

NATIONAL WATER SUPPLY AND DRAINAGE BOARD



**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2022**



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Audited Financial Statements



National Water Supply And Drainage Board

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

		Budget 2022 Rs.	Actual 2022 Rs.	Restated 2021 Rs.
Revenue (Net of VAT)	7	40,082,030,000	35,464,465,620	28,935,444,532
Cost of Sales	8	<u>(22,514,108,123)</u>	<u>(23,144,554,365)</u>	<u>(19,162,945,539)</u>
Gross Profit		17,567,921,877	12,319,911,255	9,772,498,993
Other Operating Income and Gains	9	2,001,301,000	1,289,485,096	1,796,124,476
Administrative Expenses	10	(16,111,027,877)	(14,449,590,943)	(13,715,499,497)
Other Operating Expenses	11	<u>(100,000,000)</u>	<u>(313,285,746)</u>	<u>(997,912,577)</u>
Operating Profit / (Loss)		2,755,195,000	(1,153,480,338)	(3,144,788,604)
Finance Income	12	800,000,000	2,006,866,677	842,533,384
Finance Cost	13	<u>(527,230,000)</u>	<u>(3,917,340,209)</u>	<u>(752,071,879)</u>
Profit / (Loss) Before Tax		3,027,965,000	(3,063,953,871)	(3,054,327,099)
Income Tax (Economic Service Charges)	14	<u>-</u>	<u>(33,795,903)</u>	<u>(138,860,749)</u>
Profit / (Loss) for the Year		<u>3,027,965,000</u>	<u>(3,097,749,774)</u>	<u>(3,193,187,848)</u>

Accounting Policies and Notes from pages 8 to 28 form an integral part of these Financial Statements. Further, a summarized version of the above Statement of Comprehensive Income is included in Note No. 35 of these statements.



National Water Supply And Drainage Board

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Budget 2022 Rs.	Actual 2022 Rs.	Restated 2021 Rs.
Profit / (Loss) for the Year	3,027,965,000	(3,097,749,774)	(3,193,187,848)
Other Comprehensive Income for the Year.			
Exchange Loss on Loan Conversion	-	(181,137,567)	
Net Actuarial Gain/(Loss) Recognized during the Year	-	-	(223,219,689)
Total Other Comprehensive Income for the Year	-	(181,137,567)	(223,219,689)
Total Comprehensive Income for the Year	3,027,965,000	(3,278,887,340)	(3,416,407,537)

Accounting Policies & Notes from pages 8 to 28 form an integral part of these Financial Statements.

Audited Financial Statements



National Water Supply And Drainage Board

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2022

		Actual 2022 <u>Rs</u>	Restated 2021 <u>Rs.</u>
Assets			
Non- Current Assets			
Property ,Plant & Equipment	15	276,966,312,149	263,032,023,476
Intangible Assets	16	27,730,640	20,429,157
Capital Work in Progress	17	584,908,992,114	443,417,701,611
Financial assets	18	<u>1,934,451</u>	<u>1,889,780</u>
Total Non Current Assets		<u>861,904,969,354</u>	<u>706,472,044,024</u>
Current Assets			
Non Operating Assets		149,748,448	149,748,448
Inventories	19	14,350,724,079	9,851,694,973
Trade & Other Receivables	20	12,645,826,163	10,680,472,901
Deposits & Advances	21	29,349,835,341	28,865,804,324
Investments	22	32,089,668,396	24,349,404,858
Cash & Cash Equivalents	23	<u>4,088,000,534</u>	<u>4,233,330,332</u>
Total Current Assets		<u>92,673,802,962</u>	<u>78,130,455,835</u>
Total Assets		<u>954,578,772,315</u>	<u>784,602,499,859</u>
Equity and Liabilities			
Equity			
Assets taken over from Government Dept.		185,480,387	185,480,387
Government Equity	25	115,115,643,291	100,263,323,220
Staff Welfare & Other Funds	26	23,656,876	33,115,808
Retained Earnings		(16,491,314,485)	(13,221,886,077)
Government Grant	27	123,523,371,754	117,548,897,076
Capital Grants	28	<u>307,524,059,127</u>	<u>292,054,996,873</u>
Total Equity		<u>529,880,896,950</u>	<u>496,863,927,288</u>
Non-Current Liabilities			
Loan Payable	29	282,368,872,833	227,420,934,401
Other Deferred Liabilities	30	<u>4,435,065,261</u>	<u>4,414,833,084</u>
Total Non Current Liabilities		<u>286,803,938,094</u>	<u>231,835,767,485</u>
Current Liabilities			
Non Operating Liabilities	34.2	51,287,805	51,287,805
Trade & Other Payables	31	69,511,675,272	40,103,085,274
Loan Capital Payable	29	52,475,160,647	12,578,838,828
Loan Interest Payable		<u>15,855,813,547</u>	<u>3,169,593,179</u>
Total Current Liabilities		<u>137,893,937,271</u>	<u>55,902,805,086</u>
Total Equity and Liabilities		<u>954,578,772,315</u>	<u>784,602,499,859</u>

Audited Financial Statements

R.M.A.S. Weerasena

R.M.A.S. WEERASENA
Additional General Manager (Finance)
National Water Supply & Drainage Board
Ratmalana

I.M.W.K. Ilangasinghe
General Manager

General Manager
National Water Supply &
Drainage Board

Addl.G.M.(Finance)

The Accounting policies on pages 08 to 14 and Notes on pages 15 to 28 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
Colombo

W.M.S.B. Wijekoon
Vice Chairman

Sanjeewa Wijekoon
Vice Chairman
National Water Supply and Drainage Board

027 February 2023

Nishantha Ranatunga
Chairman
National Water Supply & Drainage Board
Galle Road, Ratmalana.



National Water Supply And Drainage Board
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Note	Government Departments		Government Equity		Capital Grants		Staff Welfare & Other Funds		Accumulated Profit/Loss		Total	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2021		185,480,387	109,812,274,767	88,531,428,611	267,289,006,096	20,608,827		(9,016,059,633)		456,822,739,054			
Prior Year Adjustments													
Assets/WIP Recognised and Derecognised	34.1.1	-	-	-	-	-	-	(336,075,872)	-	(336,075,872)	-	-	(336,075,872)
Depreciation adju. for Assets Recognised and Rerecognised	34.1.2	-	-	-	-	-	-	(462,031,009)	-	(462,031,009)	-	-	(462,031,009)
Trade & Other Payables	34.2	-	-	-	-	-	-	2,227,080	-	2,227,080	-	-	2,227,080
Inventories	34.2	-	-	-	-	-	-	3,468,465	-	3,468,465	-	-	3,468,465
Trade & Other Receivables & Non Operating Balances	34.2	-	-	-	-	-	-	20,639,944	-	20,639,944	-	-	20,639,944
Deposits	34.2	-	-	-	-	-	-	(431,329)	-	(431,329)	-	-	(431,329)
Capital Grants	34.2	-	-	-	(1,550,033)	-	-	1,550,033	-	-	-	-	-
Restated Balance as at 1 January 2021		185,480,387	109,812,274,767	88,531,428,611	267,287,456,062	20,608,827		(9,786,712,321)		456,050,536,333			
Net Profit for the Year													
Assets Recognised and Derecognised	34.1.1	-	-	-	-	-	-	(3,416,407,537)	-	(3,416,407,537)	-	-	(3,416,407,537)
Receipts / Transfers During the Year			7,736,622,310					166,550		166,550			166,550
Loan to Equity Conversion	34.2	-	-	-	14,767,540,811	-	-	-	-	-	-	-	32,504,163,120
Trade & Other Payables	34.2	-	-	11,731,894,610	-	-	-	-	-	-	-	-	11,731,894,610
Inventories	34.2	-	-	-	-	-	-	5,711,933	-	5,711,933	-	-	5,711,933
Trade & Other Receivables	34.2	-	-	-	-	-	-	17,307,597	-	17,307,597	-	-	17,307,597
Transfers to Staff Welfare Fund			-	-	-	-	-	(29,445,318)	-	(29,445,318)	-	-	(29,445,318)
Restated balance as at 31 December 2021		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			
Net profit for the year													
Receipts / Transfers during the Year			5,974,474,678					(3,278,887,340)		(3,278,887,340)			(3,278,887,340)
Loans Conversion to Equity			-	-	15,469,062,254	-	-	-	-	-	-	-	21,443,536,932
Transfers to Staff Welfare Fund			-	14,852,320,071	-	-	-	-	-	-	-	-	14,852,320,071
Balances as at 31 December 2022		185,480,387	123,523,371,754	115,115,643,291	307,524,059,127	23,656,876		(16,491,314,485)		529,880,896,950			

Accounting Policies & Notes from pages 8 to 28 form an integral part of these Financial Statements.



National Water Supply And Drainage Board

STATEMENT OF CASH FLOW

Year ended 31 December 2022

For the year ended	Notes	Actual 2022 <u>Rs.</u>	Restated 2021 <u>Rs.</u>
Cash Flows from/(used) in Operating Activities			
Net Profit/(Loss) before Tax		(3,063,953,871)	(3,054,327,099)
<i>Adjustments for</i>			
Interest Income	12	(2,006,866,677)	(842,533,384)
Profit/Loss on disposal of Fixed Assets		3,875,213	21,504,234
Depreciation	10.2	5,080,251,400	5,028,521,410
Retiring Gratuity Provision	30.1	241,893,010	710,138,294
Interest Expense	13	<u>3,917,340,209</u>	<u>752,071,879</u>
Operating Profit before Working Capital Changes		4,172,539,285	2,615,375,334
(Increase)/Decrease in Inventories		(4,499,029,106)	(1,469,588,326)
(Increase)/Decrease in Debtors, Receivables & Deposits		(2,483,180,183)	139,054,243
Increase/(Decrease) in Creditors, Provisions & Deposits		<u>29,428,822,174</u>	<u>6,409,190,184</u>
Cash Generated from Operations		26,619,152,170	7,694,031,434
Gratuity Paid	30.1	<u>(241,893,010)</u>	<u>(568,916,918)</u>
Net Cash from Operating Activities		<u>26,377,259,160</u>	<u>7,125,114,517</u>
Cash Flows from/(used) in Investing Activities			
Investments in Fixed Assets & Work-In-Progress		(145,817,410,799)	(80,943,003,679)
Financial Assets		(44,671)	(36,273)
Sale Proceeds for Disposal Assets		9,138,224	5,772,078
Investment Income Received		2,006,866,677	842,533,384
(Investment) / Withdrawal of Investments		<u>(7,740,263,539)</u>	<u>(750,413,670)</u>
Net Cash Flows used in Investing Activities		<u>(151,541,714,108)</u>	<u>(80,845,148,159)</u>
Cash Flows from/(used in) Financing Activities			
Government Grant during the Period		5,974,474,678	7,736,622,310
Capital Grant during the period		18,269,821,832	27,178,674,810
New Loans and Equity including Currency Conversion Adjustments		119,574,514,646	63,526,231,118
Loan Repayments		(10,059,071,890)	(12,890,903,881)
Interest Paid		<u>(8,740,614,116)</u>	<u>(9,432,198,020)</u>
Net Cash Flows used in Financing Activities		125,019,125,149	76,118,426,337
Net Increase in Cash & Cash Equivalents		(145,329,799)	2,398,392,695
Cash & Cash Equivalents at the Beginning of the Year		<u>4,233,330,332</u>	<u>1,834,937,637</u>
Cash & Cash Equivalents at the End of the Period		<u>4,088,000,534</u>	<u>4,233,330,332</u>

The Accounting Policies and Notes on pages 8 to 28 form an integral part of the Financial Statements.



Audited Financial Statements

NATIONAL WATER SUPPLY AND DRAINAGE BOARD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. CORPORATE INFORMATION

1.1 General

National Water Supply & Drainage Board is a statutory board enacted by the Parliament 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 produce and sell 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 income statement, statement of 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.



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
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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%
Equipments	10%
Furniture & fittings	10%
Computers Peripherals & Mobile Phones	20% - 33.3%
Motor Vehicles	10% - 20%
Leasehold Vehicles	14.3%

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 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 is dependent 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.

3.1.4 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 income statement 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.

3.1.5 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.



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

3.1.6 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 asset's 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.

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

NWSDB 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



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
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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 released to 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 regarded 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. Further, the capital portion of such loans is being recognized as equity and the interest component will be recognized as revenue grants in compliance with LKAS.

5. INCOME STATEMENT

For the presentation of the Income Statement, 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 NWSDB 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, NWSDB does not adjust differed 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.



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

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 NWSDB 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 NWSDB'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 NWSDB 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; (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. 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 43 @/ 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 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.



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

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 canceled or expires.



National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

	Actual 2022 Rs.	Restated 2021 Rs.
7. REVENUE		
Metered Sales	32,532,771,267	25,258,459,667
Bulk Sales	368,826,738	302,786,383
Bowser Supply	220,555,486	174,226,590
Income from Main Operations	7.1 <u>2,342,312,129</u>	<u>3,199,971,893</u>
	<u>35,464,465,620</u>	<u>28,935,444,532</u>
7.1 Income from Main Operations		
Income related to New Connection and Other Main Operations	3,378,289,321	4,097,909,691
Capital Recovery Charges	675,254,528	1,058,843,764
Expense related to New Connection	<u>(1,711,231,719)</u>	<u>(1,956,781,562)</u>
	<u>2,342,312,129</u>	<u>3,199,971,893</u>
8. COST OF SALES		
Personnel Cost	8,220,144,775	8,265,455,789
Pumping Cost	7,240,988,228	4,751,630,799
Chemicals	1,997,344,741	1,242,760,106
Repairs & Maintenance	2,238,794,112	2,204,735,725
Establishment Expenses	1,147,429,361	819,171,330
Rent, Rates, Taxes, Security & Other Expenses	2,140,613,453	1,772,169,781
Rebates	<u>159,239,696</u>	<u>107,022,009</u>
	<u>23,144,554,365</u>	<u>19,162,945,539</u>
9. OTHER OPERATING INCOME		
Other Income	9.1 1,274,213,626	1,768,137,060
Staff Loan Benefit	<u>15,271,470</u>	<u>27,987,416</u>
	<u>1,289,485,096</u>	<u>1,796,124,476</u>
9.1 Other Income		
Sewerage and Ground Water Income	360,993,999	389,053,519
Miscellaneous Income including Surcharge, Penalties etc.	<u>913,219,627</u>	<u>1,379,083,541</u>
	<u>1,274,213,626</u>	<u>1,768,137,060</u>

Audited Financial Statements



National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

	Actual 2022 Rs	Restated 2021 Rs.
10. ADMINISTRATIVE EXPENSES		
Repairs & Maintenance	330,285,852	243,593,490
Establishment Expenses	1,353,095,724	897,881,429
Rent,Rates,Taxes, Security & Other Expenses	626,521,293	633,122,909
Staff Cost	10.1 7,048,436,675	6,902,380,259
Depriciation	10.2 5,080,251,400	5,028,521,410
Audit Fee Department of Auditor General	11,000,000	10,000,000
	<u>14,449,590,943</u>	<u>13,715,499,497</u>
10.1 Staff Cost		
Staff Cost on Loan Granted	15,271,470	27,987,416
Personnel Cost	7,033,165,205	6,874,392,843
	<u>7,048,436,675</u>	<u>6,902,380,259</u>
10.2 Depreciation		
Building and structure	1,689,538,443	1,609,321,986
Plant & Machinery	5,032,225,343	4,730,849,632
Equipments	601,513,427	539,031,433
Furniture and Fittings	49,352,565	46,108,451
Computers & Periparels	92,955,512	111,414,242
Motor Vehicles	422,727,171	410,786,403
Total Depreciation	7,888,312,461	7,447,512,147
Less: Depn. for Grant funded Assets	(2,797,207,561)	(2,411,900,057)
Less: Depn. for Rechargable funded Assets	(12,804,308)	(9,041,487)
Add: Amortization of Intangible Assets	1,950,807	1,950,807
Depreciation Cost	<u>5,080,251,400</u>	<u>5,028,521,410</u>
Depreciation amounting 57,640,850 has been adjusted to the year 2021		
11. OTHER OPERATING EXPENSES		
Bad & Doubtful Debts	5,215,319	87,833,212
Provision for Obsolete Stock	43,886,872	92,426,248
Retiring Gratuity	241,893,010	710,138,294
Revenue Grant	22,290,544	107,514,823
	<u>313,285,746</u>	<u>997,912,577</u>
12. FINANCE INCOME		
Investment Income	2,006,866,677	842,533,384
	<u>2,006,866,677</u>	<u>842,533,384</u>
13. FINANCE COST		
Interest On Loans	21,426,834,484	9,055,650,555
Less: Capitalised Interest on Construction Projects	(17,509,494,275)	(8,303,578,676)
	<u>3,917,340,209</u>	<u>752,071,879</u>
14. INCOME TAX		
Economic Service Charges	33,795,903	138,860,749
	<u>33,795,903</u>	<u>138,860,749</u>

ESC Paid in 2020 & 2019 are recognised as expenses in 2022 & 2021 respectively.



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT

15.1 Gross Carrying Amounts	Restated Balance As at 01.01.2022 Rs.	Additions after Adjustments Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.12.2022 Rs.
Cost					
Freehold Assets					
Land Freehold	8,715,973,744	5,053,657	(25,525,224)	-	8,695,502,176
Land Leasehold	573,639,326	26,560,928	6,850,011	-	607,050,265
Infrastructure	9,992,815,922	657,013,676	8,273,896	-	10,658,103,494
Building - Freehold	25,305,576,597	277,794,499	(163,364,386)	(5,475,000)	25,414,531,711
Structures	56,979,123,314	5,368,257,580	(661,161,673)	-	61,686,219,221
Plant & Equipment-Pumping Treatme	50,768,749,864	3,266,560,528	(876,291,338)	-	53,159,019,053
Service Meter	(12,821,511)	14,414,416	(1,087,579)	-	505,327
Bulk Water Meter	751,070,176	155,086,567	4,194,980	-	910,351,723
Transmission & Distribution	147,002,268,379	10,226,515,577	(233,218,825)	-	156,995,565,131
Mobile Equipments	1,668,138,723	47,616,133	(71,648,785)	-	1,644,106,063
Survey Equipments	154,453,377	8,600,550	1,620,754	-	164,683,481
Laboratory Equipments	978,365,210	28,316,896	(1,930,273)	-	1,004,951,833
Other Equipment	3,890,626,027	1,155,674,114	956,078,817	-	5,952,378,958
Furniture & Fittings-Computer	561,397,915	210,207,024	(39,460,782)	(347,500)	731,796,657
Computers & Periparels	933,644,213	133,686,720	2,745,968	(420,600)	1,069,656,302
Motor Vehicles cars	2,724,791,659	(410,530,664)	351,051,562	(2,150,000)	2,663,162,657
Van busses & Jeeps	309,000,057	111,935,405	(22,802,896)	-	398,175,566
Lorries & Trucks	382,136,729	1,303,217,224	(381,144,708)	(925,000)	1,303,284,246
Tractors & Trailers	58,210,191	10,532,000	-	(500,000)	68,242,191
Water Bowsers,Heavy Vehicles	1,681,757,681	406,986,483	18,015,982	(26,172,000)	2,080,588,146
Motor Cycles	26,619,411	2,793,393	561,815	(802,036)	29,172,583
Three Wheelers	46,377,033	9,140,624	719,820	-	56,237,477
Total Value of Depreciable Assets	313,491,957,137	22,965,642,124	(1,127,522,862)	(36,792,136)	335,293,284,262



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

15.2 Depreciation	Restated Balance As at 01.01.2022 Rs.	Charge for the Period Rs.	Adjustments Rs.	Disposal Rs.	Balance As at 31.12.2022 Rs.
Depreciation					
Freehold Assets					
Land Freehold	-	-	-	-	-
Land Leasehold	-	-	-	-	-
Infrastructure	1,368,991,181	202,243,685	(11,696,112)	-	1,559,538,754
Building - Freehold Structures	2,920,762,983	492,751,205	(13,077,667)	(1,551,250)	3,398,885,270
Plant & eq: Pumping Treatment	7,951,550,961	994,543,552	20,397,394	-	8,966,491,907
Service Meter	15,223,600,111	2,474,494,266	7,495,168	-	17,705,589,545
Bulk Water Meter	769,065	62,919	(754,374)	-	77,611
Transmission & Distribution	399,589,548	67,985,112	1,907,426	-	469,482,086
Mobile Equipments	15,358,686,457	2,489,046	5,426,309	-	17,853,795,813
Survey Equipments	681,481,127	12,201,096	(6,209,878)	-	799,472,346
Laboratory Equipments	32,621,867	4,889,401	(0)	-	47,511,267
Other Equipment	563,995,495	70,629,925	1,008,020	-	635,633,441
Furniture & Fittings-Computer	2,019,885,807	391,793,005	(5,928,352)	-	2,405,750,460
Computers & Periparels	426,221,862	49,352,565	(28,583,624)	(330,125)	446,660,278
Motor Vehicles Cars	736,487,256	92,955,512	58,335,564	(420,600)	887,360,733
Van Busses & Jeeps	1,373,119,108	228,518,443	73,769	(1,941,325)	1,599,769,996
Lorries & Trucks	265,213,951	27,977,609	(6,057,901)	-	287,133,659
Tractors & Trailers	505,639,337	64,919,490	(25,409,806)	(359,813)	544,789,208
Water Bowsers, Heavy Vehicles	34,725,346	4,332,839	0	(292,917)	38,765,268
Motor Cycles	573,424,922	90,693,223	5,567,382	(18,216,121)	651,469,406
Three Wheelers	15,349,586	1,921,514	11,371	(666,549)	16,615,922
	7,815,090	4,364,053	-	-	12,179,144
	<u>50,459,933,661</u>	<u>7,888,312,461</u>	<u>2,504,690</u>	<u>(23,778,699)</u>	<u>58,326,972,114</u>



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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

15.3 Net Book Values	2022	2021
	Rs.	Rs.
At Cost		
Land Freehold	8,695,502,176	8,715,973,744
Land Leasehold	607,050,265	573,639,326
Infrastructure	9,098,564,740	8,623,824,741
Building - Freehold	22,015,646,440	22,384,813,615
Structures	52,719,727,313	49,027,572,353
Plant & Equipment-Pumping Treatment	35,453,429,508	35,545,149,753
Service Meter	427,716	(13,590,577)
Bulk Water Meter	440,869,638	351,480,628
Transmission & Distribution	139,141,769,319	131,643,581,922
Mobile Equipments	844,633,717	986,657,596
Survey Equipments	117,172,213	121,831,510
Laboratory Equipments	369,318,392	414,369,714
Other Equipments	3,546,628,498	1,870,740,220
Furniture & Fittings-Computer	285,136,379	135,176,452
Computers & Periparels	182,295,569	197,153,957
Motor Vehicles Cars	1,063,392,662	1,351,672,651
Van Busses & Jeeps	111,041,907	43,829,106
Lorries & Trucks	758,495,036	(123,502,608)
Tractors & Trailers	29,476,923	23,484,845
Water Bowsers, Heavy vehicles	1,429,118,741	1,108,332,760
Motor Cycles	12,556,661	11,269,825
Three Wheelers	44,058,334	38,561,943
Total Carrying Amount of Property, Plant & Equipment	276,966,312,149	263,032,023,476

Audited Financial Statements



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT

15.4 Investment Property

The Building constructed by the Board at Sunil Mawatha, Battaramulla currently occupied by the Ministry of City Planning and Water Supply is recognized as Investment Property according to the LKAS 40 - Investment Property.

This Investment Property is included under the Property, Plant & Equipment

	Land 2022 Rs	Building 2022 Rs	Total 2022 Rs	Total 2021 Rs
Cost				
Balance as at 31.12.2022	138,500,000	238,053,034	376,553,034	376,553,034
Depreciation				
Opening Balance	-	48,293,414	48,293,414	43,532,353
Charge for the Period	-	4,761,061	4,761,061	4,761,061
Closing Balance	-	53,054,474	53,054,474	48,293,414
Net Book Value	138,500,000	184,998,560	323,498,560	328,259,620



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

		Actual 2022 Rs.	Restated 2021 Rs.
16. INTANGIBLE ASSETS			
Computer Software		<u>27,730,640</u>	<u>20,429,157</u>
		<u>27,730,640</u>	<u>20,429,157</u>
During the year Rs 7,272,760 has been provided for amortization for the above software and new software amounting to 14,574,243 was added.			
17. CAPITAL WORK IN PROGRESS			
Construction Work	34.2	576,871,469,510	435,560,121,292
Rehabilitation	34.2	<u>8,037,522,604</u>	<u>7,857,580,318</u>
		<u>584,908,992,114</u>	<u>443,417,701,611</u>
18. FINANCIAL ASSETS			
HDFC Investment for Staff Housing Loans		434,368	434,368
Bank of Ceylon Saving - II		<u>1,500,083</u>	<u>1,455,412</u>
		<u>1,934,451</u>	<u>1,889,780</u>
19. INVENTORIES			
PVC Steel Pipes	34.2	9,866,282,779	6,368,260,131
Water Meter & Fitting & Brass Items	34.2	1,023,697,365	652,976,814
Chemical Materials	34.2	554,560,999	266,035,627
Electricals	34.2	989,815,754	782,591,849
Building Materials	34.2	325,355,005	63,714,713
Pump & Spare Parts	34.2	1,189,453,847	1,144,845,378
Vehicle Spare Parts		211,622,126	97,758,030
Stationary & Office Equipments	34.2	82,857,870	96,592,406
Other Items	34.2	1,025,634,644	918,744,978
Stock Adjustments	34.2	<u>(249,392,359)</u>	<u>93,461,627</u>
		<u>15,019,888,031</u>	<u>10,484,981,553</u>
Less- Major Spares			
Property Plant and Equipment at Stores		(388,318,570)	(396,328,070)
Provision for Obsolete Stock		<u>(280,845,382)</u>	<u>(236,958,510)</u>
		<u>14,350,724,079</u>	<u>9,851,694,973</u>

Audited Financial Statements

Rs 3,540,605,851 worth of inventories have been received for Water for All projects was recorded as at 31.12.2022.



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

		Actual 2022 Rs.	Restated 2021 Rs.
20. TRADE AND OTHER RECEIVABLES			
Trade Debtors	34.2	8,309,580,399	7,473,625,465
Other Debtors	34.2	398,347,552	451,575,201
Less : Debtors Impairment		(1,513,035,567)	(1,516,901,595)
Debtors Collection Control		878,471,133	735,918,131
VAT Receivable		14,691,746	3,019,434
WHT Receivable		246,511,503	246,511,483
ESC Receivable		-	33,795,903
Advances to Staff		10,570,122	14,169,556
Loans To Employees		2,910,547,500	2,509,912,053
Dues from General Treasury		659,277,280	659,277,280
Receivable on Interest & Others		730,864,496	69,569,989
		<u>12,645,826,163</u>	<u>10,680,472,901</u>
21. DEPOSITS AND ADVANCES			
Pre Payments		270,946	2,387,651
Mobilization and Other Advances		28,948,686,972	28,469,734,734
Deposits	34.2	400,877,424	393,681,939
		<u>29,349,835,341</u>	<u>28,865,804,324</u>
22. INVESTMENTS			
Financial Assets (Including rechargeable funded investments)		<u>32,089,668,396</u>	<u>24,349,404,858</u>
		<u>32,089,668,396</u>	<u>24,349,404,858</u>
23. CASH AND CASH EQUIVALENTS			
Cash In Bank		3,832,751,317	4,013,569,719
Cash Imprest Head Office		1,525,000	2,225,000
Cash Imprests Regions		5,866,110	6,394,030
Cash In Transit		189,165,139	155,495,984
Savings Account		58,692,967	55,645,599
		<u>4,088,000,534</u>	<u>4,233,330,332</u>
24. ASSETS TAKEN OVER FROM GOVERNMENT			
Assets Taken Over from Government Dept.		<u>185,480,387</u>	<u>185,480,387</u>
		<u>185,480,387</u>	<u>185,480,387</u>
25. GOVERNMENT EQUITY			
Loans to Equity Conversion		101,215,659,366	86,363,339,295
Government Contribution (Treasury Bond)		<u>13,899,983,925</u>	<u>13,899,983,925</u>
		<u>115,115,643,291</u>	<u>100,263,323,220</u>

Policy decision has been taken by Government of Sri Lanka to convert foreign funded loans and interest payable thereon as at 31.12.2014 to Government Equity.



National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

	Actual	Restated
	2022	2021
	Rs.	Rs.
26. STAFF WELFARE & OTHER FUNDS		
Opening Balance	33,115,808	20,608,827
Received/(Paid) during the year	<u>(9,458,932)</u>	<u>12,506,981</u>
	<u>23,656,876</u>	<u>33,115,808</u>
27. GOVERNMENT GRANT		
Tresuary Grant	<u>123,523,371,754</u>	<u>117,548,897,076</u>
	<u>123,523,371,754</u>	<u>117,548,897,076</u>
28. CAPITAL GRANTS		
Foreign Grants	34.2 305,339,821,319	290,277,699,349
Local Grants	<u>2,184,237,808</u>	<u>1,777,297,524</u>
	<u>307,524,059,127</u>	<u>292,054,996,873</u>
29. LOAN PAYABLE		
Foreign Loans	253,349,944,793	195,618,735,427
Local Loans	<u>29,018,928,041</u>	<u>31,802,198,974</u>
Long term Portion of Loan Payable	<u>282,368,872,833</u>	<u>227,420,934,401</u>
Current Portion Loan Payable	<u>52,475,160,647</u>	<u>12,578,838,828</u>
Loan Payable	<u>334,844,033,481</u>	<u>239,999,773,229</u>
<p>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.</p>		
30. OTHER DEFERRED LIABILITIES		
Provision for Defined Benefit Plan	30.1 4,368,425,143	4,368,425,143
Customer and Employee Security Deposits	<u>66,640,117</u>	<u>46,407,941</u>
	<u>4,435,065,261</u>	<u>4,414,833,084</u>
30.1 Movement of Retiring Gratuity Provision		
Balance at the Beginning of the Period	4,368,425,143	4,003,984,078
Add Provision for the Period	241,893,010	933,357,983
Less: Gratuity Payments during the Period	<u>(241,893,010)</u>	<u>(568,916,918)</u>
Provision for Defined Benefit Plan	<u>4,368,425,143</u>	<u>4,368,425,143</u>
31. TRADE AND OTHER PAYABLES		
Rechargeable Work - Customer Advances	34.2 8,862,915,143	9,721,941,817
Contractors Retention	18,358,832,037	17,334,616,810
Creditors Control	34.2 9,008,678,679	2,765,890,116
Other Creditors	400,204,587	351,925,188
Accrued Expenses	30,017,594,587	9,172,705,908
Deposits	1,950,040,101	315,536,883
VAT Payable	695,593,486	220,602,860
With Holding Tax	19,122	129,122
Salaries and Other Payables	<u>217,797,531</u>	<u>219,736,570</u>
	<u>69,511,675,272</u>	<u>40,103,085,274</u>



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

32. 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.

33. 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. Following are ascertained to be disclosed.

<u>No</u>	<u>Case No</u>	<u>Court</u>	<u>Complainant</u>	<u>The accused</u>	<u>Amount may be (paid) or received</u>
1	MR/321/14	Teldeniya District Court	W.M. WNAK Kumarahamy & Others	NWSDB	(10,000,000.00)
2	7708/2016/M	Mt Lavinia District Court	KS Wickramanayeka	NWSDB	(5,000,000.00)
3	M/8713	Kalutara District Court	NWSDB	NSS Liyanage	3,052,879.23
4	7157/M/2012	Mt Lavinia District Court	NWSDB	MP Fernando	4,777,348.87
5	7158/2012/M	Mt Lavinia District Court	NWSDB	A Mabulage	53,328,839.04
6	7156/2012/M	Mt Lavinia District Court	NWSDB	HV Kumaranayeka	190,335,023.30
7	DMR/5834/19	Colombo District Court	SA Obesekera	NWSDB	(5,000,000.00)
8	34383/M	Anuradhapura District Court	RKRI Ranasinghe	NWSDB	(600,000.00)
9	M/9675	Galle District Court	PB Lionel	NWSDB Bris Park Property Developer Ltd	(600,000.00)
10	8205/19/M	Mt Lavinia District Court	NWSDB	Developer Ltd	1,586,330.13
11	8131/19/M	Mt Lavinia District Court	NWSDB	JM Karunarathne	21,450,000.00
12	DMR/00168/18	Colombo District Court	MF Vadooth	NWSDB	(100,000,000.00)
Total					<u>153,330,420.57</u>



National Water Supply And Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

34. PRIOR YEAR ADJUSTMENTS

34.1 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 2022. Hence, the net effect of Rs. 16,482,161 had been adjusted to the gross carrying amount of PPE, and Rs. 519,671,859 had been adjusted for depreciation as of 31.12.2021 as follows.

34.1.1 Gross Carrying Amounts

Cost	Balance As at 31.12.2021 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2021 Rs.
Freehold Assets			
Land Freehold	8,689,688,816	26,274,928	8,715,973,744
Land Leasehold	600,200,254	(26,560,928)	573,639,326
Infrastructure	9,887,836,404	104,979,518	9,992,815,922
Building - Freehold Structures	23,890,234,765	1,415,341,832	25,305,576,597
Plant & eq: Pumping Treatment Service Meter	59,277,201,001	(2,298,077,687)	56,979,123,314
Bulk Water Meter	51,150,121,959	(381,372,095)	50,768,749,864
Transmission & Distribution	1,301,905	(14,123,416)	(12,821,511)
Mobile Equipments	774,136,535	(23,066,359)	751,070,176
Survey Equipments	146,069,730,369	932,538,010	147,002,268,379
Laboratory	1,552,431,157	115,707,566	1,668,138,723
Other Equipment	146,037,679	8,415,697	154,453,377
Furniture & Fittings-Computer	965,778,712	12,586,498	978,365,210
Computers & Peripherals	3,683,844,042	206,781,985	3,890,626,027
Motor Vehicles Cars	647,048,841	(85,650,926)	561,397,915
Van Busses & Jeeps	926,567,373	7,076,840	933,644,213
Lorries & Trucks	1,677,603,247	1,047,188,512	2,724,791,759
Tractors & Trailers	373,073,593	(64,030,535)	309,043,057
Water Bowsers, Heavy vehicles	1,346,822,270	(964,685,541)	382,136,729
Motor Cycles	56,890,191	1,320,000	58,210,191
Three Wheelers	1,719,036,783	(37,279,102)	1,681,757,681
	26,466,368	153,043	26,619,411
	46,377,033	-	46,377,033
Total Value of Depreciable Assets	313,508,439,297	(16,482,161)	313,491,957,137



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

34.1.2 Depreciation	Balance As at 31.12.2021 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2021 Rs.
Freehold Assets			
Land Freehold	-	-	-
Land Leasehold	-	-	-
Infrastructure	1,343,545,399	25,445,782	1,368,991,181
Building - Freehold Structures	2,742,603,179	178,159,803	2,920,762,983
Plant & eq: Pumping Treatment	8,148,518,713	(196,967,752)	7,951,550,961
Service Meter	15,311,391,982	(87,791,871)	15,223,600,111
Bulk Water Meter	769,065	-	769,065
Transmission & Distribution	432,125,788	(32,536,241)	399,589,548
Mobile Equipments	15,293,513,742	65,172,745	15,358,686,457
Survey Equipments	591,407,007	90,004,120	681,481,127
Laboratory	3,527,249	1,094,618	32,621,867
Other Equipment	56,562,444	7,433,052	563,995,495
Furniture & Fittings-Computer	1,932,332,575	87,553,232	2,019,885,807
Computers & Periparels	426,221,462	-	426,221,462
Motor Vehicles Cars	786,120,438	(49,630,181)	736,490,256
Van Busses & Jeeps	556,923,152	816,195,957	1,373,119,108
Lorries & Trucks	319,058,036	(53,844,085)	265,213,951
Tractors & Trailers	851,572,730	(345,933,393)	505,639,337
Water Bowsers, Heavy vehicles	34,171,496	553,850	34,725,346
Motor Cycles	558,788,250	14,636,671	573,424,922
Three Wheelers	15,224,032	125,553	15,349,586
	7,815,090	-	7,815,090
Total Value of Depreciation	<u>49,940,261,802</u>	<u>519,671,859</u>	<u>50,459,933,661</u>



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

	Balance As at 31.12.2021 Rs.	Prior Year Adjustments Rs.	Adjustments For 2021 Rs.	Restated Balance As at 31.12.2021 Rs.
Capital Works in Progress (Note 17)				
Rehabilitation	7,855,021,373	2,558,946	-	7,857,580,318
Construction Work	435,882,107,400	(321,986,107)	-	435,560,121,292
Inventories (Note 19)				
PVC Steel Pipes	6,309,746,897	-	58,513,234	6,368,260,131
Water Meter & Fitting & Brass Items	652,421,298	-	555,516	652,976,814
Electricals	766,970,906	-	15,620,943	782,591,849
Building Materials	62,728,913	-	915,800	63,714,713
Pump & Spare Parts	1,138,476,173	-	6,369,205	1,144,845,378
Stationary & Office Equipments	96,557,311	-	35,096	96,592,406
Other Items	917,466,285	-	1,278,694	918,744,978
Stock Adjustments	155,974,054	3,468,465	(65,980,891)	93,461,627
Trade And Other Receivable (Note 20)				
Trade Debtors	7,494,937,600	-	(21,312,134)	7,473,625,465
Other Debtors	459,708,385	-	(8,133,184)	451,575,201
Deposits & Advances (Note 21)				
Deposits	394,113,267	(431,329)	-	393,681,939
Capital Grant (Note 28)				
Foreign Grants	290,279,249,382	(1,550,033)	-	290,277,699,349
Trade And Other Payable (Note 31)				
Rechargeable Work - Customer Advances	9,724,152,467	-	(2,210,650)	9,721,941,817
Creditors Control	2,771,618,480	(2,227,080)	(3,501,283)	2,765,890,116
Non Operating Liabilities				
	71,927,749	(20,639,944)	-	51,287,805



National Water Supply And Drainage Board
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

	Actual 2022 Rs.	Restated 2021 Rs.
35. <u>Summarized Statement of Income</u>		
<u>Revenue</u>		
Metered and Bulk Supply	33,122,153,491	25,735,472,640
New Connection and Others	<u>2,342,312,129</u>	<u>3,199,971,893</u>
Total	<u>35,464,465,620</u>	<u>28,935,444,532</u>
<u>Cost of Sales</u>		
Personnel Cost	8,220,144,775	8,265,455,789
Pumping Cost	7,240,988,228	4,751,630,799
Chemicals	1,997,344,741	1,242,760,106
Repairs & Maintenance	2,238,794,112	2,204,735,725
Establishment Expenses	1,147,429,361	819,171,330
Rent, Rates, Taxes, Security & Other Expenses	2,140,613,453	1,772,169,781
Rebates	<u>159,239,696</u>	<u>107,022,009</u>
Total	<u>23,144,554,365</u>	<u>19,162,945,539</u>
Gross Profit	<u>12,319,911,255</u>	<u>9,772,498,993</u>
Other Operating Income and Gain	1,289,485,096	1,796,124,476
<u>Other Cost</u>		
Administrative Expenses	(9,369,339,544)	(8,686,978,087)
Other Operating Expenses	<u>(313,285,746)</u>	<u>(997,912,577)</u>
Earning before Interest, Tax, Depreciation & Amortization (EBITDA)	3,926,771,061	1,883,732,806
Depreciation	<u>(5,080,251,400)</u>	<u>(5,028,521,410)</u>
Earning before Interest & Tax (EBIT)	(1,153,480,338)	(3,144,788,604)
Finance Income	2,006,866,677	842,533,384
Finance Cost	<u>(3,917,340,209)</u>	<u>(752,071,879)</u>
Profit / (Loss) Before Tax	<u>(3,063,953,871)</u>	<u>(3,054,327,099)</u>
Income Tax (Economic Service Charges)	<u>(33,795,903)</u>	<u>(138,860,749)</u>
Profit / (Loss) for the Year	<u>(3,097,749,774)</u>	<u>(3,193,187,848)</u>

Audited Financial Statements



S/AGR/52/2023 (158)



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NATIONAL AUDIT OFFICE



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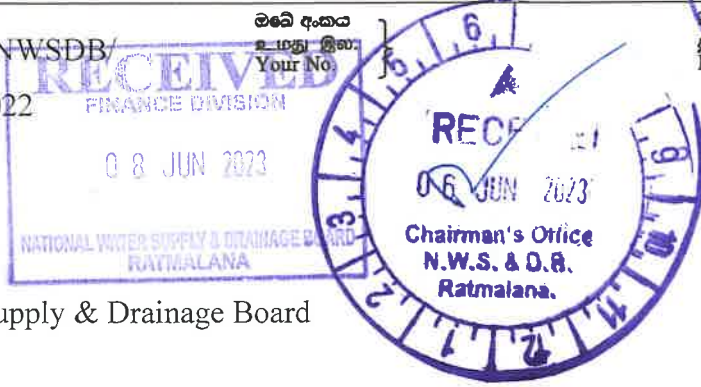
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The Chairman,
National Water Supply & Drainage Board

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 2022 in terms of Section 1 of the National Audit Act, No 19 of 2018

Audited Financial Statements

The above mentioned report is sent herewith.

Admin	
P&F WSP	WR, CS, CAM
Western MNC, S/EIU, CINWISab	
HRM Finance	
GM	
General Manager:	
Date:	

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W.P.C. Wickramarathne
Auditor General

Copies:

- Secretary, Ministry of Water Supply and Estate Infrastructure Development
- Secretary, Ministry of Finance

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NATIONAL AUDIT OFFICE



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திகதி
Date

31 May 2023

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 2022 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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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)

Following observations are made.

- (a) Escrow Savings Account amounting to Rs.18,887.57 million had been categorized under investments in the Statement of financial position instead of recognizing balance as cash and cash equivalents in contrary to Paragraph 07 of the Sri Lanka Accounting Standard on Statement of Cash flows (LKAS 07).
- (b) The fully depreciated fixed assets in relation to 14 categories, amounting to Rs. 2.93 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 on Property, Plant & Equipment (LKAS 16).
- (c) Contrary to the provisions in the Sri Lanka Accounting Standard on Accounting for Government Grants and Disclosure of Government Assistance (LKAS 20), In sample audit, it was revealed that the foreign grant balances aggregating to Rs. 10,445,367,769 in respect of 28 Projects which remained without being amortized over 15 years and a sum of Rs. 3,258,974,255 relating to 05 projects which remained without being amortized over 12 years respectively in the financial statements of the year under review. The impact of non-amortization to the financial statements could not be ascertained in audit as there were no details available relevant to those foreign grants.
- (d) Inventory items valued at Rs. 27,669,420 and Rs.51,615,532 received to Hambanthota and Akkareipattu Manager office respectively from the contractors of two projects had been recognized as foreign capital grants without recognizing as income received during the year 2021 as per the requirement of LKAS 20 - Sri Lanka Accounting Standard on Accounting for Government Grants and Disclosure of Government Assistance.

- (e) Building of Colombo south office which was acquired from Colombo Municipal Council under the Lease agreement no.3702 dated 11 December 2009 valued at Rs.151,503,750 had been classified as freehold land of the Board instead of identifying it as Leased hold assets as per the SLFRS 16 -Leases. Further, the Board had not revised the price once in for years as mentioned in the lease agreement since December 2014 and continuously uses the land and building without rent payment.

1.2.2 Accounting Deficiencies

Following deficiencies were been observed.

- (a) The Board had not made provisions for the amount of Rs.1,192,717,747 payable as container demurrages and the demurrages in relation to the Water for all Project as at 31 December 2022 for unreleased pipes and fittings. Therefore, Loss of the year had been understated by similar amount.
- (b) Provision for financial cost of Rs.372,531,531 equivalent to USD 1,002,488 charged for Interim Payment Certificate suspension of the Gampaha, Aththanagalla and Minuwangoda Water Supply Project had not been made in the accounts as at 31 December 2022. Therefore, Loss for the year under review had been understated by Rs. 372,531,531.
- (c) As compared with the confirmations received from banks in respect of accrued interest on loans of seventeen local and foreign funded projects, it was observed an under provision of Rs.1,633,371,877 and over provision of Rs.1,221,181,323 had been made. Therefore, the work in progress balance had been understated by Rs.412,190,554.
- (d) A sum of Rs.3,100,107,155 out of Rs. 8,849,176,996 of advanced received for rechargeable work is remained over three years. Only information was received for the amount of Rs.263,218,934 from the requested amount of Rs.795,722,766 of rechargeable works. Out of the information received, amount of Rs.118,356,032 in relation to the 8 completed works had not been transferred to the income account as at 31 December 2022. Therefore, loss had been overstated by Rs.118,356,032 during the year under review.

- (e) As per the information received, the cost of 122 completed and commissioned Projects amounting to Rs.75,510,930,776 had remained in the work-in-progress as at 31 December 2022 without being capitalized.
- (f) Balance forward amount of Rs.33,795,903 of Economic Service Charge had been erroneously identified as income tax expense in the statement of comprehensive income of the year under review and income tax computation had not been prepared in order to recognize actual income tax expense for the year under review.
- (g) In relation to eight cost centers, fixed assets with an aggregate value of Rs.125,540,714 could not be verified and physically not existed and further, amount of Rs.991,976,449 valued assets in Regional support Centers could not be clearly identified as per the physical verification records. However, without taking actions as per the provisions in the financial regulations 102 to 105, a provision of Rs.36,364,018 had been made for depreciation during the year under review.
- (h) Outstanding balances of assets and liabilities amounting to Rs.149,748,448 remain since long period and Rs.51,287,805 respectively which includes other debtors, advances, trade creditors, unclaimed salaries, etc. had been identified as non-operating assets and non-operating liabilities without taking actions to identify the reasons for existence. Therefore, impact to the financial statements cannot be ascertained. Further, an unidentified prior year balance of Rs.235,123,315, stock balance of Rs.22,007,307, bank balances of Rs.8,343,056 and advances given to ministry of Rs.15,227,490 are remained in the above mentioned balances as non-operating assets.
- (i) An amount equivalent to Rs.107,302,970 incurred as default interest due to delay in repayment of installment and interest in respect of loan obtained for four foreign funded Projects had not been accounted and therefore, loss for the year under review had been understated by same amount.
- (j) As per the cabinet decision taken on 02 July 2020, the interest cost on loan of Rs. 30 billion obtained from National Savings bank is to be born by the General treasury and the board had incurred Rs.699,702,314 as interest on that loan in the year 2020. However, only Rs.659,277,279 had been identified as receivables

from General treasury as at 31 December 2022. Therefore, current assets had been understated by Rs. 40,425,035.

- (k) Two buildings, Five lands, one three wheeler, one Motor Bicycle and a Tractor and Tailor which are recorded in assets registers of Regional support centers had not been valued and taken to the books of accounts.
- (l) No provisions had been made for the balance amount of Rs.66,369,263 payable as per the assessment of the Inland Revenue Department charged for the period of 2016 to 2017 for unpaid Economic Service Charge in the books of accounts even at the end of the year under review as per LKAS 37.
- (m) As per the financial statements of the year under review, the balance of trade debtors including new connection debtors as at 31 December 2022 was Rs.8,450,830,193. However, provision for impairment had been made only for debtors amounting to Rs.8,269,217,708. Hence, no provision had been made for the debtors aggregating to Rs.181,612,485.
- (n) Prior year adjustments had been done for the assets and depreciation in each and every year since the year 2012 and it was observed in the audit that those adjustments were materially impacted to the financial statements. Further it was observed that the opening retained earnings had been understated by Rs. 519,671,859 due to prior year adjustments done on fixed assets in the year under review.

1.2.3 Un-Reconciled Balances

Following observations are made

- (a) An un-reconciled difference of Rs.1,972,333,220 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.35,868,992,967 was observed in foreign grants of six foreign funded projects when compared with the balances shown in the financial statements of the board and the individual financial statements of the respective projects in sample audit.
- (c) A difference aggregating to Rs. 1,793,072,246 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 ten Foreign Funded Projects in sample audit.
- (d) An aggregate difference of Rs.65,511,961 was observed between the work-in-progress balance of constructions works shown in the financial statements of the Board and the corresponding balances confirmed by the Regional Support Center-Sabaragamuwa.
- (e) An aggregate difference of Rs.6,656,905,735 was observed between the loan disbursement balance shown in the financial statements of the Board and the corresponding balances shown in the CS-DRMS report (814) of the External Resource Department in sample audit.
- (f) The difference of Rs.20,435,860,610 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 of the Board.
- (g) The unreconciled difference of Rs. 2,861,454 and Rs.220,718,661 is remained more than six months without being cleared in Cash in transits account and debtor collection control account under cash and cash equivalents as at 31 December 2022.

1.2.4 Lack of Evidence for Audit

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

Item	Value Rs.	Evidences not Made Available
(a) Other Debtors	106,007,906	Detailed schedules (217 and 219)
(b) Other Creditor	306,911,958	Detailed Schedules
(c) Short Term Deposits in Other Institutions	5,561,100	Detailed schedules and reasons for existence.
(d) Withholding Tax	111,540,855	Detailed schedules and Certificates
(e) Assets taken over from Government Department	185,480,387	Detailed assets list taken over.
(f) Treasury Grant	104,950,118,240	Detailed schedule with project related with the grants
(g) Capital Grants Local Authorities	1,107,413,083	Detailed schedule with project related with the grants
(h) Foreign Capital Grants	3,657,640,079	Detailed schedule with project related with the grants
(i) Grant Amortization Schedule	2,797,207,561	Detailed schedule with project related with the grants

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

1.3 Other information included in the Board's 2022 Annual Report

The other information comprises the information included in the Board's 2022 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) No details about Risk committee members and Meeting participation Details.
- (c) Clear picture about the overall scope of the organization
- (d) Financial highlights in the 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 effects of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

- The financial statements presented includes all the recommendations made by me in the previous year final report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for paragraph 1.2.1(a),(b),(c),(d), 1.2.2(c),(d),(e),(f),(g),(h),(j),(l),(m),(n) , 1.2.3(a),(b),(c),(d),(f) and 1.2.4.

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

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

Reference to Laws/Direction	Description
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(a) Section 4.1 of the Nation Building Act of 09 of 2009.	The Board had not paid the Rs.80,509,796 of Nations Building tax relating to the year 2019 as at 31 December 2022 in relation to the Matara stage IV Project.
(b) Section 1.8,4.6 and 7.4 of paragraph VII of Establishment Code of Democratic Socialist Republic of Sri Lanka	It was observed that a sum aggregating to Rs.945,883 as Rs.305,642, Rs.442,815 and Rs.197,426 respectively for seventeen (17) employees who left their services, resigned and dismiss had been provided in the books of accounts for over three years period although they are not entitled for their personnel emoluments.

- (c) Paragraph 13 (b) of The board had not been refunded the value of the agreement signed by expenses made for scholarship from the officers proceedings on employees who were unable to provide full pay study leave and continued service to the Board after completion Section 4.7 of the of the study leave. Bonds value was Chapter XV(2013) of the Rs.20,190,832.

Establishment Code

- (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.22.87 million as salaries and allowances of fifteen employees who had been released to the Line Ministry by 31 December 2022. Accordingly, Ministry of Water Supply should reimburse Rs.238.99 million to the Board for the employees released from December 2015 to 31 December 2022.

- (ii) Paragraph 5.1 Bonus or Incentive should be paid only after the distribution of Levis and Profit to the Consolidated Fund under this provision. Contrary to that, a sum of Rs.269,323,092 had been paid as productivity incentive instead of Bonus for the year 2022 under the Board approval. Further, the Board had made Rs.3.2 billion loss during the year under review.

- (iii) Paragraph 6.9 An outstanding balance on domestic consumers in relation to two Regional Support Centers amounting to Rs.5,554,376 and in relation to Hatton Water Supply Scheme amounting to Rs. 3,526,969 had been written off during the year under review based only on committee approval without obtaining treasury approval.
- (e) 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 2023. Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2011 and the letter No.DMS/E2/19/4/064 dated 23 May 2011 of Director General of DMS
- (f) Management Service Approval had not been obtained from the Circular No.01/2019 Management service department for the recruitment of 176 employees on contract basis in 2021 and 2022 and amount of Rs.216,711,905 had been paid as Salary and allowances up to 31 July 2022 for those employees.

(g) Public Enterprise
Department Circular
No.01/2020 of 27
January 2020

(i) Paragraph 1.2

Three vehicles for Chairman and two vehicles for Vice chairman had been allocated according to the Board decision no.5/15/2022-898 under Vehicle Policy of the Board without referring to the Secretary to General Treasury. Accordingly, Chairman and Vice chairman use two vehicles instead of one vehicle.

(ii) Paragraph 1.4

The Board of directors had been approved and paid fuel imprest amounted to Rs.60,000 in addition to the 150 liters per month for the Chairman and Vice Chairman of the Board without referring to the Secretary to the General Treasury since January 2021.

(h) General Manager's
Circulars and Guidelines

(i) Admin/12/2015 of
12 August 2015

Legal actions should be taken within three months after the disconnection to recover outstanding debtors. However, legal actions had not been taken to recover the outstanding debtors aggregating to Rs.784.5 million in respect of 4,932 disconnected debtors whose bill value over Rs.50,000 as at 31 December 2022.

- 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) Thirty crew cabs with suitable platforms to accommodate water tanks procured at Rs.228,540,780 under the Greater Colombo Water and wastewater Management Improvement Investment Programme to supply water for deprived and vulnerable consumers due to depletion of water sources, the salinity instruction in intakes and low pressure in the distribution system to the water sources had not been used for the expected purpose during the year under review. Therefore, amount of Rs.24,000,000 spent to fabricate and install a suitable steel platform for installing the water tank in crew cabs become uneconomical to the Board.
 - (b) With respect to seventeen foreign funded projects and five local banks' funded projects, a considerable delay ranging from 275 days to 2,131 days was observed due to poor performance of the contractors, delay in land clearance, environmental and resettlement issues, delay in contract awarding, etc. even after granting extensions ranging from 02 to 07 occasions.
 - (c) Out of loan disbursed by the foreign Bank for Gamapaha, attanagalla & Minuwangoda Water Supply project, a sum of USD 50,859,161 equivalent to Rs.18,887 million or 22.17 percent of retained in Escrow account without utilizing for project activities by the end of the year under review even Project completion period extended to December 2023 in 5 occasions from the commencement. Further, the Down payment and Advance payment should be recovered from the interim payment certificates (IPC) within 36 months from the first IPC as per the contract agreement, a sum of USD 10,313,661 and USD 3,802,889 of Down payment and Advance payment respectively could not be recovered even 53 months spend from the commencement of the Project due to slow progress. Therefore, the Board had not utilized the Project Funds effectively to achieve its objectives.

- (d) Members of the Procurement committees had not been confirmed the funds availability at the beginning of the Water for all Project as per the requirements of the section 2.5.1(a) of the Procurement Guideline. Therefore, allocation made for water for all Project had been limited from Rs.136,202 million to Rs.27,656 million in the action plan of the year 2021 and only Rs.7,586 million had been received out of that allocation in the year 2021 for the execution of the Project. Accordingly, the Board were unable to achieve the objectives of the Project as planned and only 6 per cent or less than 6 per cent progress of 964 activities out of planned 2,817 Project activities had been achieved as at 24 September 2022. Further, amount of Rs.3,540,605,851 valued HDPE pipe imported for this Project is remained as at 31 December 2022 in the stocks insecurely throughout the islandwide due to improper management.
- (e) The amount of Rs.7,921,991 had been paid as indemnity for farmers for damages made to cultivation due to flooding which had not been identified at the planning stage of new salinity Barrier made for Nilwala river. Further amount of Rs.11,075,000 had been allocated to pay for developing the new canal and for diesel need to pumping the water to avoid the issues arise due to barrier.
- (f) The Procurement Committee had offered the contract for the supply and handed over of Ton 3,000 of Aluminium sulphate valued at USD 765,000 and Rs.9.9 million (SUP&MM/CHEM/ALUM-01/2021/02) to the contractor who was rejected by the Technical evaluation Committee due to non-availability of financial capability. However, The Board had terminated the contract without claiming the liquidated damages from the contractor due to failure to supply the goods.
- (g) The Board had failed to complete the Ampara Water Supply Project (Phase III) which the project cost was Rs.20,825 million as expected even after lapse of more than seven years from the scheduled completion period. Further, partly constructed six water towers incurring to Rs.30,351,710 and DI pipes and fittings worth of Rs.15,790,210 had remained idle due to termination of the contract. However, another contract had not been awarded to complete those six towers even by the end of the December 2022.

- (h) Thirteen (13) office quarters in Damana, Irakkaman, Sagamma, and Mandana Water Supply Schemes constructed at a cost of Rs.33,148,739 had remained idle at the end of the year under review.
- (i) All the constructions relating to Iginiyagala, Wadinagala and Damana Water Supply Scheme valued at Rs.5,585,337 and Rs.9,157,499 respectively had remained idled at the end of the year under review and necessary actions had not been taken to utilize those assets.
- (j) A boowble camera system valued at Rs.10 million remained at Pothuwil Officer in Charge office and sent to Akkareipattu manager office on 03 July 2017. However, it had not been repaired even by the end of the December 2022 and it had not been recognized at the physical verification of the Akkareipaththu manager offices at 31 December 2022.
- (k) Only 70m³ of water production out of the capacity of 150m³ is produced per day in the Sea Water Reverse Osmosis plant which was built under Supporting Electricity Supply Reliability Improvement Project at cost of Rs.185,452,350 to supply drinking water for people in three islands. Only 204 connections out of planned 1,662 had been given and expected result of the Project had not been achieved even it has spent 2 years after the completion of the project by the end of the year under review.

2.3 Other Audit Issues

Following observations are made.

- (a) As per the directives given by the Cabinet Decision No. 22/1286/604/022 and dated 05 September 2022 regarding the re-strategize and acceleration of large-scale development projects and as per the letter No. PMO/DEV II/ 2/2/1 dated 28.10.2022 issued by the Secretary of Prime Minister, Seven Projects which should be completed as at 31 December 2022 had not been completed as at 31 December 2022 and Twelve Projects which should be temporarily suspended are still in the process of suspending. Further, Committee had recommended to complete ten Projects within the year 2023 and to temporarily suspend the two Projects in the year 2023. However, expected results from those Projects cannot be reached even some considerable amount had been spent on those Projects. Further, assets of the Project may be idle.

- (b) Trade debtors, new connection debtors, sewerage debtors, disconnected debtors, and other debtors aggregating to Rs.2,991.25 million had remained over two years without being recovered.. Even though new connection debtors are to be recovered from 3 installments, Rs.5,658,157 had remained more than 3 years period without being recovered. An abnormal credit balance of Rs.15,569,200 remained in new connection debtors had not been investigated and settled even by the end of the year under review. Further out of the above balance a connection bearing the number 10/12/806/508/19 with an outstanding balance of Rs.5,666,581 with respect of condominium property had been transferred to free water category without having any valid reason.
- (c) A sum of Rs.4,555,164 in respect of 11 water connections given to ministers' quarters had remained long outstanding without being recovered at the end of the year under review.
- (d) An outstanding balance of Rs.1,765,352 in respect of two illegal connections of Galle Urban Council due from 19 years and Rs.28,519,949 in respect of Colombo Municipal Council of due more than 5 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 61 days to 163 days were observed in delivering of 1st bill in four regions in western province in 162 occasions as at 09 February 2023.
- (f) The amount of Rs.1,177,322,071 trade and other creditors balance was remained more than one year without being settled as at 31 December 2022.
- (g) The Land acquisition deposit amount of Rs.163,809,973 which is remained more than three years without taking actions to investigate and recover them. Out of that amount, Rs.43,515,989 is remained since the year 2016 without being identified. Further Deposit amount of Rs. 173,365 paid for 03 lands abandoned is still remain as deposits in books of accounts without being cleared since the year 2018. Credit amount of Rs.5,041,738 is remain in deposit account without being cleared since long period of time.

- (h) Loans and advances given to former employees non active amounting to Rs.17,535,788 had remained in accounts for more than eight years period without taking proper actions to recover as at 31 October 2022. 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.
- (i) Sum of Rs.98,122,773 out of Rs. 242,002,232 of contract advances given under ledger code no. 242/0 was being remained more than three years without being settle. The amount of Rs.8,176,092 out of them cannot be recovered from the contractor due to non-existence of the entity. No any evidences submitted for audit about the six legal cases filed for Rs.9,805,216 worth advances to identify the recoverability of those advances.
- (j) Refundable short term deposits aggregating to Rs. 52,232,693 deposited in external institutions had remained outstanding over three years without being recovered and amount of Rs.11,953,200 out of them cannot be recovered due to non-availability of relevant document. Further, an advance given to line ministry amounting to Rs.4,378,829 had remained outstanding over nine years without being recovered.
- (k) As per the financial statements, the stocks in transit (local purchase) and imported stock in transit as at 31 December 2022 was Rs.422,041,459 and Rs.5,697,583,838 respectively. Out of those stocks, Local purchase amount of Rs.47,511,660 had remained over three months without being cleared and imported stock in transit amount of Rs. 1,980, 996,303 had remained over two years without being cleared.
- (l) As per Corporate Plan for 2020-2025 a new connection target of 327,685 had been established for the year in combined with “water for all” concept under the National Policy Framework and later the target had been amended to 190,000 during the year. However, 153,217 numbers of new connections were given during the year. Further, the metered sales revenue had been increased by 28.80 per cent as compared with the preceding year even the number of new connection had been decreased by 20.24 per cent as compared with the preceding year. Main reason for the sales growth is increasing the tariff charges on 01 September 2022.

- (m) The Stock values amount of Rs.51,250,416 in five stores had not been entered to the Inventory Management system as at 31 December 2022.
- (n) An aggregate amount of Rs.4,030,131 and Rs.210,294,082, Rs.647,357,338 of Obsolete, unserviceable and nonmoving respectively had been remained without being taken necessary actions to dispose as 31 December 2022 and Age analysis had not been provided by the Board to identify the stock lagging period.
- (o) In respect of seven (07) Projects, the balances aggregating to Rs.198,729,791 shown under the work-in-progress are remained unchanged over twelve 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.
- (p) The amount of Rs.9,995,966 of Terminated five Projects in Sabragamuwa Regional Support Center is remained as idle without any completion.
- (q) The amount of Rs.1,846,688 balance as at 31 December 2022 had been remained in saving account no.2000934 without getting investment decision and average balance in each and every month of the account is around Rs.33 million and investment decision of the Board are depend only on one employee of the Board instead of Investment Committee. Further, Investment committee had not been established even revenue of the Board exceed Rs.35 billion as per the 6.2 paragraph of the Operational Manual for State owned enterprises issued by Public Enterprise Department. Further, amount of Rs.1,500,082.86 had been remained in another savings account (A/C No.2002283) from the long period of time without any movement and investment decision.
- (r) Number of 228 vehicles which were registered in Department of Motor Traffic under the name of the Board is not included in the vehicle database maintained by the Board.

(s) When analyzing the confirmation sent to debtors, number of 53 accounts with aggregating value of Rs.135,262,006 out of 150 accounts with aggregating value of Rs.292,061,739 had been confirmed as at 30 April 2023. Number of 17 accounts value aggregating to Rs.66,201,380 had been returned due to inability to find the location and number of 11 accounts value aggregating to Rs.35,798,188 had been disagree with the balances of the Boards.



W.P.C. Wickramaratne
Auditor General

Audited Financial Statements