

Head 119 – Ministry of Power and Renewable Energy

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Ministry of Power and Renewable Energy for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the Financial Statements of Ministry of Power and Renewable Energy was issued to the Chief Accounting officer on 31 May 2019 in terms of section 11(1) of the Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Ministry was issued to the Chief Accounting Officer on 30 May 2019 in terms of section 11(2) of the Audit Act. This report will be tabled in parliament in pursuance of Provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with section 10 of the National Audit Act No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report the financial statements give a true and fair view of the financial position of Ministry of Power and Renewable Energy as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 Responsibility of the Chief Accounting Officer and the Accounting Officer in relating to the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and Provision in Section 38 of the National Audit Act No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per section 16 (1) of the National Audit Act No.19 of 2018, Ministry of Power and Renewable Energy is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in Ministry of Power and Renewable Energy and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- It had been included that structure and content of the financial statements are based transactions and events appropriate and fairly included when presenting the financial statements as a whole.
- 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 the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with section 6 (d) of the National Audit Act No. 19 of 2018.

- (a) Since there was no need for the presentation of financial statements for the preceding years, it could not be stated that the financial statements presented was consistent with the preceding year. And for that reason, to preparation of financial statements for the preceding year recommendations on the financial statements had not presented in this report.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observations -----	Recommendation -----	Comments of the Chief Accounting Officer -----
According to the Financial Statements As at December 31, 2018, the Value of Property, Plant and Equipment Was Rs.299,538,945 and according to the Treasury Computer Printing, its Value was Rs.290,051,919. Hence, a difference of Rs.9,487,026 was observed.	Identify the reasons for the difference and make adjustments.	The reasons for the difference have been identified and action will be taken to correct the accounts promptly.

1.6.2 Non Maintain Registers and Books

The following observations are made.

Audit Observations -----	Recommendation -----	Comments of the Chief Accounting Officer -----
According to the Financial Regulations No. 891(1) No Security Register was furnished with details of officers and employees who should be furnished security.	Taking action according to the financial regulations.	Action will be taken to maintain a Security and Security Register in accordance with Financial Regulation 891(1)

1.6.3 Non-compliance with Laws, Rules and Regulations

 The following observations are made.

Reference to laws, rules and regulations	Non-compliance	Recommendation	Comments of the Chief Accounting Officer
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(a) Circular on the State Expenditure Management of the president Secretariat No. CA/1/17/1 of 14 may 2010.	The maximum number of vehicles allocated for the use and security of Ministers and deputy Ministers in terms of paragraph 3.1 of that circular should be 03. But, It was observed that 04 vehicles had been allocated for the Minister in a manner that does not comply with the circular.	Should act according to the circular.	Only 04 vehicles were in used until December 23, 2018, and then only 03 vehicles were used as per the circular.
(b) Subsection 16(2) of the National Audit Act, No. 19 of 2018.	The Annual Performance Report had not presented with the financial statements in terms of the relevant section of the Act.	Annual Submission of Annual Performance report to the Audit as per the Act.	To be submitted for the Audit in the future.

2. Financial Review

2.1 Imprest Management

 The following observations are made.

Audit Observations	Recommendation	Comments of the Chief Accounting Officer
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The imprest estimate prepared by the Ministry was Rs.4,655,000 to be requested for the year under review and actually requested imprest was	Imprest requirements should be properly plan.	Although the imprest requirement is properly planned, Due to the fact that the requested imprest is not

Rs.905,944,000. Accordingly, a variation of 207 percent was observed between the applied imprest and the requested imprest. Furthermore, only Rs.757,448,330 had been received from the Treasury.

released during the month by the treasury Operations Department This situation cannot be avoided.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Also a sum of Rs. 37,100,000 was allocated for the 04 projects Expenditure heads in the year under review had been fully remained and the total allocation of Rs.16,914,000 for these 04 projects in the previous year were remained. It was observed in the audit that the reason for this was estimated deficiencies and delays in the procurement process.	The estimates should be properly prepared in terms of the Financial Regulations No 50.	Agrees with the facts of the Audit Report.
(b) Remaining provisions for recurrent and capital expenditures varied from 10 percent to 92 percent and the total amounts of provisions thus remaining in respect of 14 Objects were 136,933,133. It was observed that this was caused by weaknesses in estimation and delays in execution and lack of proper accounting system for direct expenditure.	-Do-	That the total value of the remaining provisions should be revised to Rs.136,933,133 and the relevant sections have been informed to make direct expenditure accounting correctly.
(c) The treasury was not issue the imprest as planned during the year under review and for other	The projects should be commenced without delay until the end of the year.	Agrees with the Audit observations.

reasons it was observed that a remained of 26 percent and 57 percent in total provisions with regard to two expenditures.

3. Operating Review

3.1 Delays in executing the projects

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Construction of 31 MW Moragolla Hydro Power Plant</p> <p>-----</p> <p>The project to construct the Moragolla Hydro Power Plant is expected to commence in 2014, with a capacity of 31 MW to be added to the National Electricity Network its work was commenced in 2017 after a delay of 03 years. Rs.16,780 million had been received from the Asian Development Bank for this project and the project was not started on due date, it had to pay a penalty (Commitment Charge) of nearly Rs.28 million (USD 177,931)</p>	<p>Plans should be systematically prepared and completed within the timeframe so that projects can be executed on time.</p>	<p>That it were affected by delay in project consultancy services contract for about 02 years, Delay in issuing the Environmental Assessment Report, Awaiting Cabinet approval to award the initial contract and to be empowered in 2023.</p>
<p>(b) National Transmission and Distribution Network Development and Energy Efficiency Development Project</p> <p>-----</p> <p>The project was started in</p>	<p>-Do-</p>	<p>The scope for consultation on the project was delayed after negotiating with the JICA institution. The reasons for the delay in obtaining the approval of</p>

January 2015 and it was scheduled to be completed by January 2018, but it was not completed by August 21, 2019.

- (c) 35 MW Broadlands Hydro -Do- Power Project

 The project was started in August 2013 and it was scheduled to be completed by August 2017, but as of December 31, 2018, its physical progress was only 66 percent. Estimated cost of the project to date Rs.9,424 Million of Rs.6,426 Million had utilized.

- (d) Construction of infrastructure in -Do- Mannar transmission line Lot A : Improvement of Grid Substation and Construction of Mannar Grid Substation

 Although the project was started in 2015 and it was scheduled to be completed in 2017, the physical progress was only 84 percent as at 31 December 2018. Estimated cost of the project to date Rs.4,149 Million of Rs.2,507 Million had utilized.

the JICA for the pre-qualification of the contractors (PQ) and the approval of JICA for the tender documents.

The project was delayed due to delays in acquisition of land for the project, due to social issues and the temporary suspension of funding by ICBC Bank.

The delay in the project due to the change in the scope of the project for the construction of the Mannar network substation.

3.2 Security of Public Officers

 The following observations are made.

Audit Observations

Recommendation

Comments of the Chief Accounting Officer

 In terms of Financial Regulation No.880, Officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or

 In terms of Financial Regulations No.880 and No.881, an officer should furnish security within two months from the date of appointment.

 Action will be taken in accordance with the public officers (Security) Ordinance (Cap. 612) and Financial Regulation No.891(1)

stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Ministry Account will be required to give security in accordance with the public officers (Security) Ordinance (Cap. 612) for the faithful discharge of their duties. However, No action had been taken Accordingly.

4. Human Recourses Management

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The Audit observed that there were 24 vacancies in the staff at the end of the year under review.	Should fill the vacancies or revise them.	There are 24 vacancies remain.
(b) In terms of the Paragraph 2.2 of the Circular on the State Expenditure Management of the President Secretariat No.CA/1/17/1 of 14 May 2010, if an officer of State Corporations or Statutory Boards attached for the Honorable Ministers, Deputy Ministers, he should be paid the salary relating to the post attached, not the salary obtained from the said institution. But contrary to the above circular, the Ministry has obtained the services of a driver of the Central Bank of Sri Lanka and paid a high salary and Ministry had reimbursed a Salary amounting to Rs.167,392 and Rs.1,834,801 for the month of December 2017 and for the year 2018 respectively.	Should act in accordance with the relevant circular.	Attached to the instructions of the Minister.

