) Due to end of effective life of 537 items belonging to 3 asset classes such as machinery, laboratory equipment and computers which were revaluated as Rs.217,242,201 in the year 2016, the book value had taken zero value and it had not been disclosed with regard to those assets in the

It will be corrected in 2023 .

Actions should be taken to review the useful lives of the zero valued assets and to account for and depreciate in terms of Sri Lanka Public Sector Accounting Standards.

financial statements in accordance with Paragraph 65 of Sri Lanka Public Sector Accounting Standards 7 . Even though those assets have been used during the year under review, the provisions for depreciation had not been made for that due to failure of revaluating and accounting of them.

- (c) Registration of external agencies for constructing tube wells and their drilling machines and geo-hydrologists by the Board had been done from the year 2018. The revenue of Rs.3,218,000 and Rs.329,000 pertaining to that had been accounted for in the year under review. The following observations are made in this regard.

(i) Even though the Board has registered geo-hydrologists as above, the Board had not received any legal provision for that.

Answers have not been given.

Only the activities for which legal provisions are made should be carried out.

(ii) The revenue from above registration and renewal of registration had been recognized on cash basis in contrary to Paragraph 14 of Sri Lanka Public Sector Accounting Standard 10. Further, the accounting policy used

This will be corrected in the year 2023.

Arrangements should be made to recognize revenue on the accrual basis and to disclose the accounting policy used to recognize this revenue in the financial

to recognize this revenue had not been disclosed in the financial statements in terms of Paragraph 39(a) of the Standard.

statements in terms of Paragraph 39(a) of the Standard.

- (d) Comparative figure for operating income of the preceding year had been adjusted and restated by Rs.6,896,000 in the financial statements of the year under review and the information in Paragraph 54 (a) to (d) of Sri Lanka Public Sector Accounting Standards 3 in that regard had not been disclosed in the financial statements.
- Since the payments related to the year 2021 have been made in the year 2022, this adjustment has been made. However, these things can be avoided in preparation of accounts on accrual basis from the year 2023 onwards.
- Actions should be taken to disclose
- (e) Establishment of a Groundwater Monitoring Network Project which was implemented by incurring an expenditure of 20,629,921 Euros equal to Rs.5,521,329,000 during the period from 2017 to 2022 under Irrigation Ministry expenditure object No. 198-2-03-23-2507-17 had been completed by 31 December 2022. Out of the machinery, vehicles, spare parts, tools and raw materials imported into the country by the contractor in relation to the Project, non-current assets such as timber equipment, machinery, motor vehicles, scientific instruments and computers valued at
- Accept. It will be corrected in the year 2023.
- Non-exchange transactions should be accounted for as an income in the relevant year.

Rs.1,581,619,000 had been given by the Project Director to the Board by the end of the year under review. The value of above non-current assets which should have been recognized as an income in the year under review in terms of Paragraph 49 of Sri Lanka Public Sector Accounting Standard 11 for accounting for the non-exchange transactions, had been shown in the statement of financial position as a deferred revenue.

- (f) Although 190 wells with high-tech equipment represents a significant amount out of the cost of Rs.3,939,710,000 incurred in addition to the assets that had been handed over to the Board under the Establishing of an Underground Water Monitoring Network Project shown under Paragraph (e) above, which was implemented at a cost of Rs.5,521,329,000 from the year 2017 to the year 2022 under the Ministry of Irrigation should be taken over to the Board along with related maintenance equipment and disclosed in financial statements by identifying the value of these 190 tube wells properly, it had not been so done.

Accept. It will be corrected in the year 2023.

Pipelines and related equipment should be taken over from the Ministry and its value should be recognized and disclosed in financial statements.

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| (g) | Although remuneration and other allowances paid to related parties should be disclosed in the financial statements in terms of Paragraph 34 of Sri Lanka Public Sector Accounting Standard 14, disclosure of such information of the key management personnel of the Board or disclosure of unavailability of transactions with related parties had not been made by the financial statements. | The allowances paid for the related parties have been shown as Board Fees under Note No. 04 – 1 of the presented financial statements and in addition to that, this has been disclosed under Accounting Principles No. 09 . | Information related to key management personnel should be disclosed as stated in Paragraph 34 of Sri Lanka Public Sector Accounting Standards 14 . |
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### 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Instead of recognizing revenue pertaining to the year and accounting for on accrual basis, restating of the values of previous years relating to operational income in the following year and adjusting to the loss had been made. Accordingly, the loss of Rs.12,593,000 and Rs. 23,910,000 in the years 2020 and 2021 had been decreased by 12.9 per cent and 28.9 per cent as Rs.10,973,000 and Rs.16,988,000 in subsequent years.	Accept. It will be corrected in the year 2023 .	Incomes and expenditures should be accurately identified and accounted for on accrual basis.
(b) The assets received under the Treasury and other grants in previous years valued at Rs.334,244,000 had been	Accept. It will be corrected in the year 2023 .	Grants should be recognized as income in the year received.

stated as a deferred income as at 31 December 2021 and although it should be recognized as income in previous years, without doing so, it had further been shown as deferred income.

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| (c) | Amortization related to assets to be recognized as income for the year under review amounted to Rs.119,050,000 had been credited to fixed assets depreciation account instead of crediting to amortization account.   | Accept. It will be corrected in the year 2023 .   | Amortization income and depreciation expense should be properly accounted for.  |
| (d) | There was a balance of Rs. 15,919,957 in the service advance account for construction of tube wells at the end of the year under review and although the services related to Rs.898,205 out of that had been accomplished during the year under review, the figure had not been accounted for as an income of the year. | Due to the matters such as delay in receipt of reports and the missing of files, an amount of Rs.898,205 could not be invoiced at the end of the year under review. | The income related to the year should be accurately recognized and accounted for on accrual basis. The balance remained in the Building Services Advance Account should be settled without delay. |

**1.6 Non-compliance with Laws, Rules, Regulations, and Management Decisions etc.**

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of Management</b>	<b>the Recommendation</b>
(a) Orders published by the Minister through Extraordinary Gazette No. 2010/23 dated 16 March 2017			

in terms of  
Section 16 of  
the Water  
Resources  
Board Act No.  
29 of 1964

- (i) Order 02      Although all All drilling entities      Actions should be  
establishments      which have registered      taken to identify  
engaged in the      with the Water      unregistered entities  
construction of tube      Resources Board were      and to get  
wells should be      notified in writing in      registered. Legal  
registered with the      November 2021 to      actions should be  
Board, only 72 entities      register for the year      taken in relation to  
were registered in the      2022. Nevertheless,      institutions that do  
Board by the end of      external drilling      not report data  
the year under review      companies and 72      about tube wells.  
and the Board did not      drilling machines were       
have an adequate      registered for the year       
programme to identify      2022. All the private       
entities which had not      drilling entities were       
been registered.      made aware and       
Further, although the      informed to update the       
registered      registration again.  
organizations should       
provide a report       
containing the data of       
all new constructing       
tube wells to the       
Board every 03       
months according to       
the above order, only       
3 entities out of 72       
registered institutions,       
had given the above       
report.
- (ii) Order 03      If an organization or      Only 31 establishments      Arrangements  
person engaged in      engaged in the water      should be made to  
water bottling industry      bottling industry and      obtain the relevant  
and beverage      beverage      reports within a  
manufacturing uses a      manufacturing have so      specified period of  
natural water source or      far provided reports on      time and legal  
ground water for its      the quality of the      actions should be

production activities, although a water sample of the said water source should be tested by a recognized laboratory of the government in every 6 months and the related analysis report should be submitted to the Board for approval, out of 40 institutions registered with the Board, only one institution had provided the above reports by the end of the year under review.

respective source of water to the Board. Only one institution has provided relevant reports in the year 2022. Therefore, all the registered organizations have been informed in writing to provide the relevant information and the necessary legal measures are being taken against the organizations that have not submitted the reports.

taken against the institutions that did not provide the reports.

**(iii) Order 06**

Legal actions had not been taken against the institutions or persons who do not act in terms of orders 1 to 5 which include rules to be followed by public or non-governmental organizations using natural water springs or deep or shallow ground water according to Section 20 of the Water Resources Board Act No. 29 of 1964 as amended by Act No. 42 of 1999 .

Necessary actions are being taken to take legal actions against the identified entities that have not provided reports to the Board on water quality of groundwater sources used for commercial purposes.

Legal actions should be taken against the institutions that do not act according to the orders.

**(b) Sections 10 and 11 of the Employees' Provident Fund (Amendment) Act No. 26 of**

The employee contribution to the Fund should be 12 per cent and employee contribution should be 8 per cent and a higher

The Water Resources Board has taken actions to credit contributions to Employees' Provident Fund from July 1981 up to now at

The Commissioner should be notified after obtaining the written consent of both the employers and the employees

1981 rate can be agreed upon. Nevertheless, even though being the employer contribution of the Board was 12 per cent, 10 per cent was collected and paid from the employees, the Commissioner had not been informed about that.

the rate of 10 per cent of employee contribution and 12 per cent of Board contribution. Since the employee contribution is 10 per cent, it is a saving for the employees, no objections has arisen from the employees so far.

for the payment of contributions at a higher rate than the rates specified in the Employees' Provident Fund (Amendment) Act No. 26 of 1981 .

(c) Guidelines in the Guidelines on Corporate Governance for Public Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021

(i) 2.2.1 Arrangements had not been made to determine key performance indicators for the Board or to prepare a Corporate Plan and operate the Board accordingly.

It has been noted.

It should prepare a Corporate Plan in accordance with the Guideline and arrangements should be made to operate the Board accordingly.

(ii) 2.2.2 (b) The Board of Directors had not taken actions to establish a strong governance framework so as to meet the requirements such as

Although it is necessary to appoint officers with specialized knowledge and experience for this purpose, and requests have also been made from the Secretary to

The Board of Directors should certify that the activities of the Board are conducted in accordance with the

presentation of Board papers to Board Members for reading and study prior to the meeting of Board of Directors, Maintain a reliable management information system for making decision and to confirm the accountability, follow up the decisions of the Audit Committees and other sub-committees in a timely manner and take necessary actions and disclose maximum financial and non-financial information through the web page of the Board in a user-friendly manner that fulfils the needs of the related parties.

create positions also, it was not approved and a Management Assistant has been appointed by now.

criteria set out in the Guidelines and that a strong governance framework is established.

**(iii)** 2.2.3

Sufficient attention of the Board of Directors had not been drawn on the adequacy and effective functioning of the risk management and internal control systems of the Board.

It has been noted.

The Board of Directors should act to effectively implement risk management and internal control systems.

**(iv)** 2.4

An annual declaration had not been made on relations between the Board of Directors and the Board to the Secretary of the Board and relevant disclosures had also not been made in

It has been noted to be included in the Annual Report of the year 2022.

Actions should be taken to obtain statements from the Board of Directors and to appear information about the Directors in the Annual Report.

respect of each Director in the Annual Report of the Board.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result of the year under review was a deficit of Rs. 27,506,000 and, the corresponding deficit of the preceding year was Rs. 16,988,000. Accordingly, an increase of deficit by Rs. 10,518,000 was observed in the financial result. Even though the operating income of the year under review had increased by Rs. 33,084,000, increase of salaries and wages by Rs.24,453,000 and supply expenses by Rs. 21,513,000 had mainly attributed for this improvement.

## **3. Operational Review**

### **3.1 Identified Losses**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) A sum of Rs.467,500 had been given to the Board in the year 2021 to construct 2 tube wells at Kurulunikawewa and Manerua Peshakarma Centres under development projects by North Central Province Industrial Development Department. The tube wells had not been built in that year and a sum of Rs. 280,219 had to be spent in the year 2023 in excess of the above amount during the construction of those tube wells. The respective tube wells had been completed without making additional charges according to the order made by the Consumer Service Authority that the relevant wells should be</p>	<p>The responsible officers have been identified and the approval of the Board of Directors have been given to take disciplinary actions against those officers.</p>	<p>Disciplinary actions should be carried out against the responsible officers to recover the loss incurred due to failure of construction of tube wells by the due date .</p>

constructed under the old estimate on the complaint of the respective customer in this regard. In this, although it had been decided in the meeting of the Board of Directors No. 1430 dated 25 December 2022 that the additional cost of Rs.280,219 should be recovered from the responsible parties due to the failure of construction of the tube wells on the scheduled date according to the service agreements, steps had not been taken so far to recover the relevant money and take disciplinary actions against the responsible Assistant Drilling Superintendent.

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs. 620,000 had been paid by 31 July 2023, the date of audit by obtaining the services of a private lawyer and a law firm for the preparation of a draft relating to the amendment of the Water Resources Board Act and the task was not done even after 4 years had elapsed since it was recognized that the Act should be amended.	The amendment has been completed by a new law firm considering other trends happened in 2022 further developing the draft prepared in 2017. The draft has been prepared and submitted to the Honourable Minister and the amendments raised there are scheduled to be made and resubmitted.	Proceedings pertaining to the amendment of the Act should be expedited.
(b) An agreement had been entered into with a private company on 18 September	The installation of 30 GPS devices on drilling machines, air pressure	Installation of fuel sensor equipment and G.P.S.

2019 for the installation of fuel sensor equipment and GPS systems as a measure to prevent fraud in drilling activities, water capacity tests and excessive fuel consumption during normal vehicle running carried out by the Board. There, even though it had expected to install above equipment for 7 drilling machines, 2 pump systems, 1 crew cab, 12 cabs and 8 compressor systems, these systems had been completed for only 12 cabs and 3 drilling machines by 21 March 2023, the date of audit even after more than 3 1/2 years had elapsed.

machines, generators and cabs etc. have been completed and as fuelling for machinery other than engines have been dispatched from barrels at work sites, there was a difficulty in calculating and the measuring equipment was provided subsequently and the problem was solved. Due to the Covid 19 epidemic situation in the years 2020 and 2021 information records have not been updated due to limited deployment of machinery in the fields and technical faults in the machinery. Checked in later and actions have been taken to check records of units operating in the field and pay only to them.

systems should be completed immediately.

- (c) A land of 40 perches located at Densil Kobbekaduwa Mawatha, Battaramulla, belonging to the Urban Development Authority had been decided to hand over to the Water Resources Board for a period of 30 years by the Decision of Cabinet of Ministers No.CMP/16/2500 /724/099 dated 06 December 2016. An annual lease of Rs.2,700,000 had been determined by the Government Chief Valuer for the said land on which the new Head Office building of the Board is proposed to be

The Urban Development Authority decided to hand over the 40 perches of land in Battaramulla to the Board in response to the order to vacate the land on Hector Kobbakaduwa Mawatha. The land was given to the Board in 2015 and even though the then presidents had taken actions to construct the building under the Netherlands Project on this land since then, the Urban Development Authority had given only physical possession of the land.

Due to making arrangements to pay money before entering into a lease agreement and not getting any benefit from that expense, actions should be taken in accordance with the provisions of Volume II of the Establishments Code against the officers responsible for the loss occurred.

constructed. The Board had paid a sum of Rs.23,344,253 as rent to the Urban Development Authority from 2016 to March 2023 without signing a lease agreement with the Authority. Even though allocations had been made under the pilot project to establish a groundwater monitoring information network from 2018, it had not been utilized due to lack of a formal lease agreement.

Although the money was recovered continuously claiming that the land belongs to the Board, the signing of the lease agreement was delayed because the land was not released as per Section 6 (1) of the Land Act. The Land Commissioner is about to give the approval at present. Due to lack of a lease agreement, construction of the building was delayed. This land has been agreed to be given to the Foreign Employment Bureau for a monthly interim lease of Rs.500,000 for a period of one year.

### 3.3 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) A Drilling Manager, 11 Drilling Officers and a support staff of 68 people had been assigned to the Drilling Section of the Board and a cost of Rs.41,478,196 had been incurred in terms of salary, overtime, travel expenses and other costs for those staff during the year under review. Out of the 16 drilling machines owned by that Section, only 8 were in working condition and although the Section had constructed 437 wells in 2016 it had continuously dropped</p>	<p>Only the works of 79 tube wells with a value of Rs. 20,647,630 had been completed during the year under review. The construction of tube wells had been interrupted due to the impact of the Covid epidemic in the year 2022 and difficulties in obtaining fuel as well as the rapid change in fuel prices.</p>	<p>Actions should be taken to utilize the resources allocated for the Drilling Section with maximum efficiency and to take necessary corrective actions to provide quality and efficient services.</p>

to 79 wells by the year under review. Even though the operational inefficiencies in the Section had resulted in the continued deterioration of the reputation in society of the quality and efficiency of the pipelines constructed by the Board, an analysis thereon had not been done and necessary corrective actions had not been taken.

(b) There was a balance of Rs.15,919,957 in the tube wells construction service advance account at the end of the year under review and within that, there was an advance balance of Rs.1,637,828 that had not been completed for relevant works older than a year. As a result of failure of providing of relevant services, the advance of Rs.2,310,356 had been repaid by the Board and due to the failure of construction of 4 tube wells in it, there was a sum of Rs.883,055 also to be repaid.

The amount of Rs.2,310,356 received, had to be repaid due to the reasons such as lack of support by the paying party, overpayment, public protest and breakdown of heavy metal testing equipment. Actions have been taken to recover a sum of Rs.409,709 out of the above amount and to settle the service advance account. Actions are being taken to settle the remaining amount of Rs.1,900,646 . Although the cost incurred to the Board was Rs.883,055 due to the construction of 4 failed tube wells, the amount charged to the Board for the failed construction of 04 tube wells was Rs.1,407,415. Accordingly, the Board has earned a profit of Rs.524,360 .

The role undertaken by the Board should be fulfilled in time. Since the Board should take responsibility for the successful construction of tube wells, disciplinary actions should be taken against the officers who were involved in the construction of failed tube wells.

### 3.4 Transactions in Contentious nature

Audit Observation	Comments of the Management	Recommendation
(a) The approval had been given by the Decision of the Cabinet		

1 of Ministers No. CMP/15/1087/644/005 dated 29 July 2015 to establish a system to manage the quantitative and qualitative conditions of ground water in Sri Lanka to implement the pilot project to establish a groundwater monitoring network for Sri Lanka in 4 selected Districts namely Anuradhapura, Polonnaruwa, Monaragala and Puttalam where kidney disease is widespread. The Secretary of the Ministry of Irrigation had entered into an agreement with the Royal Eikelkamp Institute of the Netherlands on 03 October 2017 to implement the said Project at a cost of 20,629,921 Euros and the Project had been completed on 31 December 2022. Out of the project cost of 20,629,921.18 Euros equal to Rs.5,521,329,000 a 85 per cent that is 17,535,433 Euros had been obtained by the Government of Sri Lanka to be repaid in 20 equal installments over 10 years at a concessional interest rate of 1.45 per cent per annum from Rabo Bank, Netherlands. The remaining 15 per cent equal to 3,094,488.18 Euros had been obtained by the Government of Sri Lanka from Hatton National Bank of Sri Lanka, for repaying in 15 years from second half of the year 2025 after a grace period of 3 years. Although the projects have been completed,

the following matters are observed in relation to it.

- (i) Out of the loan amount obtained from the Netherland Rabo Bank, the works related to Rs.76.2 million equal to 433,288 Euros had not been fulfilled by the Netherland contractor and if the entire loan amount is not utilized in accordance with clause 5.2 of the loan agreement, although the balance can be deducted proportionately from the loan repayment installments, the Board had not informed the General Treasury about the tasks which were failure to be fulfilled.
- Payment of Project loan amount and loan installment are being done by the Department of External Resources through the Treasury and two loan installments have been paid to the Rabo Bank by now. Due to inability to construct database centre building as per the project agreement, Future actions on unspent amount will be done by the Department of External Resources in terms of Section 5.2 of the Loan Agreement entered into with Rabo Bank. Accordingly, if the entire loan amount is not utilized the balance will be proportionately deducted from the loan repayment instalments accordingly.
- Actions should be taken to inform the Treasury to deduct the unspent money from loan installments.
- (ii) A sum of Rs. 259.1 million equal to 1,473,462 Euros had been allocated for constructing a database centre building on the land belonging to Battaramulla Urban Development Authority under the Project and contingent provision of Rs.329.8 million equal to 1,875,447 Euros had also been decided to be used for the database centre. Although a sum of Rs.544.2 million or 3,094,488 Euros, which is 15 per cent of the total value, had been paid in advance to the Netherland contractor, due to lack of ownership of land the database centre had not been built. Due to failure of construction of this database centre building,
- Although a 6,000 square feet building should be constructed for the database center at Hector Kobbekaduwa Mawatha, where the Water Resources Board office is located according to the Project Agreements, Planned by the Water Resources Board, the Water Resources Board has planned to acquire that land by the Urban Development Authority and 24,000 square feet database centre including Head Office. Due to failure of giving a lease agreement for the land in Battaramulla given by the Urban Development Authority, although this building cannot be built, the database centre of the Ratmalana Workshop has been installed and functioning by now according to the project objectives and requirements.
- Although the basic tasks required for the construction of the building should be completed before commencing the Project, the disciplinary actions should be taken against the officers who had not acted accordingly of the Board and responsible for the implementation of the Project.

the preliminary objectives and expected benefits of the Project could not be achieved properly.

- (iii) The contractor had to provide the necessary spare parts for the maintenance of the hydrometer data system for 05 years as per the contractual agreement and a sum of Rs.106.5 million equal to 605,894 Euros had been paid to the contractor for that. Under this, the contractor had provided 160 spare parts and out of that, 41 items of maintenance equipment stored in the Ratmalana work site warehouse had not been formally accepted and accounted for.
- All items supplied by the contractor have been listed and handed over to the warehouse. Further, the cost of maintaining the equipment installed for construction works for 5 years is also included for finishing works under 34 BOQ items .
- Actions should be taken to identify and properly receive relevant goods to the Board to store and account for all.
- (iv) The primary objective of the Project was to temporarily obtain and monitor the qualitative and quantitative data of groundwater in the 03 Districts of Anuradhapura, Polonnaruwa and Monaragala, where kidney disease is widespread due to the use of groundwater and there, the relevant data should be transmitted to the database centre to be built in the Head Office of the Board in a timely manner. Nevertheless, strategies on the way of the use that data to provide solutions for the quantitative and qualitative problems of groundwater, which is currently a significant problem
- Groundwater sources in rural and major water supply projects that draw the largest groundwater in the respective pilot areas, areas where salinity increases through seawater mixing were mainly taken into consideration through this Project . Several programmes have been planned by the Water Resources Board for the management and development of those water sources based on the qualitative and quantitative changes and analysis of those water sources. Under this, works are being done in coordination with the National Community Water Department and the Water Supply and Drainage Board. Plans have been made through the Board to utilize this information for research and
- As the resources provided by the Project can be used effectively through preparing of plans and implementation, steps should be taken for that.

in the country had not been included in the project proposal or belonging to the Board which responsible for implementing the database.

Accordingly, the Sri Lankan government had to pay a loan of 20.06 million Euros with the related interest to be paid from the year 2025 without having any economic benefit.

studies conducted in relation to groundwater.

(v) Two high-technology drilling machines (MS - FT Drilling Mountel Truck) purchased for 2,240,030,328 Euros equal to Rs.397.98 million had been put into use and even though these 02 machines have been handed over to the Board after the completion of the Project, due to problems related to maintenance and operation of those machines even as at 21 March 2023, the date of audit, the Board had kept it idle without being used it for any purpose.

Four drilling officers of the Board were employed and trained full-time in connection with the drilling operations of the 02 drilling machines and it was confirmed from the drilling experts engaged under the contractor that they received the relevant competence. Accordingly, the drilling works of the two machines can be done by the drilling officers of the Board. These machines could not be used because of the high cost involved in the maintenance and operation of those machines.

A suitable programme should be developed and implemented in order to use these high-technology drilling machines.

(vi) According to the agreement entered into between the Secretary of the Ministry of Irrigation and the contractor, the Netherlands Company, the Company had to provide hosting (Hosting Website) for 05 years for the automatic database survey system to be established. Accordingly, the contractor had agreed to the proposal submitted by the contractor that the relevant hosting should be provided by a company in the contractor's

Although the issue was presented to the Cabinet Appointed Negotiation Committee (CANC) whether this database system could be done through Sri Lanka Telecom (SLT) or some other local agency, it has been agreed that it should be done through the server under their hosting due to technical issues. Accordingly, it will be hosted for a period of 5 years from the date of completion of the project from 31 December 2022 to 30 December 2027 and it has been done by written

Adequate remedies should be applied to control the potential adverse effects on groundwater resources caused by enabling foreign entities to access highly sensitive data without restriction.

country. As a result, although the operational activities of this project, which is running in a high-technology background, are carried out by the officers of the Board, there was a risk that Netherland companies will have the possession of controlling of the data obtained from Sri Lanka. In addition, even though there is a written agreement that the hosting of the relevant database system will end on 30 December 2027, there was a risk of handing over of hosting to the same company.

consent. Further, it was informed that even after the end of the first 5 years, their technical assistance will be provided and only if an upgrade is required, the cost will have to be borne.

Likewise, this web portal was programmed and installed by them in Turkey Project background and there, its operating procedure and features were made based on the requests received. Accordingly, the online web portal is currently carrying out the necessary operations in the database centre installed by the officers of the Water Resources Board.