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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

WSS/A/NWSDB/FA/01/2019

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

09 October 2020

The Chairman
National Water Supply and Drainage Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Water Supply and Drainage Board for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No 19 of 2018.

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Water Supply and Drainage Board (NWSDB) (“Board”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income 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 a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and Finance Act, No.38 of 1971. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



1.2 Basis for Qualified Opinion

- I. Contrary to paragraph 32 of the Sri Lanka Accounting Standard on Presentation of Financial Statements (LKAS 01), a credit balance of trade receivables and debtors collection control account amounting to Rs.9,772,912 which represent the current assets had been set off against payables and identified as non-operating liabilities in the statement of financial position at the end of the year under review. Similarly a debit balance of retention received amounting to Rs.1,078,112 which represent the current liabilities had been set off against receivables and identified as non-operating assets in the statement of financial position at the end of the year under review. Further, depreciation and deferred Income amounting to Rs.1,043,784 in respect of computer software received as grants had been set off each other without been shown separately in the financial statements.
- II. Contrary to the paragraph 07 of the Sri Lanka Accounting Standard on Statement of Cash flows (LKAS 07), a deposit made in a saving account amounting to Rs.1,361,683 had been categorized under non-current assets.
- III. As per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets amounting to Rs.1,813,275,339 still in use had not been reviewed and accounted accordingly.
- IV. As per paragraph 66 and 144 of the Sri Lanka Accounting Standard on Employee Benefits (LKAS 19), it was revealed in audit that the board had not applied an actuarial valuation method and made any actuarial assumptions and disclose them in order to measure the present value of the post-employment benefit obligation and the related current service cost during the year under review. Further, provision for retirement benefit obligation (Gratuity provision) was not made in the financial statements for the year under review as per the requirements of the paragraph 58 of the standard. Instead of that an amount equivalent to Rs.578,942,828 which was paid as gratuity (excluding project staff) during the year under review had been identified as provision of the year under review.

- V. Contrary to the provisions in the Sri Lanka Accounting Standard on Accounting for Government Grants and Disclosure of Government Assistance (LKAS 20), foreign grant balances aggregating to Rs.14,697.25 million relating to 34 Projects which remained without being amortized over a period of 8 to 12 years had been brought to the accounts as at 31 December 2019. The impact on non-amortization to the financial statements could not be ascertained in audit as there were no details available relevant to those foreign grants.
- VI. Contrary to paragraph 23 (a) of the Sri Lanka Accounting Standard on Effects of changes in Foreign Exchange Rates (LKAS 21), the board had not translated the value of five (05) US dollar fixed deposits aggregating to US\$ 84,176,147 in to rupees using the closing rate at the end of the year under review . Hence the value of fixed deposits in the financial statements had been understated by Rs.159.09 million approximately. Further exchange difference arose on translating the monetary items had not been recognized in the financial statements as per the paragraph 28 of the standard.
- VII. Contrary to the provisions in the Sri Lanka Accounting Standard on Investment Property (LKAS 40), the Carrying value of Investment Property amounting to Rs.337,781,741 had been shown as Property Plant & Equipment, instead of been shown as Investment Property as at 31 December 2019. Further, as per the paragraph 75 (f) (i) and 79 of the standard, income from Investment Property had not been disclosed and the Board had not made proper disclosures with regard to methods of depreciation, useful lives or rates of depreciation, the gross carrying amount and the accumulated depreciation at the beginning and end of the period and amount of impairment.
- VIII. During the board of survey of the year 2015, it was observed that fixed assets with an aggregate value of Rs.65,852,393 in relation to 16 water supply schemes in Kurunegala Regional office were not in usable condition and remaining as fixed assets for a long period. However, no proper action had been taken to remove them from books of accounts.

- IX. Economic Service Charges (ESC) paid during the year 2017 amounting to Rs.65,383,426 had been erroneously identified as income tax expense in the statement of comprehensive income of the year under review without making detailed income tax computation in order to recognize actual income tax expense for the year under review.
- X. Upon completion of the ADB (iv) project, three transformers which had been installed for electricity supply to the treatment plant, reservoir and raw water intake valued at Rs.106,835,381 had been transferred to the board. However, the value of assets had been shown as mobilization and other advances instead of being shown as non-current assets in the statement of financial position at the end of the year and provision for depreciation had not been made for above assets during the year under review.
- XI. As per physical verification report of Ampara Regional Office, it was observed that buildings structures and plant & equipment with an aggregate value of Rs.3,596,600 in relation to Maha Oya, Samanthurei, Uhana & Konduwattuwana cost centers had been removed from usage and structures valued at Rs.7,088,478 had been demolished. However, without taking any actions to dispose such assets, a depreciation provision of Rs.212,914 had been made for during the year under review.
- XII. As per the physical verification report of Ampara Regional Office, the assets with an aggregate value of Rs.46,361,081 were not available physically. However, a depreciation provision of Rs.946,602 had been made during the year under review.
- XIII. As per the information received, the cost of fifty-five (55) completed and commissioned Water Supply and Rehabilitation Projects amounting to Rs.1,133,341,195 had remained in the work-in-progress as at 31 December 2019 without being capitalized. Further, out of advances received for rechargeable works, a sum of Rs.12,617,859 relating to 05 projects in Kaluthara Region and western central region had already been completed. However, it had not taken to relevant income account even by 30 June 2020.
- XIV. It was observed that the Board had made prior year adjustments in the financial statements of the year 2018 and 2019 pertaining to years 2016, 2017, and 2018. As a result, the retained loss as at the end of year 2018 is distorted by Rs.117.96 million. Hence, the possibility for making adjustments to the profit for the year under review in

the forthcoming year could not be ruled out in audit. The details of such prior year adjustments made in the year under review and the previous years are given below.

Year	Amount Debited Rs.	Amount Credited Rs.	Net effect to the accumulated Profit Rs.
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2018	8,086,792	108,922,950	100,836,158
2017	18,821,712	140,160,044	121,338,332
2016	243,896,877	139,680,704	(104,216,173)

XV. In respect of seven (07) Projects, the balances aggregating to Rs.198,729,791 shown under the work-in-progress are remained unchanged over ten years without being investigated in order to make necessary adjustments in the financial statements.

XVI. As per audit test check carried, it was observed that Interest income received and withholding tax deducted thereon amounting to Rs.15,302,077 and Rs.1,125,718 respectively with regard to three (03) fixed deposits had not been accounted. Further, Interest received on three (03) US dollar deposits amounting to US\$ 91,395.37 had been recorded in the financial statements in dollar terms instead of converting in to rupees. Hence, the interest income, withholding tax receivables and bank balances had been understated by Rs.15,619,025, Rs.780,502 and Rs.14,838,523 respectively. And also accrued interest income of Rs.137 million in respect of four (04) US dollar deposits had not been recorded in the books of account. In addition to that interest received amounting to Rs.3,457,862 on another deposit account for the period 08 November 2019 to 08 December 2019 had not been accounted.

XVII. Accrued interest income on another fixed deposit amounting to Rs. 1,130,959 had been accounted twice, while accrued interest on another fixed deposit amounting to Rs.352,247 had not been accounted.

- XVIII. Out of the opening balance of interest income receivable on BOC fixed deposits amounting to Rs.71,040,247, only a sum of Rs.49,702,919 had been recovered during the year under review. Hence, the remaining balance of Rs.21,337,328 had not been properly identified and accounted during the year under review.
- XIX. Long outstanding balances of assets and liabilities amounting to Rs.149,681,812 and Rs.72,141,419 respectively which includes other debtors, advances, trade creditors, unclaimed salaries, etc. which had been charged to a suspense account during previous years had been charged to the respective accounts during the year under review and identified as non-operating assets and non-operating liabilities without taken actions to clear such balances. Further, an unidentified balance of Rs.95,796,513 and bank balances of Rs.5,906,882 remained in the above mentioned balance as non-operating assets without taking actions to investigate and settled.
- XX. Stolen stocks in Kelaniya region four years back amounting to Rs.2,549,787 had been included in the inventory as at 31 December 2019. Actions had not been taken to recover such losses from respective officers.
- XXI. Accuracy and completeness of three (03) items of fixed assets such as Land Free Hold, Building Free Hold and Partitions could not be ascertained in audit due to an aggregate absolute difference of Rs.105,427,971 existed in value of Property Plant and Equipment between fixed asset registers of Vavuniya, Batticaloa, Kalutara, Panadura regional offices, regional support centre (Sabaragamuwa) and corresponding schedules furnished to audit.
- XXII. Differences of Rs.139,689,087 in trade debtors and Rs.95,689,900 in new connection debtors were observed between balances shown in the financial statements and the balances shown in the age analysis schedule submitted by the commercial division of the Board. However, actions had not been taken to reconcile the above differences except trade debtors amounting to Rs.264,575,461 and Rs.121,051,407 in Kelaniya and Uva Region respectively.

- XXIII. An un-reconciled difference of Rs.149.49 million was observed between the value of metered sales and bulk sales shown in the reports of commercial section and the financial statements.
- XXIV. A difference aggregating to Rs.12,243.47 million was observed in foreign grants of Kandy City Waste Water Management Project and Dry Zone Urban Water and Sanitation Project when compared financial statements of the board with the financial statements of the respective projects. Out of the difference of Rs.8,482.62 million in Kandy City waste Water Management Project, reason for the difference of Rs.8,425.68 million had only been submitted to the audit. Further, difference of Rs.3,760.86 million in Dry Zone Urban Water and Sanitation Project due to posting error had not been corrected in books of accounts of the board even by 30 March 2020.
- XXV. As per the audit test check carried out, an aggregate difference of Rs.431.5 million was observed between the work- in- progress balance shown in the financial statements of the Board and the corresponding balances shown in the individual financial statements of four Foreign Funded Projects.
- XXVI. An unidentified debit balances and credit balances amounting Rs.20,139,121 and Rs.19,487,118 respectively shown in the bank reconciliations in respect of four (04) banks accounts had not been cleared.
- XXVII. The evidences indicated against each item shown below had not been furnished to audit.

Item	Value	Evidences not Made Available
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	Rs.	
(a) New Connection Debtors	156,043,490	Detailed schedules and age analysis
(b) Special Bonus & Festival Advances	1,211,506	Detailed schedules



(c) Distress Loans and vehicle loans & other employee Loans	16,446,209	Detailed schedules
(d) Other Debtors	78,817,838	Detailed schedules
(e) Non- moving & Slow- moving Stocks	1,039,566,195	Age analysis
(f) Property, Plant & Equipment	53,226,240,081	Fixed Asset Registers and Verification Reports
(g) Trade Creditors	68,854,475	Detailed schedules
(h) Other Creditors	332,650,903	Detailed schedules
(i) Tax expense	65,383,426	Detailed income tax computation for the year
(j) Lease Creditors	3,190,775	Bank confirmations
(k) Short Term Deposits in Other Institutions	13,211,058	Detailed schedules

XXVIII. Based on the directions given by the Director General of Department of Public Enterprises by his letter of PE/WS/NWSDB/GEN/2015 dated 08 July 2015 and as per the Cabinet Decision taken on 04 February 2016, the outstanding loans balance amounting to Rs.85,106,439,687 which had been obtained for the projects commenced after the year 2014 had been transferred to Government Equity account with effect from year 2015. However, as per the records of the General Treasury an amount equivalent to Rs.59,348,887,214 had been capitalized as loans payable on behalf of the National Water Supply and Drainage Board. Hence, it was observed that an amount equivalent to Rs.25,757,552,473 which payable by the board as foreign loans had been transferred to Government Equity without any approval.

XXIX. As compared with the confirmation received from banks in respect of outstanding loan balance of two (02) foreign funded projects and three (03) Local Bank projects with the balances in financial statements, it was observed that outstanding loan balance as per financial statements had been overstated by Rs.292,455,446. Further, as compared with

the confirmations received from banks in respect of accrued interest on loans of nine (09) local funded projects, it was observed an overprovision of Rs.7,558,250 had been made.

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 Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 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 skepticism throughout the audit. I also:

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

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

2. Report on Other Legal and Regulatory Requirements

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

- Except for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year final report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for paragraph 1.2(II), 1.2(III), 1.2(IV), 1.2(V), 1.2(VI), 1.2(XII), 1.2(XVI), 1.2(XX), 1.2(XXV).

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

- to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Laws/Direction	Description
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(a) General Manager's Circulars	
(i) Admin/12/2015 of 12 August 2015	Within three months after the disconnection legal actions should be taken to recover outstanding debtors. However, legal actions had not been taken to recover the outstanding debtors aggregating to Rs.481,739,086 in respect of 2,089 disconnected debtors whose bill value over Rs.50,000
(ii) Admin/09/2018 of 26 Sep 2018 Section (02)	Monthly rent equivalent to the market rent and 12.5 percent of surcharge from salary shall be charged from employees who occupies quarters more than 5 years. However. Penalty rent (rent including surcharge) amounting to Rs.2,326,566 from 17 employees in Regional Support Centre (South) for the year under review and Rs.656,732 from 04 employees in Monaragala Manager office from September 2018 to December 2019 had not been recovered even as at 31 July 2020 although they have occupied quarters over 5 years.
(b) Management Services Circular No. 30 of 22 September 2006	Approval of the Department of Management Services for the Scheme of Recruitment and Promotion Procedure of the Board had not been obtained.
(c) Public Finance Circular No. 02/2016 of 12 February 2016	Trade receivables with regard to stand post connections in Jaffna amounting to Rs.5,390,596 had been written off without obtaining the treasury approval.

- (d) Public Enterprise Circular No.01/2015 of 25 May 2015
- (i) Section 2 Two vehicles had been allocated for Chairman, Vice Chairman and Working Director of the Board.
- (ii) Section 3.1 Exceeding the approved limits a sum of Rs.1,590,251 had been spent as fuel expenses for the vehicles allocated to Chairman, Vice Chairman and Working Director during January 2019 to August 2019. Further, a sum of Rs.463,427 had been spent as fuel expenses of Deputy General Manager and Assistant General Manager and Regional Manager in regional support center (south) during January 2019 to October 2019.
- (e) Section 2
Part 3.1,18.15 (c) of the Facility Agreement of Gampaha, Aththanagalla & Minuwangoda Integrated Water Supply Project
Out of the loan proceeds disbursed, a sum of Rs.15,273.76 million had been invested in five (05) US dollar deposit accounts in 08 October 2019.
- (f) Management Audit Circular No.1/2017 of 15 February 2017
Only one Internal Auditor had been appointed for the Development Projects which funded by foreign financing.
- (g) Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003,
During the year under review, the Board had paid a sum of Rs.22.03 million as salaries and allowances of eighteen (18) employees who had been released to the Line Ministry by 31 December 2019. Accordingly, Ministry of Water Supply should reimburse Rs.168.45 million to the Board for the employees released from December 2015 to 31 December 2019.

- to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;
 - I. Under the Katana Water Supply Project a sub contract had been awarded at a contract value of Rs.67,368,370 to construct a ground water reservoir and a pump house with a capacity of 1000m³ by using contingency provisions of project. However, a sum of Rs.8,084,204 had been charged as profit margin by the main contractor when remitting funds to subcontractor through the interim payment certificates submitted to the Board without actively mediating in procurements activities relevant to the subcontract.
 - II. Three thousand one hundred ninety two (3192) water meters spare parts which are not in usable condition and hundred and forty four (144) bulk meters spare parts with an aggregate value of Rs.8,692,053 had remained in Rathmalana workshop over two years without being used for intended purpose as at the end of the year under review.
 - III. Six thousand four hundred thirty four (6434) water meters valued at Rs.54,253,067 in ten different diameters had remained in the main stores over one year without being used for intended purpose at the end of the year under review. Further, it was observed that the warranty period of certain water meters had already been expired.
 - IV. A generator with a capacity of KVA 2000 installed during the year 2007 in Katugasthota treatment plant had been repaired by incurring a sum of Rs.15 million on 28 March 2016. However, after 2 years from the installation and completing 189 hours, out of 1500 warranty hours and 05 years of warranty period as at 01 April 2019, a break down occurred and no actions had been taken to get it repaired even by 30 March 2020.

- V. With respect to eight foreign funded projects a considerable delay ranging from 184 days to 1825 days was observed due to poor performance of the contractors, delay in land clearance, environmental and resettlement issues, delay in contract awarding, low quality of PE pipes supplied by the contractor etc.
- VI. Even though the contract of Giridara Water Supply Project had been awarded to the selected bidder at a contract sum of Rs.513.28 million which is 29.71 percent less than the engineering estimate. However, the Technical Evaluation Committee (TEC) had not obtained rate analysis from the contractor to prove, how the bidder intends to procure such items, Works and Services as per the quoted rates as per section 7.9.11 (a) of the Government Procurement Guideline.
- VII. Two Alum pumps with a capacity of 1m³ had been procured at a cost of Rs.3,895,000 (47 percent more than the engineering estimate) in April 2016 for Matale water treatment plant. However none of the above pumps had been utilized for intended purpose even as at 30 March 2020.
- VIII. Contrary to Section 14.6 of FIDIC Guidelines (Conditions of Contract for Construction), payments had been made for bills less than 2.5 percent of total contract value on interim payments certificates No.01 and 02 in Matara Stage (iv) Water Supply Project.
- IX. Contrary to the bill of quantity (BOQ) of Colombo District Town East Water Supply Project (Package 1 and 3), an excess payment of Rs.732.07 million had been paid for temporary road reinstatement for 267,188 meters due to usage of excavated soil for backfilling purpose. And also as compared with the prevailed rate of the National Water Supply & Drainage Board during the year 2018, an excess payment of Rs.79.79 million had been paid for 10,000 water meters imported for package (iii). Even though brass union is a part of the water meter and is being supplied as a part of the water meter, it had been separately included in the bill of quantity. Hence, a separate payment of Rs.25.32 million had been done for package (i) and (iii) for supplying of brass unions.

3. Other Audit Issues

- I. Trade debtors, new connection debtors, sewerage debtors and other debtors aggregating to Rs.1,392 million had remained over two years without being recovered. Out of that 54 per cent represents in Colombo, Kelaniya, Kotte and Dehiwala regions.
- II. A sum of Rs.3,637,204 in respect of 17 water connections given to ministers quarters had remained without being recovered as at the end of the year under review. Out of that a sum of Rs.2,268,899 had remained over two years without being recovered.
- III. Outstanding disconnected debtors as at 31 December 2019 was Rs.1,328,616,496. Out of that debtors amounting to Rs. 1,049,623,385 which equivalent to 79 percent had remained outstanding over two years without being recovered.
- IV. As per the financial statements of the Board, the receivable from Sri Jayewardenepura Hospital was Rs.7,712,773. However, as per the financial statements of the Sri Jayewardenepura Hospital it was shown as Rs.2,201,854.
- V. No legal actions had been taken to recover the advances given to contractors in Regional Support Center (Central) during the year 2003 to 2008 aggregating to Rs.8,177,506 and advances given by head office amounting to Rs.26,103,612 during the year 2009 to 2012.
- VI. Short term deposits aggregating to Rs.47,430,495 deposited in external institutions including Road Development Authority, Colombo Municipal Council, Provincial Road Development Authority and Municipal Treasurer had remained outstanding over three years without being recovered. Further, an advance kept at line ministry amounting to Rs.4,378,828 had remained outstanding over seven years without being recovered and due to unavailability of detailed information it could not be verified in audit.
- VII. Contractor's retention and refundable tender deposits amounting to Rs.1839.2 million and Rs.3.19million respectively had remained over three years without being released to relevant parties or to treat them as income. Further, no evidences were made available for audit to verify whether the contracts related to those retentions and deposits had been completed.

- VIII. The Board had purchased a land to construct a Wastewater Treatment plant under Galle Area Wastewater Disposal Project and the Department of Valuation valued this land as Rs.71.5 million. A sum of Rs.21.25 million equivalent to 30 percent of the land value had been given on April 2014 to the land owner as advance on the recommendation of senior legal officer of the Board. However, a court case had been filed to recover the advance paid, due to dispute regarding the ownership of the land occurred subsequently. However, the land already occupied some families and existing owner had removed the soil from the land after receiving the advance. The advance paid and penalty thereon had not been recovered from the land owner or the responsible officers of the Board even as at 31 July 2020.
- IX. A fraud amounting to Rs.1,145,235 committed by a meter reader in Kaluthara region during the year 2008 to 2017 had not recovered from the responsible parties even as at 31 July 2020.
- X. Cash frauds amounting to Rs.248.44 million committed at Trincomalee, Kelaniya and Ampara regions during the year 1999 to 2006 had not recovered from responsible parties even as at 31 December 2019. Further, another Cash fraud amounting to Rs.272,735 committed at Bandarawela Region during the year 2001 had not recovered from responsible persons even as at 31 December 2019.
- XI. As per audit test check carried out regarding the fraud committed by meter readers during the year 2017 to 2019, two frauds had been committed in Monaragala Region, two frauds committed in Kaluthara and Central Region. Further, out of frauds committed in Wellawaya in Monaragala Region, the loss occurred due to rejection of bill payments by consumers had not been recovered even as at 31 January 2020.
- XII. As per the financial statements, the imported stocks in transit as at 31 December 2019 was Rs.876.23 million. Out of that stocks amounting to Rs.162.92 million had remained over two years as stocks in transit without being investigated.
- XIII. Out of total production of 746.2 million cubic meters of treated water, 186.1 million cubic meters which equivalent to 25 per cent is regarded as non-revenue water of the year under review. The value of non-revenue water had been brought to the accounts as normal cost

instead of being separately accounted, though it makes a significant loss to the Board due to leakage, unlawful connections, free supply and administrative inefficiencies etc. Further, the non-revenue water in Colombo city had recorded 41 percentage while Galle, Kegalle, Rathnapura, Hambanthota, Bandarawela, Kandy and Trincomalee regions had recorded over 25 percent during the year under review.

- XIV. An amount equivalent to Rs.1,561,573 had been incurred as default interest due to delay in repayment of installment by the board in respect of two (02) projects which was funded by local banks.
- XV. Due to delay in clearance of raw material containers from the port, an amount aggregating to Rs.376.52 million had been incurred as demurrages with regard to Polgahawela, Pothuhera, Alawwa integrated water supply project, Deduru Oya Water Supply project, Anamaduwa Water Supply Project and Kelani Right Water Supply Project Phase (ii) implemented during the year under review.
- XVI. It was observed that 28 connections had been given to Housing Development Authority and the annual consumption of the year under review was 1,246,157 cubic meters which equivalent to billing income of Rs.44.52 million. However, it had not invoiced even as at 31 December 2019.
- XVII. When compared with the prevailed market rates, an additional payment of Rs.21 million had been paid to the contractor for the construction of buildings in Deduru Oya Water Supply Project.
- XVIII. The abnormal debit balance in rechargeable works amounting to Rs.6,005,215 in north central ground water section and an abnormal credit balance in cash in transit amounting to Rs.665,580 had not been cleared even by 30 June 2020.
- XIX. Actions had not been taken to dispose the obsolete stocks valued at Rs.29,180,175 and it had been included in the financial statement of the year 2019.
- XX. Board of Survey for the year 2019 had not been completed even by 31 July 2020.



- XXI. No actions had been taken in respect of un presented cheques amounting to Rs.24,081,457 which remains without presented for more than six months.
- XXII. 461 number of Condemned Articles in Matara stores and 43 articles in Monaragala District identified during the stock verification of the year 2018, had not been disposed even by 31 March 2020.

W.P.C. Wickramaratne

Auditor General