

Water Resources Board – 2017

The audit of financial statements of the Water Resources Board for the year ended 31 December 2017 comprising the Statement of Financial Position as at 31 December 2017 and the Statement of Financial Performance, Statement of Changes in Equity, Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my discretion in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No: 38 of 1971 and Section 17(2) of the Water Resources Board Act No: 29 of 1964 as amended by Act No: 42 of 1999. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Board on 21 June 2018.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’s preparation and fair presentation of the financial statements in order to design audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Water Resources Board as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Although the geological surveys of construction of tube wells in 09 schools in Mahiyangana education zone had been finished, only an amount of Rs. 82,110 had been accounted as income related to 02 schools out of them. The balance amount of Rs. 298,252 had been stated under the advance received not taking into the income.
- (b) Gratuity amounted to Rs. 29,721 had been provisioned in excess for the two employees due to the calculation error in the year under review.
- (c) Service advances received amounting to Rs.44,677 had been stated in less and income had been stated in excess in issuing of two invoices for the same transaction.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the debtor balances of Rs. 18,849,408 as at the end of the year under review, a debt balance of Rs. 3,178,291 due over 1 year and the debtor balance of Rs. 860,800 to be received from Moragahakanda Project had been remained without charging since 31 December 2015.
- (b) Although Rs. 2,611,379 out of the service advances obtained from 214 persons and institutions amounting Rs.82,380,321 to provide different kinds of services had been elapsed the one year, the Board had failed to provide relevant activities.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Section 14(1) of Water Resources Board Act No:29 of 1964 and Section 3 of Amended Act No: 42 of 1999	As per amended Act, though an Advisory Committee consisted of 18 should be established, in contrary to that, an Advisory Committee consisted of 09 had been established.
(b) Treasury Circular No: 842 of 19 December 1978	Asset register for furniture and office equipment had not been maintained.
(c) Paragraph 9.7 of Public Enterprises Circular No: PED/12 of 02 June 2003	Though a special allowance of Rs. 1,964,633 had been paid to the 27 officers in addition to their salaries in the year under review by the Board, the Treasury approval had not been taken for that.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board for the year ended 31 December 2017 had been a surplus of Rs. 6,743,000 and as the corresponding surplus of Rs. 27,092,000 for the preceding year the financial results for the year under review as compared with the preceding year indicated a decline of Rs. 20,349,000. Although the income operating had been increased by Rs.59,243,000 in the year under review, the increase of administrative expenses by Rs. 38,057,000 and other project expenses by Rs. 28,121,000 had been the main reasons for above decline.

In analysing on financial result for the year under review with 04 preceding years had revealed that the deficit of the financial result since year 2013 to year 2015, a surplus had been seen in the years 2016 and 2017. However, after a adjusting employee remunerations, tax paid to the government and depreciation for non- current assets to the financial result, the contribution of the Board had been improved since year 2013 and it was Rs. 227,278,000 during the year under review.

4. Operating Review

4.1 Performance

4.1.1 Planning

Following observations are made.

- (a) Although an Action Plan is prepared to carry out overall functions in the year 2017 by the Board correspondent to that, the Budget Estimate and Procurement Plan should be prepared, action had not been done as it is. Action Plan, Annual Budget Estimate and Procurement Plan compare to each other had not been prepared.
- (b) Although the report on physical and financial performance related to the year under review, had been prepared by the board the financial performance that related to the each activity of the Action Plan had not been included in that report.

4.1.2 Performance and Review

The following observations are made.

- (a) Even though 575 researches had been planned to conduct under the 08 objects of the Annual Budget Estimate for the year under review, 356 researches had only been conducted by the Board as per the progress reports and the number of researches not conducted was 219. The number of undone activities had been ranging from 24 per cent to 100 per cent. The reasons of the scarcity of geo-hydro scientists in the Board, it had happened to allocate them for the emergency disaster situations in the country, limited resources and technical staff in the Board had been affected for that.

(b) Deficiencies in implementing the research studies

- (i) Eight research studies projects had been commenced in order to test the quality of water and its impact on the general public at an estimated cost of Rs. 133,550,000 since year 2012 to 2017 and Rs. 67,159,000 had been spent by 31 December 2017. Even though it was scheduled to complete 04 research studies as at 31 December 2017, the expected objectives of the research studies had not been fulfilled as it had failed to complete the entire 04 research studies as expected.
- (ii) Even though, a Research Officer should be appointed on full time basis in order to complete the research studies successfully, the Board had appointed the General Manager of the Board as a Research Officer for all research studies. Research studies could not been completed within scheduled time period since the General Manager had to involve in research studies in addition to his normal duties.

- (iii) Financial progress of the research studies was in the range of 15 per cent to 65 per cent from the estimated amount at the end of the year under review and delays were from 01 year to 05 years. Further, the reasons and estimates had not been submitted for the extension of research studies.

4.2 Management Activities

The following observations are made.

- (a) Although the Advisory Committee had been assembled on 29 June 2017, the progress reports of 08 research studies conducted during the year under review had not been referred for the instructions of the Advisory Committee.
- (b) Even though the Board had used 03 vehicles which owned to other state institutions since the years 1981, 2009 and 2016, action had not been taken to arrogate those vehicles even during the year under review also.
- (c) Although a surplus of 31 stock items and a deficit of 134 items had been identified according to the report of the Board of Survey of Fixed Assets, the adjustments had not been done in the accounts.

4.3 Idle and Underutilized Assets

Slow moving, non-issuing and expired stocks amounting to Rs. 76,474,390 had been included in the stock of Rs. 171,516,000 as at 31 December in the year under review reasons for that purchasing of spare parts for the machinery without identifying the necessity.

4.4 Commencement of Projects on the land not vested properly

Without taking actions to vest the lands and buildings that located head office of the Board, Rathmalana and Vavuniya Workshops and Anuradhapura circuit bungalow of the Board, the construction of building and changes in the prevailing buildings had been done beginning of the year under review by spending Rs. 6,258,000 in those lands by the Board.

4.5 Resources of the Board released to the other state institutions

A driver recruited to carry out the activities of the Board had been released for the duties in the line ministry since 11 January 2017 away from duties of the Board, contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and salaries and allowances of Rs. 145,392 had been paid by the Board.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every public institution should act in compliance with United Nations Sustainable Development Agenda for the year 2030 and Water Resources Board had been aware of that how should be acted in relation to the activities comes under the own scope related to the year under review.

- (a) Although Water Resource Board had been aware of the Agenda for the year 2030 as above, action had not been taken to identify the targets, based data, the milestones in respect of achieving those targets, and the indicators for evaluating the achievement of such targets.
- (b) Although the parties, Ministry of Environment, National Water Supply and Drainage Board, Geological Survey and Mining Bureau, Ministry of Disaster Management and Department of Irrigation, had been identified as interest parties in the functions of Water Resources Board with respect to the implementation of sustainable goals, it was further observed that the participatory access in preparing targets regarding the entity had not been depicted.
- (c) Even though the existence of accurate database is compulsory for evaluating the accurate performance of a certain activity, it was observed that the institution had not taken action to create an accurate collection of data in view of evaluating the achievement of sustainable development goals. It was further observed that the reasons such as, lack of financial provision, physical facilities and non-availability of trained staff had attributed thereto.
- (d) Annual milestones that needed for the monitoring of relevant functions in achieving sustainable development goals had not been identified.
- (e) Due to lack of coordination with other institutions in the preparation to achieve the sustainable development goals, it was observed that the preparation of plans for achieving the targeted goals, and the preparation process had been remained weak.

6. Accountability and Good Governance

6.1 Internal Audit

Two assistant officers and a drilling assistant including internal auditor had been appointed for the Internal Audit branch. So the Board had failed to deploy qualified officers to the internal audit branch for auditing of functions of the Board that used the technological and engineering techniques.

6.2 Procurement Process

Six items that not included in the Procurement Plan had been procured without paying attention to the items included in the Procurement Plan and ten items that expected to procure as at 30 April 2017 in this in dates had not been procured. Accordingly, it was observed that the procurement activities had not been done as per Annual Procurement Plan.

6.3 Budgetary Controls

The budget had not been utilized as an instrument of effective management control, as it was observed that the variances of a range of 12 per cent to 138 per cent in between estimated income and actual income and a range of 10 per cent to 1094 per cent in between estimated expenditure and actual expenditure.

6.4 Tabling of Annual Reports

The annual report of year 2016 had not been tabled in the parliament.

6.5 Unresolved Audit Paragraphs

A female Geologist who went abroad for a scholarship in 2005 under condition of compulsory service period of 06 years and a security bond of Rs. 1,308,699 had been released for other institution under the condition of compulsory service of 04 years and security bond of Rs. 435,600 before completion of the compulsory service period. Action had not been taken to recover the security bonds aggregating Rs. 1,744,299 as per the agreements even at the end of the year under review, even though the officer had released permanently from the service of the Board since year 2011 on breach of the 02 agreements by the relevant officer.

7. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

- | Areas of Systems and Controls | Observations |
|--------------------------------------|---|
| (a) Accounting | Ownership of the assets had not been obtained by the Board and income and expenditure not accounted properly. |
| (b) Performance | Actions had not done to achieve the financial and physical performance as expected. |
| (c) Receivable and Payable Accounts | Effective measures had not been taken to settle. |
| (d) Research Activities | Action had not been taken to complete the research studies as scheduled. |
| (e) Asset Control | Action not taken for the documentation of assets. |