

5/AGR/41/2025



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



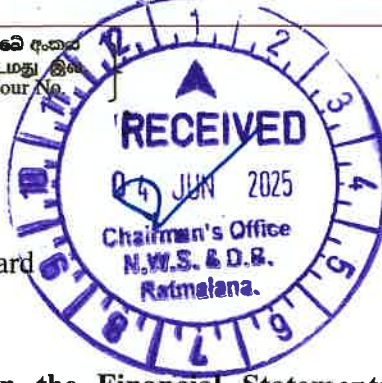
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எனது இல.
My No.

WAS/A/NWSDB/01/2024/02

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Your No.

දිනය
திகதி
Date

30 May 2025



The Chairman,
National Water Supply & Drainage Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Water Supply and Drainage Board for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No 19 of 2018.

The above mentioned report is sent herewith.

G.H.D. Dharmapala
Auditor General (Actg)

②
Addl. GM (F)
2/4 PE
T. S. 5/6/25

- Copies: 1. Secretary, Ministry of Urban Development, Construction and Housing
2. Secretary, Ministry of Finance, Planning and Economic Development

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FNA - G.M.
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30 May 2025

The Chairman

National Water Supply and Drainage Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Water Supply and Drainage Board for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No 19 of 2018.

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Water Supply and Drainage Board (NWSDB) ("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 statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and Finance Act, No.38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my 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

1.2.1 Deviating from application of Sri Lanka Accounting Standards (LKAS/SLFRS)

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.

- (f) The Board had not disclosed the details of comparison of income tax expense (income) of the current year with the previous year as per the requirement of the paragraph 79,80,81 of LKAS 12.
- (g) 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.

1.2.2 Accounting Deficiencies

- (a) 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. 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.
- (b) 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 overstated 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.
- (c) 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.

- (d) 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.
- (e) 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-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.
- (f) 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.
- (g) Assets value of the Board had been understated by Rs.86.16 million due to 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.
- (h) 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.
- (i) 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.

- (j) Regional Service Center-Central(RSC) 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. Further, 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.
- (k) 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.
- (l) 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.
- (m) 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.
- (n) 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.
- (o) 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.

- (p) 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.
- (q) 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.
- (r) 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.
- (s) Evidences were not received for the amount of Rs.20.71 million shown as UDA project- ADB loan. Therefore, we were unable to verify the existence of this loan.
- (t) 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 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
- (u) 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.

- (v) 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 .
- (w) 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.
- (x) 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.
- (y) 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.

1.2.3 Un-Reconciled Balances

- (a) 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.
- (b) An un-reconciled difference of Rs.1,264 million was observed between the value of metered sales, bulk sales, bowser supply and income from main operation shown in the VAT returns and the financial statements.

- (c) 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.
- (d) 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.
- (e) 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.

1.2.4 Lack of Evidence for Audit

The evidences indicated against each item shown below had not been furnished to audit.

| | Item | Amount Rs. Million | Evidences not Made Available |
|-----|--|-------------------------------|--------------------------------------|
| (a) | Other Debtors | 77,995 | Detailed schedules (217 and 219) |
| (b) | Withholding tax – 2024 | 30,272 | Withholding tax Certificates |
| (c) | Rehabilitation Tax | 1.75 | Detailed Tax Computation, Schedules |
| (d) | Treasury Grant(363) | 146,651 | Details relevant to each Project |
| (e) | Capital Grants-Local Authorities (364) | 1,409.92 | Details relevant to each Project |
| (f) | Foreign Capital Grants (365) | 8,611.82 | Details relevant to each Project |
| (g) | Bank balances(52 bank accounts) | 925 | Bank confirmations for each balance. |

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 Other information included in the Board's 2024 Annual Report

The other information comprises the information included in the Board's 2024 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work I have performed on the other information (draft annual report) that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of the other information; I am required to report that fact. As described below, I have concluded that there are such material misstatements of the other information exists.

- (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.
- (b) 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.

- (c) In page no. 08 of the draft annual report stated that there are executive and non-executive directors as per the Board act 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.
- (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. The Board is able to save Rs.790 million if reduction of one percent of none revenue water.

1.4 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 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.

1.5 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 Company'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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 Except for the effect of the matters described in the Basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year final report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for paragraph 1.2.1(a), 1.2.1(b), 1.2.1(c), 1.2.1(d), 1.2.1 (e), 1.2.2(a), 1.2.2(c), 1.2.2(d), 1.2.2(e), 1.2.2(f), 1.2.2(i), 1.2.2(k), 1.2.2(l), 1.2.2(m), 1.2.2(n), 1.2.2(r), 1.2.2(y), 1.2.3(a), 1.2.3(c), 1.2.3(d), 1.2.3(e), 1.2.3(f).

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018 except for,

(a) The General Manager of the Board had been 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.

2.2.2 to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

| | Reference | to | Description |
|-----|---|-----------|--|
| | Laws/Direction | | |
| (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. |
| (b) | Sec/2023/E/02m dated 06 April 2023 IRD circular | | 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. |

(c) 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.

(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.

(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.

(iii) The Board had not been reported the estimated loss of Rs.13 million on vehicle accident to the Chief accounting officer, 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.

(ii) 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.

(d) Operational Manual for
State Owned Enterprises
of Department of Public
Enterprises dated 16
November 2021

(i) Paragraph 3.2(i) Approval for the Scheme of Recruitment and
Promotion Procedure of the Board had not been
obtained from the Department of Management
Services even by the end of April 2025.

(ii) Paragraph 3.4 The succession plan had not been developed by the
Board.

(iii) Paragraph 3.5 (i) 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 Line Ministry contrary to the
provisions in the operational manual as at 31
December 2024.

(ii) 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.

(iv) Paragraph 5.1 Sum of Rs.286.76 million had been paid as
productivity incentive in addition to the amount of
Rs.444.60 million paid as monthly productivity
allowance before the distribution of levis and

Profit to the Consolidated Fund.

Further, amount of Rs.149.03 million had been paid as bonus for the year 2024 as per the circular No.PED/03/2024 of Public Enterprise Department without paying levis to consolidated funds.

(v) 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.

(vi) Paragraph 6.8

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.

(e) Guidelines on Corporate Governance for state owned enterprises on 16 November 2021

(i) Paragraph 2.3

Strategic plan (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.

(ii) Paragraph 4.3

Risk committee established as per the guideline had not been functioned during the year under review.

(f) Public Enterprise
Department Circular

- (i) Paragraph 1.2 of the
circular No. PED
01/2020 of 27
January 2020

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.

- (ii) Circular No
PED/1/2025 of 25
May 2015.
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 General Treasury 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 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.

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 since the year 1990 without obtaining special approval from the General Treasury. Concessionary rates had been given from Rs. 2 to Rs.15 per kilometer without a limit. Therefore, the Board had misused the Boards' fund of Rs.3.93 million spent for 12,010 fuel liters utilized for personal use of 13 employees during the period of January 2022 to July 2023. No reimbursement had been made for the expense incurred for the excess usage up to April 2025.
- (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 agreements with employees.

- (h) Paragraph 1.4 of The first water bill should be issued to the Commercial Guideline 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.

2.2.3 to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

- (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, contact 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.
- (b) 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 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.
- (c) 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.

- (d) 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 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.

- (e) 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 of Kandy North- Pathadumbara Integrated water supply Project and that vehicle had been used by the Chairman of the Board even he has assigned vehicles. 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 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.

- (f) 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 value of Rs.288 million for three islands in the Jaffna peninsula in 2016. However, only produce 85m³ out of the 150m³ corporeity . Accordingly ultimate objective 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.
- (g) 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 14000m³ 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.
- (h) 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.

- (i) 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, 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.
- (j) Contractor of the Kandy City Waste water Management Project had been 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 been 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 been 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 Engineering. However, details of calculation relating to this payment had not been submitted to the external auditor 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.

- (k) 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 weeks extension due to import restrictions and financial issue. However compressor had been supplied on 09 June 2022 without the spare parts, Diesel tank, tailor and air horses. However, supplying the compressor without having tailor 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 delay in supplying the fuel tank and non-supplying the tailor.
- (l) Implementation of the Giridara Water Supply Project was delayed 408 days up to 15 February 2019 from the date of contract 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.
- (m) 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. 8.7 and the offer letter from the contractor.

- (n) 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 paid through the Escrow accounts due to previous poor performance of the contractor. However, payment had not been made through the Escrow account as per the requirement. 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.
- (o) The board had cancelled the two bids 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.

2.3 Other Matters

(a) 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.

(b) Trade debtors, new connection debtors, sewerage debtors and other debtors aggregating to Rs.4,409 million had remained over one year without being recovered. Further, amount of Rs.440 million is remaining without being recovered from School category out of them. 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 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.

(c) 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.

- (d) Sum of Rs.364.71 million out of Rs. 1,710 million of contract advances 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.
- (e) 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.
- (f) Local purchase amount of Rs.1,520.67 million had remained over three months without being cleared and amount of Rs.2,760.51 million in imported stock in transit account had remained over two years without being cleared.
- (g) The Board had entered into agreement (statement of corporate intent) 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 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.

- (h) 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.
- (i) 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.
- (j) 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.
- (k) Inventory levels had not been established by the Board for consumables such as hydrated lime, Aluminium sulphate, bleaching powder, chlorine, poly aluminium chloride. Limitations of the MIS system is also been impacted when assessing the requirements of the consumables. Therefore, some occasion's material requirements had been assess incorrectly in decision making. Creating inventory codes had been done without proper procedure and therefore, more item codes were created for same items and it was adversely affected when ordering items.
- (l) 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.

- (m) 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.
- (n) The Board had allocated its employee for CEWAS training center by establishing new positions without obtaining the approval of the Management Services Department. Further, approval for the three positions (Sanitary assistant, blacksmith, plant technician trainee) for 11 employees had not been obtained from the Department of Management Service.
- (o) 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.
- (p) 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.
- (q) 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.

- (r) 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. Overtime had been paid for drivers 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. Further, 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.


G.H.D. Dharmapala
Auditor General (Actg)

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