

# NATIONAL WATER SUPPLY AND DRAINAGE BOARD



**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2023**

## AKNOWLEDGEMENT

The National Water Supply and Drainage Board established under the Act no 02 of 1974, Nationally assembled in Sri Lanka in January 1975.

The Financial Statements of the National Water Supply and Drainage Board are prepared under the sub section 77 and 78 of Part five of the Act No 02 of 1974.

The Board Act directs to apply the provisions of the Finance Act No 38 of 1971, Part three of Financial year of the Government and Public Institutions, where it states that the financial year of the Government and of every public institution shall be the period of twelve months commencing on the first day of January of each year.



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# National Water Supply And Drainage Board

## STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2023

	Note	Budget 2023 Rs.	Actual 2023 Rs.	Restated 2022 Rs.
Revenue (Net of VAT)	7	66,580,892,981	61,852,288,555	35,464,465,620
Cost of Sales	8	(34,716,858,475)	(32,843,783,000)	(23,144,554,365)
<b>Gross Profit</b>		31,864,034,506	29,008,505,555	12,319,911,255
Other Operating Income and Gains	9	1,239,727,165	4,284,862,995	1,289,485,096
Administrative Expenses	10	(17,689,396,579)	(14,841,148,486)	(14,051,648,238)
Other Operating Expenses	11	(850,000,000)	(1,338,398,898)	(347,081,649)
<b>Operating Profit / (Loss)</b>		14,564,365,091	17,113,821,167	(789,333,536)
Finance Income	12	2,015,541,000	3,121,158,211	2,006,866,677
Finance Cost	13	(2,964,299,201)	(14,948,454,251)	(3,917,340,209)
<b>Profit / (Loss) Before Tax</b>		13,615,606,891	5,286,525,126	(2,699,807,068)
Income Tax	14	-	-	-
<b>Profit / (Loss) for the Year</b>		13,615,606,891	5,286,525,126	(2,699,807,068)

Accounting Policies and Notes from pages 7 to 29 form an integral part of these Financial Statements. Further, summarized version of above statement of comprehensive income is included in note no 38 of these statements.



# National Water Supply And Drainage Board

## STATEMENT OF OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2023

	Budget 2023 Rs.	Actual 2023 Rs.	Restated 2022 Rs.
Profit / (Loss) for the Year	<u>13,615,606,891</u>	<u>5,286,525,126</u>	<u>(2,699,807,068)</u>
<b>Other Comprehensive Income for the Year.</b>			
Exchange Gain/Loss on Loan Conversion	-	1,730,809,012	(181,137,567)
<b>Total Other Comprehensive Income for the Year</b>	<u>-</u>	<u>1,730,809,012</u>	<u>(181,137,567)</u>
<b>Total Comprehensive Income for the Year</b>	<u>13,615,606,891</u>	<u>7,017,334,139</u>	<u>(2,880,944,635)</u>

Accounting Policies & Notes from pages 7 to 29 form an integral part of these Financial Statements.

# National Water Supply And Drainage Board

## STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> December 2023

		Actual 2023 Rs	Restated 2022 Rs.
<b>Assets</b>	<b>Note</b>		
<b>Non- Current Assets</b>			
Property ,Plant & Equipment	15	409,227,568,841	279,650,028,501
Intangible Assets	16	1,925,979,889	27,831,140
Capital Work in Progress	17	482,561,943,621	584,529,397,340
Investment Property	18	319,319,640	322,819,561
Financial Assets	19	434,368	434,368
<b>Total Non Current Assets</b>		<b>894,035,246,359</b>	<b>864,530,510,910</b>
<b>Current Assets</b>			
Non Operating Assets	20	149,748,448	149,748,448
Inventories	21	19,075,065,611	14,362,634,874
Trade & Other Receivables	22	18,659,706,881	11,999,080,309
Deposits & Advances	23	18,742,571,261	29,349,835,341
Investments	24	13,969,122,470	13,202,089,119
Escrow Account	25	16,836,510,365	18,887,579,277
Cash & Cash Equivalents	26	5,559,826,600	4,089,500,617
<b>Total Current Assets</b>		<b>92,992,551,636</b>	<b>92,040,467,984</b>
<b>Total Assets</b>		<b>987,027,797,995</b>	<b>956,570,978,895</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Government Equity	27/28	111,684,749,118	115,301,123,678
Staff Welfare & Other Funds	29	21,665,392	23,656,876
Retained Earnings		(7,520,971,107)	(14,530,556,088)
Government Grant	30	155,526,551,042	123,523,371,754
Capital Grants	31	306,202,462,123	307,547,893,553
<b>Total Equity</b>		<b>565,914,456,567</b>	<b>531,865,489,773</b>
<b>Non-Current Liabilities</b>			
Loan Payable	32	247,152,906,252	282,368,872,833
Other Deferred Liabilities	33	4,432,379,812	4,435,065,261
<b>Total Non Current Liabilities</b>		<b>251,585,286,064</b>	<b>286,803,938,094</b>
<b>Current Liabilities</b>			
Non Operating Liabilities	20	51,287,805	51,287,805
Trade & Other Payables	34	65,305,058,757	69,519,289,028
Loan Capital Payable	32	74,672,171,838	52,475,160,647
Loan Interest Payable		29,499,536,965	15,855,813,547
<b>Total Current Liabilities</b>		<b>169,528,055,365</b>	<b>137,901,551,028</b>
<b>Total Equity and Liabilities</b>		<b>987,027,797,995</b>	<b>956,570,978,895</b>

R.M.A.S. Weerasena  
Addl.G.M.(Finance)

Ruwan S. Liyanage  
General Manager

Eng. Ruwan Liyanage  
General Manager  
National Water Supply & Drainage Board  
Rathmalana

The Accounting Policies and Notes to the Accounts on pages 07 to 29 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf

Nishantha Ranatunga  
Chairman

W.M.S.B. Wijekoon  
Vice Chairman

Sanjeewa Wijekoon  
Vice Chairman  
National Water Supply and Drainage Board

Colombo  
28<sup>th</sup> February 2024

Nishantha Ranatunga  
Chairman  
National Water Supply & Drainage Board  
C-11, P.O. - Colombo 11

# National Water Supply And Drainage Board

## STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2023

		Opening Capital				Staff Welfare	Accumulated	
		Balance	Government Grants	Government Equity	Capital Grants	& Other Funds	Profit/Loss	Total
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 January 2022</b>		185,480,387	117,548,897,076	100,263,323,220	292,054,996,873	33,115,808	(13,221,886,077)	496,863,927,288
<b>Prior Year Adjustments</b>								
Assets/WIP Recognized and Derecognized	36.1.1	-	-	-	-	-	108,720,438	108,720,438
Depreciation adju.for Assets Recognized and Derecognized	36.1.2	-	-	-	-	-	2,132,019,795	2,132,019,795
Financial Assets	19	-	-	-	-	-	(1,500,083)	(1,500,083)
Cash in Hand	26	-	-	-	-	-	1,500,083	1,500,083
Investments	24	-	-	-	-	-	(18,887,579,277)	(18,887,579,277)
Escrow Account	25	-	-	-	-	-	18,887,579,277	18,887,579,277
Trade & Other Payables	36.2	-	-	-	-	-	(7,735,927)	(7,735,927)
Inventories	36.2	-	-	-	-	-	7,368,976	7,368,976
Trade & Other Receivables	36.2	-	-	-	-	-	(659,277,280)	(659,277,280)
Opening Capital Balance	36.2	(185,480,387)	-	185,480,387	-	-	-	-
Capital Grants	36.2	-	-	-	23,129,503	-	(23,129,503)	-
<b>Restated Balance as at 1 January 2022</b>		-	117,548,897,076	100,448,803,607	292,078,126,376	33,115,808	(11,663,919,578)	498,445,023,290
Net Profit for the Year		-	-	-	-	-	(2,880,944,635)	(2,880,944,635)
Assets Recognized and Derecognized	36.1.1	-	-	-	-	-	(11,641,298)	(11,641,298)
Receipts / Transfers During the Year		-	5,974,474,678	-	15,469,062,254	-	-	21,443,536,932
Loan to Equity Conversion	36.2	-	-	14,852,320,071	-	-	-	14,852,320,071
Trade & Other Payables	36.2	-	-	-	-	-	122,170	122,170
Trade & Other Receivables	36.2	-	-	-	-	-	12,531,425	12,531,425
Inventories	36.2	-	-	-	-	-	4,541,819	4,541,819
Capital Grants	36.2	-	-	-	704,924	-	(704,924)	-
Transfers to Staff Welfare Fund		-	-	-	-	(9,458,932)	9,458,932	-
<b>Restated balance as at 31 December 2022</b>		-	123,523,371,754	115,301,123,678	307,547,893,554	23,656,876	(14,530,556,088)	531,865,489,774
Net Profit for the Year		-	-	-	-	-	7,017,334,139	7,017,334,139
Receipts / Transfers During the Year		-	8,614,531,477	-	1,345,431,431	(9,740,642)	-	7,259,359,405
Loans Conversion to Equity		-	-	19,772,273,249	-	-	-	19,772,273,249
Equity Conversion to Grants		-	23,388,647,810	(23,388,647,810)	-	-	-	-
Transfers to Staff Welfare Fund		-	-	-	-	7,749,157	(7,749,157)	-
<b>Balances as at 31 December 2023</b>		-	155,526,551,042	111,684,749,118	306,202,462,123	21,665,392	(7,520,971,107)	565,914,456,567

Accounting Policies & Notes from pages 7 to 29 form an integral part of these Financial Statements.



# National Water Supply And Drainage Board

## STATEMENT OF CASH FLOW

Year Ended 31 December 2023

	Note	Actual 2023 Rs.	Restated 2022 Rs.
<b>Cash Flows from/(used in) Operating Activities</b>			
Net Profit/(Loss) Before Tax		5,286,525,126	(2,699,807,068)
<i>Adjustments for</i>			
Interest Income	12	(3,121,158,211)	(2,006,866,677)
Profit/Loss on disposal of Fixed Assets		4,069,440	3,875,213
Depreciation	10.2	5,064,881,306	4,682,308,694
ESC Written Off			33,795,903
Retiring Gratuity Provision	33.1	1,058,795,842	241,893,010
Interest Expense	13	14,948,454,251	3,917,340,209
<b>Operating Profit/ (Loss) before Working Capital Changes</b>		<b>23,241,567,755</b>	<b>4,172,539,285</b>
(Increase)/Decrease in Inventories		(4,712,430,738)	(4,499,029,105)
(Increase)/Decrease in Debtors, Receivables & Deposits		3,946,637,507	(2,483,180,183)
Increase/(Decrease) in Creditors, Provisions & Deposits		(4,216,915,720)	29,428,822,174
<b>Cash Generated from Operations</b>		<b>18,258,858,805</b>	<b>26,619,152,171</b>
Tax Paid		-	-
Gratuity Paid	33.1	(1,058,795,842)	(241,893,010)
<b>Net Cash from/ (Used in) Operating Activities</b>		<b>17,200,062,963</b>	<b>26,377,259,161</b>
<b>Cash Flows from/(used) in Investing Activities</b>			
Investments in Fixed Assets & Work-In-Progress		(21,683,744,755)	(145,817,310,300)
Financial Assets		-	(44,671)
Sale Proceeds for Disposal Assets		3,442,549	9,138,224
Investment Income Received		3,121,158,211	2,006,866,677
(Investment) / Withdrawal of Investments		(892,339,463)	(7,740,263,539)
<b>Net Cash Flows From/ (used in) Investing Activities</b>		<b>(19,451,483,458)</b>	<b>(151,541,613,609)</b>
<b>Cash Flows from/ (used in) Financing Activities</b>			
Government Grant during the Period		8,614,531,478	5,974,474,678
Capital Grant during the period		871,460,644	18,269,721,332
New Loans and Equity including currency conversion adjustments		24,678,244,985	119,574,514,646
Loan Repayments/Received		1,114,127,965	(10,059,071,890)
Interest Paid		(31,556,618,593)	(8,740,614,116)
<b>Net Cash Flows From/ (used in) Financing Activities</b>		<b>3,721,746,479</b>	<b>125,019,024,651</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		<b>1,470,325,984</b>	<b>(145,329,798)</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>		<b>4,089,500,617</b>	<b>4,234,830,415</b>
<b>Cash &amp; Cash Equivalents at the End of the Period</b>		<b>5,559,826,600</b>	<b>4,089,500,617</b>

The Accounting Policies and Notes on pages 7 to 29 form an integral part of the Financial Statements.

**NATIONAL WATER SUPPLY AND DRAINAGE BOARD**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2023**



National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended 31 December 2023

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**1. CORPORATE INFORMATION**

**1.1 General**

National Water Supply & Drainage Board is a statutory board enacted by the National State Assembly under the National Water Supply & Drainage Board Law No. 2 of 1974. The registered office of the board is located at Galle Road, Ratmalana, and the principal place of business is situated at the same location.

National Water Supply & Drainage Board (NWS&DB) is an institution under the purview of the Ministry of Water Supply and Estate Infrastructure Development.

**1.2 Principal Activities**

The principal activity of the Board is to supply treated drinking water to the community.

The objectives of the National Water Supply & Drainage Board are to develop treated drinking water throughout the country and its accessibility among the people of Sri Lanka.

**1.3 Going Concern**

The Management has made an assessment of the Board's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Board's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Board. Therefore, the Financial Statements continue to be prepared on the going concern basis.

**2. BASIS OF PREPARATION**

**2.1 Statements of Compliance**

The financial statements which comprise the statement of comprehensive income, statement of other comprehensive income, statement of financial position, statement of changes in equity, and the statement of cash flows, together with the accounting policies and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

**2.2 Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis except for financial instruments and other financial assets and liabilities held for trading that have been measured at fair value and liabilities for defined benefit obligation are recognized as at the present value of the defined benefit obligation.

**2.3 Presentation of Currency**

The financial statements are presented in Sri Lankan Rupees (LKR), which is the Board's functional and presentation currency.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property Plant and Equipment**

Property, plant, and equipment are stated at cost, net of accumulated depreciation, and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant, and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant, and equipment are required to be replaced at intervals, NWS&DB recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.



The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

### 3.1.1 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant Property and Equipment	Rate
Building & Structures	1.67% - 2%
Plant & equipment pumping treatment	5%
Service & Bulk water meter	10%
Transmission & Distribution:	1.67%
Equipment	10%
Furniture & fittings	10%
Computers Peripherals & Mobile Phones	20% - 33.3%
Motor Vehicles	10% - 20%
Investment Property	2%
Leaschold Vehicles	14.30%

### 3.1.2 Capital Work In Progress

Capital expenses incurred during the year, which are not capitalized as of the reporting date are shown as capital work in progress, whilst the capital assets which have been capitalized during the year and put to use have been transferred to Property Plant & Equipment.

### 3.1.3 Investment Property

When the use of a property changes from owner-occupied to another party is classified as Investment Property and the Investment Property is measured at cost less accumulated depreciation. Such activity is disclosed to comply with the LKAS 40.

### 3.1.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement depends on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### 3.1.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred. Acquisition of computer software is recognized as an intangible asset and amortized over the period of 7 years.

### 3.1.6 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when NWS&DB can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development



Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

### **3.1.7 Impairment of Non-Financial Assets**

The NWS&DB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NWS&DB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit (CGU) fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

### **3.2.1 Inventories**

Inventories are valued at cost or net realizable value whichever is lower after making allowance for obsolete and slow-moving items which are valued at a 'weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.

#### **Measurement of Inventories**

### **3.2.2 Cost of Inventories**

#### **Raw Materials**

Cost of purchases together with any incidental expenses.

#### **Other Stocks**

Cost is arrived at weighted average basis.

### **3.3. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and bank balances and short-term investment, net of outstanding bank overdrafts if any.

## **4. LIABILITIES, PROVISIONS, AND EQUITY**

### **4.1. Retirement Benefit Obligation**

#### **4.1.1 Retirement Benefit Obligations (LKAS 19)**

##### **a) Defined Benefit Plan – Gratuity**

Provision has been made for retiring gratuity from the first year of service for all employees, in conformity with Sri Lanka Accounting Standard No. 19 (LKAS 19). The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the long-term nature of these plans, such estimates

are subject to significant uncertainty. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, it is considered the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on the expected future salary increase rate of the Board.

**b) Retirement Benefit Cost**

NWS&DB operates a defined benefit pension plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. Past service costs are recognized immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less unrecognized past service costs, and less the fair value of plan assets out of which the obligations are to be settled.

Retirement benefit obligation is measured through the service of an actuarial valuer every three years intervals and maintains such liability over the period of three years in line with the salary revision. Hence, the gratuity liability that occurred for the next two consecutive years is treated as an expense immediately after the actuarial liability is identified in the first year.

**Defined Contribution Plans- EPF & ETF**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Board contributes 12% and 3% of the gross emoluments of employees to EPF and ETF respectively.

**4.2 Provisions**

**General**

Provisions are recognized when NWS&DB has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When NWS&DB expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to provisions presented in the income statement net of any reimbursement.

**4.3 Government Grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When NWS&DB receives non-monetary grants, the asset and the grant are recorded at nominal amounts and recognized in profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is treated as a government grant.

The Cabinet Paper No 20/0974/204/029-VI is to provide necessary budgetary allocations as equity contributions for the NWSDB to settle interest and other costs which will be arisen from loans facilitated by the General Treasury for the period of 15 years, and the capital portion of such loans is being recognized as equity.



**5. STATEMENT OF COMPREHENSIVE INCOME**

For the presentation of the statement of comprehensive income, the function of the expenses method is adopted, as it represents fairly the elements of NWS&DB performance.

**5.1.1 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the NWS&DB and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment.

The following specific recognition criteria must also be met before revenue is recognized.

**Sale of Goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**Sale of Water**

Revenue from the sale of water is recognized according to the number of consumed units within 30 days of the time by the consumer, when the meters are read, and when bills are processed within the system.

**Other Income**

Other income is recognized on an accrual basis.

**Interest Income**

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

**Rechargeable Works**

Revenue from fixed-price construction contracts is recognized on the full completion of the contract.

**5.1.2 Expenses**

All expenditures incurred in the running of the business have been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

**5.2 Deferred Tax**

The NWS&DB is having massive deductible tax losses and other deductible expenses including interest against the tax liability. Hence, it is unlikely that arising of tax liability in the foreseeable future period therefore, NWS&DB does not adjust deferred tax in Financial Statement.

**6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT**

**6.1 Financial Asset**

**6.1.1 Initial Recognition and Measurement**

Financial assets within the scope of SLFRS 9 are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable to transaction costs.

The financial assets of NWS&DB include cash and short-term investment, trade and other receivables, staff loans, and other receivables.

**6.1.2 Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follows

**6.1.2.1 Financial Assets at Fair value Through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired to sell or repurchase in the near term. NWS&DB did not have any financial assets at fair value through profit or loss during the years ended.

**6.1.2.2 Financial Assets at Amortized Cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The NWS&DB measures financial assets at amortized cost if both of the following conditions are met. (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. The NWS&DB's financial assets at amortized cost include trade receivables and short-term investments.

**6.1.2.3 Financial Assets at Fair Value Through Other Comprehensive Income**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The NWS&DB measures debt instruments at fair value through OCI if both of the following conditions are met. (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and; (i) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line items in the income statement.

The financing of loans is implemented as per the Cabinet Decision number १३ ७/ 16/0158/719/005 where 50% of the capital and interest of the loan on urban water supply projects, 75% of the rural water supply projects and 100% of the sewerage and wastewater projects are borne by the General Treasury.



**6.1.2.4 Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

- i) The rights to receive cash flows from the asset have expired
- ii) NWS&DB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) NWS&DB has transferred substantially all the risks and rewards of the asset, or
  - (b) NWS&DB has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**6.1.2.5 Impairment of Financial Assets**

The NWS&DB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default, or delinquency, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**6.2 Financial Liabilities**

**Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS/SLFRS are classified as financial liabilities at fair value through profit or loss, at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. NWS&DB determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs. NWS&DB's financial liabilities include trade and other payables.

**Subsequent Measurement**

Subsequent measurement of financial liabilities is at amortized cost.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

		Actual	Restated
		2023	2022
		Rs.	Rs.
<b>7. REVENUE</b>			
Metered Sales		57,536,590,323	32,532,771,267
Bulk Sales		724,372,233	368,826,738
Bowser Supply		288,595,778	220,555,486
Income from Main Operations	7.1	<u>3,302,730,221</u>	<u>2,342,312,129</u>
		<u>61,852,288,555</u>	<u>35,464,465,620</u>
<b>7.1 Income from Main Operations</b>			
Income Related to New Connection and Other Main Operations		4,785,380,943	3,378,289,321
Capital Recovery Charges		598,101,986	675,254,528
Expense Related to New Connection		<u>(2,080,752,708)</u>	<u>(1,711,231,719)</u>
		<u>3,302,730,221</u>	<u>2,342,312,129</u>
<b>8. COST OF SALES</b>			
Personnel Cost		7,964,033,215	8,220,144,775
Pumping Cost		13,784,944,713	7,240,988,228
Chemicals		2,988,136,090	1,997,344,741
Repairs & Maintenance		3,832,180,334	2,238,794,112
Establishment Expenses		1,424,860,986	1,147,429,361
Rent, Rates, Taxes, Security & Other Expenses		2,578,676,744	2,140,613,453
Rebates		<u>270,950,919</u>	<u>159,239,696</u>
		<u>32,843,783,000</u>	<u>23,144,554,365</u>
<b>9. OTHER OPERATING INCOME</b>			
Other Income	9.1	4,263,606,324	1,274,213,626
Staff Loan Benefit		<u>21,256,671</u>	<u>15,271,470</u>
		<u>4,284,862,995</u>	<u>1,289,485,096</u>
<b>9.1 Other Income</b>			
Water Reclamation and Ground Water Income		533,747,896	360,993,999
Miscellaneous Income including Surcharge, Penalties etc.		<u>3,729,858,429</u>	<u>913,219,627</u>
		<u>4,263,606,324</u>	<u>1,274,213,626</u>

# National Water Supply And Drainage Board

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

		Actual 2023 Rs	Restated 2022 Rs.
<b>10. ADMINISTRATIVE EXPENSES</b>			
Repairs & Maintenance		399,823,843	330,285,852
Establishment Expenses		1,720,871,423	1,353,095,724
Rent,Rates,Taxes, Security & Other Expenses		1,013,983,391	626,521,293
Staff Cost	10.1	6,630,588,524	7,048,436,675
Depreciation	10.2	5,064,881,306	4,682,308,694
Audit Fee to National Audit Office		11,000,000	11,000,000
		<u>14,841,148,486</u>	<u>14,051,648,238</u>
<b>10.1 Staff Cost</b>			
Staff Cost on Loan Granted		21,256,671	15,271,470
Personnel Cost		<u>6,609,331,853</u>	<u>7,033,165,205</u>
		<u>6,630,588,524</u>	<u>7,048,436,675</u>
<b>10.2 Depreciation</b>			
Building and Structures		1,966,466,559	1,655,542,744
Investment Property		4,786,778	4,786,778
Plant & Machinery		5,715,815,369	4,725,589,394
Equipment's		830,170,179	544,265,735
Furniture and Fittings		58,354,564	47,241,525
Computers & Peripherals		134,623,770	92,955,512
Motor Vehicles		<u>479,445,550</u>	<u>419,988,068</u>
Total Depreciation		9,189,662,770	7,490,369,756
Less: Depn. for Grant funded Assets		(4,133,092,575)	(2,797,207,561)
Less: Depn. for Rechargeable funded Assets		(14,072,128)	(12,804,308)
Add: Amortization of Intangible Assets		<u>22,383,240</u>	<u>1,950,807</u>
Depreciation Cost		<u>5,064,881,306</u>	<u>4,682,308,694</u>
Depreciation amounting 397,942,706 has been adjusted to the year 2022			
<b>11. OTHER OPERATING EXPENSES</b>			
Bad & Doubtful Debts		279,603,056	5,215,319
Provision for Obsolete Stock		-	43,886,872
Retiring Gratuity		1,058,795,842	241,893,010
Economic Service Charges		-	33,795,903
Revenue Grant		<u>-</u>	<u>22,290,544</u>
		<u>1,338,398,898</u>	<u>347,081,649</u>
<b>12. FINANCE INCOME</b>			
Investment Income		<u>3,121,158,211</u>	<u>2,006,866,677</u>
		<u>3,121,158,211</u>	<u>2,006,866,677</u>
<b>13. FINANCE COST</b>			
Interest On Loans		45,200,342,011	21,426,834,484
Less: WIP charged/Capitalized Interest on Construction Projects		<u>(30,251,887,760)</u>	<u>(17,509,494,275)</u>
		<u>14,948,454,251</u>	<u>3,917,340,209</u>
<b>14. INCOME TAX</b>			

As per the tax computation accumulated tax loss LKR 53,825,662,374.00 in Tax return for the 2022/23 tax year no tax liability was identified for the current year.



# National Water Supply And Drainage Board

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

### 15. PROPERTY, PLANT AND EQUIPMENT

15.1 Gross Carrying Amounts	Restated Balance As at 01.01.2023 Rs.	Additions after Adjustments Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.12.2023 Rs.
<b>Cost</b>					
<b>Freehold Assets</b>					
Land Freehold	8,557,002,181	154,563,963.91	(66,995,937)	(2,028,350)	8,642,541,858
Land Leasehold	607,050,265	-	63,401,803	-	670,452,068
Infrastructure	10,674,107,232	3,968,524,599	36,818,374	-	14,679,450,205
Building - Freehold	25,149,910,234	13,565,482,376	(38,595,427)	(2,893,000)	38,673,904,183
Structures	61,564,091,338	32,910,258,615	7,220,243	(117,774)	94,481,452,421
Plant & Equipment-Pumping & Treatment	53,185,252,461	19,661,800,896	(114,372,345)	(144,500)	72,732,536,512
Service Meter	(159,074)	664,400	-	-	505,327
Bulk Water Meter	912,117,008	506,711,939	(537,524)	-	1,418,291,423
Transmission & Distribution	156,939,559,561	68,380,924,479	(470,776,664)	(56,750)	224,849,650,625
Mobile Equipment's	1,531,358,729	434,586,993	(39,377,567)	(609,078)	1,925,959,077
Survey Equipment's	167,292,588	4,514,182	(2,389,797)	-	169,416,973
Laboratory Equipment's	1,020,499,670	393,837,980	10,089,722	(452,700)	1,423,974,671
Other Equipment	6,639,570,856	1,656,459,373	(1,999,338)	(2,579,543)	8,291,451,347
Furniture & Fittings-Computer	834,814,787	131,311,991	(2,447,477)	(7,268,110)	956,411,190
Computers & Periparels	1,056,006,584	441,248,709	(3,100,865)	(10,626,945)	1,483,527,483
Motor Vehicles Cars	2,784,134,417	(91,280,212)	79,119,102	(7,300,000)	2,764,673,306
Vans Busses & Jeeps	393,160,207	5,015,360	(15,059,830)	-	383,115,738
Lorries & Trucks	1,167,907,110	135,377,136	(77,501,416)	-	1,225,782,830
Tractors & Trailers	68,204,567	37,625	(37,625)	(350,000)	67,854,567
Water Bowsers, Heavy Vehicles	2,055,954,886	54,383,265	(34,611,598)	-	2,075,726,552
Motor Cycles	29,231,557	1,584,824	-	(7,531)	30,808,850
Three Wheelers	56,237,477	-	-	-	56,237,477
<b>Total Value of Depreciable Assets</b>	<b>335,393,304,641</b>	<b>142,316,008,491</b>	<b>(671,154,167)</b>	<b>(34,434,282)</b>	<b>477,003,724,684</b>

National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

15.2 Depreciation	Restated Balance As at 01.01.2023 Rs.	Charge for the Period Rs.	Adjustments Rs.	Disposal Rs.	Balance As at 31.12.2023 Rs.
<b>Depreciation Freehold Assets</b>					
Land Freehold	-	-	-	-	-
Land Leasehold	-	-	-	-	-
Infrastructure	1,554,046,079	231,329,474	5,906,589	-	1,791,282,141
Building - Freehold	3,266,545,693	568,925,800	25,556,284	(921,093)	3,860,106,684
Structures	8,834,698,139	1,166,211,286	129,724,041	(14,259)	10,130,619,207
Plant & Equipment					
Pumping & Treatment	16,969,166,706	2,799,003,777	753,986,035	(64,062)	20,522,092,457
Service Meter	77,611	-	-	-	77,611
Bulk Water Meter	468,958,300	89,179,819	64,062	-	558,202,181
Transmission & Distribution	16,571,777,413	2,827,631,773	1,305,966,800	(7,187)	20,705,368,799
Mobile Equipment's	768,451,057	144,284,333	1,685,445	(542,168)	913,878,667
Survey Equipment's	48,066,505	15,982,703	324,249	(452,700)	63,920,757
Laboratory Equipment's	631,978,413	87,949,524	4,778,990	-	724,706,927
Other Equipment	2,265,973,660	581,953,619	503,199,390	(1,681,893)	3,349,444,776
Furniture & Fittings-					
Computer	446,660,278	58,354,564	(18,611,648)	(5,674,572)	480,728,623
Computers & Peripherals	858,271,522	134,623,770	39,160,726	(10,289,704)	1,021,766,314
Motor Vehicles Cars	1,661,427,428	273,865,531	33,503,738	(6,935,000)	1,961,861,696
Van Busses & Jeeps	256,185,708	36,323,107	23,129,098	-	315,637,913
Lorries & Trucks	485,927,899	61,411,854	10,438,070	-	557,777,822
Tractors & Trailers	36,611,167	5,306,168	2,364,900	(332,500)	43,949,735
Water Bowsers, Heavy					
Vehicles	589,641,773	99,550,466	53,758,641	-	742,950,880
Motor Cycles	16,631,647	2,010,001	(9,407)	(7,155)	18,625,087
Three Wheelers	12,179,144	978,422	-	-	13,157,566
	<u>55,743,276,140</u>	<u>9,184,875,993</u>	<u>2,874,926,003</u>	<u>(26,922,293)</u>	<u>67,776,155,843</u>

National Water Supply And Drainage Board  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended 31 December 2023

**15. PROPERTY, PLANT AND EQUIPMENT (Contd...)**

	Actual	Restated
<b>15.3 Net Book Values</b>	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
Land Freehold	8,642,541,858	8,557,002,181
Land Leasehold	670,452,068	607,050,265
Infrastructure	12,888,168,064	9,120,061,154
Building - Freehold	34,813,797,499	21,883,364,541
Structures	84,350,833,214	52,729,393,199
Plant & Equipment-Pumping & Treatment	52,210,444,055	36,216,085,755
Service Meter	427,716	(236,685)
Bulk Water Meter	860,089,242	443,158,708
Transmission & Distribution	204,144,281,826	140,367,782,148
Mobile Equipment's	1,012,080,410	762,907,672
Survey Equipment's	105,496,217	119,226,084
Laboratory Equipment's	699,267,744	388,521,257
Other Equipment's	4,942,006,571	4,373,597,196
Furniture & Fittings-Computer	475,682,567	388,154,509
Computers & Peripherals	461,761,169	197,735,062
Motor Vehicles Cars	802,811,610	1,122,706,989
Van Busses & Jeeps	67,477,825	136,974,499
Lorries & Trucks	668,005,006	681,979,211
Tractors & Trailers	23,904,832	31,593,400
Water Bowsers, Heavy Vehicles	1,332,775,672	1,466,313,113
Motor Cycles	12,183,764	12,599,910
Three Wheelers	43,079,911	44,058,334
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>409,227,568,841</b>	<b>279,650,028,501</b>

**15.4** Gross carrying amount of fully depreciated Property, Plant and Equipments as at 31.12.2023 Rs 3,673,802,221 (31.12.2022, Rs 330,521,913,168 )

National Water Supply And Drainage Board  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended 31 December 2023

	Actual 2023 Rs.	Restated 2022 Rs.
<b>16. INTANGIBLE ASSETS</b>		
Computer Software	1,959,247,289	27,831,140
Accumulated Amortization	(33,267,401)	-
	<u>1,925,979,889</u>	<u>27,831,140</u>

During the year Rs 33,267,401 has been provided for amortization for the above software and new software amounting to 1,931,516,649 was added.

<b>17. CAPITAL WORK IN PROGRESS</b>		
Construction Work	37.2 474,989,516,343	576,493,295,506
Rehabilitation	37.2 7,572,427,278	8,036,101,834
	<u>482,561,943,621</u>	<u>584,529,397,340</u>

**18. INVESTMENT PROPERTY**

The Building constructed by the NWS&DB at Sunil Mawatha, Battaramulla currently occupied by the Ministry of Water Supply and Estate Infrastructure Development is recognized as Investment Property according to the LKAS 40 - Investment Property. Total rent income identified for the year is Rs. 21,420,000

	Land 2023 Rs	Building 2023 Rs	Total 2023 Rs	Total 2022 Rs
<b>Cost</b>				
Balance as at 31.12.2022	138,500,000	239,339,891	377,839,891	376,553,034
<b>Depreciation</b>				
Opening Balance	-	53,733,473	53,733,473	48,946,695
Charge for the Period	-	4,786,778	4,786,778	4,786,778
Closing Balance	-	58,520,251	58,520,251	53,733,473
<b>Net Book Value</b>	<u>138,500,000</u>	<u>180,819,640</u>	<u>319,319,640</u>	<u>322,819,561</u>



# National Water Supply And Drainage Board

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

	Actual 2023 Rs.	Restated 2022 Rs.
<b>19. FINANCIAL ASSETS</b>		
HDFC Investment for Staff Housing Loans	434,368	434,368
	<u>434,368</u>	<u>434,368</u>
<b>20 NON OPERATING ASSETS AND LIABILITIES</b>		
Non Operating Assets	149,748,448	149,748,448
Non Operating Liabilities	(51,287,805)	(51,287,805)

The non operating asset balance of Rs.149,748,448 and non operating liability balance of Rs.51,287,805 appear from the year 1999 and it could not be investigated due to non accessibility of the required documents. Action is in progress to write off the said balances in the year 2024.

## 21 INVENTORIES

PVC Steel Pipes	37.2	13,082,405,385	9,866,926,506
Water Meter & Fitting & Brass Items	37.2	1,601,642,430	1,027,204,561
Chemical Materials	37.2	580,622,199	554,560,999
Electricals	37.2	1,157,769,338	991,516,452
Building Materials	37.2	291,255,282	325,355,005
Pump & Spare Parts	37.2	1,733,552,819	1,195,638,191
Vehicle Spare Parts	37.2	199,657,650	211,622,127
Stationary & Office Equipment's	37.2	85,821,120	82,857,870
Other Items	37.2	1,115,599,483	1,025,542,894
Stock Adjustments	37.2	(200,486,745)	(249,425,778)
		<u>19,647,838,962</u>	<u>15,031,798,826</u>
<b>Less- Major Spares</b>			
Property Plant and Equipment at Stores		(330,665,368)	(388,318,570)
Provision for Obsolete Stock		(242,107,983)	(280,845,382)
		<u>19,075,065,611</u>	<u>14,362,634,874</u>

National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

		Actual 2023 Rs.	Restated 2022 Rs.
<b>22 TRADE AND OTHER RECEIVABLES</b>			
Trade Debtors	37.2	14,614,267,136	8,309,580,399
Other Debtors	37.2	780,462,863	410,878,977
Less : Debtors Impairment		(1,787,552,803)	(1,513,035,567)
Debtors Collection Control		702,568,312	878,471,133
VAT Receivable		16,539,685	14,691,746
WHT Receivable		362,506,912	246,511,503
ESC Receivable		-	-
Advances to Staff		7,999,174	10,570,122
Loans to Employees		3,195,276,606	2,910,547,500
Dues from General Treasury		-	-
Receivable on Interest & Others		767,638,995	730,864,496
		<u>18,659,706,881</u>	<u>11,999,080,309</u>
<b>23 DEPOSITS AND ADVANCES</b>			
Pre Payments		1,937,000	270,946
Mobilization and Other Advances		18,320,668,036	28,948,686,972
Deposits	37.2	<u>419,966,225</u>	<u>400,877,424</u>
		<u>18,742,571,261</u>	<u>29,349,835,341</u>
<b>24 INVESTMENTS</b>			
Financial Assets (Including rechargeable funded investments)		<u>13,969,122,470</u>	<u>13,202,089,119</u>
		<u>13,969,122,470</u>	<u>13,202,089,119</u>
LKR 16,836,510,365 was reclassified from investments to Escrow Account in the year.			
<b>25 ESCROW ACCOUNT</b>			
Escrow Account		<u>16,836,510,365</u>	<u>18,887,579,277</u>
		<u>16,836,510,365</u>	<u>18,887,579,277</u>
LKR 16,836,510,365 was separately identified as Escrow account. This value was reclassified from investments.			
<b>26 CASH AND CASH EQUIVALENTS</b>			
Cash in Bank		5,272,461,136	3,832,751,317
Cash Imprests Head Office		3,700,000	1,525,000
Cash Imprests Regions		8,410,670	5,866,110
Cash in Transit		210,841,265	189,165,139
Bank of Ceylon Saving - II		1,538,814	1,500,083
Savings Account		<u>62,874,715</u>	<u>58,692,967</u>
		<u>5,559,826,600</u>	<u>4,089,500,617</u>
<b>27 OPENING BALANCE OF TREASURY</b>			
This balance was transferred to equity in restated 2022 financial statements as per the instructions received from treasury			
<b>28. GOVERNMENT EQUITY</b>			
Loans to Equity Conversion		97,599,284,805	101,215,659,366
Government Contribution (Bond)		<u>14,085,464,312</u>	<u>14,085,464,312</u>
		<u>111,684,749,118</u>	<u>115,301,123,678</u>

As per the Cabinet Paper No 17/0918/714/023 it was authorized to convert the loans as at 31.12.2014 of the NWS&DB to be converted as equity of the General Treasury. Accordingly the disbursements of the said loans after 01.01.2015 were also treated as equity of the General Treasury. Subsequently at the meeting held on 2020.09.29 it was directed by the State Accounts of the Treasury to treat Rs.23,388,647,810 of such converted equity to be treated as Government Grants. Accordingly the necessary approvals were obtained and the said change is made in the year 2023.

National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

		Actual 2023 Rs.	Restated 2022 Rs.
<b>29. STAFF WELFARE &amp; OTHER FUNDS</b>			
Opening Balance		23,656,876	33,115,808
Received/(Paid) During the Year		(1,991,484)	(9,458,932)
		<u>21,665,392</u>	<u>23,656,876</u>
<b>30. GOVERNMENT GRANT</b>			
Treasury Grant		155,526,551,042	123,523,371,754
		<u>155,526,551,042</u>	<u>123,523,371,754</u>
<b>31. CAPITAL GRANTS</b>			
Foreign Grants	37.2	303,839,764,740	305,363,655,745
Local Grants		2,362,697,383	2,184,237,808
		<u>306,202,462,123</u>	<u>307,547,893,553</u>
<b>32. LOAN PAYABLE</b>			
Foreign Loans		223,552,494,634	253,349,944,793
Local Loans		23,600,411,618	29,018,928,041
Long term Portion of Loan Payable		247,152,906,252	282,368,872,833
Current Portion of Loan Payable		74,672,171,838	52,475,160,647
<b>Loan Payable</b>		<u>321,825,078,089</u>	<u>334,844,033,481</u>
The interim policy of GOSL is to introduce a standstill of servicing external public debts, for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment program supported by the IMF. Hence, the portion of such loans which are paid by the GOSL is remained outstanding until such period.			
<b>33. OTHER DEFERRED LIABILITIES</b>			
Provision for Defined Benefit Plan	33.1	4,368,425,143	4,368,425,143
Customer and Employee Security Deposits		63,954,669	66,640,117
		<u>4,432,379,812</u>	<u>4,435,065,261</u>
<b>33.1 Movement of Retiring Gratuity Provision</b>			
Balance at the Beginning of the Period		4,368,425,143	4,368,425,143
Add Provision for the Period		1,058,795,842	241,893,010
Less: Gratuity Payments During the Period		(1,058,795,842)	(241,893,010)
Provision for Defined Benefit Plan		<u>4,368,425,143</u>	<u>4,368,425,143</u>
<b>34. TRADE AND OTHER PAYABLES</b>			
Rechargeable Work - Customer Advances	37.2	3,865,646,412	8,861,379,467
Contractors Retention		15,958,853,245	18,358,832,037
Creditors Control	37.2	10,532,556,587	9,017,828,111
Other Creditors		427,733,989	400,204,587
Accrued Expenses		30,967,261,835	30,017,594,587
Deposits		2,113,436,131	1,950,040,101
VAT Payable		1,192,383,103	695,593,486
With Holding Tax		469,003	19,122
Salaries and Other Payables		246,718,450	217,797,531
		<u>65,305,058,757</u>	<u>69,519,289,028</u>



**National Water Supply And Drainage Board**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended 31 December 2023

**35. RELATED PARTY TRANSACTIONS**

**Transactions with State and State Controlled Entities**

In the normal course of its operations, the Board enters into transactions with related parties. Related parties include the Government of Sri Lanka (State: as the ultimate owner of the Board), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by the Board with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually significant.

**36. EVENTS AFTER THE BALANCE SHEET DATE**

All the material events after the balance sheet date have been considered and appropriate adjustments and disclosures have been made to the financial statement, where necessary. Followings are ascertained to be disclosed.

<u>Nos</u>	<u>Case No</u>	<u>Court</u>	<u>Complainant</u>	<u>The Accused</u>	<u>Amount may be (paid) or received</u>
1	M/8713	Kalutara District Court	NWS&DB	NSS Liyanage	3,052,879.23
2	7157/M/2012	Mt Lavinia District Court	NWS&DB	MP Fernando	4,777,348.87
3	7158/2012/M	Mt Lavinia District Court	NWS&DB	A Mabulage	53,328,839.04
4	7156/2012/M	Mt Lavinia District Court	NWS&DB	HV Kumaranayeka	190,335,023.30
5	M/994/22	Kilinochchi District Court	NWS&DB	L Alwis and Others	7,453,887.00
7	34383/M	Anuradhapura District Court	RKRI Ranasinghe	NWS&DB	(600,000.00)
	M/R/1207/23	Theldeniya District Court	M W J P Kumara	NWS&DB	(10,000,000.00)
8	M/9675	Galle District Court	PB Lionel	NWS&DB	(600,000.00)
9	DSC/86/23	Mahanuwara District Court	S Bandara & Others	NWS&DB	(1,100,000.00)
10	8131/19/M	Mt Lavinia District Court	NWS&DB	JM Karunarathne	21,450,000.00
11	DMR/00168/18	Colombo District Court	MF Vadooth	NWS&DB	(100,000,000.00)
	<b>Total</b>				<b><u>168,097,977.44</u></b>

# National Water Supply And Drainage Board

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

### 37. PRIOR YEAR ADJUSTMENTS

- 37.1 NWSDB assets were revalued by obtaining the service of the Department of Valuation in which NWSDB involves an immense assets base. Accordingly, the revalued amount of assets was taken to the books in the year 2010 and those values have been continuing as deemed the cost of PPE at present to which some adjustments were required retrospectively. Further, under the Assets Management System (AMS) implementation, some asset categorizations were amended in 2023. Hence, the net effect of Rs. 2,683,137,853 had been adjusted to the gross carrying amount of PPE, and Rs. 435,057,807 had been adjusted for depreciation as of 31.12.2022 as follows.

#### 37.1.1 Gross Carrying Amounts

Cost	Balance As at 31.12.2022 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2022 Rs.
<b>Freehold Assets</b>			
Land Freehold	8,695,502,176	(138,499,995)	8,557,002,181
Land Leasehold	607,050,265	-	607,050,265
Infrastructure	10,658,103,494	16,003,738	10,674,107,232
Building - Freehold	25,414,531,711	(264,621,477)	25,149,910,234
Structures	61,686,219,221	(122,127,883)	61,564,091,338
Plant & Equipment Pumping & Treatment	53,159,019,053	26,233,408	53,185,252,461
Service Meter	505,327	(664,400)	(159,074)
Bulk Water Meter	910,351,723	1,765,285	912,117,008
Transmission & Distribution	156,995,565,131	(56,005,571)	156,939,559,561
Mobile Equipment's	1,644,106,063	(112,747,334)	1,531,358,729
Survey Equipment's	164,683,481	2,609,107	167,292,588
Laboratory	1,004,951,833	15,547,837	1,020,499,670
Other Equipment	5,952,378,958	687,191,898	6,639,570,856
Furniture & Fittings-Computer	731,796,657	103,018,130	834,814,787
Computers & Peripherals	1,069,656,302	(13,649,717)	1,056,006,584
Motor Vehicles Cars	2,663,162,657	120,971,759	2,784,134,417
Van Busses & Jeeps	398,175,566	(5,015,359)	393,160,207
Lorries & Trucks	1,303,284,246	(135,377,136)	1,167,907,110
Tractors & Trailers	68,242,191	(37,624)	68,204,567
Water Browsers, Heavy Vehicles	2,080,588,146	(24,633,261)	2,055,954,886
Motor Cycles	29,172,583	58,974	29,231,557
Three Wheelers	56,237,477	-	56,237,477
<b>Total Value of Depreciable Assets</b>	<b>335,293,284,262</b>	<b>100,020,379</b>	<b>335,393,304,641</b>

# National Water Supply And Drainage Board

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

37.1.2 Depreciation	Balance As at 31.12.2022 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2022 Rs.
<b>Freehold Assets</b>			
Land Freehold	-	-	-
Land Leasehold	-	-	-
Infrastructure	1,559,538,754	(5,492,676)	1,554,046,079
Building - Freehold	3,398,885,270	(132,339,577)	3,266,545,693
Structures	8,966,491,907	(131,793,768)	8,834,698,139
Plant & Equipment Pumping & Treatment	17,705,589,545	(736,422,839)	16,969,166,706
Service Meter	77,611	-	77,611
Bulk Water Meter	469,482,086	(523,785)	468,958,300
Transmission & Distribution	17,853,795,813	(1,282,018,400)	16,571,777,413
Mobile Equipment's	799,472,346	(31,021,289)	768,451,057
Survey Equipment's	47,511,267	555,237	48,066,505
Laboratory	635,633,441	(3,655,028)	631,978,413
Other Equipment	2,405,750,460	(139,776,800)	2,265,973,660
Furniture & fittings-computer	446,660,278	-	446,660,278
Computers & Peripherals	887,360,733	(29,089,211)	858,271,522
Motor Vehicles Cars	1,599,769,996	61,657,432	1,661,427,428
Van Busses & Jeeps	287,133,659	(30,947,951)	256,185,708
Lorries & Trucks	544,789,208	(58,861,309)	485,927,899
Tractors & Trailers	38,765,268	(2,154,101)	36,611,167
Water Bowsers, Heavy Vehicles	651,469,406	(61,827,633)	589,641,773
Motor Cycles	16,615,922	15,724	16,631,647
Three Wheelers	12,179,144	-	12,179,144
<b>Total Value of Depreciation</b>	<u>58,326,972,114</u>	<u>(2,583,695,973)</u>	<u>55,743,276,140</u>



National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended 31 December 2023

37.2 In addition to the prior year adjustments for Property Plant & Equipment's, the following items also have been adjusted retrospectively.

	Balance As at 31.12.2022 Rs.	Prior Year Adjustments Rs.	Adjustments For 2022 Rs.	Restated Balance As at 31.12.2022 Rs.
<b>Other Operating Expenses (Note 11)</b>				
Economic Service Charges	-	-	33,795,903	33,795,903
<b>Income Tax (Note 14)</b>				
Economic Service Charges	33,795,903	-	(33,795,903)	-
<b>Intangible Assets (Note 16)</b>				
Computer Software	27,730,640	100,500	-	27,831,140
<b>Capital Works in Progress (Note 17)</b>				
Rehabilitation	8,037,522,604	1,513,416	(2,934,186)	8,036,101,834
Construction Work	576,871,469,510	(378,174,004)	-	576,493,295,506
<b>Investment Property (Note 18)</b>				
Cost	-	328,259,620	-	328,259,620
Accumulated Depreciation	-	53,054,474	-	53,054,474
<b>Financial Assets (Note 19)</b>				
Bank of Ceylon Saving - II	1,500,083	(1,500,083)	-	-
<b>Inventories (Note 21)</b>				
PVC Steel Pipes	9,866,282,779	556,843	86,884	9,866,926,506
Water Meter & Fitting & Brass Items	1,023,697,365	-	3,507,196	1,027,204,561
Chemical Materials	554,560,999	-	-	554,560,999
Electricals	989,815,754	1,700,698	-	991,516,452
Building Materials	325,355,005	-	-	325,355,005
Pump & Spare Parts	1,189,453,847	6,184,343	-	1,195,638,191
Stationary & Office Equipment's	82,857,870	-	-	82,857,870
Other Items	1,025,634,644	-	(91,750)	1,025,542,894
Stock Adjustments	(249,392,359)	(1,072,908)	1,039,489	(249,425,778)
<b>Trade And Other Receivable (Note 22)</b>				
Trade Debtors	8,309,580,399	-	-	8,309,580,399
Dues from General Treasury	659,277,280	(659,277,280)	-	-
Other Debtors	398,347,552	-	12,531,425	410,878,977

37.2 In addition to the prior year adjustments for Property Plant & Equipment's, the following items also have been adjusted retrospectively. (Cont'd)

	Balance As at 31.12.2022 Rs.	Prior Year Adjustments Rs.	Adjustments For 2022 Rs.	Restated Balance As at 31.12.2022 Rs.
<b>Deposits &amp; Advances (Note 23)</b>				
Deposits	400,877,424	-	-	400,877,424
<b>Investments (Note 24)</b>				
Financial Assets (Including rechargeable funded investments)	32,089,668,396	(18,887,579,277)	-	13,202,089,119
<b>Escrow Account (Note 25)</b>				
Escrow Account	-	18,887,579,277	-	18,887,579,277
<b>Cash &amp; Cash Equivalents (Note 26)</b>				
Cash In Bank	3,832,751,317	-	-	3,832,751,317
Bank of Ceylon Saving - II	-	1,500,083	-	1,500,083
<b>Assets taken over from Government Dept. (Note 27)</b>				
Assets taken over from Government Dept.	185,480,387	(185,480,387)	-	-
<b>Government Equity (Note 28)</b>				
Government Contribution (bond)	13,899,983,925	185,480,387	-	14,085,464,312
<b>Capital Grant (Note 31)</b>				
Foreign Grants	305,339,821,319	23,129,503	704,924	305,363,655,745
<b>Trade And Other Payable (Note 34)</b>				
Rechargeable Work - Customer Advances	8,862,915,143	(1,413,505)	(122,170)	8,861,379,467
Creditors Control	9,008,678,679	9,149,432	-	9,017,828,111

National Water Supply And Drainage Board  
NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2023

	Actual 2023 Rs.	Restated 2022 Rs.
<b>38. Summarized Statement of Income</b>		
<b><u>Revenue</u></b>		
Metered and Bulk Supply	58,549,558,334	33,122,153,491
New Connection and Others	3,302,730,221	2,342,312,129
<b>Total</b>	<b>61,852,288,555</b>	<b>35,464,465,620</b>
<b><u>Cost of Sales</u></b>		
Personnel Cost	7,964,033,215	8,220,144,775
Pumping Cost	13,784,944,713	7,240,988,228
Chemicals	2,988,136,090	1,997,344,741
Repairs & Maintenance	3,832,180,334	2,238,794,112
Establishment Expenses	1,424,860,986	1,147,429,361
Rent, Rates, Taxes, Security & Other Expenses	2,578,676,744	2,140,613,453
Rebates	270,950,919	159,239,696
<b>Total</b>	<b>32,843,783,000</b>	<b>23,144,554,365</b>
<b>Gross Profit</b>	<b>29,008,505,555</b>	<b>12,319,911,255</b>
Other Operating Income and Gains	4,284,862,995	1,289,485,096
<b><u>Other Cost</u></b>		
Administrative Expenses	(9,776,267,180)	(9,369,339,544)
Other Operating Expenses	(1,338,398,898)	(347,081,649)
<b>Earning before Interest, Tax, Depreciation &amp; Amortization (EBITDA)</b>	<b>22,178,702,473</b>	<b>3,892,975,158</b>
<b>Depreciation</b>	<b>(5,064,881,306)</b>	<b>(4,682,308,694)</b>
<b>Earning before Interest &amp; Tax (EBIT)</b>	<b>17,113,821,167</b>	<b>(789,333,536)</b>
Finance Income	3,121,158,211	2,006,866,677
Finance Cost	(14,948,454,251)	(3,917,340,209)
<b>Profit / (Loss) Before Tax</b>	<b>5,286,525,126</b>	<b>(2,699,807,068)</b>
Income Tax (Economic Service Charges)	-	-
<b>Profit / (Loss) for the Year</b>	<b>5,286,525,126</b>	<b>(2,699,807,068)</b>





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

WAS/A/NWSDB/FA/01/2023

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

31 May 2024

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 2023 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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income and the statement of 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 2023, 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**

### **1.2.1 Deviating from application of Sri Lanka Accounting Standards (LKAS/SLFRS)**

- (a) Prior year adjustments had been done for the assets and depreciation in each and every year since the year 2012 due to weakness in internal controls relating to the assets classification. As a result of that, opening retained earnings of the year 2023 had been changed by Rs. 2,584 million and profit of previous years disclosed in audited financial statements were materially changed by providing incorrect information to users of those financial statements.
- (b) The fully depreciated fixed assets in relation to 16 categories, amounting to Rs.3.67 billion were being continuously utilized by the Board, had not been reviewed annually to revise the estimated useful lifetime as per the paragraph 51 of the Sri Lanka Accounting Standard LKAS 16.
- (c) It was revealed that the foreign grant balances aggregating to Rs.7,004 million in respect of 26 Projects and a sum of Rs. 334 million relating to one project had remained without being amortized over 15 years and 12 years respectively in the financial statements as at 31 December 2023, contrary to the provisions in the Sri Lanka Accounting Standard (LKAS 20).
- (d) Government grant, foreign grant and Local grant received for projects amounting to Rs. 42,267 million had remained over three years without being amortized and the Impact on non-amortization to the financial statements could not be ascertained in audit, since no details were submitted to the audit.
- (e) Without identifying expected credit losses as per the paragraph 5.5 of the Sri Lanka Financial Reporting Standard on Financial Instruments (SLFRS 09), a provision of Rs.47 million had been made for impairment for sewerage debtors and other debtors based on a fixed rate as at 31 December 2023.
- (f) Leased hold assets valued at Rs.670 million had been disclosed as lease hold land under the free hold lands in notes to the financial statements without being

disclosed as right of use assets as per the requirement of the para 51 of the SLFRS 16. Further, the Board had not charged the depreciation for right to use assets during the lease period and the impact on depreciation as at 31 December 2023 could not be ascertained due to lack of evidence.

- (g) As per the Section 3.2.1 of accounting policies submitted with the financial statements, provision had not been made for slow moving stocks amounting to Rs.1,106 million. Further, no procedure had been developed to identify the nature of the classification of inventory at the stock verification.
- (h) Even though the loan obtained for Water Supply Projects represent 75 per cent of the total liabilities of the Board, the only minimum required information relating to loans had been disclosed as to comply with the minimum requirement of the LKAS 01. However, other required information for users understanding had not been disclosed. Further, Subsidiary loan amount of Rs.8,717 million obtained from the Government had not been properly classified for users understanding and Loan obtained for Jaffna Killinochchi water supply Project had also categorized as direct loan instead of subsidiary loan even there is a subsidiary loan agreement. Difference of Rs.4,274 million was observed between the balances shown in the financial statements of the Board and the balances shown in the financial statements of state accounts regarding the loan No.3348.
- (i) The Board had not disclosed the details of comparison of income tax expense (income) of the current year with the previous year as per the required by the LKAS 12.
- (j) Prior year adjustments which needed to present under the specific line items such as financial assets, cash in hand, Investments, Escrow accounts in the financial statements as per the LKAS 01. However, it had been erroneously recorded in the equity statements. Further, transactions on assets recognized and derecognized, trade and other payables, trade and other receivables and inventories aggregating to Rs.29 million had been recognized to the retained earnings in equity statements instead of restating the income statements of the year 2022.



- (k) Disclosures in relation to the related party transactions such as directors' emolument and retirement gratuity had not been made in the financial statements as per the requirements of LKAS 24.
- (l) The Board had charged Rs.2,597 million of rechargeable advances given by customers in previous years to the current year income statement as other operating income and gain instead of recognizing profit from rechargeable works in respective years. The expenses relevant for these rechargeable works had been recognized in respective previous years' income statements. Therefore, profit of the year under review had been overstated by similar amount.
- (m) Indemnity liability of Rs.1,208 million recommended by the Committee appointed by the Mathara District Secretary to decide the indemnity for the farmers affected inundation due to the construction of Nilwala salinity barrier from 2019 to 2022 had not been disclosed in the financial statements as required by the paragraph 86 of the LKAS 37.

### **1.2.2 Accounting Deficiencies**

- (a) Amounting to Rs. 1,378 million out of total grant received Rs.5,294 million incurred as demurrages in relation to Water for all Project had been set off against the grant received from the General Treasury for that Project in contrary to the paragraph 4.3 of notes to the financial statements. Further, It had not been properly disclosed as per the requirement of the paragraph 39 of SLAS 20.
- (b) As per note No. 3.2.1 of accounting policies submitted with the financial statements, the balance of inventory at the end of the year under review should be valued at weighted average cost method. However, audit test check revealed that the inventory balance derived from the management information system had not complied with the weighted average cost method due to abnormal price deviations between stock receipts and issues and amount of Rs. 200 million of abnormal price deviations had been deducted from the stock value as stock adjustments during the year under review. Hence, accuracy of balance of inventories in the financial statements could not be verified in audit.

- (c) As compared with the confirmations received from banks, in respect of accrued interest on loans of two foreign funded projects and three local funded projects, audit revealed that an over provision of Rs.1,195 million had been made in the financial statements. Therefore, the work in progress balance had been overstated by similar amount.
- (d) As per the information received, the cost of sixty eight (68) completed and commissioned Projects amounting to Rs.25,697 million had remained in the work-in-progress as at 31 December 2023 without being capitalized. Therefore, the property, plant and equipment relevant for the year had been understated by similar amount. Further, depreciation on such assets had not been made during the year under review.
- (e) The balances aggregating to Rs.199 million relating to 05 Projects shown under the work-in-progress are remained unchanged over thirteen years without being investigated to identify the reasons and to make necessary adjustments in the financial statements even this matter is reiterated from previous years. No impairment test had been carried out to identify the impairment impact.
- (f) Fixed assets in eight cost centers with an aggregate value of Rs.720 million could not be verified and physically not existed as per verification report submitted to the audit. Further, the amount of Rs.999 million valued assets in Regional support Centers could not be clearly identified. Further, a provision of Rs.33 million had been made for depreciation of those assets during the year under review.
- (g) Assets and liabilities amounting to Rs.150 million and Rs.51 million respectively are remain long outstanding as non-operating assets and non-operating liabilities in the financial statements. However, the action had not been taken to clear them. Further, an unidentified prior year balance of Rs.235million, stock balance of Rs.22 million, bank balances of Rs.8 million and advances given to ministry amounting to Rs.15 million were included in the above balance as non-operating assets.

- (h) The action had not been taken to clear land advance amount of Rs.47 million paid to Divisional Secretary by Regional Service Center (Central) even though the respective lands had been acquired as at 31 December 2023. Therefore, assets had been understated by similar amount. Further, amount of Rs. 42 million advances given to Divisional Secretariat had been recorded as advances given to contractor under ledger code 246 and is being remained more than 09 years without being cleared.
- (i) An interest income in relation to fixed deposit had been overstated by Rs.29 million in the year under review as a result of applying average interest rate without using actual rate for interest calculations. Interest income of the year under review had been understated by Rs.4.9 million and Rs.837,350 due to non-provision of interest income for some Fixed deposits and Repo respectively. Further, interest income and With holding tax had been understated by Rs. 10 million due to non-recognition of withholding tax relating to the interest income on fixed deposit.
- (j) Four lands and two vehicles which were recorded in assets registers of cost centers had not been accounted by assessing the value of that assets and three Lands belongs to Western South region had not been accounted or included in the fixed asset register.
- (k) An aggregated receipt of Rs.7.7 million from interest income on investment, employee contribution for sinking fund and salary contribution to CSR fund had been erroneously presented as income from Main Operations. Therefore profit for the year under review had been overstated by that amount.
- (l) Consultancy fee received amounting to Rs.387 million from different projects before three years ago had been recognized as consultancy fee payable and it had not been settled or recognized as income as at 31 December 2023.



- (m) Depreciation amounting to Rs.6,130 million of operating assets and amortization relevant for those assets had been classified as administration expenses instead of being recognized as cost of sales.

### 1.2.3 Un-Reconciled Balances

- (a) An un-reconciled difference of Rs.1,456 million was observed between the value of metered sales, bulk sales, bowser supply and income from main operation shown in the VAT returns and the financial statements.
- (b) A difference aggregating to Rs.20,667 million was observed in foreign grants of four foreign funded projects when compared the balances shown in the financial statements of the board and the balances shown in the individual financial statements of the respective projects.
- (c) A difference aggregating to Rs. 17,333 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 seven Foreign Funded Projects.
- (d) A difference of Rs.10,770 million was identified between the balance shown in the financial statements of the Board and the balance shown in the financial statements of the General Treasury in relation to the Capital Contribution.
- (e) An aggregate difference of Rs.153 million was observed between balance shown in the schedules submitted to the audit and the balance shown in the financial statements in relation to the classification of Stock items.

#### 1.2.4 Lack of Documentary Evidence for Audit

The documentary evidences indicated against each item shown below had not been furnished to audit.

Item	Value Rs. million	Evidences not Made Available
(a) Other Debtors	79	Customer wise detail schedule for other debtor balances in Head Office, Consumer asset management, Regional support centers – Colombo North, Manager office-Trinco,&Dehiwala
(b) Non- moving & Slow-moving Stocks	1,655	Age analysis
(c) Short Term Deposits in Other Institutions	5	Detailed schedules and reasons for existence.
(d) Withholding Tax	112	Detailed schedules and Certificates
(e) Rehabilitation Tax	2	Detailed Tax Computation, Schedules
(f) Treasury Grant	137	Detailed schedule of grant with relevant project details
(g) Capital Grants-Local Authorities	544	Detailed schedule of grant with relevant project details
(h) Foreign Capital Grants	7,232	Detailed schedule of grant with relevant project details

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 opinion.

### 1.3 Other information included in the Board's 2023 Annual Report

The other information comprises the information included in the Board's 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work I have performed on the other information (draft annual report) that I have obtained prior to the date of this report auditor's report, I observed following disclosures had not been made as per the Guideline on Corporate Governance for State Owned Enterprises issued by Department of Public Enterprises.

- (a) Statement on economic value added Corporate
- (b) According to corporate governance, there are executive and non-executive directors even only Board consists of Independent Non-executive directors
- (c) Only nine years financial highlights presented instead of preceding ten years.

### 1.4 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.

### **1.5 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 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 1.2.1(a), 1.2.1(b), 1.2.1(c), 1.2.1(d), 1.2.1 (e), 1.2.1 (f), 1.2.1(g), 1.2.2(b), 1.2.2(c) 1.2.2(d), 1.2.2(e), 1.2.2(f), 1.2.2(g), 1.2.2(h), 1.2.2(j), 1.2.3(a), 1.2.3(b), 1.2.3(c), 1.2.3(d).

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 except for,
  - (i) The chairman of the board had chaired the procurement committee in which the decision taken to offer the contract to a company which had direct connection with the chairman of the Board for the procurement of the solar system at contract value of Rs.73 million even the Chairman had not disclosed the indirect interest regarding this contract as per the requirements of the Section 05 (04) of the National water supply & Drainage Board Law No.02 of 1974.
  - (ii) Even the directors should be independent; the former General Manager of the Board had been appointed as a Member of the Governing body just after the retirement from October 2023. However, it had not been disclosed in the financial statements. Retirement benefits had been given to her during the year 2023 is Rs.6.25 million.
- 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	Description
Laws/Direction		
(a)	Inland Revenue Act 24 of 2017	
Section 03		Assessable income from each source had not been calculated separately.
Section 91		Estimated income tax return for the year of assessment 2023/2024 had not been submitted as at 15 August 2023.
(b)	Section 83A(1A) of the Inland Revenue Act 24 of 2017 and Inland Revenue (amendment) Act 10 of 2021 and Inland Revenue (amendment) Act 45 of 2022 and the Extra Ordinary Gazette No.2312/16 dated 28 December 2022	The board had not taken in to account the Medical insurance allowance, Telephone allowance, travel allowance and circuit Bungalow facility when calculating tax liable employment income on APIT Tax in the year 2023.
(c)	Section 571 of Financial Regulations of Democratic Socialist Republic of Sri Lanka	Refundable tender deposits amounting to Rs.219 million had remained over two years without being released to relevant parties or credited to the income.

- (d) Operational Manual for  
State Owned Enterprises  
of Department of Public  
Enterprises dated 17  
November 2021

- (i) Paragraph 3.5 During the year under review, the Board had paid a sum of Rs.24.34 million as salaries and allowances of fifteen employees who had been released to the Line Ministry as at 31 December 2023. Accordingly, the Board should reimburse Rs.263.33 million from Line Ministry for the employees released from December 2015. Four out of fifteen employees had been released by the Line Ministry to the Ministers office even though the approved carder of Minister office had been fulfilled.

The amount of Rs.5 million had been paid as salaries for the employee released to President office from 2020 to end of the year under review without being recovered. Further one employee had been released to Prime Minister's office without paying the salary since 22 July 2022.

Further six vehicles valued at Rs.66.47 million had been released to the line ministry and One vehicle valued at Rs.39.26 million out of them had been utilized by the coordinating secretary of the Minister of line ministry at the time of importing without use for the Project purpose since April 2019. However, this vehicle had been released by line Ministry to the Health Ministry in the year 20 January 2023 without the approval or consent of

the Board.

- (ii) Paragraph 5.1 Contrary to that provision, a sum of Rs.287.85 million had been paid as productivity incentive instead of Bonus for the year 2023 under the Board approval without paying profits to the consolidated fund. In addition to that amount of Rs.471.39 million had been paid to employees as monthly productivity allowance with the salary during the year under review.
- (iii) Paragraph 6.2 A committee of investment had not been established even the revenue per annum for last two years exceed the Rs.30 billion.
- (e) Paragraph 2.1 Corporate communication Branch had been Guidelines on Corporate handed over to the chairman of the Board by Governance for state General Manager without informing to the Board owned enterprises on 16 of directors even the Board of directors is required November 2021 to introduce and maintain necessary controls to ensure that the policy and operational roles are clearly demarcated with adequate oversight.
- (f) Management Services Approval for the Scheme of Recruitment and Circular No. 30 of 22 Promotion Procedure of the Board had not been September 2006 and obtained from the Department of Management Section 3.2(i) of Services even by the end of March 2024. Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2021 and the letter  
No.DMS/E2/19/4/064



dated 23 May 2011 of  
Director General of DMS

- (g) Department of Board had paid the remuneration and the Bonus Management Services for employees only with the cabinet approval Circular No.49 dated 24 continuously since the year 2012, without entering December 2012 and into the collective agreements with employees. cabinet decision dated 11 January 2012
- (h) Public Finance circular Even the accident was happened in 12 April 2023 no.01/2020 of 28 August to vehicle allocated for the General Manager, the 2020 Board had not been reported the estimated loss of Rs.13 million on that vehicle accident to the Chief accounting officer and Public finance department in General Treasury as at 31 December 2023. Further, preliminary report or full report had not been prepared as per the F.R.104 (3,4) by the Board even the accident had been met due to negligence and careless driving as court case decision No.59629/23. Loss had not been recovered from the insurance company by the board even the insurance agreement was expired on 17 December 2023.
- (i) Public Enterprise Department Circular
- (i) Paragraph 1.2 of the circular Two vehicles had been assigned to the Chairman and Vice chairman in the year 2022 and 2023 No.01/2020 of 27 instead of allocating one for each under Vehicle Policy of the Board as per the Board decision January 2020 No.5/15/2022-898 without having special approval

from the Secretary to the General Treasury.

(ii) 3.2.2 of 01/2021

Without obtaining the approval of the Board of Directors, the Board had paid Rs.7.4 million for the excess use of fuel 23,313 liters of Additional General Managers and the Deputy General Managers during the period of January 2022 to July 2023.

The Board had given approval to use the Board vehicles to Additional GMs, Deputy GMs, Assistant GMs and managers after the office time and holidays for personal use at concessionary rates of Rs.2 to 15 per kilometer without a limit since the year 1990 without obtaining special approval from the General Treasury. Accordingly, it was revealed in the sample audit that the Board had misused the Board's fund of Rs.4 million for 12,010 fuel liters utilized for the personal use of 13 employees from January 2022 to July 2023.

(iii) 01/2015 (ii) dated 14  
January 2022

Chairman and Vice Chairman of the Board utilized the unlimited fuel with the approval of the Minister instead of 145 liters per month contrary to the circular and without having approval from the Secretary to the General Treasury since January 2021. However contrary to the paragraph 3.2.1 of the PED circular No 01/2015, approval had not been obtained for the excess 5,806 liters valued at Rs.2 million used by the chairman and 6,393 liters valued at Rs.2.3 million used by the Vice chairman during the period January 2022 to July 2023. Further, vehicle No PK 3575 assigned to Vice chairman had been used by the external

party in the year 2022 and 2023 without informing to the General Manager and Governing body. During that period vehicle was run 13,698 kilometers.

(j) General Manager's  
Circulars and Guidelines

- (i) Admin/12/2015 of 12 August 2015 Legal actions had not been taken as per the circular to recover the outstanding debtors aggregating to Rs.695.48 million in respect of 4,448 disconnected debtors whose bill value over Rs.50,000 as at 31 December 2023.
- (ii) FD/72 of 06 June 2011 The amount of Rs.1.3 million given as supply advance before one year had not been settled by the respective employees even exceed the 14 days from the date of advance given as per the circular requirement.

(k) Procurement  
Guideline

8.11.4/5

Explanation had not been obtained by the contractor about the reason for nonperforming the contract valued at Rs.75 million or no any written notice had been taken from the contractor under contract no.Sup & MM/Chem/HL-01/2021/22 as at 31 December 2023. Further, the Board had not informed to the line Ministry about the breach of contract by ignoring action taken against the contractor.

- 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;

(a) With respect to fourteen foreign funded projects and five local banks' funded projects, a considerable delay ranging from 498 days to 2,510 days was observed due to poor performance of the contractors, delay in land clearance, environmental and resettlement issues, delay in contract awarding, Covid 19, economic crisis etc. even after granting extensions ranging from 02 to 08 occasions. When considering the information received from the water supply project section regarding the ongoing project progress, differences were observed between the information submitted to the audit in the current year and the previous year for the same projects such as project period and no. of extensions.

Due to above failures, the Board and the Government had to pay Rs. 19,868 million as price escalation as at 31 December 2023 uneconomically. In addition to that, Projects were incurred uneconomical expenses such as commitment charges, demerges and losses on currency fluctuations.

(b) The Board had paid additional amount of Rs. 67 million as commitment charges through Greater Colombo water and waste water management improvement investment project's funds without having approval of the funding agency for the procurement of Water Meters to the Board. Therefore cost of the water meter procured through those contracts had been increased by Rs.720.98 or 12.93 per cent. However, the quantity of 44,701 and 253,009 were remained in stock at the end of the year 2022 and 2023 respectively.

(c) The four pumps procured at Rs.45.93 million for Kadduwa pump house had not been working properly from the beginning. The board had spent board's funds to rectify the defects identified due to contractor was not attending to correct those defects during the defect liability period. However, action had not been taken by the Board to recover the cost incurred by the Board for corrections of

defects and for breaching the contract conditions even defect liability period is lapse on 22 April 2022.

- (d) After the grace period for loan granted for Gampaha, Attanagalla & Minuwangoda Water Supply project by the China Development Bank, six loan installments amounting to USD 45 million had been paid at the end of the year under review. However, out of loan disbursed by the China Development Bank, a sum of USD 52 million equivalent to Rs.16,836.51 million or 29 percent of loan had been retained in Escrow account without being utilized for project activities by the end of the year under review.
- (e) Thirteen office quarters in four Water Supply Schemes constructed at a cost of Rs.33 million had remained idle at the end of the year under review.
- (f) All the constructions relating to Iginiyagala and Wadinagala and Damana Water Supply Scheme valued at Rs. Rs.5.5 million and Rs.9 million respectively had remained idled at the end of the year under and necessary actions had not been taken to utilize those assets.
- (g) Even the bid should be cancelled due to lack of effective competition as per the paragraph 7.12 of procurement guideline, Contract for Ruwanwella Water supply Project had been offered in the year 2019 for the one and only bidder. Further, contractor had requested delay charges of Rs.57 million and Rs. 654 million for the first and second extension respectively based on various reasons and requested amount had not been paid up to the 30<sup>th</sup> March 2024. Further contractor had requested claim of USD 127,851 under paragraph of 14.7 and 14.8 of FIDIC guideline due to delay in payment of bills. Further, amount of Rs.55 million ( USD 171,653.82) overpayment had been paid by the Project due to reduction of length of laying transmission lines from 20.4 km to 5.9 km due to restructuring the project as per the auditors' calculation.

- (h) Sheet files fixed at Rs.5 million under the construction of the Nilwala Salinity Barrier to avoid the salt infusion for drinking water had been removed under the instructions of the District secretary due to the influence of farmers at cost of Rs.8 million without having the recommendations of technical experts. Reports issued by the Lanka Hydraulic Institute on the impact of the development of the Nilwala Salinity Barrier highlighted that the sheet files should be reinstated to achieve the objective of this construction. Further, a report issued by a committee of the Environmental authority also highlighted that the construction of the barrier and other reasons also impact the inundation of the Matara District. After removing files, quality inspection reports of the Board show that the salt is included in the Water. Therefore, the cost of removing sheet files becomes ineffective.
- (i) The Board had mutually terminated the Mathara stage IV Project without completing the project as directions given by the para 4.10 of the letter no. PMO/DFV II/2/2/1 dated 28 October 2022 issued by Prime Minister's Secretary as per the recommendations of committee on Re strategizing and acceleration of Mega Projects without having approval from the Cabinet of Ministers for Mutual termination. An action had not been taken against the contractor who had failed to complete the balance works as at 31 March 2023 agreed at the time of mutual termination up to 31 March 2024. The board had paid Rs.72.7 million as delay charges to the contractor for delaying the commencement of Main treatment plant due to delay in acquisition of the Land. Requirement of the 2.3.1 (b) of the procurement guideline had not fulfilled by the board before entering in to the contact agreement and it was impact on payment of delay charges. Further amount of Rs.1,715 million had been paid as exchange rate differences on delay the Project as results of informal decision taken, issues in management decision making and non-following the plans. Further amount of Rs.30 million had been paid for one year period for contract employees after the termination of project contract without obtaining the approval from the Management Service department.



### 3. Other Audit Issues

- (a) Trade debtors, new connection debtors, sewerage debtors and other debtors aggregating to Rs.2,344.78 million had remained over two years without being recovered. Out of above trade debtors 66 per cent represents in Western central, Southern, Western North, and Western south regions. Even though new connection debtors are to be recovered from 3 installments within three months, Rs.32.5 million had remained more than 3 years period without being recovered.
- (b) A sum of Rs.3.5 million in respect of 23 water connections given to parliament members' government quarters had remained long outstanding without being recovered as at the end of the year under review.
- (c) Outstanding disconnected debtors as at 31 December 2023 was Rs.1, 886.7 million. Out of that, amounting to Rs.1,293 million which is equivalent to 69 percent had remained outstanding over two years without being recovered.
- (d) An outstanding balance of Rs.1.76 million in respect of two illegal connections of Galle Urban Council due from 20 years and Rs.28 million in respect of Colombo Municipal Council of due more than 6 years had not been recovered even by the end of the year under review.
- (e) As per the consumer charter of the Board, the first bill should be issued to the consumer within 30 days of the date of new connection. However, a considerable delay ranging from 89 days to 160 days were observed in delivering of 1<sup>st</sup> bill in Kotte-Kollonnawa, Colombo south, Kauthara- Moranthuduwa and Maharagama – Kesbewa regions in 129 occasions as at 30 March 2024.
- (f) Loans and advances given to former employees –non active amounting to Rs.17 million had remained in accounts for more than eight years period without taking proper actions to recover as at 31 October 2023. However, as per test check done by audit it was observed that more than 90 percent of the above employees who have obtained loans and advances had been given retirement without recovering the due amounts.

- (g) Sum of Rs.608 million out of Rs. 1,652 million of contract advances given under ledger code No. 246/0 is remained more than three years without being settled. No any evidences submitted for audit about the six legal cases filed for Rs.10 million worth advances to identify the recoverability of those advances. Further amount of Rs.31 million advance given to four contractors cannot be recovered due to non-availability of performance bonds and no any action had been taken by the Board to settle those outstanding.
- (h) Refundable Short term deposits aggregating to Rs. 60 million deposited in external institutions had remained outstanding over three years without being recovered and amount of Rs.12 million out of them cannot be recovered due to non-availability of relevant document. The amount of Rs.5 million given to reinstate the damage Road under the Raigampura green Industrial and Techno Development Zone Project had not been recovered even the Project was completed. Further, an advance given to line ministry amounting to Rs.4 million had remained outstanding over ten years without being recovered. However, the recoverability of this advance is in doubt since the Line Ministry did not taken to make allocation from national budget.
- (i) As per the financial statements, the stocks in transit on local purchase and imported stock in transit as at 31 December 2023 was Rs.1,246 million and Rs.4,827 million respectively. Out of those stocks, Local purchase amount of Rs.642 million had remained over three months without being cleared and imported stock in transit amount of Rs. 3,070 million had remained over two years without being cleared.
- (j) The assets amounting to Rs.41 million transferred between cost centers had not been removed from the accounts of initial cost centers. Therefore responsibilities of those assets are rest with the cost centers which are not utilized those assets.
- (k) The Stock values amount of Rs.41 million in three stores had not been entered to the Inventory Management system as at 31 December 2023.
- (l) An aggregate amount of Rs.2.6 million and Rs.173 million, Rs.552 million of Obsolete, unserviceable and nonmoving respectively had been remained without


being taken necessary actions to dispose as 31 December 2023 and Age analysis had not been provided by the Board to identify the stock lagging period.

- (m) 196 of vehicles which were disposed by the Board are still registered in Department of Motor Traffic under the name of the Board and 23 vehicles registered cannot be identified.
- (n) When analyzing the confirmation sent to debtors, number of 36 accounts with aggregating value of Rs.58 million out of 160 accounts with aggregating value of Rs.347 million had been confirmed as at 30 April 2023. Number of one accounts value aggregating to Rs.2 million had been returned due to inability to find the location and number of 123 accounts value aggregating to Rs.288 million and 76.87 per cent had not been responded. Therefore, existence of majority of debtors could not be verified.
- (o) As per physical verification reports of the year 2023, it was observed that Free Hold Buildings, Structures, Infrastructure, Computer & Other Equipment, Survey equipment, Mobile Equipment etc. with an aggregate value of Rs.106 million had been damaged, removed from usage and demolished in relation to eight cost centers. However, no proper actions had been taken to dispose and remove those items from the books even at the end of the year under review.
- (p) The Board had not taken necessary actions to clear the stock shortage amount of Rs.30 million which is remain more than three years.
- (q) Value of other stock items amounting to Rs.70 million in thirty regions which had not been physically verified during stock verification had also been identified as inventory in the financial statements. Therefore existence of those stocks cannot be verified.
- (r) Answering to the seventy audit queries issued by internal audit division and five audit queries of external audit division had been delayed more than three months from the issuing date. Therefore, ability to improve the internal controls of the Board was slowdown.
- (s) Approved operational manuals for the field of human resource, supply, and Information technology had not been available by the board to strengthen the



internal control of the Board. Further operational manuals available for field of auditing, project, ground water handling, sewerage, designs and operations of RSC,OIC office and Manager office are not updated since 1989.

- (t) A camera in bore hole valued at Rs.10 million remained at Akkareipattu manager office had not been utilized from 2017. However, depreciation for this unserviceable camera is charged to income statement without being disposed and written down value of the this camera is Rs.6,159,000 as at 31 December 2023.
- (u) The Board had not comply with the requirements of the transfer policy established under the circular No.P0 2/2011 dated 18 February 2011 issued by the General Manager. As a sample audit, 273 employees out of the 591 employees of the Western south region are being working between 07 years to 38 years in the same place contrary to the 05 years requirement. Further, Human resource division had not been maintained proper data base for each and every employee such as date of transferred to respective divisions, date of promotions for decision making purpose.
- (v) According to the information submitted, there were 2,625 shortages of employees and 104 excess of employees as at 31 December 2023 and 21 designations were totally vacant. However, Board had not reviewed the carder requirement to meet the manpower requirement of the Board.
- (w) The board had assigned and paid for eleven employees recruited on contract basis for Mathara Stage IV Project to duties of the Board contrary to the para No.2.2.7 and 07 of the circular no 01/2016 dated 24 March 2016 and its amendments from January 2023 without obtaining approval of Management service Department.

  
W.P.C.Wickramaratne  
Auditor General

