

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Mahaweli Consultancy Bureau (Private) Limited for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income, 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. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Enterprises.

**1.2 Basis for Qualified Opinion**

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Enterprises 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Company 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 Company.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism 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 Company'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 Company 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 Company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company ;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Accounting Standard for Small and Medium-sized Enterprises**

<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) According to Note 2.1 of the Company's financial statements, it is stated that the financial statements have been prepared in compliance with the Accounting Standards for Small and Medium-sized Enterprises (SMEs). Accordingly, although these standards should be applied consistently to all matters governed by them, it had been indicated that revenue in Note 3.3.1 is recognized in accordance with Sri Lanka Financial Reporting Standard 15, the gratuity provision in Note 3.2.2 is made in accordance with Sri Lanka Accounting Standard 19, and the presentation of financial statements in Note 3.3 is in accordance with Sri Lanka Accounting Standard 1.	Agree with the observation.	The relevant standard should be applied in all instances relating to matters addressed by the standard.
(b) In terms of Paragraph 2 of Section 7 of the Accounting Standards for Small and Medium-sized Enterprises (SMEs), investments with a maturity period of three months or less should be classified as cash or cash equivalents. However, a fixed	Although the observed investments had been initially made in March 2024 for a period of three months, they had been structured to be automatically reinvested	Investments with a maturity period of three months or less should be classified as cash or cash equivalents, in accordance with the

deposit amounting to Rs. 20 million with a maturity period of three months had been classified under long-term investments. continuously. standard.

Accordingly, as at the end of the year under review, these investments had remained outstanding for a continuous period exceeding nine months; therefore, they had been classified under long-term investments.

- (c) Even though entities are not permitted to offset assets, liabilities, or income and expenses in accordance with Paragraph 52 of Section 02 of the Accounting Standard for Small and Medium-sized Enterprises, the revenue received in advance from the Wewgam Pubuduwa Project for the year 2025, amounting to Rs. 132.5 million, had been recorded in the project's control account, resulting in an offset against the receivable balance of Rs. 15.3 million existing therein. Agree with the observation. Corrective actions will be taken in future in accordance with the guidance provided. Revenue earned from the project and the related receivable balance should be disclosed separately.
- (d) In accordance with Paragraph 21 of Section 11 of the Accounting Standard for Small and Medium-sized Enterprises, an impairment loss should be recognized where there is evidence of impairment in financial assets. However, out of the total receivable balance of Rs. 24.67 million, balances amounting to Rs. 6.9 million had been outstanding for more than five years, and no provision for impairment loss had been made in respect of those balances. Agree with the observation. Appropriate provisions will be made in the subsequent financial year. In accordance with the accounting standards, the recoverability should be assessed and provisions for impairment losses should be made.
- (e) Even though deferred tax should also be considered when calculating income tax expense as per the Paragraph 2 of Section 29 of the Accounting Standards for Small and Agree with the observation. Action will be taken to rectify this in the following year. Tax expense should be computed in accordance with the applicable standard, and the required

Medium-sized Enterprises and Accounting Policy No. 3.3.2.4 presented with the financial statements of the Company, action had not been taken by the Company to comply with the requirement and income tax computation for the year and the required disclosures had not been made in the financial statements in terms of Paragraphs 38 and 39 of Section 29 of the Accounting Standards for Small and Medium-sized Enterprises.

disclosures should be made.

- (f) A sum of Rs. 283.88 million, representing 87 percent of the total revenue for the year 2024, was received from the Wewgam Pubuduwa Project for activities such as reservoir surveying, boundary demarcation, and supervision of rural irrigation systems. The Chief Executive Officer of the Company also served as the Project Director of this project. However, in accordance with Paragraph 8 of Section 33 of the Accounting Standards for Small and Medium-sized Enterprises, related party relationships had not been disclosed in the financial statements.
- This will be disclosed in the financial statements in the subsequent year in accordance with the applicable accounting standards. Furthermore, with regard to conflict of interest, reference has been made to the handbook issued by the Commission to Investigate Allegations of Bribery or Corruption and relevant expert opinions. We emphasize that holding two positions within state-owned Enterprises does not, in itself, constitute a conflict of interest, whereas a conflict of interest may arise in relation to involvement with private sector entities.
- Related party relationships should be disclosed in the financial statements.

## 1.5.2 Accounting Deficiencies

<b>Audit Issue</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) An overpayment of Rs. 20.2 million, to be recovered from the contractor and incurred in relation to the construction of the Moragahakanda Circuit Bungalow, had been presented under current assets as a receivable in the financial statements for a period exceeding five years. Impairment loss had been recognized for the entire amount; however, instead of disclosing the impairment by deducting it from the receivable balance, the impairment provision had been presented under trade and other payables.	Agree with the observation. As further legal advice and guidance are being sought in respect of these balances, steps have been taken not to deduct and disclose the impairment loss from the receivable balances.	Impairment losses should be deducted from the related receivable and disclosed accordingly.
(b) Prior year adjustments amounting to Rs. 2.3 million, which should have been adjusted under changes in working capital in the statement of cash flows, had been adjusted to the profit before tax of the current year as a non-cash transaction in the calculation of operating profit before changes in working capital.	The observation is not agreed. As this amount relates to a prior year adjustment, it has been adjusted against the profit of the current year and recorded as a receipt relating to the prior year.	Prior year adjustments should be adjusted under changes in working capital in the statement of cash flows.
(c) Even though it had been stated in Note 3.1.1.3 to the financial statements that the depreciation method, useful life, and residual value of non-current assets are reviewed at the end of each financial year, such a review had not been carried out, and the carrying value of fully depreciated assets amounted to Rs. 11.95 million as at 31 December 2024.	Agree with the observations. Necessary revisions will be made in the subsequent year, and actions will be taken in accordance with the applicable accounting standards for financial statements.	The depreciation method, useful life, and residual value of non-current assets should be amended at the end of each financial year in accordance with the accounting policy note.

### 1.5.3 Documentary Evidence not made available for Audit.

Item	Amount Rs.	Audit Evidence Not Presented	Comments of the Management	Recommendati on
(a) Outstanding tax liability for more than 10 years.	611,866	Evidence to confirm the existence.	MCB does not have any information regarding this tax liability, and necessary actions will be taken in the future to liaise with the Department of Inland Revenue to settle it.	This tax liability should be settled by discussing with the Department of Inland Revenue.
(b) Outstanding receivable balance exceeding 5 years.	6,902,509	Evidence to confirm the existence.	Although balance confirmation letters were sent for all receivable balances, no confirmations have been received from the relevant entities.	Relevant documentary evidence should be submitted for audit to confirm the receivable balances.
(c) Fixed deposit interest income.	4,650,031	New deposit certificates or renewal notices issued upon renewal of fixed deposits.	The file containing all information related to the investment can be presented for audit at any time.	Fixed deposit certificates and renewal notices should be provided for audit to confirm fixed deposit interest income.

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules and Regulations, etc.	Non-compliance	Management Comment	Recommendation
(a)	National Audit Act No. 19 of 2018			
	(i) Section 38(1)(e)	Replies had not been provided for six audit queries that had exceeded a period of three months.	No replies have been provided.	Action should be taken to provide responses to audit queries within the stipulated time frame.
	(ii) Section 38(2)	Copies of periodic reviews on the effectiveness of the internal control system had not been submitted to the Auditor General.	Agreed with the paragraph. It is intended to review the effectiveness of the system in the future and report to the Auditor General.	The effectiveness of the internal control system should be reviewed and reported to the Auditor General.
(b)	Public Enterprises Circular No. PED 3/2015 dated 17 June 2015.			
	(i) Paragraph 2.1	Although the Company Secretary is not a member of the Board of Directors, an attendance allowance of Rs. 6,000 per meeting, totalling Rs. 42,000, had been paid for participation in Board meetings during 2024, as well as in previous years.	Clarifications in this regard will be submitted later.	Action should be taken to recover the relevant payments from the parties responsible for the payment of the allowance.
	(ii) Paragraph 2.3	Even though the approved monthly allowance payable to the Chairman of the Company is Rs. 37,500, it had been increased to Rs. 57,500 and paid from September 2024	-Do-	The amount paid without approval should be recovered from all responsible parties.

		onwards.		
(iii)	Paragraph 2.11	Even though the Chairman of the Company is not entitled to receive a sitting allowance for attending Board meetings, a payment of Rs. 6,000 had been made in previous years as well as in the year under review, and the allowance had been increased to Rs. 10,000 and paid from September 2024 onwards.	-Do-	-Do-
(c)	The Code of Good Governance for State-Owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.			
	(i) Paragraph 2.2.2 (a)	Even though the Chairman of the Board is required to convene Board meetings at least once a month, only seven Board meetings had been held during the year under review.	Agree with the observation.	Action should be taken to conduct Board meetings in accordance with the Public Enterprises Circular.
	(ii) Paragraph 2.3	An action plan containing detailed information on specific steps and activities required to achieve practical short-term objectives, as well as a strategic plan defining the Company's long-term vision and overall direction, had not been prepared and submitted through the Secretary to the line Ministry to obtain the approval of	The corporate plan and action plan are currently being prepared.	An action plan and a strategic plan should be prepared in accordance with the Public Enterprises Circular, and the relevant approvals should be obtained.

the Director General of the Department of Public Enterprises.

(d) The Operational Manual introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021.

(i) Paragraph 3.1

(i) Approval of the Director General of the Management Services Department had not been obtained for cadre-related requirements, including the recruitment procedure, salary structure, and allowances. Clarifications in this regard will be submitted later. Approval of the Management Services Department should be obtained for the recruitment procedure, salary structure, and allowances.

(ii) The basic salaries/allowances of all permanent and non-permanent staff of the Company had been increased by Rs. 20,000 with effect from September 2024, and only the approval of the Board of Directors had been obtained for the same. Salaries of the permanent staff have been increased with the approval of the Board of Directors. Action should be taken to recover the amounts paid in respect of salary increments made without approval from the responsible parties.

(ii) Paragraph 5.3

Although at least 30 percent of the profit after tax was required to be paid to the Consolidated Dividends to the Consolidated Fund will be paid after audit In accordance with the Public Enterprises Circular, at least 30 percent of the profit

<p>Fund as dividends, only Rs. 6.5 million, representing approximately 8.7 percent of the Rs. 74.47 million profit after tax, had been allocated as dividends.</p>	<p>clearance and upon obtaining the approval of the Board of Directors. Furthermore, although the profit after tax for the year under review shows a significant increase compared to the previous year, the percentage stated in the observation has been allocated for dividend payments due to the absence of stable income sources.</p>	<p>should be paid as dividends to the Consolidated Fund.</p>
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(iii) Paragraph 6.6

<p>Even though the annual report is required to be tabled in Parliament within five months after the end of the financial year, the Company's annual reports from 2018 to 2024 had not been tabled in Parliament.</p>	<p>The required amendments to the 2022 annual report have been completed and submitted to the Ministry, while draft annual reports for 2023 and 2024 have been prepared.</p>	<p>Action should be taken to table the annual reports in Parliament within the stipulated timeframe.</p>
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(iv) Section 6.7

<p>The annual Board of Survey of the Company's fixed assets had not been carried out.</p>	<p>The report of the annual Board of Survey carried out as at 31.12.2024 has been submitted to you together with the final accounts.</p>	<p>Responses should be provided in a responsible manner, and the outstanding Board of Survey report that have not yet been submitted should also be furnished.</p>
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(v)	Section 7.2	Even though key performance indicators and operational performance indicators should be established to evaluate the Company's performance and approval should be obtained from the Treasury, this had not been done.	Agreed with the observation. Programmes will be prepared to collect performance data, obtain approval from the Treasury, and submit monthly, quarterly, and annual data to the Ministry and the Treasury from the next financial year onwards,	Key performance indicators and operational performance indicators should be established, and approval should be obtained from the Treasury.
(vi)	Section 7.5	Even though it is required to submit monthly, quarterly, and annual performance reports of the Company to the line Ministry and the Treasury, this had not been done.	-Do-	The Company is required to submit monthly, quarterly, and annual performance reports to the line Ministry and the Treasury in accordance with the Circular.
(vii)	Section 7.6	Even though an officer should be appointed to report information relating to the Company's performance to the line Ministry and the Treasury, such an appointment had not been made.	Agreed with the observation. An officer will be appointed in due course.	An officer should be appointed to report the Company's performance information to the line Ministry and the Treasury in accordance with the Circular.
(e)	Section 06 of Public Enterprises Circular No. PED 2/2022 dated 18 January 2022.	Even though a monthly communication allowance of Rs. 4,250 can be paid to the Chief Executive Officer, an allowance of Rs. 5,000 per month had been paid from September 2024 onwards. In addition,	Action will be taken to review the matter and submit findings.	The communication allowance paid without proper approval should be recovered from the responsible parties.

contrary to the Circular, communication allowances had been paid monthly from September 2024 onwards to the Finance Manager and Human Resource Manager at Rs. 4,000, to the Executive – Financial Services at Rs. 2,000, to the Data Entry Officer at Rs. 1,500, and to the Driver and Assistant Officer at Rs. 1,000 respectively.

(f) Public Enterprises Circular No. PED 04/2023 dated 11 December 2023.

(i) Paragraph 01

Although a sum equivalent to at least 30 percent of the profit after tax earned in 2022 was required to be remitted to the Consolidated Fund as dividends/tax for the payment of bonus allowances, the Company had not done so and had instead paid Rs. 504,167 as bonus allowances in respect of the year 2023 to 21 individuals during 2024.

Agreed. Bonus payments have been made to enhance employee motivation, as such payments had not been made for a period of six years.

Dividends should be paid in accordance with the Circular, and in cases where such payments are not made, bonus payments should not be made.

(ii) Paragraph 2.1

Even though the Circular specifies that eligibility for bonus allowances is limited to the Company's staff, the Company had paid a bonus allowance of Rs. 25,000 each to five Board members, as well as to officers holding permanent positions in state and semi-government institutions, including the Chief

This matter will be examined and reported in due course.

Bonus payments made contrary to the Circular should be recovered from the responsible parties.

Executive Officer,  
Project Manager, and  
Company Secretary.

- (g) Management Services Circular No. 01/2024 dated 12 January 2024. Even though the monthly cost of living allowance payable up to March 2024 was Rs. 12,800, the Company had paid Rs. 13,550 each for February and March 2024. Furthermore, although the monthly cost of living allowance payable from April 2024 was Rs. 17,800, the Company had paid Rs. 18,550 each. Accordingly, as in previous years, the Company had overpaid the government-approved monthly cost of living allowance by Rs. 750 per person during 2024. If any overpayment of this cost of living allowance has occurred, action will be taken to investigate the matter and recover the relevant amounts. Action should be taken to recover the overpaid cost of living allowance from the responsible parties.
- (h) Public Enterprises Circular No. 01/2024 dated 28 February 2024 and National Budget Circular No. 01/2024 dated 10 January 2024. (i) For a sample period of 28 days and 7 days in 2024, the Company had incurred expenditure of Rs. 251,640 and Rs. 77,142 respectively on food, including main meals. For the welfare of the employees of the institution, it is a normal practice to provide morning and evening tea to staff members. In addition, where employees remain at the workplace to perform duties until late hours (after 10.00 p.m.), dinner is also provided. Expenditure should be incurred in accordance with the Circular.

Furthermore, tea is served to external visitors, and these expenditures have been incurred for such purposes.

- (ii) Even though it had been stated that even in cases where training workshops are funded by foreign donor sources, excessive expenditure on hotels and conference halls should be avoided and government-owned conference facilities should be used, the Company had conducted training programmes on seven occasions in 2024, incurring an expenditure of Rs. 7.4 million. No information was submitted to the audit regarding the participants of the four training programs conducted at a
- The issue will be examined and reported accordingly.
- According to the Circular, government-owned auditoriums should be used at all times when conducting training workshops. Workshops should be organized in a cost-effective manner to minimize expenses. An investigation should be conducted, and the costs incurred for additional participants should be recovered from the responsible parties.

cost of Rs. 5.9 million, their designations, or the reports presented at the end of the workshops.

Among these workshops, a program titled “Company Cohesion Day” was held at a hotel in Unawatuna, Galle, at a cost of Rs. 296,690. However, although the company had only about 8 permanent employees, it was observed during the examination of bills that 31 individuals had participated in this workshop.

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| (iii) | <p>The 4th Board of Directors meeting for the year 2024 was held on 15 August 2024 at a star-class hotel in Colombo, at a cost of Rs. 457,795. Although the Board of Directors consisted of 6 members, the minutes of the</p> | <p>The Board of Directors meeting held on 15 August 2024 at the Kingsbury Hotel was conducted in accordance with a decision taken at a previous Board meeting. The venue was selected as a suitable location following a request to brief the Board on the</p> | <p>The costs incurred for conducting the meeting at a hotel instead of the auditorium of the Mahaweli Authority should be recovered from the responsible parties.</p> |
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meeting indicated that 12 individuals had participated. However, according to the bills, 20 individuals had attended the meeting.

Company's current status and its expected future objectives. In addition to the Board members, managers from various departments of the company also participated in the meeting. As a result, a total of 12 individuals attended the Board of Directors meeting. In addition, several senior officials from the ministry responsible for the projects implemented by the Company were also invited to participate in this briefing session. Accordingly, approximately 20 officials attended this event, and hospitality services were provided to all participants at the hotel.

- (i) Public Enterprises Circular No. 06/2022 dated 06 October 2022. Although employees over the age of 60 were required to be compulsorily retired This matter will be looked into and reported Action should be taken to recover the salaries paid without productivity to the

from 31 December 2022, accordingly. consultant who was an individual over 63 years of age had been recruited on 8 May 2024 as a consultant for business development. recruited in contravention of Public Enterprise Circular instructions from the responsible parties, and the applicable taxes should be deducted from him.

However, during the year 2024, the Company had failed to secure any new consultancy assignments outside the Ministry or its related projects. Furthermore, no tax deductions had been made from the monthly allowance paid to this consultant.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review was a profit of Rs. 67,971,867 as compared to the corresponding profit of Rs. 8,064,123 in the previous year. This indicates an increase of Rs. 59,907,744 in the financial results. Even though service expenses increased by Rs. 135,939,440, the revenue from consultancy services increased by Rs. 286,944,802 which was the main reason for the increase in operational results.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Even though the Company was established with the objectives of providing consultancy services and preparing project reports for both local and international projects, particularly in the irrigation sector and other government institutions, it had not secured consultancy assignments from external organizations in recent	This matter will be looked into and reported accordingly.	Steps should be taken to obtain consultancy services from the private sector.

years. Approval had been granted through a Cabinet decision to obtain consultancy services directly from the Company for projects under the Irrigation Ministry, outside the procurement process. Accordingly, the Company had mainly carried out only the assignments entrusted by the line Ministry and its projects.

As a result, the Company's existence depended solely on the assignments provided by the line Ministry and its projects.

- (b) Although the staff to be recruited for the two projects, "Knuckles" and "Wewgam Pubuduwa," and their remuneration had been approved by the Department of Management Services, a large number of additional employees had been recruited by assigning various duties and creating new positions beyond the approved cadre, for tasks that were not essential to the Company in relation to these projects.
- This matter will be looked into and reported accordingly.
- Salaries and allowances paid to non-essential staff recruited outside the approved cadre should be recovered from the parties responsible for such recruitments.

According to the information available to the audit, a sum of Rs. 7.05 million had been paid by the Company as salaries to 10 such employees during the period from 06 February 2024 to 31 December 2024.

- (c) When making payments to resource persons engaged by the Company for various workshops, a sum of Rs. 50,000 per day had been paid to highly skilled
- This matter will be looked into and reported accordingly.
- Records should be properly maintained in a manner that allows audit verification and should be made available within the stipulated time frame.

professionals; however, the nature of such high-level expertise had not been specified. During the sample audit examination, it was observed that for the workshop held from 02 November 2023 to 05 November 2023 for the preparation of preliminary survey reports of the Knuckles Project, a total amount of Rs. 840,000 had been paid as resource person allowances to doctors and professors who participated as resource persons. In addition, a professor of social sciences had been paid Rs. 40,000 per day for 24 days, amounting to Rs. 960,000.

Although the Audit had requested the relevant Board reports and Board papers to verify the legality of these payments, the information had not been submitted up to 30 March 2026.

- (d) Due to the absence of a proper system for controlling petty cash and imprest advances, the Company maintained a petty cash imprest of Rs. 50,000, and imprest advances were issued on 16 occasions ranging from Rs. 119,725 to Rs. 1,612,000 during the year 2024.
- It was further observed that a period of 17 to 76 days was taken to settle imprest advances on 20 occasions. In addition, the maximum limit for payments from petty cash had not been determined.
- Awareness programmes and various community workshops have been conducted, particularly in remote districts such as Anuradhapura, Mannar, and Trincomalee. Therefore, when obtaining facilities to conduct these workshops/programmes, it has been necessary to select hotel premises in those respective areas. Similarly, when providing these hotel facilities, the hotel management is not
- Actions should be taken to regularize the provision of petty cash and imprest advances, and such advances should be settled immediately upon completion of the relevant task.

agreeable to settling payments after the completion of the programmes/workshops through submitted bills. Instead, they request an advance payment of a considerable portion (at least 75 percent) prior to the programmes/workshops.

As the hotel management is also unwilling to enter into agreements for such payments, and due to the lack of alternative options, these activities are carried out by granting advances to officers to cover the expenses of the respective programmes/workshops.

### 3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) In relation to the implementation of the Gin Nilwala Diversion Project, the Company entered into an agreement with the Ministry of Agriculture, Livestock, Land and Irrigation on 28 April 2017, to provide consultancy services for the preparation of an Environmental Impact Assessment (EIA) report, with the revised contract value amounting to Rs. 38.86 million. Although the relevant work was required to be completed within 9 months as per the contract agreement, as of the audit date of 29 August 2025, eight years had elapsed since the agreement	This matter will be looked into and reported.	Disciplinary action should be taken against the responsible officers for failing to complete the work within 9 months, even after a lapse of 8 years.

was entered into; however, the work had still not been completed.

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| (b) | The Company entered into an agreement with the National Water Supply and Drainage Board on 10 March 2021, to prepare an Environmental Impact Assessment (EIA) report for the proposed Yatimahana Reservoir Project, with a contract value of Rs. 5.82 million. The work was scheduled to be completed by 31 December 2022. In order to issue the final report of this project, the Company was also required to submit an additional report to the Central Environmental Authority based on public feedback. However, as of the audit date of 29 August 2025, the said additional report had not been issued, nor had any action been taken in this regard. | This matter will be examined and reported. | Disciplinary action should be taken against the responsible officers for failing to complete the work within the stipulated time. |
| (c) | The Irrigation Department had awarded the Company a consultancy contract valued at Rs. 3.63 million for conducting a Preliminary Environmental Study for the construction of the Galgekandiyā Tank. According to the contract agreement entered into on 29 April 2022, this project was required to be completed by 29 June 2022. However, as of 15 August 2025, the project period had been extended for the sixth time. Nevertheless, as of the audit date of 29 August 2025, the final report had still not been issued.   | This matter will be examined and reported. | -Do-  |

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| (d) | A consultancy contract valued at Rs. 75.86 million had been awarded by the Ministry of Irrigation to the Company for providing services to strengthen the digital system in order to support the establishment of a weather advisory system for dry-zone farmers. However, out of the required tasks, only the mapping of the existing digital system had been completed. For this purpose, a sum of Rs. 7.52 million had been paid as of 31 December 2024, and the extension of the project period had ended on 31 March 2025. | This matter will be examined and reported. | -Do- |
| (e) | The contract for preparing a Standard Operating Procedure for flood management in the Malwathu Oya, Yan Oya, and Mee Oya river basins under the Wewgam Pubuduwa Project was awarded to the Company on 15 August 2024, at a cost of Rs. 16.92 million. The project duration was 10 months, with completion scheduled for 15 June 2025. However, as of the audit date of 21 August 2025, only the inception report had been issued.   | This matter will be examined and reported. | -Do- |

### 3.3 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
(a) In the Memorandum of Understanding entered into with the GCF Knuckles Project, there was no provision specifying the percentage of profit to be allocated to the Company, and only the costs incurred by the institution in	Although the Memorandum of Understanding entered into with the Knuckles Project specifies that only costs may be reimbursed, the costs incurred for providing support services have been recovered.	The agreement should be amended to allow the recovery of costs incurred for providing support services.

relation to the project could be reimbursed. However, despite this, a sum of Rs. 7.07 million had been charged from the project during the year as income by the institution in its capacity as the Implementing Partner of the Knuckles Project.

- (b) Consultants had been recruited by the Company for various functions, and a total of Rs. 38.74 million had been paid during the year 2025 in respect of 26 such consultants. In many instances, they were paid a monthly allowance; however, their specific contributions to the Company could not be clearly identified. During the sample test, the supporting information for payments amounting to Rs. 1.6 million made to four consultants was not made available for audit verification. Further, no individual had certified that the relevant tasks were duly performed or that the information submitted in relation thereto was accurate. In addition, attendance records from the fingerprint attendance system were not produced to substantiate their attendance.
- The matter will be examined and the relevant information will be submitted.
- All information relating to the payment of consultancy allowances should be properly maintained and made available within the stipulated time frame to enable audit verification.
- Attendance and departure should be duly verified through the fingerprint attendance system.

### 3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>(a) The contract for demarcating reservation areas of 330 rehabilitated tanks and preparing statutory survey plans was awarded to the Company by the Wewgam Pubuduwa Project on 29 February 2024 for Rs. 283.45 million. However, due to the Company not having the required human resources and other physical resources to carry out the work, the assignment was subcontracted to a private company on 15 March 2024 for Rs. 137.52 million.</p> <p>Further, the following observations were made regarding the procurement process related to the subcontracting arrangement and the associated payments.</p>	<p>(i) According to paragraphs 2.7.5 and 2.8.4 of the Procurement Guidelines Manual, a Procurement Committee and a Technical Evaluation Committee should have been appointed for the procurement process. However, such committees were not appointed for this procurement.</p> <p>Nevertheless, the Financial Manager, Human Resources Manager, and Project Manager of the Company evaluated the bid documents acting as the Technical Evaluation Committee. Furthermore, the contract for the procurement was entered into on 15 March 2024 without proper approval.</p>	<p>Disciplinary action should be taken against the officers who acted in contravention of the Procurement Guidelines Manual.</p>

(ii)	According to paragraph 3.2.2 of the Procurement Guidelines Manual, procurement notices should be published in at least one widely circulated national newspaper as well as on relevant websites when inviting bids. However, the Company did not comply with this requirement. Instead, the procurement notice was published on a website named “Top Jobs,” which is primarily used for advertising job vacancies.	-Do-	-Do-
(iii)	Action had not been taken to obtain bid securities from bidders in terms of paragraph 5.3.11 of the Government Procurement Guidelines Manual, and a proper assessment of the bidders’ financial and physical resources had not been carried out during the bid evaluation process.	-Do-	-Do-
(iv)	A sum of Rs. 15.13 million had been paid to a private institution under this contract for the provision of transport facilities on a “cab-month” basis as at 31 December 2024. In this regard, the subcontractor had certified only the number of “cab-months” relating to the vehicles used. However, these payments had been made without any supporting documentation such as details of the vehicles used, vehicle registration numbers, locations of operation, the officers who utilized the vehicles, the number of kilometers run daily, or duly signed running charts/log sheets of the officers who used the vehicles. Furthermore, no specific rate for a “cab-month” had been formally agreed upon.	-Do-	An investigation should be conducted to verify the accuracy of the payments made for obtaining transport facilities. Furthermore, payments should be made only after examining supporting documents such as running logs duly signed by the officers who used the vehicles and the number of kilometers driven. Disciplinary action should also be taken against the officers who authorized payments without adhering to these requirements.

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| (v)   | A sum of Rs. 99.8 million had been paid to the subcontractor as at 31 December 2024 which was the date of audit, representing 73 percent of the agreed contract value. However, in terms of the agreement entered into with the subcontractor, all measurement activities relating to 330 tanks, along with the preparation of the corresponding maps, should have been completed by the stage at which 70 percent of the contract value was paid. Nevertheless, those activities had not been completed.  | Clarifications on this matter will be submitted later. | Disciplinary action should be taken against the persons responsible for making payments without acting in accordance with the terms of the agreement.                         |
| (vi)  | No work had been carried out in respect of 16 tanks as at 31 December 2024, according to the information submitted for audit. Furthermore, although it was reported that work relating to 316 tanks had been completed, the relevant survey plans had not been certified by the Survey Department. According to the contract agreement, the relevant works were required to be completed by 20 December 2024; however, the period had been extended up to 31 August 2025. Nevertheless, as at the audit date of 21 August 2025, the said works had still not been completed. | -Do-   | Immediate action should be taken to ensure the prompt completion of the relevant works.   |
| (vii) | Even though audit requested the submission of information relating to the establishment of control points, finalized demarcation of reservation boundaries, and preparation of statutory survey plans, as well as details of irrigation systems, persons who have unlawfully   | -Do-   | Information should be properly maintained in a manner that allows verification, and arrangements should be made to provide such information within the stipulated time frame. |

encroached on reservation boundaries, and tanks located within reservations, the company had failed to provide the said information up to the audit date of 21 August 2025.

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| (viii) | An external consultant had been appointed for the supervision of the activities related to this service contract and, although a sum of Rs. 3.85 million had been paid as at 31 December 2024, no information such as the work performed by him, supervision reports, or meeting minutes was submitted for audit to justify these payments.   | -Do- | -Do-  |
| (ix)   | Consultancy, technical advisory services, and project coordination related to boundary demarcation under the contract for all cascade systems had been assigned to a retired Ministry Secretary. However, there was no clearly defined basis for making payments linked to the work performed. Payments had been made to the consultant at the rate of Rs. 25,000 per full day and Rs. 15,000 per half day for physical participation in meetings and field inspections. In cases where participation in meetings was conducted through online mode, a payment of Rs. 10,000 per day had been made. Furthermore, where the consultant used his private motor vehicle for attending meetings, an allowance of Rs. 110 per kilometre had been paid. | -Do- | An approved methodology for making payments linked to the work performed should be established for payments made to the consultant. |

- (b) Due to non-compliance with the Government Procurement Guidelines in making interim payments to the subcontractor engaged for the construction of the Moragahakanda circuit bungalow and viewpoint in 2017, the Company had incurred a loss of Rs. 20.2 million.
- In this regard, the matter has been referred to the Attorney General's Department for obtaining legal advice, and discussions have been held accordingly. Further action will be taken based on the subsequent instructions to be received from them.
- Immediate action should be taken to initiate the necessary legal proceedings to recover the loss incurred. Furthermore, a formal investigation should be conducted as directed by the Committee, and a report should be submitted to the Committee accordingly.

Although it was recommended at the Committee on Public Enterprises meeting held on 21 February 2019 that a formal investigation be conducted and a report be submitted to the Committee within one month, these recommendations had not been implemented. As at the audit date of 21 August 2025, legal action to recover the said loss had not been initiated.

### 3.5 Human Resource Management

Audit Issue	Management Comment	Recommendation
<p>(a) A Civil Engineer in Grade II of Class II of the Sri Lanka Engineering Service, who is serving as Assistant Director (Procurement) of the Ministry of Irrigation and has been functioning as the Project Director of the Wewgam Pubuduwa Project since 28 September 2020, had been appointed by the Secretary of the Ministry of Irrigation on 07 January 2021 as the Chief Executive Officer and a member of the Board of Directors of the Company, without the prior written approval of the Public Service Commission. Furthermore, the appointment letter issued by the Secretary of the Ministry to the Chief Executive Officer did not specify the nature of the appointment. In</p>	<p>In respect of appointments made within the public service and appointments made on a service-provision basis, the Secretary of the relevant Ministry acts on behalf of the appointing authority, namely the Public Service Commission.</p>	<p>Approval of the Public Service Commission should be obtained for this appointment, and a formal appointment letter should be issued. Furthermore, the officer who granted the appointment shall be held responsible for assigning two additional senior positions to the same individual, in addition to his substantive post.</p>

addition, all payments made to him had been approved only by the Board of Directors.

- (b) A female officer who had served as Assistant Director (Legal) of the Sri Lanka Mahaweli Authority had been appointed by the Secretary of the Ministry of Irrigation on 31 December 2021 to the position of Company Secretary/Legal Officer of the Company. However, the appointment letter did not specify the nature of the appointment, the mode of payment of allowances, or other conditions of appointment. The officer is currently engaged in full-time duties as Director (Legal) of the Geological Survey and Mines Bureau, and she had been paid allowances for serving as Company Secretary/Legal Officer during the year 2024 at the rate of Rs. 33,700 per month from January to August 2024 and Rs. 53,700 per month from September to December 2024, amounting in total to Rs. 484,400.
- Clarifications on this matter will be submitted later.
- A formal appointment letter should be issued, and payments should be made accordingly.
- (c) A female officer appointed to the post of Development Officer of the Ministry of Irrigation on 01 January 2021 had been assigned to cover the duties of Project Manager of the Company by the former Secretary of the Ministry of Irrigation through letter No. MCB/HRD/AL/001 dated 23 February 2021, without obtaining the prior approval of the Director General of Combined Services. The said letter did not specify the period of assignment for covering duties.
- Clarifications on this matter will be submitted later.
- Approval of the appointing authority should be obtained for assigning duties of the Project Manager post, and approval of the Department of Management Services should be obtained for related payments.
- Furthermore, disciplinary action should be taken against the responsible parties

Furthermore, in terms of Paragraph 132 of Chapter IX of the Procedural Rules issued by the Public Service Commission, published in Extraordinary Gazette No. 2310/29 dated 14 December 2022 of the Democratic Socialist Republic of Sri Lanka, an officer may be appointed to act in a post only if he/she is serving in a post in the immediate lower category or an equivalent post and has satisfied all the qualifications prescribed in the service constitution or recruitment procedure applicable to that post.

for making payments without a formal appointment and the required approvals.

In this instance, this female officer, who holds a permanent non-staff cadre position in the MN-04 salary scale, had been appointed to cover the duties of a post in the senior staff category in the HM 1-3 salary scale.

In calculating the allowance for the position of Project Manager, the company had used the HM 1-3 (2016) salary code as the basis and determined the total allowance as Rs. 60,908, including other allowances, attendance allowances, and travel allowances amounting in aggregate to Rs. 11,800. Approval for this had been obtained only from the Board of Directors. However, the allowance was subsequently increased to Rs. 84,908 with effect from September 2024.

- (d) A Management Consultant had been appointed to the Company with effect from 03 December 2023, on a monthly allowance of Rs. 200,000. However, it was not

This matter will be investigated and reported.

It should be the responsibility of the relevant officers to verify whether the assigned tasks have

confirmed that the tasks assigned to him, including the preparation of the organization's business plan, corporate plan, integrated plan, development of strategies to obtain new business opportunities, and formulation of business policies, had been duly carried out.

been performed and to approve and certify payments accordingly.