

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Water Resources Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, and the 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 flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either 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's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations regarding the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management comments	Recommendation
(a) Although, the Board had revalued 4 asset classes at Rs. 295,178,532 during the period 2016-2018, and the book value as at 31 December 2024 had become zero due to the end of their useful lives, there was no disclosure in the financial statements in accordance with paragraph 92(b) of Sri Lanka Public Sector Accounting Standards 7 despite continuing to be used.	During the year 2023 , the revaluation of assets that had expired was carried out in Puttalam, Monaragala and Anuradhapura Provincial Offices. Although, the Board made efforts to revaluation the assets in Jaffna, Ratmalana and the Head Office, it was not possible to carry out the task due to staff shortage and difficulty in involving external parties. However, in the future, steps will be taken to carry out this revaluation step by step by involving external parties.	Estimate the useful life in accordance with accounting standards and make the appropriate disclosures in the financial statements in accordance with accounting standards.
(b) In accordance with paragraph 49 of Sri Lanka Public Sector Accounting Standard 7, the entire asset class to which the asset belongs should be revalued when revaluation of property, plant and equipment. However, only 151 items out of them had been revalued at Rs. 80,734,510 as at 30 October 2023,	During the year 2023, the revaluation of assets that had expired was carried out in Puttalam , Monaragala and Anuradhapura provincial offices. Although, the Board made efforts to	Asset revaluation should be carried out in accordance with accounting standards.

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| <p>although the Board had 1,005 items belonging to the 3 asset classes namely laboratory equipment, geological equipment, computers and accessories.</p> | <p>revalue the assets in Jaffna , Ratmalana and the head offices, it was not possible to carry out the task due to staff shortage and difficulty in involving external parties. However, in the future, steps will be taken to carry out this revaluation step by step by involving external parties.</p> |
| <p>(c) Although, an asset should be depreciated from the date of use as per paragraph 69 of Sri Lanka Public Sector Accounting Standard 7, the Board had depreciated Rs. 272,322 more due to depreciation for the year itself, irrespective of the dates of purchase, in respect of 21 assets purchased during the year 2024.</p> | <p>In preparing the financial statements for the year 2024, the basis used to calculate depreciation was the full depreciation accounting basis for the year in which an asset was acquired. In future, an appropriate depreciation policy will be prepared for the assets of the Board in accordance with S.L.P.S.A.S. 7 and will be implemented with the approval of the Board of Directors .</p> <p>The institution's depreciation policy should be formulated in accordance with accounting standards and the accounts should be prepared accordingly.</p> |
| <p>(d) Although, as per paragraph 15 of Sri Lanka Public Sector Accounting Standard No. 07, major spare parts and standby equipment should be accounted for as property, plant and equipment when they are expected to be used in more than one period and when they can be used only in connection with an item of property, plant and equipment. The Board had not recognized the spare parts received from projects and purchased by the Board, as property, plant and equipment which had a useful life of more than one year and were used for certain specific machinery and equipment, with an estimated value/cost of Rs. 1,147,913,000. However, those had shown under the closing stock.</p> | <p>Actions will be taken to remove spare parts that can be used for the specific machinery and equipment of the Water Resources Board from the stock and include them in the relevant asset in accordance with Section 15 of the S. L. P. S. A. S. No. 7.</p> <p>Steps should be taken to correctly identify and account for non-current assets and inventories in accordance with accounting standards.</p> |

1.5.2 Accounting deficiencies

Audit Issue	Management Comments	Recommendation
The closing stock included in the financial statements also included expired stock of Rs. 126,484,062 and out of this, stocks of Rs. 110,565,524 were returned due to expiration. It was observed that those stocks were not physically available also.	During the year 2025, this stock will be included in the store's books and submitted for the annual stock verification. The expired goods that have been returned to the agency will be removed from the books in a formal manner under the approval of the Board of Directors. In addition to the returned stock, a committee will be appointed regarding the other lubricant items in this expired stock and the decision of that committee will be submitted to the Board of Directors and the necessary actions will be taken .	Actions should be taken to accurately identify stock values.

1.6 Non-compliance with laws, rules, regulations and management decisions, etc.

	Referring to laws , Non-compliance rules , regulations, etc.	Management Comments	Recommendation
(a)	Regulations published by the Minister in the Extraordinary Gazette No. 2010/23 of 16 March 2017, in terms of Section 16 of the Water Resources Board Act, No. 29 of 1964.		
(i)	02 Order	Although, all institutions engaged in tube well construction are required to register with the	All drilling institutions registered with the Board so far were informed in writing on
			Steps should be taken to prepare procedures for registering drilling

Board, only 41 institutions were registered by the end of the year under review. However, the Board had not implemented a system to ensure that unregistered/ unrenewed institutions were not engaged in tube well construction and to identify institutions that were not registered with the Board.	14 December 2023 to renew the registration of their drilling machines for the year 2024. Accordingly, drilling institutions that were not registered by the end of February 2024 were again informed in writing in this regard. Since there are no adequate provisions in the existing Act to take relevant legal action against unregistered drilling institutions even after that, steps are being taken to amend the Act. In addition, all provincial chief secretaries, district secretaries and all heads of departments including the Inspector General of Police have been informed by circulars that when constructing a tube well, the relevant drilling work must be carried out using a drilling machine registered with the Water Resources Board.	institutions that are not registered in accordance with the provisions of the Act and to prepare the necessary legal provisions for the actions to be taken if this is not the case.
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Registered institutions are required to submit a report containing data on all newly constructed deep or shallow tube wells to the Board every 03 months. Accordingly, out of the aforementioned 41 registered institutions,	All tube well drilling institutions registered for the construction of tube wells have been notified by letters to send the technical details of the tube wells they have constructed to the Board. Accordingly, the	Steps should be taken to obtain the required reports from registered institutions as per the provisions of the Act .
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only one institution had submitted the detailed information of the 15 tube wells constructed for the year 2024 to the Water Resources Board. However, the other 40 registered institutions had not taken steps to obtain the required reports.

(ii) 06 Order

Order 1 of Section 16 of the Act provides that the use of natural water sources or deep or shallow groundwater for agricultural purposes, commercial agricultural purposes, shall be carried out under the supervision of the Board and in accordance with the regulations issued by the Board. All institutions engaged in the construction of tube wells, water bottling industry and beverage manufacturing as included in orders 2 and 3 shall be registered with the Board. According to order No. 4, the status reports related to the source of water for commercial agricultural industries shall be obtained from the Water Resources Board and according to order No. 5, the Board has the right to inspect such places. Although, legal action can be taken against government or local government institutions, non-governmental

technical details of 15 tube wells constructed with the approval of the Board in the year 2024 have been sent to the Board.

As the Board currently does not have a Legal Officer, a response to the letter sent to the Attorney General on 06 September 2024 seeking advice on the action to be taken against those who do not comply with the above provisions as per Order 06 of the Extraordinary Gazette No. 2010/23, has not been received. However, steps are being taken to recruit a Legal Officer to the Board and to identify the shortcomings in the Act and amend the Act.

The Board should take legal action against non-compliance with the orders imposed by the Act.

organizations or individuals who act against those regulations in accordance with Section 20 of the Water Resources Board Act No. 29 of 1964 as amended by Act No. 42 of 1999, the Board had not taken such action during the year under review.

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| (b) | Sections 10 and 11 of the Employees' Provident Fund (Amendment) Act, No. 26 of 1981 | The employer contribution to the fund should be 12 percent and the employee contribution should be 8 percent, and although both parties can agree on a higher rate, the Board had collected 10 percent from the employees when paying 12 percent as the employer contribution. However, the Commissioner had not been informed about this. | Steps have been taken to send the L forms to the Employees Provident Fund and the Department of Labor has informed that the employer-employee contribution ratio should be 2:3. For this, the Board has requested information from the Department of Labor regarding the existing provisions of the Employees Provident Fund Act. After receiving the replies in this regard, steps will be taken to take further action on the instructions of the Board of Directors. | According to the Act, proper approval must be obtained from the relevant authorities when making and withdrawing contributions. |
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2. Financial Review

2.1 Financial Results

The operating result for the year under review was amounted to a surplus of Rs. 2,175,221,000, and the corresponding surplus in the preceding year amounted to Rs. 1,383,454,000. Therefore, an improvement amounting to Rs. 791,767,000 was observed in the financial result. The reasons were mainly due to an increase in operating income by Rs. 708,137,000 and a decrease in total expenses including contract services and maintenance expenses by Rs. 79,101,000.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management comments	Recommendation
(a) The Thimbirigasyaya Divisional Secretary had informed the Board to obtain a rental license by paying an annual tax of Rs. 12,772,000 from 2013 for the land located at the head office of the Water Resources Board on Hector Kobbekaduwa Mawatha, Colombo 07, which had been maintained by the Water Resources Board since 1978. However, the Thimbirigasyaya Divisional Secretary had filed a case in the Colombo High Court in 2019 due to non-compliance. Although, the Attorney General later had instructed the Thimbirigasyaya Divisional Secretary to reach an agreement regarding the ownership of the land, without acting on the Attorney General's instructions, the premises where the head office was maintained for about 45 years were handed over to be used for the expansion of the official residence used by the Prime Minister at that time. The head office had been located in a privately rented building in Rajagiriya from 18 July 2021 to 15 July 2022, and since from 01 August 2022, in a private building in Koswatta area, Nawala. For that, Rs. 42,511,722 had been paid as building rent from the year 2021 to 31 December 2024 .	In accordance with the Colombo City Development Plan prepared by the Ministry of Megapolis and Western Development, the said land was to be taken over by the Urban Development Authority and instead, under Section 6 (1) of the Land Ordinance, the Cabinet had approved the allocation of land on Denzil Kobbekaduwa Mawatha. While this was being done, the Prime Minister's Office instructed the government to vacate the land. Meanwhile, since the Divisional Secretary Thimbirigasyaya had issued a removal order to the Board on 09 May 2019, a complaint has been filed under the eviction order in this regard as per the summons dated 26 November 2019 by the Divisional Secretary, Thimbirigasyaya, Case No. 18935/5/19.	Action should be taken to locate the head office in a permanent location while resolving the existing land issues promptly.
(b) A 40-perch plot of land located at Denzil Kobbekaduwa Mawatha, Battaramulla, belonging to the Urban Development Authority, was decided to be given to the Water Resources Board for a period of 30	Although, the physical possession of the 40-perch land located on Denzil Kobbekaduwa Mawatha, Battaramulla, had been handed over to the Board	Urgent action should be taken to sign a formal lease agreement with the Urban Development Authority.

years by the Cabinet Decision No. Amap/16/2500/724/099 dated 06 December 2016. The Chief Valuer of the Government had assessed the land for a rent of Rs. 2,700,000 per annum for the proposed construction of the new head office building. The Board has not taken steps to sign a lease agreement with the Urban Development Authority, but had been paid to that authority an amount of Rs. 27,972,592 as rent from 2016 to 31 December 2024. Although, provisions had been made since 2018 for the construction of the main office building on this land under the pilot project to establish a groundwater monitoring information network, it had not been possible to utilize it due to failure to enter into a formal lease agreement. However, this land had been sub-leased to the Foreign Employment Bureau at a monthly rent of Rs. 460,000 from 01 August 2023.

since 10 October 2016, the issuance of the relevant lease agreement has been delayed until the transfer of the land to the Urban Development Authority is completed in accordance with the law under Section 6 (1) of the Government Lands Ordinance, as the said land has been transferred to the Urban Development Authority through a certificate of transfer under Section 44 of the Land Acquisition Act.

3.2 Operational Inefficiencies

Audit Issue	Management Comments	Recommendation
A pilot project to establish a Ground Water Monitoring Network was underway in a region where kidney disease was widespread. Approval was granted by the Cabinet Decision No. Amap/15/1087/644/005 dated 29 July 2015 for implementation in 4 selected districts namely Anuradhapura, Polonnaruwa, Monaragala and Puttalam. The Secretary to the Ministry of Irrigation had entered into an agreement with a Dutch institution on 03 October 2017 to implement the project and the project	The Water Resources Board lost its permanent headquarters due to the acquisition of the land on Hector Kobbekaduwa Mawatha by the Urban Development Authority, and although it was planned to build on the land provided by the Urban Development Authority in Battaramulla, construction could not commence until the project was nearing completion (December 2022) due to the failure to provide a lease agreement even by July 2022. Accordingly, the data center was relocated to the Ratmalana	The basic tasks related to the project must be performed as contracted.

activities were completed on 31 December 2022. The cost of this project, which was EUR 20,629,921.18 or Rs.5,521,329,000, was to be repaid in 20 equal installments over 10 years from a bank in the Netherlands at a concessional interest rate of 1.45 percent per annum, while the government had agreed to pay the remaining 15 percent from the Hatton National Bank of Sri Lanka, after a grace period of 3 years, over 15 years starting from the second half of 2025. Although, the project was completed in 2022, the construction of the data center building, which was a key function, had not been completed and it was observed that the data center was being maintained in a part of the office premises belonging to the Board.

site office based on the relevant recommendations.

Regarding this real-time data and information, a data board has been prepared under the GWMNP tab of the Water Resources Board website (<https://wrb.lk>) for the primary reference of any study or other party.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Issue	Management Comments	Recommendation
It was observed during the physical inspection that 02 Benz type drilling rigs, which cost Rs. 159,222,580, from the pilot project for establishing a Ground Water Monitoring Network, have been parked unused and underutilized due to high maintenance costs and the size of the 02 machines.	As a groundwater resources regulatory and enforcement agency, the government is currently focusing on the regulation of groundwater resources, and commercial drilling activities are being carried out. A decreasing trend has been observed in recent years. Commercial drilling activities can also be carried out using the drilling rigs currently available in the Board and it is hoped that these new drilling rigs will be used in special projects.	The assets of the institution should be utilized efficiently.

3.4 Human Resource Management

Audit Issue	Management Comments	Recommendation
(i) The total approved staff of the Board was 414 and the actual staff was 217 as at 31 December of the year under review. Accordingly, a shortfall of 197 officers/employees, or 48 percent of the approved posts, was observed in the staff of the institution. Among the posts included in the above senior level, 10 out of 12 top management posts of the institution were vacant, including 03 posts of General Manager and Deputy General Manager. 18 out of 27 tertiary level posts were vacant, including 06 posts of Assistant Engineers. Furthermore, 105 out of 236 primary level posts were vacant.	A large number of vacancies had arisen due to various factors such as retirement, resignation, unpaid leave of officers, etc., and although requests were submitted to the Recruitment Review Committee from time to time to make recruitments for essential posts, approval for recruitments has not been granted to date.	Actions should be taken to fill the vacancies.
(ii) Although, 24 were assigned to the North Central Province, 26 to Puttalam, 40 to Monaragala and 23 to Jaffna in terms of the number of employees assigned to each regional office, the staff numbers for those offices were not identified separately.	Employees have been assigned to each regional office based on the service requirements arising in carrying out the functions of the Board. Necessary steps will be taken in the future to specifically identify the employees who are essential	Steps should be taken to identify essential staff based on accurate criteria.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comments	Recommendation
When examining the Board's Action Plan for the year 2024 and its progress as at 31 December 2024, it was observed that the physical and financial progress of the groundwater management and development activity of the water supply scheme under the Groundwater Study and	Since the community water supply had to be continued, the relevant water sources could not be used for water capacity tests. The procurement process of the project was carried out by the Project Management Unit, so the	Action should be taken to properly carry out the planned activities .

Infrastructure Development Project implemented under Treasury allocations was 68 percent and 22 percent respectively as expected, and the physical and financial progress of the groundwater resources management strengthening activity of the IWWRMP project implemented under the Ministry of Irrigation on foreign grants is 34 percent and 13 percent respectively.

delay in the procurement of chemical materials that should have been obtained through it resulted in the delay in carrying out the relevant chemical analysis activities and delays in other procurement processes.