

## **Water Resources Board.**

### **1. Financial Statements**

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#### **1.1 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that, the Water Resources Board had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Water Resources Board as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

#### **1.2 Comments on Financial Statements**

##### **1.2.1 Accounts Receivable and payable**

Confirmation had not been called for by the Board in respect of debtors amounting to Rs. 6,445,718 and creditors amounting to Rs. 17,218,744.

##### **1.2.2 Lack of Evidence for Audit.**

The following items in the accounts could not be satisfactorily vouched in audit due to the non-availability of evidence indicated against each item.

<b>Details of Accounts</b>	<b>Value</b>	<b><u>Evidence not made available.</u></b>
	<b>Rs.</b>	
I. Property, Plant and Equipment	420,802,743	} Register of Fixed Assets
II. Work - In - Progress	50,959,293	
III. Dug Wells cleaning (2009 and 2010)	52,328,000	Agreement, Detailed Work Plan, progress reports.
IV. Construction of Tube Wells.	3,458,000	Expenditure details and Progress Reports.
V. Distress Loans	5,496,114	Detailed Schedules.

### **1.2.3 Non - compliance with Laws, Rules, Regulations and Management Decisions.**

The following instances of non - compliance were observed in audit.

#### **Reference to Laws, Rules, Regulations, Non- compliance etc.**

(a) Payment of Gratuity Act,  
No 12 of 1983

Even though a provision of Rs. 58,544,345 for payment of gratuities had been made in the accounts as at 31 December 2010, an equal amount had not been externally invested to meet the gratuity payments as and when they arise in the future.

#### **(b) Financial Regulations**

(i) Financial Regulations 104  
(2), (3) and 110

The preliminary reports and the final reports in connection with the damages occurred to the motor vehicles had not been furnished to the Auditor General in terms of the Financial Regulations. The Register of Losses had also not been maintained as required.

(ii) Financial Regulation 272(2)

All paid vouchers should be forwarded to the Auditor General monthly not later than six weeks from the end of the month to which they relate. This Requirement had not been complied with.

(c) Public Finance Circular No : 428 of  
28 May 2008

The limit of payments from petty cash is Rs. 1,000 as specified by the circular. However it had not been complied with by the Board.

**(d) Treasury Circulars**

No. IAI/2002/02 of  
28 November 2002

A sum of Rs. 4,327,908 being the value of computers and accessories had been included under fixed assets in the final accounts. A separate Register of Fixed Assets for those assets had not been maintained in terms of the circular instructions.

(e) Audit and Management Circular No:  
DMA/2009(1) of  
09 June 2009

Although internal audit plan had been prepared and furnished to the Auditor General before the 31 January, it had not been prepared in accordance with the circular instructions.

(f) Public Enterprises  
Circular No: PED/12  
of 02 June 2003

(i) Section 2:2:1 (a)

Annual Reports of Public Enterprises should be tabled in Parliament within the stipulated time frame. However, it had not been complied with accordingly for the years 2008, 2009 and 2010.

**(ii)** Section 4.2.2

Although the Board should periodically review its Corporate Plan, Budget and performance to ensure that actual performance is in line with the plan and take timely remedial action, that requirement had not been complied with in respect of the year 2010.

**(iii)** Section 4.2.5

The Board should institute systems for effective management of its working capital and age analysis of stocks, and a statement identifying outdated, slow moving and obsolete stocks and other items should be prepared on a monthly basis. But the Board had not prepared such statements and reviewed accordingly.

**2. Financial and Operating Review**

**2.1 Financial Review.**

According to the financial statements presented, the working of the Board for the year ended 31 December 2010 had resulted in a surplus Rs. 7,134,891 as compared with the corresponding surplus of Rs. 302,665 for the preceding year, thus indicating an increase in the surplus for the year under review by Rs. 6,832,226 as compared with the preceding year. Main reasons attributed for the increase of financial results were decrease of expenditure and income amounting to Rs. 10,006,365 and Rs. 6,174,139 respectively and increase of Government Grant amounting to Rs. 3,000,000.

## 2:2 Operating Review

### 2:2:1 Financial and Physical Performance.

According to the annual estimate and details made available by the Board, financial and physical performance of the Board during the year under review is given below.

#### (a) Financial Performance.

<b>Subject</b>	<b>Estimated Value Rs.</b>	<b>Actual Rs.</b>	<b>Expenditure/ Income %</b>
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Ground Water Research Studies	25,100,000	NIL	
Ground Water Development	12,100,000	17,463,509	144
Research , Monitoring and Training	5,000,000	4,763,746	95
Hydro - Investigations/ Ground Water Exploration	152,470,000	41,668,586	27
Water Sample Analysis	2,310,000	497,325	21
Water Bottling Income	2,000,000	NIL	0
Project Approvals and Licences	1,000,000	NIL	0
Govijana Seva Income	1,000,000	NIL	0
Staff Training	500,000	218,100	43
Other Income	745,000	2,040,653	273

**(b) Physical Performance.**

<b>Subject</b>	<b>Estimated Units</b>	<b>Actual Units Completed</b>
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Tube Wells Drilling	200	98
Hydrogeological Investigations	200	148
Tube Wells Cleaning	200	50
Hand Pumps Installation	125	58
Wind Mills Pumping Tests	50	40
Dug Wells Cleaning	2500	1227

**The following observations are made in this regard.**

- (a) The Board had estimated an income amounting Rs. 2,000,000, Rs. 25,100,000, Rs. 1,000,000 and Rs. 1,000,000 from water bottling, ground water research studies, project approval and licences, and Govijana Sewa respectively. Nevertheless, the Board had not earned any income during the year under review from the above sources.
- (b) According to the estimate furnished to the audit on 09 January 2010, the Board had targeted to complete of 200 tube wells and 200 Hydrogeological Investigations during the year under review. However, the Board had completed only 98 tube wells and 148 Hydrogeological Investigations during the year under review. In addition, the Board had carried out 50 tube wells cleaning, 58 hand pump installations, 40 pumping tests, and 1227 dug wells cleaning during the year under review. The performance in these activities ranging from 40 per cent to 58 per cent of the expected targets.
- (c) According to the initial estimate prepared by the Board, seven hundred dug wells were scheduled for cleaning in Mulative, Kilinochchi and Jaffna districts under “Uthuru Wasanthaya” programme funded by the UNICEF. However, the Board had cleaned two thousand and thirteen dug wells by 31 May 2010. Although the Board had spent a sum Rs. 52.3 million on cleaning dug wells, a sum of Rs. 42.3 million out of that had not been recovered from Ministry of Irrigation and Water Resources Management even as at end of the year.

### **2:3 Management Inefficiencies.**

**The following observations are made.**

- (a) Even though 10 motor vehicles had been sent to the work shops for carrying out repairs, the repairs had not been carried out even by the end of the year under review. Some of those motor vehicles had been parked in the yard for a period exceeding 04 years without taking action to repair them or to dispose them.
- (b) Arrears of income of the Board amounting to Rs.7, 251,998 shown in the accounts for the previous year had been written off during the year under review on a decision of the Board of Directors without taking action to recover.
- (c) Audit test checks of 19 files relating to collection of income revealed that a sum of Rs. 5,579,796 had been outstanding for periods ranging from 1 to 5 years.

### **2:4 Corporate Plan and Action Plan.**

Although the Action Plan for the year 2010 had been prepared by the Board, it had not been revised according to the activities based on the properly formulated Corporate Plan.

### **2:5 Audit and Management Committees.**

- (a) According to the Public Enterprises Circular No. PED/55 of 14 December 2010, the Audit and Management Committees should meet at least once in every three months. Nevertheless the Committee had met only 01 time during the year under review.
- (b) The Chief Internal Auditor of the Board had resigned on 17 July 2010 and the post had not been filled even by the end of the year under review. The Assistant Director (Finance) is covering up the duties of Chief Internal Auditor in addition to his normal duties. Even though the Board had published a notice, calling for applications for the post on 14 December 2010 no recruitment had been made up to 31 March 2011.

**2.6 Dormant Bank Accounts.**

It was observed in audit that 2 Bank Accounts with balances totaling Rs. 12,096 had remained dormant for a number of years.

**3. Systems and Controls.**

Special attention is needed in respect of the following areas of control.

- (a) Financial and physical performance.
- (b) Budget
- (c) Debtors and Creditors