

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Water Resources Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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 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 2023, 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 the Relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The disclosures required to be made in accordance with Section 54 of Public Sector Accounting Standards No. 3 of Sri Lanka had not been made in respect of the value of Rs 1,638,000 which was stated as prior year adjustments.	After preparing the accounts for the year 2022, the income of that year consists of 5 invoices, a telephone charge voucher and an overprovision in the allocation of lease rent for the land of Battaramulla Densil Kobbakaduwa Mawatha. Actions will be taken to disclose in the financial statements in the year 2024 .	Details of restated balances should be disclosed in terms of Sri Lanka Public Sector Accounting Standards.
(b) Only 150 out of 854 items belonging to 3 classes of assets had been recalculated for Rs. 80,754,510 and taken into accounts in the revaluation of property, plant and equipment in contrary to Paragraph 49 of Sri Lanka Public Sector Accounting Standards 7. Further, the required disclosures in terms of Paragraph 90 of Sri Lanka Public Sector Accounting Standards 7 had not been made regarding the recovered assets.	The Water Resources Board has 5 provincial offices and all the assets held by the Board are held by each of those Divisions. It is stated that this situation has arisen due to the failure of participating of the officers of the Water Supply Board for those two Districts and the lack of assist from the Water Supply and Water Drainage Board to reevaluate the assets held in the Jaffna and Ratmalana Provincial Offices due to the lack of staff in our Board. .	The class of asset should be fully revaluated and the related disclosure should be made in terms of Sri Lanka Public Sector Accounting Standard.
(c) Due to the end of effective life of 850 items related to 4 classes of assets which were revaluated by the Board during 2016-2018 to Rs. 298,147,287 but still in use, the book value had become zero as at 31	It is mentioned that due to lack of staff, these tasks could not be carried out.	The assets which end their effective life should be revaluated and accounted for in terms of Paragraph 90 of

<p>December 2023 and those assets had not been revaluated and accounted for in accordance with Paragraph 42 of Sri Lanka Public Sector Accounting Standards 7 .</p>	<p>Sri Lanka Public Sector Accounting Standards.</p>	
<p><b>(d)</b> Revenue from registration of drilling rigs, drilling agencies and Hydro Geologists amounting to Rs. 3,360,000 had been accounted for on cash basis in contrary to Paragraph 14 of Sri Lanka Public Sector Accounting Standards 10 .</p>	<p>It has been disclosed that the revenue is recognized on accrual basis under revenue recognition under accounting policy 5 of the financial statement.</p>	<p>The revenue should be recognized on accrual basis as per Sri Lanka Public Sector Accounting Standard.</p>
<p><b>(e)</b> Although the total revenue of Rs 1,797,835,000 from other projects and other non-exchange transactions including the Project on Establishment of Ground Water Monitoring Network had been accounted for in accordance with Sri Lanka Public Sector Accounting Standard No. 11, the accounting policy used to identify the said liabilities had not been disclosed in accordance with Paragraph 107 of Sri Lanka Public Sector Accounting Standards 11 .</p>	<p>Disclosures in this regard, have been made under Accounting Principles 11 of the Financial Statements.</p>	<p>Accounting policy for recognizing and accounting for assets should be disclosed in the financial statements.</p>
<p><b>(f)</b> The Ministry of Irrigation had completed the Project on Establishment of Ground Water Monitoring Network on 31 December 2022 and handed it over to the Board and the following observations are made in this regard.</p>		
<p><b>(i)</b> Although the non-current assets purchased under this had been given to the Board by the end of the year under review, those</p>	<p>The cost of assets presented by the Project had remained at an unacceptable status and the Project Director should enter the accurate asset</p>	<p>Actions should be taken to account for project assets as per Sri Lanka</p>

<p>assets amounting to Rs.336,301,185 had not been accounted for.</p>	<p>values and submit a report to the Water Resources Board in accordance with the recommendations given by the Committee appointed by the Secretary, Ministry of Irrigation in respect of accurate valuation of the cost of project assets in the year 2023 . Nevertheless, due to the non-submission of the report even by 28.02.2024, the assets could not be taken into the books and actions will be taken to include these assets in the accounts of the year 2024. It has been disclosed under accounting principles 11 of the financial statement in this regard.</p>	<p>Public Sector Accounting Standards and to account for a similar amount as revenue.</p>
<p>(ii) The number of 190 tube wells with high-tech equipment and their maintenance equipment handed over to the Board at a cost of Rs.1,738,833,941 and the value of consumables handed over to the Board at a cost of Rs.1,534,077,024 had not been valued and accounted for in accordance with Paragraph 83 of Public Sector Accounting Standards 11 of Sri Lanka.</p>	<p>The cost of assets offered by the project had remained unacceptable condition and the Project Director should have entered the accurate asset values and submit a report to the Water Resources Board In accordance with the recommendations given by the Committee appointed by the Secretary, Ministry of Irrigation in respect of the accurate valuation of the cost of project assets in the year 2023 . Nevertheless, due to the non-submission of the report even by 28.02.2024, it has been impossible to take the assets into the books and actions will be taken to enter these assets in the accounts of the year 2024. It has been disclosed under accounting principles 11 of the financial statement in this regard.</p>	<p>Actions should be taken to account for project assets as per Sri Lanka Public Sector Accounting Standards and to account for a similar amount as revenue.</p>
<p>(iii) The project had purchased 2 double cabs and converted them into mobile field test units and handed them over to the Board on 15 February 2023 and their value of Rs.33,541,773 had been accounted for under machinery. Although the value of these 2 vehicles should be accounted for as motor vehicles and the equipment attached to it as laboratory equipment, it had</p>	<p>Accept – Actions will be taken to correct it in the year 2024.</p>	<p>Accurate depreciation should be done in terms of Sri Lanka Public Sector Accounting Standards.</p>

not been so done accordingly in terms of Paragraph 57 of Sri Lanka Public Sector Accounting Standards 7. Although a sum of Rs.4,746,875 should be depreciated at the rate of 25 per cent on the cost of the 2 motor vehicles as per the invoice value of Rs.21,700,000, due to a sum of Rs.3,352,340 being depreciated at 20 per cent considering as machinery, the depreciation had been understated by Rs.1,394,535 .

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| <p>(g) Although all components of cash and cash equivalents should be disclosed, in terms of Paragraph 56 of Sri Lanka Public Sector Accounting Standards No. 2, instead of showing the balance of Rs. 61,200,069 in the fund management savings account which was maintained in connection with Bank of Ceylon's current account No. 0002323267, it had been shown together with the balance of the relevant current account.</p> | <p>This fund account balance also included within the balance shown under account number 0002323267 in the financial statements.</p> | <p>Components of cash and cash equivalents should be disclosed</p> |
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## 1.5.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>The value of 80 items of laboratory equipment which had been revaluated to Rs 61,062,600 on 30 October 2023 had been stated as Rs. 55,597,307 by understating Rs. 5,465,000. As a result, the depreciation expense for those assets had been understated by Rs.963,393 .</p>	<p>The revaluation amounts of this lab equipment has changed on an error in the Asset Management Software of the Water Resources Board.</p>	<p>Revaluated assets and accurate depreciation should be entered into financial statements.</p>

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Orders published by the Minister in Extraordinary Gazette No. 2010/23 dated 16 March 2017 in terms of Section 16 of the Water Resources Board Act No. 29 of 1964	Although all the institutions engaged in the construction of tube wells should be registered with the Board, only 42 institutions had been registered at the end of the year under review. Seventy two organizations had been registered and the Board did not have adequate work arrangements to ascertain that the establishments which are not registered and have not renewed their registration are not constructing tube wells and to identify which establishments are not registered with the Board. Further, according to the above order, although a report containing the data of all newly constructed pipelines by the registered organizations should be given to the Board every 03 months, out of the 42 registered institutions, only 4 institutions had given the above report.	Arrangements are being made to prepare a systematic program for the registration of the institutions that are constructing tube wells. Here, newspaper advertisements were published to inform the people about it. Likewise, as there is no legal provision in the Water Resources Board Act regarding the institutions which did not register for the construction of tube wells, the relevant Act has been amended and it has been referred for the necessary approvals. Actions have been to inform all currently registered tube well drilling companies and inform them in writing to update their registration with the Water Resources Board.	It should prepare a work plan to identify all the institutions engaged in the construction of tube wells.
(i) Order 02			

**(ii) Order 03**

If an organization or person engaged in the water bottling industry and beverage production uses a natural spring water or ground water for its production activities, although every 6 months a water sample of the said water source should be tested by a recognized laboratory of the government and the related analysis report should be submitted for approval, out of the 42 institutions registered in the Board, only 9 institutions had given the relevant reports to the Board.

Written notices were given to the relevant institutions to provide the relevant chemical reports to the Water Resources Board. Accordingly, chemical reports are currently being received by the Water Resources Board. Further, actions are being taken to further expand this works by receiving of support of other government agencies and obtaining the necessary support to obtain these reports.

Water samples should be tested and reports should be submitted by a natural spring water or ground water producing agencies.

**(iii) Order 06**

Legal actions had not been taken against institutions, organizations or individuals who do not act in accordance with Order 1 to 5, which include rules to be followed by public or non-governmental institutions which uses natural water sources or deep or shallow groundwater as per Section 20 of the Water Resources Board Act No. 29 of 1964 as amended by Act No. 42 of 1999 .

Arrangements have been made to take necessary legal actions against institutions that do not provide reports related to the quality of groundwater and institutions that do not provide reports on the quality of groundwater as per the existing Act. Further, arrangements are being made to further develop this work by contacting other government agencies and obtaining the necessary support to obtain these reports.

Actions should be taken as per the directives related to institutions using natural water springs or deep or shallow ground water.

**(b) Sections 10 and 11 of the Employees' Provident Fund (Amendment) Act No. 26 of 1981**

The employee contribution to the Fund should be 12 per cent and employee contribution should be 8 per cent and it can be agreed upon a higher rate. Nevertheless, although 10

We took notes to make the necessary corrections.

The Commissioner should be informed in relation to charging a rate higher than the



per cent had been collected and paid from the employees when the Board's service contribution was 12 per cent, the Commissioner had not been informed in this regard.

rates specified in the Act.

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

(i) Guidelines 2.2.1

Actions had not been taken to determine Key Performance Indicators for the Board or prepare a Corporate Plan or direct the Board accordingly.

Although visions and Corporate Plan had been prepared for the Water Resources Board, these activities were temporarily stopped recently for the preparation of the National Water Policy and the establishment of the National Water Secretariat along with the restructuring of the Water Resources Board.

It should develop Performance Indicators and a Corporate Plan and actions should be taken accordingly.

(ii) Guidelines 2.2.2 (b)

The Board had not taken actions to establish a strong governance framework as fulfil the requirements such as presentation of Board Memorandums to Members of Board of Directors for reading and study prior to Meeting of Board of Directors, maintaining a reliable Management Information System necessary for decision-making and ensuring

It has been noted.

Actions should be taken to establish and operate a strong governance framework in accordance with the Guidelines

accountability, following up the decisions of Audit Committees and other sub-committees in a timely manner and take necessary actions and disclosure of maximum information, financial and non-financial, in a user-friendly manner through the website of the organization that meets the needs of the related parties.

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| (iii) Guidelines 2.4  | The Board of Directors had not made an annual statement to the Secretary of the Board regarding the relationship with the Board and relevant disclosures had not been made in respect of each director in the Annual Report of the Board.            | There is no post of Secretary of the Board and it has been noted to act on the matters mentioned.  | Actions should be taken to obtain an Annual Statement and to disclose information about the Directors in the Annual Report. |
| (d) Paragraph 6.6 of the Operational Manual for Corporate Control of Public Enterprises introduced by Public Enterprises Circular No. PED/01/2021 dated 16 November 2021. | Although the Draft Annual Report should be submitted to the Auditor General within 60 days of the end of the accounting year, the Board had not submitted the Draft Annual Performance Report for the year 2023 along with the financial statements. | The Annual Report 2023 is currently being prepared and it has been noted to submit the Draft Annual Report with the final accounts of 2024 . | The Draft Annual Performance Report should be submitted with the financial statements.                                      |

## 2. Financial Review

### 2.1 Financial Results

The financial result for the year under review was a surplus of Rs. 1,383,454,000 and the deficit for the preceding year as against to that was Rs. 27,506,000. Accordingly, a net growth of Rs. 1,410,960,000 was observed in the financial result. The government grants in the year under review had increased by Rs. 7,254,000 and the income from aquatic surveyors and explorations had increased by Rs. 18,008,000 as compared to the expenditure of the previous year.

**3. Operational Review**  
**3.1 Management Inefficiencies**

Audit Observations	Comments of the Management	Recommendation
<p>(a) As a task of the Pilot Project for establishment of groundwater monitoring network, the project purchased 2 double cabs for Rs 21,700,000 to establish 2 mobile field test units, and registered in the name of Project Director and handed over to a private company and converted into mobile field test units and an agency had not been selected by following the Procurement Guidelines for that.</p>	<p>As a Turnkey EPC (Engineering, Procurement &amp; Construction) project under the Ministry of Irrigation, the project was implemented through Eijelkamp, a Netherland contracting company, for the installation of groundwater monitoring systems for the Water Resources Board in selected regions of the country. Although procurement is done by the contract company based on the basic technical requirements of the Water Resources Board as per the contractual methodology of this Project, the Board did not have an opportunity to involve in the procurement process.</p>	<p>Construction of mobile field test units should be done as per Procurement Guidelines.</p>
<p>(i) The 2 respective vehicles had been turned into mobile field test units and handed over to the Board on 15 February 2023 and the private company had charged Rs 11,841,774 for the conversion work. Nevertheless, the two rear parts (Rear Tube Tail Body) removed from the two vehicles had not been returned to the Board. An investigation in accordance with Finance Regulation 104(1) had not been conducted in this regard and those responsible had not been determined.</p>	<p>The approval for these two mobile field test units are referred to the Project Evaluation Committee appointed by the Cabinet of Ministers as Customized Double Cabs as Mobile Field Test Units. Accordingly, the process has been made by the contracting company as per the procurement and technical specifications requested. There, the two double cabs purchased by the major contractor have been delivered directly to the respective customizing company and after all those activities have been completed, the project director has handed over these two mobile field test units as finished units to the Project on 15.09.2022 in writing.</p>	<p>Actions should be taken to investigate and identify those responsible as per Financial Regulations.</p>

- (ii) Although the 2 mobile field test units had been registered as cabs in the name of Chairman of the Board on 02 May 2023, the registration had not been amended as mobile field test units.
- These two mobile field test units were registered under the Project Director and handed back to the Board and as these two vehicles are not registered as two mobile field test units in the Department of Motor Traffic, it is stipulated to find out the possibility of changing it and take necessary action.
- The two respective cabs should be registered as mobile field test units.
- (b) A land of 40 perches located at Battaramulla Densil Kobbekaduwa Mawatha belonging to the Urban Development Authority had been decided to be given 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 amount of Rs. 2,700,000 had been determined by the Chief Valuer of Government for the said land, proposed to be constructed the new Head Office Building. Even though the Board had paid Rs 24,906,879 as rent from 2016 to October 2023 to the Urban Development Authority without signing a lease agreement with the Authority for the land, the land had not been used. Similarly, even though allocations had been made from the year 2018 for the construction of the Head Office Building on this land under the Pilot Project to establish a Ground Water Monitoring Network, due to lack of formal lease agreement the provisions could not be utilised. Similarly, the Urban Development Authority had refused to enter into a long-term lease agreement for this land located on Hector Kobbekaduwa Mawatha until the arrears of lease rent payable amounting to Rs.56,409,666,000 for the land located at Kobbekaduwa Mawatha, Colombo 7 hectares under Section 6(1) of the
- The possession of the land at Battaramulla Densil Kobbekaduwa Mawatha, which was given in place of the land at No. 2 A bearing of Hector Kobbekaduwa Mawatha, which was used by the Board as per the decision of the Cabinet of Ministers handed over to Water Resources Board on 10.10.2016. The Data Centre to be built by the Underground Water Distribution Network Project and the laboratory along with the Head Office of the Water Resources Board had been planned to be installed on this land and even obtained the necessary approvals, and due to the delay in signing the agreement for the land by the Urban Development Authority, that opportunity was missed with the end of the project period. A Memorandum has been submitted by the Water Resources Board for the approval of Cabinet of Ministers to write off this outstanding amount considering that the Urban Development Authority has informed that the agreement will be signed after the payment of the outstanding amount of Rs.56,409,666.00 which should have been paid to the Western Provincial Land Commissioner or write off with
- Arrears should be written off on formal approval and obtaining necessary consent to sign a lease agreement with the Urban Development Authority.

Government Land Ordinance is settled or written off.

the approval of the Cabinet of Ministers

- (c) As per the provisions of Management Services Circular No. 30, certain posts which were in JM-1 salary scale at Junior Management Level before restructuring of the staff of the Board had been converted into MM Group (Middle Management Level) posts during restructuring. In the issuance of motor vehicle import permits on a concessionary basis under Trade and Investment Policy Circulars 01/2010 and 01/2013 and 01/2018 to 5 officers who were absorbed into those positions after restructuring with effect from 03.10.2012, it had been recommended to issue import permits for the said vehicles falsely calculating the service period considering the pre-restructuring period also as holding posts in MM category. Necessary recommendations had also been given to get the second permit again in the year 2018 to three of these officers obtained the first concessionary vehicle import permits. Even though 10 years had elapsed since the licenses were obtained, the disciplinary investigation that had been started for those officers had not been completed up to now. The Board had not taken any disciplinary action against the officers who gave the relevant recommendations.

The Ministry of Water Supply and Estate Infrastructure Development has conducted a preliminary investigation and issued a report regarding these officers, and accordingly, charge sheets have been issued to the relevant officials. A formal disciplinary investigation is being conducted by the Water Resources Board and the work is currently being completed and the investigation officers have informed that the report will be given by the end of May.

Actions should be taken to complete the investigations promptly and take necessary actions.

In addition to that, recommendations had been given for 5 retired officers to get a concessionary vehicle import permits before completing their service period and those officers had obtained permits and accordingly, actions had not been taken to recover the losses incurred by those officers by obtaining permits and to take disciplinary action against the officers who gave recommendations for those

permits and gratuities had been paid without recovering these losses which should be charged to the government during the retirement of officers.

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| <p>(d) A sum of Rs.645,000 had been paid by the date of audit after obtaining the services of a private lawyer and a law firm to prepare the draft related to amend the Water Resources Board Act and although it has been 4 years since it was recognized that the Act needs to be amended, the task had not been achieved.</p> | <p>The amendment of the Water Resources Board Act has stalled due to the announcement of the proposed National Water Policy and the establishment of the National Water Resources Secretariat and the restructuring of the Water Resources Board.</p>   | <p>Proceedings to amend the Water Resources Board Act should be expedited.</p>   |
| <p>(e) Even though it had elapsed 7 years for the land on which the Anuradhapura Circuit Bungalow was built, and was handed over to the 2016 Board on a lease basis for a period of 30 years, a lease agreement had not been entered into and actions had not been taken to pay rent for this land up to now.</p>                | <p>Even if further works have been done by contacting an licensed surveyor through the Divisional Secretary to get the land surveyed for payment of lease rent in respect of the land where the Anuradhapura Rest House is situated, as this land is located in the lake reserve, it has become difficult to solve the problem.</p>   | <p>The possibility of entering into a lease agreement for a land located within the lake reserve should be investigated and actions should be taken accordingly.</p> |
| <p>(f) The Board had registered Hydro Geologists from the year 2018 and allowed them to provide professional services personally. There was no legal provision for that under the Water Resources Board Act No. 29 of 1964, and between 12 and 18 Hydro Geologists had been registered annually.</p>                             | <p>As approval for the construction of tube wells has to be given by the Water Resources Board, from that approval, registration of external geologists had been done only for carrying out ground water survey at the respective place and submitting the reports for approval of the Board. The amendment of the Water Resources Board Act has been submitted for necessary approval including the relevant matters in order to carry out these activities formally and further actions for this are being taken as per the instructions of the Board of Directors.</p> | <p>Actions should be taken to amend the Water Resources Board Act including relevant provisions.</p>   |

### 3.2 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
<p>(a) The approval had been given by the Decision of the Cabinet of Ministers No. අමස /15/1087/644/005 dated 29 July 2015 for the Pilot Project to establish a groundwater monitoring network for Sri Lanka to be implemented in 4 Districts selected as Anuradhapura, Polonnaruwa, Monaragala and Puttalam, where kidney disease is widespread, to establish a system to manage the quantitative and qualitative conditions of ground water in Sri Lanka. The Secretary of the Ministry of Irrigation had entered into an agreement with the Royal Eikelkamp Institute of the Netherlands on 03 October 2017 in order to implement the said project at a cost of Euros 20,629,921 and the works of the Project had been completed on 31 December 2022. Out of the cost of this project amounting to Euros 20,629,921.18 equivalent to Rs.5,521,329,000, an 85 per cent equivalent to Euros 17,535,433 had been obtained by the Government of Sri Lanka from Rabo Bank of the Netherlands to repay in 20 equal installments over 10 years at a subsidized interest rate of 1.45 per cent per annum. The balance of 15 per cent amount of Euro 3,094,488.18 had been obtained by the Government of Sri Lanka from Hatton National Bank of Sri Lanka, to be paid in 15 years from the second half of 2025 after a grace period of 3 years. The following observations are made in this regard.</p>		
<p>(i) Even though the Project was completed in the year 2022, due to failure of construction of data centre building which was one of its basic requirements, the primary objectives</p>	<p>Although the data centre has been planned for construction, due to the Urban Development Authority not giving a proper lease agreement even by July 2022, the construction could</p>	<p>Necessary steps should be taken to construct the building.</p>

and expected benefits of the project could not be achieved properly.

- (ii) A provision of Rs. 259.1 million equivalent to Euros 1,473,462 had been made for the construction of a Data Centre building on a land belonging to Battaramulla Urban Development Authority and a sum of Rs. 329.8 million equivalent to 1,875,447 euros of contingent allocations had also been decided to be used for the Data Centre. Although a sum of 544.2 million equivalent to Euros 3,094,488, which is 15 per cent of the total value, had been paid as an advance to the Netherland contractor, the Data Centre had not been built due to the lack of ownership of the land and the advance amount of Euros 3,094,488 that had been paid, had become useless.
- (b) A supporting staff of 52 people including a Manager (Drilling) and 11 Drilling Officers were assigned to the Drilling Division of the Board and Rs. 65,965,000 was spent on salaries, overtime, travel expenses and other costs for that staff in the year under review. Only 9 of the 18 drilling rigs that the division were in working condition and the 2 modern drilling rigs received from the project had not been used due to high maintenance and service costs and repair costs. Out of the remaining 07 drilling rigs, only 58 wells were constructed in the year under review and accordingly only 8 wells were constructed from one rig that was in working condition. A Drilling Officer and a supporting staff

not be commenced until near completion of the project (December 2022). The data centre with all the necessary features in the Ratmalana workshop has currently been installed and working according to the project objectives and requirements.

The Project Director has also informed with copies to the External Resources Department of the General Treasury and the Director (Foreign Credit-1)- Treasury Department, Chief Accountant- Ministry of Irrigation about the project savings due to the establishment of the Data Centre in an existing building of the Water Resources Board. Accordingly, the Department of Foreign Resources has informed that the loan payments will be made including the deductions based on this balance.

Three out of 18 drilling rigs owned by the Drilling Division were auctioned in 2023. Out of the remaining 15, six are old drilling rigs and 02 of them are modern drilling rigs received from the Netherlands Project. Due to the high cost of maintenance, service and repair, only the remaining 07 drilling rigs were drilled in the year 2023. Two modern drilling rigs received through the Netherlands Project are expected to be used to construct the test wells of the IWWRMP Project.

The advances should be recovered promptly and measures should be taken in respect of responsible officers of the Board.

Actions should be taken to review the operations of the Drilling Division and utilize human resources efficiently.



of 8 people were assigned to one machine and that one team had built only one tube well in two months.

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| <p>(i) The number of orders received by the Drilling Division of the Board had continuously declined from 280 to 58 annually fro the year 2018. Accordingly, an analysis of operational inefficiency in that sector had not been carried out and necessary corrections had not been made.</p> | <p>The number of tube wells received by the Board has decreased due to the reasons such as receiving of tube well orders by the Board are very low due to more than the cost of a tube well constructed by the private sector, is spent on construction of tube well by the Board, receiving orders for the construction of tube wells to the Board only from the parties who need to construct tube wells for commercial purposes in places where it is difficult to build and where there are environmental and public problems, stopping of government projects due to covid epidemic and other reasons, there is a hindrance in the implementation of the law against the institutions that construct tube wells in an illegal manner.</p> | <p>A programme to receive orders for the Drilling Division as well as a reassessment of costs should be carried out.</p> |
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### 3.3 Transactions in Contentious Nature

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>Even though the Thimbirigasaya Divisional Secretary had informed the Board to pay an annual lease amount of Rs.12,772,000 from the year 2013 for the land located at the Head Office on Hector Kobbackaduwa Mawatha, Colombo 07, which had been run by the Water Resources Board since 1978, a case was filed in the Colombo High Court in the year 2019 by the Divisional Secretary of Thimbirigasaya due to failure to work upon. Later, despite the Attorney General had instructed the Thimbirigasaya Divisional Secretary to settle the issue of the</p>	<p>The Water Resources Board was established at No. 2 A, Hector Kobbackaduwa Mawatha, Colombo 07 and as the Board is a non-commercial body, although the then Chairmen made requests in letters 2001, 2002, 2014 and 2017 to the Thimbirigasaya Divisional Secretary and the Western Provincial Land Commissioner to give this land as a grant or on a long term lease basis, due to not getting a proper answer to those requests, there was no agreement on tax payment until 2017. In spite of this, the Thimbirigasaya Divisional Secretary informed in a letter dated 05.07.2016</p>	<p>Actions should be taken to sign a formal lease agreement for the land belonging to the Urban Development Authority and to locate the Head Office of the Board there.</p>

land, the premises where the Head Office was run for 45 years was handed over to be used for the expansion of the official residence used by the then Prime Minister without obtaining the approval of the Cabinet of Ministers. The Head Office had been run from 18 July 2021 to 15 July 2022 in a private rented building in Rajagiriya area and from 01 August 2022 in a private building in Nawala Koswatta area. For that, a sum of Rs. 30,511,722 had paid as building rent from the year 2021 to the year 2023 .

to pay the outstanding amount of Rs. 43,637,666 from 2013 to 2016 and to pay the outstanding amount of Rs. 56,409,666 in a letter dated 14.12.2017. As the Water Resources Board is not a commercial entity, the Chairmen had informed the Divisional Secretary that they were unable to pay the amount. This land was taken over by the Urban Development Authority without giving an allowance according to the Colombo City Plan by a decision of Cabinet of Ministers dated 06.12.2016 and a 40 perches plot of land at Hector Kobbekaduwa Mawatha, Battaramulla was given to the Water Resources Board on an annual lease basis.

The Water Resources Board had to vacate the premises due to acquiring of a part of the land for the expansion of the former President and then Prime Minister Mahinda Rajapakse's official residence located at No. 117, Wijerama Mawatha, Colombo 07. Even though Rs.200 million had to be provided for the construction of the Head Office and Data Centre of the Water Resources Board on the 40 perches land belonging to the Urban Development Authority located in Densil Kobbekaduwa Mawatha, Battaramulla under the loan assistance of the Dutch government, since the Urban Development Authority continuously postponed the signing of the agreement, the Head Office of the Water Resources Board had to be run in a rented building until now.

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

Audit Observations	Comments of the Management	Recommendation
<p>A sum of Rs.7,850,000 had been allocated in the Budget of the year under review for 2 projects where the Board acted as the implementing partner and only Rs.802,000 had been spent. Accordingly, 89 per cent of the provisions made by the Annual Budget for the related projects had remained underutilized due to non-utilization during the year.</p>	<p>Due to the heavy rains in the last quarter while carrying out the relevant field works for the year 2023, it was difficult to carry out the field work as planned. It has been planned to be done these works formally in the year 2024 .</p>	<p>The Provisions made by the Budget should be utilized efficiently and effectively as per the plan.</p>