

National Water Supply and Drainage Board - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Water Supply and Drainage Board (“Board”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income and the other comprehensive income statement, 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 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 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 intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board 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 National Water Supply and Drainage Board.

1.4 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observation on the preparation of Financial Statement

1.5.1 Internal Control over the preparation of financial statements

Audit Issue	Management Comment	Recommendation
Prior year adjustments had been done for the assets and depreciation in each and every year since year 2012 due to weakness in internal controls relating to the assets classification and identification of the grant. As a result the opening accumulated profits of the year 2023 and previous year profit had been changed by Rs. 3,576 million and by Rs.51.93 million respectively.	The assets classification and grant amortization errors related to prior years are adjusted in the Financial Statements in accordance with the LKAS 8. Further, it was instructed the regions to check and identify the correct asset category and relevant funding sources at the time of capitalization of assets.	Introduce internal controls to minimize the prior year adjustments and capitalization system should be formalized to maintain correct records on assets.

1.5.2 Non-Compliance with Sri Lanka Accounting Standard

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) The fully depreciated fixed assets in relation to 16 categories, amounting to Rs.3,990 million were being continuously utilized by the Board, had not been reviewed annually to revise the estimated useful lifetime as per the paragraph 51 of the Sri Lanka Accounting Standard LKAS 16.	As per the paragraph 51 of LKAS 16, it is impracticable to value the asset base of the NWSDB as there is an immense asset base scattered around the country and substantial amount of assets are specific to the NWSDB. However, the estimated useful life time of fixed assets will be reviewed with involvement of technical staff and necessary	Assets should be reviewed annually to revise the estimated useful life time as per the Sri Lanka Accounting Standard LKAS 16.

amendment will be made to provide for depreciation accordingly.

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| (b) | Fixed rate had been used instead of expected credit loss method to compute the impairment of sewerage and other debtors contrary to the accounting policy. According to the auditor's computation, provision for impairment of sewerage and other debtors had been understated approximately by Rs. 67.46 million. | This represents 4.3% of trade & other receivable balance and required provision has been made for on these balances. Hence, this treatment in expected, credit loss method in SLFRS 9 would not make significant change to the balance. | Impairment of debtors should be computed on expected credit loss method to comply with Sri Lanka Accounting Standard – 09. |
| (c) | Leased hold assets valued at Rs.669.74 million had been disclosed as lease hold land under the free hold lands in notes to the financial statements without being disclosed as right of use assets as per the requirement of the para 51 of the SLFRS 16 -Leases. Further, the Board had not charge the depreciation for right to use assets during the lease period and impact on depreciation as at 31 December 2024 was unable to asses due to lack of evidence regarding the assets. | There were no lease agreements, by the relevant authorities for the several lease hold lands. Hence as per requirement of SLFRS-16 (lease) the current accounting treatment was continued. | Leased hold assets should be presented in financial statements in accordance with the relevant accounting standard and relevant depreciation should be computed accurately. |
| (d) | Transactions on assets recognized and derecognized, trade and other payables, inventories and capital grants amount of Rs.216,708,371, Rs.5,561,212, Rs.67,219 and Rs.630,078 respectively had been recognized to the accumulated profit in equity statements instead of restating the income statements of the year 2023 as per LKAS 08. | Due to the complexity of prior year adjustments, identification of restating expenditure category is very difficult. Since a wrong classification can mislead the fair views of income statement, they were adjusted in the equity statement as prior year adjustments. | Internal control system should be improved to avoid errors when preparation of financial statements. |
| (e) | The Board had not established an identification methodology of related party transactions to review the effectiveness of that procedure and report related party transactions to stakeholders as per the requirement of Guidelines on corporate governance for state owned enterprises. | Necessary measures will be implemented to establish an effective methodology for identifying and reviewing related party transactions in the future reporting periods. | Should be developed an identification methodology of related party transactions. |

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| (f) | <p>Contrary to the provisions in the Sri Lanka Accounting Standard LKAS 20, foreign grant balances aggregating to Rs.7,004 million in respect of 26 Projects and Rs. 334.53 million relating to one project had remained without being amortized over 16 years and 13 years respectively in the financial statements as at 31 December 2024.</p> | <p>After obtaining the approval from the audit and management committee, the balances of grants accumulated prior to 1999 will be amortized based on the average useful life of assets categories.</p> | <p>Action should be taken to amortize foreign grants received in accordance with the provisions in respective Accounting Standards.</p> |
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1.5.3 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	Fixed assets in thirty cost centers with an aggregate value of Rs.929.54 million could not be verified and physically not existed. An amount of Rs.291.87 million valued assets in Regional Support Centers could not be clearly identified as per the verification records submitted to the audit. However, provision of Rs.89 million had been made for depreciation during the year under review without taking actions as per the provisions in the financial regulations 102 to 105. Further no impairment provisions had been made in the financial statements for these non-existence assets.	Certain assets were transferred without using Internal Inventory Transfer Note. Action is in progress to dispose other assets based on the Board of Survey report.	Should be taken necessary action to manage assets to avoid misuses and misplace.
(b)	Government grant, foreign grant and local grant received for projects amounting to Rs.29,487.70 million had remained over four years without being amortized and Impact on non-amortization to the financial statements could not be ascertained in audit, since no details were submitted to the audit.	After the completion of capitalization procedure, The grants related to the completed projects will be amortized.	Action should be taken to amortize grants received in accordance with the provisions in respective Accounting Standards.
(c)	As per the note No. 3.2.2 of accounting policies submitted with the financial statements, the balance of inventory at the end of the year under review is to be valued at weighted average cost method.	The total price variance for the year 2021 to 2023 included in stock adjustment account amounts to Rs. 258,090,926. This was cleared during the	Action should be taken to eliminate abnormal price deviations.

However, audit test check revealed that the inventory balance taken from the management information system had not complied with the weighted average cost method due to abnormal price deviations between stock receiving and issuing. An amount of Rs. 171.99 million of abnormal price deviations had been deducted from the stock value as stock adjustments during the year under review. Therefore, the accuracy of balance of inventories in the financial statements could not be verified in audit.

year 2025. Accordingly, the quantity variance amount of Rs. 86,096,803 remained in the stock adjustment account. The detailed investigations related to stock shortages are ongoing under the purview of DGM IR, and recovery of the balances will be made based on the recommendations.

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| (d) | As compared with the confirmations received from banks directly to the auditor in respect of accrued interest, an under provision of Rs.694 million had been made in financial statement in respect of one foreign funded project. Therefore, the work in progress balance had been understated by similar amount. In addition to that, Board had made under provision of Rs.166 million in its financial statements for the accrued interest due to difference of balances confirmed by the Bank to the auditor and the Board. | Accrued Interest has been provided as per the interest payment notification received from respective banks and interest was paid thereon. Penal interest has not been paid, therefore interest provision made without penal interest. Therefore, no over provision or under provision made in financial statements. | Provision should be made on best estimates. |
| (e) | As per the information received, the cost of eighty nine completed and commissioned Projects (construction and Rehabilitation) amounting to Rs.20,790 million had remained in the work-in-progress as at 31 December 2024 without being capitalized. Therefore property, plant and equipment and depreciation relevant for the year had been understated. | It is expected to expedite the capitalization procedure with the coordination of relevant RSC/regions and Projects to capitalize the completed projects. | Should be expedited the capitalization process. |
| (f) | Assets and liabilities amounting to Rs.149.75 million and Rs.51 million respectively are remaining since long period as non-operating assets and non- | The majority of these balances originated during the conversion process from the manual data to the | Actions should be taken to clear the existing balance and system needs to be introduced to |

	operating liabilities in the financial statements without being identifying reasons for existence. Further, an unidentified prior year balance of Rs.235 million, stock balance of Rs.22 million, bank balances of Rs.8 million and advances amount of Rs.15 million given to line ministry were included in the above mentioned balance as non-operating assets.	computerized system. Despite several committees being appointed to identify and reconcile the balances, lack of supporting documentation prevented a full resolution. Actions are ongoing to clear these balances and will be cleared in the year 2025.	prevent generation of unclear balances in future.
(g)	One building, one cab, five lands and one leased land had not been accounted and included in the fixed asset register by assessing the value of those assets.	Steps will take to capitalize those assets and include in asset register as soon as possible.	Actions should be taken to record assets at the time of taking over.
(h)	An aggregated receipt of Rs.8.47 million from interest income on investment, employee contribution for sinking fund and salary contribution to CSR fund respectively had been erroneously presented as income from Main Operations. Therefore, profit for the year under review had been overstated by that amount.	Receipt from interest income on investment, employee contribution for sinking fund and salary contribution to CSR fund respectively had been presented as income from Main Operations. These incomes were transferred to welfare Society fund and sinking fund accounts. Since these two funds are identifies as equity reserves, transfers of income to these funds need to be presented in the equity statement as a transfer from retained earnings. Further if there are any adjustments to be made will be adjusted accordingly in the year 2025.	Relevant income only should be recognized to the income statement.
(i)	Consultancy fee received amounting to Rs.379.6 million from different projects before four years ago had been recognized as consultancy fee payable and it had not been settled or recognized as income as at 31 December 2024.	After ongoing negotiations with relevant parties, this account will be cleared.	Balances should be settled immediately.
(j)	Assets value of the Board had been understated by Rs.86.16 million due to	Details are being finding. After identify the correct land,	Necessary action should be taken to identify the

	inability to verify the existence of some lands in the annual verification. Further, difference of 521 land lots were identified between the lands recorded in asset register and land register maintained by the land section.	this value will be corrected.	land and record correctly.
(k)	The amount of Rs.170.45 million valued assets was duplicated and depreciation charge during the year related to those assets was amount of Rs.4.51 million. Therefore, assets value of the Board was overstated by Rs.165.93 million and profit of the year had been understated by Rs.4.51 million.	Action is being taken to examine and adjust accounts accordingly.	Necessary action should be taken to avoid the duplication of assets.
(l)	An aggregate amount of Rs.192.18 million of Free Hold Buildings, Structures, Infrastructure, Computer & Other Equipment, Survey equipment, Mobile Equipment were not working and unserviceable. However, no impairment provision had been made in financial statements for written down value of Rs.85.08 million in relation to those assets.	Necessary action will be taken on recommendation of Board of survey.	Necessary action should be taken as per the recommendation of Board of survey.
(m)	An amount equivalent to Rs.347 million incurred as default interest due to delay in repayment of installment and interest in respect of loan obtained for four Water Supply Projects had not been accounted. Therefore, work in progress for the year under review had been understated by same amount.	Delay interest had not been accounted due to following reasons. HNB – HNB has not claimed penal interest so far.	All the liabilities relating to the accounting period should be recognized in financial statements.

(n)	Amount of Rs.290 million of trade debtors and amount of Rs.4,779 million in the debtors control account had not been considered in computation of impairment. Therefore, the accuracy of impairment can not be ascertained.	The impairment calculation was based on actual figures given by commercial system. The Commercial System and the General Ledger System are configured to serve distinct objectives. Hence there is a difference between these two systems.	All the debtor balances should be considered when impairment calculation made.
(o)	No impairment test had been carried out to identify the impairment impact on balances aggregating to Rs.198.72 million in respect of five (05) Projects which were included in work-in-progress balance over fourteen years without any movement.	These projects are still in progress, and accountants have been instructed to capitalize any completed and usable assets under the respective projects.	Impairment test should be carried out for unutilized assets.
(p)	The revalued amount of Rs.5.8 million in relation to the shares invested in HDFC had been presented as short term investment in the financial position as at 31 December 2024 even the nature of the investment is long term. Therefore, current assets had been overstated by similar amount. Further, the existence of the amount of Rs.434,368 invested as HDFC investment for staff loans was unable to verify due to non availability of information. However, confirmation from Central Depository system was not received and only confirmation from company secretary was received to confirm the balance available as at 31 December 2024.	The investment in HDFC pertains to a staff loan and does not represent shareholding. Upon full recovery of the loan, the amount should be refunded by HDFC to NWSDB.	Should be identified the nature of the investment and do the presentation accordingly and investment amount should be confirmed.
(q)	Evidences were not received for the amount of Rs.20.71 million shown as UDA project- ADB loan. Therefore, unable to verify the existence of this loan.	Necessary action will be taken after obtaining clarification from UDA.	Should be Identified the existence of the liability and make adjustment accordingly. Evidence should be submitted.
(r)	Sub loan amount of Rs.11,011.54 million obtained from the Government under loan No.3348 for Greater Colombo Waste Water Management Project had not been	This is a loan obtained by the Government and it recorded in the Island accounts and these are accounted as grants in the	Should be classified the loan as nature of the loan liability.

	properly classified for users understanding as sub loan. Difference of Rs.6,568 million was observed between the balances shown in the financial statements of the Board and the balances shown in the island accounts regarding this loan. Further, loan obtained for Jaffna Killinochchi water supply Project amounting to Rs.5,626 million (loan no.3603 and 3604) had also categorized as treasury settled equity convertible loans instead of recording as sub loan even there is a sub loan agreement.	NWSDB on transaction basis in the foreign grants.	
(s)	The amount of Rs.26,511 million of General treasury borrowings for the water supply projects had been recorded as loan payables under the heading of treasury settled equity convertible loans. Therefore, loan balance had been overstated by Rs.26,511 million.	Necessary correction will be made in the year 2025 financial statement.	Categorize the loan as nature of received.
(t)	Cash and cash equivalents balance had been overstated by Rs.2,352 million due to non-recording transactions made by Project on cash imprest given by the head office .	Imprest balances will be settled once the Journal entries are being submitted by the respective projects during the year 2025.	Expenses made through the Cash imprest should be settled within the specific time period.
(u)	Work in progress balance and profit of the year had been overstated by Rs. 63.13 million due to that capitalizing the interest paid relevant to the completed project of GCWWMIP Project 1 instead of charging to the income statement.	The project is still in progress. Therefore the interest paid was charged accordingly.	Since it has confirmed that the Project had been completed, interest paid should be charged to income statement.
(v)	Even though the Board should made provisions for indemnity payable of Rs.1,208 million in relation to the Mathara Stage IV Project as per the requirement of the paragraph 4.15 of the conceptual framework, only disclosure had been made in the Note No.36 as contingency liability. Therefore, profit had been overstated by same amount.	As per the decision taken by the Board, action has been initiated to obtain Cabinet approval for the settlement of the liability by the Government. Based on the outcome of the cabinet paper necessary actions will be incorporated to the 2025 financial statements.	Profit should be adjusted.

(w)	Actuarial valuation loss of Rs.498.47 million in relation to the year 2023 had been adjusted in the current year comprehensive income statement. Therefore, comprehensive income for the year under review had been understated by same amount. Further, comprehensive income and receivable balance had been overstated by Rs.16.5 million due to non-consideration of gratuity paid amount in actuarial valuation.	The actuarial valuation was conducted by an independent external expert, and all related adjustments to the financial statements were made based on the expert's recommendations. Accordingly, the treatment of the actuarial loss was in line with the guidance provided in the valuation report.	Expenses relevant period should be recognized properly and accounts should be corrected accordingly.
(x)	The Board had charged Rs.9.164 million of rechargeable advances given by customers to the income statement as other operating income and gain instead of recognizing profit from rechargeable works in the year 2024. Expenses relevant for these rechargeable works had been recognized to the previous year income statements without applying matching concept by the Board.	Action is in progress to develop a mechanism for rechargeable project.	Income should be recognized to the relevant period.
(y)	Provision for the loss of pipes valued at Rs.19 million in store of the Design section of Kegalle had not been made in financial statements. Therefore, work - in progress balance had been overstated by same amount.	The detailed investigations related to stock shortages are ongoing based on the recommendations; and the recovery of the balances will be made.	Required corrections should be done in the accounts based on the investigation and losses should be settled.
(z)	Unreconciled inter-regional current account balance amount of Rs. 35.23 million included in trade and receivable without being settled. Therefore, trade and receivable balance was overstated by same amount.	Comments had not been received.	Reconciliation should be done on the current accounts periodically and made necessary adjustments in the accounts accordingly.

1.5.4 Un-reconciled Control Accounts or Records

	Audit Issue	Management Comment	Recommendation
(a)	An un-reconciled difference of Rs.1,264 million was observed between the value of metered sales, bulk sales,	Differences may occur due to various reasons such as income category differences, income	Reconciliation should be done to identify the differences when

	bowser supply and income from main operation shown in the VAT returns and the financial statements.	identification differences and processing gap (timing differences). Not charging VAT for some income categories etc.	preparing financial statements.
(b)	The difference Rs.385 million was observed in foreign capital grants of one foreign funded project when compared the balances shown in the financial statements of the board with the individual financial statements of the respective projects.	The difference has come down to Rs. 1,478,646,399.59 from Rs.8,865,521,372.15.	Reconciliation should be done to identify the differences and made adjustments if there is any.
(c)	The difference aggregating to Rs. 658 million was observed between the work- in- progress balance shown in the financial statements of the Board and the corresponding balances shown in the individual financial statements of three Foreign Funded Projects.	Difference of those balances had been identified.	Should be made reconciliation properly to identify the reasons for differences and make adjustments if there is any.
(d)	The difference of Rs.15,192 million was observed between the balance shown in the financial statements of the Board and the balance shown in the financial statements of the General Treasury in relation to the Capital Contribution.	Disbursement of the loans which were converted as equity in the year 2014 was continuously shown as Government equity in the NWSDB financial statements. Hence a difference is shown in the financial statement and General Treasury in the Capital contribution.	Differences should be identified and adjusted the records accordingly.
(e)	An un-reconciled difference of Rs.4,648.88 million was observed between the debtor balances shown in the financial statements and Commercial operations management system. Further, amount of Rs. 4,779 million in debtors collection control account had remained without being cleared as at 31 December 2024.	The Commercial System and the General Ledger System are configured to serve distinct objectives. Hence there is a difference between these two systems.	Should be identified the differences and made records accordingly. Debtors control accounts should be cleared.

1.5.5 Documentary Evidences not made available for Audit

	Item	Amount Rs. million	Evidence not available	Management Comment	Recommendation
(a)	Other Debtors	77.99	Detailed schedules (217 and 219)	These balances will be resolved in the future.	Necessary arrangements should be taken to submit details for evidence.
(b)	Withholding tax – 2024	30.27	Withholding tax Certificates	Submitted	- do -
(c)	Treasury Grant(363) Capital Grants-Local Authorities (364) Foreign Capital Grants (365)	146,651 1,409.92 8,611.82	Details relevant to each Project	Not replied.	- do -
(d)	Bank balances (52 bank accounts)	925	Bank confirmations for each balance.	Bank balance confirmation request letters already send to relevant banks.	- do -

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
(a)	Trade debtors, new connection debtors, sewerage debtors and other debtors aggregating to Rs.4,409 million had remained over one year. Amount of Rs.440 million is remaining from School category and Disconnected Trade debtors aggregating to Rs.1,995 million out of total outstanding had remained over one year without being recovered. The board had not taken action against debtor amount of Rs.922 million out of disconnected debtors as per the requirements of Board circular no.12/2015 even the 3 months had been lapsed from the disconnection. Even though new connection debtors are to be recovered from 3 installments, Rs.27.84 million had	Action are being taken to recover the outstanding balances continuously in legally within the existing rules and regulations. However some practical issues are arise when collecting debtors.	Necessary actions should be taken to recover the outstanding amounts from the debtors as per internal circulars and action should be taken against employees who do not follow the existing procedure to recover those balances.

remained more than one year without being recovered. A sum of Rs.1.8 million in respect of 06 water connections given to parliament members' government quarters had remained long outstanding without being recovered as at the end of the year under review out of the above balance.

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| (b) | Loans and advances given to former employees –non active amounting to Rs.16.9 million had remained in accounts for more than 13 years without taking proper actions to recover as at 31 December 2024. However, more than 90 percent of the above employees who have obtained loans and advances had been given retirement without recovering the due amounts. | Action is being taken to reconcile the balances of the HRM and Finance Division. | Necessary actions should be taken to recover due amount from relevant parties. |
| (c) | Refundable Short term deposits aggregating to Rs. 75 million deposited in external institutions had remained outstanding over three years without being recovered and amount of Rs.11,95 million out of them cannot be recovered due to non-availability of relevant document. Further, an advance given to line ministry amounting to Rs.4.37 million had remained outstanding over eleven years without being recovered. However, the recoverability of this advance is in doubt since it had not been shown in the statement of liabilities of the Line Ministry for the year under review. | Some of these amounts had been paid to Road Development Authority in the February 2017, as refundable deposit. In order to recover this deposit, the RDA was informed in year 2022, but no settlement has been made so far. Therefore, arrangements will be made to recover this in future payments to RDA. | Immediate actions should be taken to review the existence of deposits and advances and the recovery process should be expedited. |

1.6.2 Advances

	Audit Issue	Management Comment	Recommendation
(a)	Sum of Rs.364.71 million out of Rs. 1,710 million of contract advances	Due to the financial crisis the progress of the said projects were	Action should be taken to recover the advances and

given under ledger code no. 246/0 is remained more than three years without being settled. No any evidences submitted for audit about the six legal cases filed for Rs.9.8 million worth advances to identify the recoverability of those advances. Further amount of Rs.31 million advances given to four contractors cannot be recovered due to non-availability of performance bonds and no any action had been taken by the Board to settle those outstanding.

slowed and the IPC were not released yet. Hence the contract advances still remain without being recovered.

If any losses incurred due to the carelessness of the responsible officers should not be a burden to the Government.

- (b) Regional Service Center-Central had not been taken action to settle land advance amount of Rs.76 million paid to Divisional Secretary even though the advances given before 5 years. RSC had not presented the information request for the audit for value of Rs.72.27 million. Assets value had been understated by Rs.3.8 million due to non-transferring of advances given for completed Projects. Amount of Rs. 41.15 million advances given to Divisional Secretariat had been recorded as advances given to contractor under ledger code 246 and is being remained more than 10 years without being cleared. An amount of Rs.6.9 million out of them had been remained in contractors' advance account without being capitalized.

This amount contains advances paid by the Greater Kandy WSP and the total amount had been transferred to RSC (Central). Details of lands covered by the given amount were now identified and updating the status of the acquisition process is in progress.

Advances should be cleared and information requested by audit should be submitted. Relevant accounts should be corrected.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management comment	Recommendation
(a)	Financial Regulations of Democratic Socialist Republic of Sri Lanka			

(i) FR 104

No any action had been taken in accordance with financial regulations regarding the following losses as at 31 December 2024.

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| (i) Loss of Rs.3.9 million had been occurred due to billing the two connections under the incorrect code during December 2014 to September 2024 for supplying water to the Export processing Zone of Mirrijawila. | Not replied. | Should be taken action to recover those losses. |
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| (ii) Loss of Rs.5.8 million had been occurred due to providing security service for the personal premises of the former chairman only with the approval of General Manager during August 2021 to May 2024 in contrary to circulars of the Government. | As per the verbal instructions of the former Chairman of the Board, the Board Secretary has informed the Security Superintendent with the approval of the General Manager in a letter dated 2021.08.04 to provide two security officers to his office and private residence. Accordingly, the Security Superintendent has taken steps to provide two security officers. After the expiry of the term of | Should be taken action to recover the loss. |

office of the former Chairman, the said two security officers have been removed from September 2024.

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| | (iii) The Board had not been reported the estimated loss of Rs.13 million on vehicle accident to the Public finance General Treasury as at 31 December 2023 even the accident was occurred in 12 April 2023 to vehicle allocated for the General Manager. | After negotiation with Insurance Cooperation, 50% Advance payment (Rs.2,999,975/=) received. Balance will be paid after completion of the repair and handing over of salvages. | Should be reported to General treasury regarding estimated amount. |
| (b) FR 571 | Refundable tender deposits amounting to Rs.195.08 million had remained over two years without being released to relevant parties or credited to the income. | The refundable tender deposits are being released on submission of a written request by the relevant parties. Until this requirement is being met it is remained. | Action should be taken to inform the bidders and released the deposits. The remaining unsettled balances should be credited to income. |
| (c) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 16 November 2021 | | | |
| (i) Paragraph 5.1 | Contrary to that provision, a sum of Rs.286.76 million had been paid as productivity incentive instead of Bonus for the year 2023 under the Board approval without paying | Productivity incentive was paid as per the increase of productivity levels. This was | Payments made contrary to the Operational manual should be recovered. |

	profits to the consolidated fund. In addition to that amount of Rs.444.60 million had been paid to employees as monthly productivity allowance with the salary during the year under review.	calculated as per a formula which includes productivity criteria's like Revenue, Collection, NRW and etc. Bonus is paid only as per the profit earned and government circulars issued. Accordingly bonus was not paid.	
(ii)	Paragraph 6.2	Even though the Investment committee established in the year 2024, it had not been actively performed when making investment decision during the year under review.	There is a Terms of Reference (TOR) when formulating the investment committee and the members' do adhere to the TOR.
(d)	Guidelines on Corporate Governance for state owned enterprises on 16 November 2021		Investment committee should be activated.
(i)	Paragraph 2.3	Corporate plan for the period of 2025-2029 had not been submitted to the Director General of Department of Public Enterprises up to April 2025.	Corporate plan should be submitted immediately.
(ii)	Paragraph 4.3	Risk committee established as per the guideline had not been functioned during the year under review.	Committee meeting should be implemented regularly mitigate the risk face by the Board.

committee
meeting was held
on 15.05.2025.

- (e) Paragraph 1.2 of the circular No. PED 01/2020 of 27 January 2020 of Public Enterprise Department Circular.
- Contrary to the provisions of the circular, Three vehicles by Chairman and two vehicles by Vice chairman had been utilized from the year 2022 September 2024 including or assigned vehicle.
- The vehicle utilized by the Chairman had not been entered in to the Board premises as per the running charts during the year 2024 and no evidences received to verify the utilization of other vehicle, even documents stated that vehicle was procured for Chairman's usage.
- Vehicles have been provided for the Board Secretariat office as per the vehicle policy. Further there are no records in the Transport section that a vehicle bearing the number WP-CAS-7557 has been registered in the name of the NWSDB.
- Loss incurred for the government should be recovered after investigating usage of vehicles in addition to the assigned vehicles as per the circular.
- (f) Circular No. PED/1/2015 of 25 May 2015 of Public Enterprise Department Circular.
- (i) Paragraph 3.2.1
- Chairman and Vice Chairman of the Board utilized the unlimited fuel with the approval of the Minister instead of 145 liters per month contrary to the circular and without having approval from the Secretary to the Line Ministry since January 2021 for the excess 9,652.92 liters used by the chairman and 11,853.25 liters used by the Vice chairman during the period January 2022 to August 2024.
- Further, a vehicle assigned to Vice chairman had been used
- Approval for additional fuel for the Chairman has been obtained from the Secretary to the Ministry as per Section 11.3 of State Business Circular No. 01/2024. Owing to the nature of the Chairman's duties, prior approval is not always practical, and this will be
- Should be taken action to recover the losses.

	by the external party in the year 2022 and 2023 without informing to the General Manager and the Governing body. Vehicle had been run 13,698 kilometers during that period.	noted for future compliance.	
(ii). Paragraph 3.2.2	(i) Approval had not been obtained from the Board of Directors as per the requirement of the circular for the excess use of fuel 23,313 liters valued at Rs.7.45 million by the Additional General Managers and the Deputy General Managers of the Board during the period January 2022 to July 2023 and No reimbursement had been made for the expense incurred for the excess usage up to April 2025. (ii) The Board had given approval to use the Board vehicles to Additional GM, Deputy GM and Assistant GMs after the office time and holidays for personal use at concessionary rates which was from Rs. 2 to Rs.15 per kilometer without a limit since the year 1990 without obtaining special approval from the General Treasury. Therefore, the Board had misused the Boards' fund of Rs.3.93 million spent for 12,010 fuel liters utilized for personal use	This matter was discussed at the Audit and Management Committee meeting of the line Ministry held at the Ministry on 21.03.2024 and as per the instructions given by the Secretary to the Ministry, a committee comprising senior officers of the Board, including a senior officer of the Department of Public Enterprises, studied the matters and, as per the recommendations given, took steps to issue a new circular in accordance with the circulars.	Should be taken to recover the losses.

of 13 employees during the period of January 2022 to July 2023. However the action had not been taken to regularize the system and no reimbursement had been made for the expense incurred for the excess usage up to April 2025.

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| (g) | Department of Management Services Circular No.49 dated 24 December 2012 and cabinet decision dated 11 January 2012. | Since year 2012, the Board had paid remuneration based on the Cabinet approval without entering into a collective agreement with employees. | In this regard the discussions are ongoing with the Trade Unions. | Should be compiled with the circular requirements of Department of Management Services. |
| (h) | Paragraph 1.4 of Commercial Guideline of NWSDB | The first water bill should be issued to the consumer within 30 days of the date of new connection. However, delay of over 180 days was observed in delivering of first bill in 230 occasions as at 31 December 2024. | It has been found that this situation has arisen due to the delay in providing the information provided by the contractors. However, efforts are being made to provide water bills within 30 days of water supply and follow-up activities will be carried out. | The first water bill should be issued according to the commercial guideline. |

1.8 Non-Compliance with tax regulations

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management comment	Recommendation
(a)	Section 20 of Inland Revenue Act 24 of 2017,	The board had computed income tax expenses based on the profit/loss of the year 2023/2024 instead of the profit of the assessment year 2024/2025.	The NWSDB has been filing the tax returns from the time of inception for the financial accounting period. The Inland Revenue Department has accepted the same. Further the Finance Act requires the state owned enterprises to prepare the Financial Statements for the calendar year.	Income tax should be calculated based on the current year profit or loss.
(b)	Circular no. of Sec/2023/E/02m dated 06 April 2023 of Inland revenue department	The board had not taken in to account of the transport, residence provided, loan concessionary rates, when calculating tax liable employment income and computing the APIT Tax for the years of 2023 and 2024. Therefore, tax liability relevant for these allowances had not been paid to the Department of Inland Revenue.	Nominal rent is charged from the employee for the Residential provided. It cannot be considered as APIT tax.	Need to be complied with the Act requirements.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to profit of Rs. 23,944,850,194 and the corresponding profit in the preceding year amounted to Rs. 5,234,594,656. Therefore, an improvement amounting to Rs.18,710,255,538 of the financial result was observed. The reason for the improvement is increasing revenue by 36 per cent mainly due to the increasing in metered sales.

3. Operational Review

3.1 Management Inefficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The board had cancelled the two bids on 23 November 2023 and 05 April 2025 called to procure lime chemical by stating that the Board had available adequate stock for another two months and Letter of Credit had been opened for 7.5 months requirement even the recommendation of the procurement committee received to reduce the bid price after discussion with the selected contractor due to bid prices higher than the estimated prices. However Board had called another bid within 1.5 months after the cancellation. Therefore, assessment of the material requirements was not properly done. Further, considerable price variances were observed between the engineering estimate and the bid received and also between the prices of the lowest bidder and highest bidders in relation to the most of the contracts of hydrated limes. Deviations were observed in lab reports generated from Ambathale and Central labs in testing the chemical and some rejected samples in one lab had been accepted by other lab. Therefore, it was unable to procure that material economically in some occasions.	The contract initiated on 17.03.2022 was based on verbal instructions from senior management due to the urgent requirements and unstable national conditions at the time. A tender for 1,500 MT was initially prepared, but subsequent written instructions directed the preparation of multiple smaller tenders. Due to these evolving directives and urgency, the Departmental Procurement Committee approved the re-calling of the tender to meet operational needs. Although the ADB-funded contract allowed for the procurement of 3,000 MT of lime, only 1,138.875 MT could be secured. However, through timely procurement under additional contracts, the Board was able to mitigate the risk of material shortages and maintain uninterrupted supply. All actions were taken in accordance with management decisions and procurement regulations under exceptional circumstances.	Assess the material requirement correctly and disciplinary action should be taken against officers who fail to assess the material requirement.
(b)	Obsolete, and unserviceable stocks amount of Rs.17 million and Rs.174 million respectively had remained in the accounts without being taken necessary actions to dispose as at 31 December 2024 and Age analysis had not been provided by the Board to identify the stock lagging period.	It is expected to make system developments in the IMS system in order to obtain stock age analysis.	Necessary action should be taken to clear those items as per the instructions given in the stores management Process manual.

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| (c) | The Board had not taken necessary actions to clear the stock shortage amount of Rs.54.54 million which is remain more than three years. | The detailed investigations related to stock shortages are ongoing under the purview of DGM (IR) of Human Resource Department, and recover the balances based on the recommendations. | Investigation should not be delayed unnecessarily. |
| (d) | Approved operational manuals for the field of human resource, supply, and Information technology had not been available by the board to strengthen the internal control of the Board. Further operational manuals available for field of auditing, project, ground water handling, sewerage, designs and operations of RSC,OIC office and Manager office are not updated since1989. | For HR and IR department, operational manual are preparing along with the ISO standard certificate introducing process. Once the approvals are received those will be handed over to audit section. | Should be expedited the updating the manuals to smooth the operations of the Board. |

3.2 Transactions of Contentious Nature

	Audit Issue	Management Comment	Recommendation
(a)	Completed assets value of Rs.981.93 million relevant to the Greater Colombo water and waste Water Management Improvement Investment programme Project 01, 02 and 03 had been taken over by the same person (DGM-WC) who was handed over the assets as Project Director during the year under review. Chief accountant or cost accountant had not been signed or sealed the assets handed over form for amount of Rs.444.46 million. Therefore, there may be conflict of interest when handing over the assets of that Project.	After being informed in this regard, these forms are approved by the Assistant General Manager (Operations and Maintenance).	Handing over and taking over of project assets should be done in transparently.
(b)	Four vehicles procured by the Project valued at Rs.65.78 million and one vehicle rented out by the Project even after the completion of the Hemmathagama integrated water supply Project had been used out of the Project objectives. However, Minister of	One vehicle has allocated for the use of PD of the Project and act as DGM (Production) simultaneously. The quotation for import & supply of brand new vehicles from Japan was not considered due to ban of	Investigation should be conducted to identify the responsible persons who violates the instructions given by the Ministry and

Finance, Economic stabilization and National policy had been given approval to import those vehicles for only sole use of project purpose even temporarily suspended the vehicle import from 2023. Further, contrary to the sub condition 4.5.4 of the contract agreement, Project had imported used/reconditioned vehicles from Thailand instead of Brand new condition from Japan.

Descriptive vehicle running charts had not been presented at the time of certified the rental payment of the rented vehicle. Therefore, it could not be verified that the vehicle had been used for the Project objectives. However Sabaragamuwa Regional Support Center had been rented out another vehicle for Rs.332,000 monthly rental for maintenance activities after the handing over the Project instead of using vehicle procured for the Project and Therefore, cost of Rs.4.99 million incurred for that vehicle were uneconomical.

the vehicle importation. Later contractor submit a proposal to submit used/recondition vehicles with the zero millage with higher value than previous quotation.

Approval for the recommendation of the Variation Order committee was received from the Department of Public Enterprise and also to the Department of Trade & Tariff.

should not be used the Project funds out of the Project objectives.

Vehicles under any project are provided not only for the project activities, there are number of operation and maintenance activities even after completion of a project. Hence another hiring vehicle provided for the use of the Kegalle area engineer office. The cost for the hiring vehicle is not uneconomical.

- (c) The amount of Rs.13.5 million rental had been paid without obtaining the running charts for the period of 15 March 2021 to 15 March 2024 for the SUV vehicle rented out for Kandy North- Pathadumbara Integrated water supply Project and that vehicle had been used by the Chairman of the Board even he has assigned vehicles and Board members. A Motor car had been rented out at Rs.110,000 per month for the usage of the consultants of the Minister of the line ministry at the request of personal secretary of the Minister and other Cab had been used for the operations of the Regional support

The vehicle is hired on the written request of General Manager and this was allocated for the Chairman of the Board and Board members

Eventhough the running charts were not provided each and every payment was made with running certification of NWSDB head office.

Based on the request of personal secretary of the Minister of line ministry & written advice of the General Manager, vehicle was allocated the advisor of the Minister to inspect many ongoing

Assets procured from the project funds for activities of the Project should not be used for other activities and running charts to prove the vehicle utilization should be obtained. The relevant officers should be held accountable for uneconomical transactions and losses arise from usage should be

	center and no evidence was available to verify that it had used for the Project activities. Accordingly, the amount of Rs.17.82 million spent for those vehicles were uneconomical transaction to the Project.	projects. Assistant General Manager RSC-C was no vehicle to have site visits to get feedback /progress of the ongoing projects. Therefore, written approval of the General Manager cab was provided to the AGM-RSC C.	charged from responsible officers.
(d)	196 of vehicles which were disposed by the Board are still registered in Department of Motor Traffic under the name of the Board and 23 vehicles registered cannot be identified. Further 28 vehicles which were not physically available are still in the ledger accounts.	196 vehicles have been disposed by NWSDB from time to time and the committees were appointed for physical verification and the physical verification reports are in the process of preparation.	Action should be taken to get cleared the records of those vehicles and keep record on that in formal way. Investigation should be conducted in relation to vehicles which were unidentified and physically not existed.
(e)	The General Manager of the Board had given approval to utilize head office premises to production of the teledrama without entering into an agreement at the request of the Vice Chairman and without any charge. Further, it was observed that he had act in that teledrama. Vice Chairman had not disclosed to the Board of Directors, the indirect interest regarding this contract as per the requirements of the Section 05 (04) of the National Water Supply & Drainage Board Law No.02 of 1974.	Regarding the filming of two teledramas, it was carried out with prior approval from the General Manager. Electricity was provided using the Board's generator, and all related expenses, including staff overtime, were covered by the production team. The producers also agreed to cover any additional costs incurred, ensuring no financial burden on the Board	Investigation should be conducted in this regard to identify that there were any violations or losses had occurred due to this activity.

3.3 Idle or underutilized Property, Plant and Equipment

	Audit Issue	Management Comment	Recommendation
(a)	Objective of the construction of Sea water osmosis plant and production of drinking water had been implemented out of the 4 objectives of the Electricity supply reliability improvement Project. Project was initiated to implement with a	The current power supply provided by the Ceylon Electricity Board (CEB) in Nainativu does not support operating the SWRO plant at full capacity due to ongoing power quality issues, including frequent power cuts and under voltage	Immediate action should be taken to achieve the expected target of the Project.

value of Rs.288 million for three islands in the Jaffna peninsula in 2016. However, only produce 85m³ out of the 150m³ capacity. Accordingly accepted target of the Project had not been achieved. Non-working of one part of the plant due to improper maintenance and the service was the main reason for underutilization of the plant capacity.

conditions.
In addition to that plant is also facing several technical challenges and delays during operation as a result of these power quality issues. Therefore, the NWSDB has been closely coordinating with the Ceylon Electricity Board (CEB) regarding power outages.

(b)	Only 50 per cent of the full capacity of the treatment plant which was implemented from the year 2020 under the Kandy urban sewerage management system with the expectation of the treating waste water 14000m ³ per day was utilized as at 31 December 2024. Even though the Property connections of 9,276 should be given at the end of the year 2017, only 4,000 connections had been given as at 31 December 2024 under the package 3 of the Project. Objectives of the Treatment of Waste water collection of urban areas, improvement of sanitation in urbanized areas through developing suitable methodology to dispose waste water and cleaning Kandy Lake, Meda Ela and Mahaweli River were unable to achieve due to improper implementation of the package 3. Therefore, Public has to face sanitation and environmental issues up to April 2025.	Not replied.	Expected target of the Project should be achieved within the allocated time period.
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3.4 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
With respect to thirteen foreign funded projects and four local banks’ funded projects, a considerable delay ranging from 200 days to 2,695 days was observed due to poor performance of the contractors,	All these projects were affected by Covid pandemic and economic crisis. Due to the lack of funds construction works are delayed.	Since reasonable time has passed from pandemic and the economic crisis, actions

delay in land clearance, environmental and resettlement issues, delay in contract awarding, Covid 19, economic crisis etc. even after granting extensions ranging from 01 to 11 occasions. When considering the information received from the water supply project section regarding the ongoing project progress, differences were observed between the information submitted to the audit in the current year and the previous year for the same projects. Expected physical progress was not achieved for the 12 projects out of main 22 implementing projects. Further, only Rs.26,648 million or 29.28 per cent out of the allocated amount of Rs.90,989 million had been utilized during the year under review.

should be taken to monitor the Project closely to complete the remaining works without further delay.

3.5 Procurement Management

	Audit Issue	Management Comment	Recommendation
(a)	Considerable delay was observed in returning the rejected the lime chemical quantity of 589 Tons received up to 14 December 2024 as at 30 April 2025. Contractor had not provide the details such as name of the Board, contract no, description of goods, Country of the manufacturer of the goods, suppliers name, name of the manufacturer, purchase list reference no. and date of manufacture and expiry on package as per the requirement of the paragraph 9.3 of the General condition 09 of the contract number Sup & mm/CHEU/HL-05/2022/18. Therefore, it was unable to identify the period of expiry of that chemical stocks.	Since this is a Contractual Agreement, it will take some period of time to sort out. Because some legal requirements and negotiation with overseas parties to be made for the rejected quantity replacement. Accordingly, to our records following 380 MT quantities has been collected. But we have already informed to contractor to include the Tender No. in future shipment as per the Contract Document.	Immediate action should be taken to collect the outstanding quantities.
(b)	Even though the distribution of Portable air compressor valued of Rs. 17.9 Million for the Ground Water Section under with all spare parts should be done on April 2022 as per the contract condition, approval had been given by the management for 10	GW Section received the final Invoice on 01.08.2024. In order to utilize the Air compressor, the service spare parts which require for periodical services shall be	Necessary action should be taken to identify the responsible person to purchase the compressor without

weeks extension due to import restrictions and financial issue. However compressor had been supplied on 09 June 2022 without some main spare parts. However, it had been approved by the procurement committee on 22 December 2022 considering the request of the Contractor. However, Board was unable to utilized compressor at the end of the year under review even two and half years spent after receiving due to non supplying the requested spare parts.

- (c) Even though the Ministry Procurement committee had highlighted that the contract should not be offered to the contractors who has poor performance, the Board had offered three contracts valued at Rs.1,340 million to one contractor who had performed three contracts poorly. Further, Ministry Procurement committee had stated that payment of the contract should be done through the Escrow accounts due to previous poor performance of the contractor. However, the Project office had not followed the instructions. Even though the three contracts should be completed when August 2022, it had been continued with low progress of percentage 4.6, 6 and 1.02 as at 31 July 2024. No any actions had been taken to recover the liquidity damage charge of Rs.117 million as per the contract condition 8.7 for three contracts. Further aggregate amount of Rs.155.94 million out of amount of Rs.185.61 million advances given in July 2022 had not been recovered up to April 2025.
- We agree with the observation raised in the audit query. The National Water Supply and Drainage Board (NWSDB) has taken appropriate actions to terminate the contracts associated with poor performance and to recover the advance payments made to the respective contractors. It is important to note that the challenges leading to these issues were primarily due to the impact of the COVID-19 pandemic and the prevailing economic crisis at the time. However, as these conditions have now been stabilized, NWSDB has implemented stricter measures to prevent recurrence.
- Action should be taken to recover the liquidity damage and advances. If any losses due to this malpractices should be recovered by the responsible officers after the formal investigation.

3.6 Defects in Contract Administration

	Audit Issue	Management Comment	Recommendation
(a)	Investigation had been carried out in relation to the procurement of four pumps valued at Rs.45.93 million for Kadduwa pump house under contract number	Comments had not been received.	Action should be taken to recover the balances and disciplinary action

P&C/M&E/Kadduwa/2016/04 and recommended to recover the cost of Rs.4.9 million incurred by the Board against the retention money of Rs.2.5million. However, performance bond had been expired and no any actions had been taken up to April 2025 to recover the balance amount of Rs.2.3 million.

should be taken against the relevant officers.

- (b) Contractor of the Kandy City Waste water Management Project had requested claim of Rs.5,048 million for the package 2 – Design and construction of sewer network contract. Project formulation/Managerial and Administrative support committee under decision of Dispute Adjudication Board had suggest for the payment of Rs.1,745.20 million for this claim. However claimable amount had been suggested by Engineer representative of the Project and project Management unit as Rs. 89.36 million and 791.12 million respectively in different occasions. Further, Project Director had changed the value to Rs.957.50 million when submitting it for General Manager Approval. Board of Directors, Officers of the Board and contractor had come to amicable settlement as value of Rs.1,304.67 million based on recommendation of the Project Director who disregarded the value engineering amount of Rs.347.19 million as deductible amount. Amount of Rs. 339 million for time extension of COVID 19 period were included in this final payment even the Attorney General’s opinion was that the contractor is unable to claim for time extension on Covid 19. Further, Board of directors had approved this payment on the same day which the decision has come under the amicable settlement without considering the saving due to value
- Following actions have been taken, The claim has been sent to Ministry of Water Supply for obtaining approval. Accordingly the former secretary of the Water Ministry has appointed a Technical Evaluation Committee and it has given a report in June 2024. The NWS&DB has forwarded the Letter of Demand sent by the supplier to Attorney General’s Department for advice and actions. Accordingly, the Attorney General Department has sent a resistance letter for the Letter of Demand. Further NWSDB has requested advice from Attorney General Department regarding this claim and reply received on 17.01.2025. Chairman of NWSDB had again requested the Secretary to the Ministry of Water Supply to settle this dispute on 17th March 2025. Accordingly Standing High-Level Procurement Committee (SHLPC) has been appointed.
- Should be expedited the process of settlement of dispute to avoid unnecessary cost to the Board. Details of calculations relating to this payment should be submitted to the Audit and it should be considered work programme and critical path of the Project when making decision about the cost of the time extensions.

Engineering. However, details of calculation relating to this payment had not been submitted to the audit to check the accuracy and it had not been considered work programme and critical path of the project when making decision about the cost of the time extensions. However this issue had not been settled even 12 months spent.

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| (c) | <p>Implementation of the Giridara Water Supply Project was delayed 408 days up to 15 February 2019 from the date of contact agreement signed due to improper management of the controllable issues raised. Contractor had terminated the project on 13 June 2024 at the time of physical progress was 54.3 percent even 07 extensions had been given after the completion date of 15 February 2020. Board had failed to recover the balance of contract advance Rs.35,614,839 as at date of April 2025 even the 10 months has been spent from the termination.</p> | <p>Implementation of the project was delayed due to loan finalizing issues with the local banks. It was not the contractor but the NWSDB who terminated the Contract due to multiple reasons (Covid-19 pandemic/ financial crisis etc) on mural basis. Contractor's final bill is in the process of submission for payment (pending variation committee approval for some variations) and the balance of contract advance can be recovered when settling the bill. Time extensions were granted due to weather pandemic and financial crisis related reasons.</p> | <p>Action should be taken to recover advances and the Management should monitor the Project as per the contract agreement.</p> |
| (d) | <p>Contract offered under contract no PR/RSC/ (NC)/ D&B/ Medirigiriya/2016/ 300 with the expectation of completion on 18 November 2019 had not been completed as at 15 July 2024 with slow progress of 13.19 even 4 years and 6 months spent from the completion date. Amount of Rs.118,375,902 is still remain without being recovered from the advance amount of Rs.185,302,630 given on 01 August 2018 due to slow progress. However, the Board had not claimed liquidity damage amount of Rs.123 million as per the contract condition no.</p> | <p>The advance payment of Rs. 185,302,630.00 was made to the contractor on 01.08.2018. However, due to delays and insufficient progress in the execution of the work, the recovery process was affected. As of the date of the audit, only Rs. 117,758,664.53 has been recovered from the contractor.</p> <p>The contractor has been granted four time extensions amounting to a total of 955 days. These</p> | <p>Slow progress was reported and Investigation should be conducted to find the real reason for the delay and responsible officers to the slow progress of the Project.</p> <p>Action should be taken to recover the liquidity damages and advances.</p> |

8.7 and the offer letter from the contractor. extensions were approved due to several unavoidable factors. In view of the urgent need to ensure continuous water supply to the project area and to support timely completion of the contract, these extensions were recommended, and therefore, Liquidated Damages were not imposed.

- (e) Implementation of the Anamaduwa Water Supply Project was delayed for twenty months from the signing date of May 2015 due to improper management of the controllable issues raised. Four extensions had been given after the initial completion date of February 2020. Approval for the designs of the Treatment plant given on December 2017 by the contractor had been approved with twenty one month delay on September 2021. The employer had terminated the Project on 26 May 2023 after spent Rs. 5,699 million and no connections had been given out of the planned 16,350 connections. Even though agreement had signed on May 2015, Contractor started work with 20 Month's delay. As stated in the query this is not under the control of NWSDB. Therefore this delay in mobilizing is inevitable. Also due to some reasonable grounds it was compelled to provide 4 time extensions for the project. Expedite the construction process to achieve objectives of the Project and Investigation should be conducted to find the reason for delay and non monitoring the Project as planned. It is agreed that expected connections were not given as at end of 2024 following the termination of contract in 2022. In other hand alternative approach initiated to restart the balance work in several contracts by utilizing funds received from advance guarantee.

3.7 Resources Released to Other Organization

	Audit Issue	Management Comment	Recommendation
(a)	Contrary to the Paragraph 3.4 of Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 16 November 2021, the Board had not reimbursed the Rs.280.89 million from Line Ministry for the employees released from December 2015 to 31 December 2024 contrary to the circular requirement. Accordingly, the Board had released two employees to the	Reimbursement amount and the detail of the employees released for duties at the ministry have been regularly submitted on a monthly basis to the chief account (Ministry) and the Additional secretary of the administration and finance. However it is noted that reimbursement of the related salary expenses has not been received from the Ministry from	Action should be taken to recover the Rs.280.89 million and Rs.5.5 million from Line Ministry and comply with the circular requirement.

Line Ministry contrary to the provisions in the operational manual as at 31 December 2024. December 2015 to April 2025.

The amount of Rs.5.5 million had been paid as salaries for the employee released to President office from 2020 to 31 December 2024 without being recovered. Further, two employees had been released to Prime Ministers' office without paying the salary since 22 July 2022 and 06 July 2023.

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| (b) | <p>Contrary to the Paragraph 6.8 of Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 16 November 2021, Six vehicles valued at Rs.66.47 million released to the line ministry and one vehicle valued at Rs.39.26 million utilized by the coordinating secretary of the Minister of Health Ministry since 20 January 2023 had been handed over to the Board in September 2024. One vehicle is being used by the Line ministry contrary to the circular requirement as at 31 December 2024.</p> | <p>The Board had released 6 vehicles to the Line Ministry, of which 5 have been returned to the NWSDB by now, while the vehicle bearing registration number PC-5865 has not yet been returned. A reminder has been sent to the Ministry.</p> | <p>Vehicles provided in violation of the circular should be returned. A programme should be introduced to comply with the circular.</p> |
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3.8 Human Resources Management

	Audit Issue	Management Comment	Recommendation
(a)	Considerable delay was observed in implementing the recommendation in relation to two preliminary investigation report and providing information requested for the audit purpose contrary to the 7.1(a) of the National Audit Act.	The disciplinary file related to the Assistant General Manager (Human Resources) was forwarded to the Management for approval or instructions to implement the recommendations of the preliminary investigation report. Since no specific decision or approval was taken for it, report has been forwarded to the current Chairman.	Immediate actions should be taken to implement the recommendations in the investigations report

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| (b) | Qualification in relation to the experience of the post of Additional General Manager (HR) had been amended twice in improper way within three months by reducing the experiences. Amendment made in June 2024 had been done at the request of chairman of the board without approval of the Board of Directors and requisition from human resource division. | SOR for this position was revised and the approval for the same was received by the Management Services Department. Later again request has been made to change the SOR and the required approval has been provided by the Department of Management Services letter DMS/1597 on 10.06.2024 | Changes should be made only after the detail evaluation and proper way. |
| (c) | The Board had allocated its employee for CEWAS training center by establishing new positions without obtaining the approval of the Management Services Department and approval for other three positions for 11 employees had not been obtained from the Department of Management Service. | The CEWAS functions are of internal operation and the allocation of NWSDB employees has been carried out with the necessary approval of the Board of Directors. | Action should be taken to amend the approved cadre of the board after proper evaluation of the cadre requirement. |
| (d) | The Board had not comply with the requirements of the transfer policy established under the circular No.P0 2/2011 dated 18 February 2011 issued by the General Manager as per the observed in sample audit. Further, human resource division had not maintained proper data base for each and every employee. | Even though the transfer policy is to transfer employees who have served more than 5 years, it has been found very difficult as there are no adequate replacement. | Need to be complied with the transfer policy established under the circular. Proper database should be maintained. |
| (e) | According to the information submitted, there were 2,718 shortages of employees and 25 excess of employees in some positions as at 31 December 2024. However, Board had not reviewed the carder requirement need to meet the manpower of the Board. Further service of 2,543 employees had been obtained through the contract agreement with the LRDC at the end of the year under review. | Due to the delay in obtaining the SOR approval, new recruitments could not be carried out. Therefore, to address the critical staffing needs, the required personnel were temporarily obtained on a contract basis through LRDC. | New SOR should be implemented immediately to overcome existing issues in human resource management. |

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| (f) | Legal action had not been taken for the employee who had vacated on 24 January 2023 and breached the conditions of the contract entered in to study in foreign. Therefore, amount of Rs.10.58 million is unrecoverable as at 30 April 2025. | Legal action is being initiated. | Legal action should be initiated to recover the money. |
| (g) | The board had assigned 08 employees for the vice chairman's office exceeding the approved carder of 04 employees and paid overtime also for excess employees. Therefore, human resource was not utilized effectively. Further it was observed that overtime of Rs.5 mn for the period January 2021 to July 2024 had been paid for drivers even exceeding the salary amount contrary to the para 2.2 of the National Budget circular number 01/2024 issued by the Secretary to the general Treasury and additional personal secretary had been recruited even there was a personal secretary of the board with the approval of General Manager and paid Rs.1.14 million for her uneconomically. | To manage the administrative workload, contractual staff, including a Personal Secretary, was appointed upon request by the Human Resources Division. Several staff members were already attached to the Vice Chairman's Office prior to the former Vice Chairman's appointment and others was assigned based on operational needs. Overtime payments were made strictly for official duties conducted outside Colombo, and a contract-based driver was used only in the absence of the permanent driver. The office operated on Saturdays to manage increased public interactions and documentation tasks. | Action should be taken to recover all payments made in violation of the circular and payment made uneconomically. |

4. Accountability and Good Governance
4.1 Tabling of Annual report in Parliament

	Audit Issue	Management Comment	Recommendation
(a)	The board had not disclosed comprehensive information in Statement of Economic Value Added as per the paragraph 1(e) of the annexure III of the Guidelines on Corporate Governance for State Owned Enterprises issued by the Department of Public Enterprises.	Although there is no dedicated section for Corporate Social Responsibility (CSR) in the annual report it is noted in page no. 36 that the NWSDB provides services to community based organizations (Capital CBOs) free of charge.	Should be disclosed the comprehensive information in Statement of Economic Value Added
(b)	In page no. 08 of the draft annual report stated that there are executive and non-executive directors as per the Board act	Action will be taken in the future to inform the same to the relevant officials.	Should be disclosed correct information in annual report for

even only non-executive directors should be there as per the Board act. However, no any details available about the identification of position of the directors in draft annual report.

users' understanding.

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| (c) | Board's previously loss-making income became profitable due to significant increase in water tariff in the year 2022 and 2023 and ninety-five percent of the board's total income represents from water sales. However, draft annual report mentioned that the achievement of a substantial Economic value addition in 2024 reflects the NWSDB's commitment to financial discipline, strategic investments, and sustainable operations. | The board has not imposed an unreasonable tariff increase: the revision was necessitated by the ongoing economic crises. Notably, this is the first tariff revision in 10 years, during which inflation has significantly impacted the costs annually. | Should be disclosed reasonable information in annual report for users' understanding. |
| (d) | The Board had disclosed its annual reports the Non-revenue water rate as 24.8, 25.32, 25.24 and 25.82 for the years 2024, 2023, 2022 and 2021 respectively. However, computation made by the auditor using production details given by the Board, Non-revenue water rate is 27, 28.25, 27.25 and 28.33 in the year 2024, 2023, 2022 and 2021 respectively. Therefore considerable gap was observed between the information provided to users and decision making purposes. According to the disclosure of the Board, it is able to save aggregate amount of Rs.790 million if reduction of one percent of none revenue water. | The annual report's present NRW figures are based on the Management Information Reports (MIS) prepared each year. | System need to be improved to get reliable information. |

4.2.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
The Board had entered into agreement with the General treasury and Line ministry by setting mechanism for enhancing the operational, financial and service delivery performance of the board within the agreed	The annual progress was reviewed during the annual progress review meeting, where the factors contributing to low performance were identified and	Organization should be directed to achieve the established targets.

period of the year 2024 to 2026. Accordingly, board had achieved only 118,274 new connections or 78 per cent from the target of 151,274 connections. Expected piped water supply coverage had been increased to 49.7 during the year under review as compared to the target of 50.2 per cent. Revenue from water sales had been increased by 34.7 per cent when target of the year 2026 is 39.4 mainly due to increase the water tariff by 100 per cent as compared to the year 2022. Revenue from water reclamation was Rs.1,145 million as compared to the target of Rs.1,288 million.

Further, Board had achieved only 2,266 Mwh or 79 per cent from expected target of energy saving of 2,866 Mwh. Rs.61.9 million costs saving out of target cost saving of Rs.77.45 million was achieved during the year under review. However energy savings had been reduced by 157 Mwh than base year data mentioned in the agreement.

Non-revenue water target achievement was 27 per cent against target 24.2 per cent. Achievement of bacteriological quality of water was 99.81 against the target of 100 per cent.

corrective measures were proposed for implementation in the following year.

4.3 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
In line with the Sustainable Development Goal (SDG) no. 6 the Board had been developed the corporate plan to achieve the 100 per cent pipe borne water coverage by 2025. Towards the achievement of this goal, the board had been recognized 08 targets and 08 indicators. Out of these targets the board had expected to increase household pipe water coverage by 139,174, to reduce the non-revenue water up to 24.82 and to increase the usage of renewable energy up to 1.78 percent at the end of the year under review. However, only 104,383 water connections, 27 per cent of Non-revenue water and 1.14 per cent of usage of renewable energy had been achieved as at 31 December 2024.	The corporate plan was revised due to the economic crises. It was originally based on the “water for all” programme; however, its scope has since been reduced and redirected towards capacity enhancements and distribution expansion. As a result achieving 100% pipe water coverage by 2025 will not be possible and re-established with the financial allocations	Action should be taken to achieve the agreed goals.