

## Head 119 – Ministry of Power, Energy and Business Development

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### 1. Financial Statements

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#### 1.1 Opinion

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The audit of the financial statements of the **Ministry of Power, Energy and Business Development** for the year ended 31 December 2019 comprising the statement of financial position at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, 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. The summary report containing my comments and observations on the financial statements of the **Ministry of Power, Energy and Business Development** was issued to the Accounting Officers on 31 May 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the **Ministry of Power, Energy and Business Development** was issued to the Accounting Officer on 03 June 2020 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements prepared in accordance with the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the **Ministry of Power, Energy and Business Development** as at 31 December 2019, 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

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

#### 1.3 Responsibility of the Chief Accounting Officer for the Financial Statements

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The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

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

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 the Ministry 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**

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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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

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I communicated with the 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

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I express the following matters in accordance with Section 6 (1) (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements pertaining to the preceding year had been implemented.

## 1.6 Comments on the Financial Statements

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### 1.6.1 Non-maintenance of Books and Documents

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It was observed at the sample audit that the Ministry had not maintained documents as follows.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(A) A Security Register including the details of officers and employees who should give security in terms of Financial Regulation 891(1) had not been maintained.	In terms of the Financial Regulation 891(1), a Security Register inclusive of the details of the officers who are required to give security should be maintained.	Actions will be taken in future to maintain a Security Register inclusive of the details of the officers and employees who are required to give security in terms of the Financial Regulation 891(1).
(B) When securities are given in the form of personal guarantors for loans, although a security register seeking to establish such persons' suitability to become guarantors should have been maintained, such register had not been maintained.	A Security Register should be maintained.	A Security Register has been maintained from 2018.

## 1.6.2 Non-compliance with Laws, Rules and Regulations

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 Instances of non-compliances with Laws, Rules and Regulations observed at the sample audit of the Ministry **are** mentioned bellow.

Reference to laws rules and regulations	Noncompliance	Recommendation	Comments of the Chief Accounting Officer
(A) Public Administration Circular No 05/2008 and 05/2018(1) dated 06 February 2008	A Citizen Charter had not been formulated for the Ministry which may have helped create the background to serve the public more efficiently and effectively.	Actions should be taken as per circulars	Actions are being taken.
(B) Public Administration Circular No 02/2018 dated 24 January 2018	Although Human Resource Plan should have been prepared, no action had been taken in that regard.	Actions should be taken as per circulars	Draft has been prepared.

## 2. Financial Review

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### 2.1 Imprest Management

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#### Audit Observation

#### Recommendation

#### Comments of the Chief Accounting Officer

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Rs.84,183,986 or 60 per cent out of the amount Rs.140,000 ,000 allocated under object No 119-1-2-6-2506 had been saved due to delays in implementation and non-receipt of imprests and Rs 16,630,332 or 14 per cent out of the amount Rs 120,000,000 had been saved due to non-release of imprests.

Projects should be started without delaying them until the end of the year under review.

Agree with the facts of the report.

## 2.2 Expenditure Management

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The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(A) The Instances of remaining of provisions allocated under recurrent Objects withing a range of 5 to 87 per cent were observed and the total value of the allocations thus remained under 22 objects was Rs.220,104,490.It was reported to the Audit that these provisions were saved due to the non-receipt of concurrence for the lease agreement worth Rs.200 million.	Correctly estimating provisions and streamlining of utilization.	Treasury allocated additional amount of Rs.200 million on the approval of the Ministry for housing the Ministry in a new building and due to the non-receipt of concurrence for lease agreement ,it was not possible to enter into the lease agreement. And therefore, this amount of Rs.200 million has remained and it is therefore not possible to agree with the remark which says that that there has been delay in implementation or weakness in estimation.
(B) Instances of remaining Provisions made in Capital Objects withing a range of 25 to 100 per cent were observed and total value of provisions thus saved related to 5 objects was Rs.98,365,119.it was observed that weaknesses in estimation and delays in implementation had been responsible for this.	-Do-	Agree with the facts in the reports.

- (C) Due to non-accounting of direct expenses incurred by the Asian Development Bank and the United Nations Development Fund, Rs 14,371,755 in two projects under object Nos 119-2-7-11-2506 (13) and 119-2-7-10-2506 (13) had been mentioned as savings.
- The procedure of accounting direct expenses related to foreign projects should be streamlined.
- The expenses reported to the Ministry through the relevant Project Offices have been correctly accounted.

### 2.3 Incurring **Liabilities and Commitments**

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>In terms of section 4 of the State Account Circular No 255/2017 dated 27 April 2017, although all Expenditure Units should daily upload the information related to liabilities and commitments to the website <a href="http://www.newcigas.treasury.gov.lk">www.newcigas.treasury.gov.lk</a>, for the purpose of identifying the amount of liabilities and commitments for a particular day in relation to each objects, such action had not been taken.</p>	<p>Information system should be daily updated.</p>	<p>Agree with the facts in the report.</p>

### 3. Operational Review

#### 3.1 Delays in Carrying out Projects

Delays were observed in carrying out projects by the institutions which are operating under the Ministry.

Audit Observation	Recommendation	Comments of the Chief Accounting officer
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(A) Although it had been planned to commence the construction of Moragolla hydropower Plant in 2014 for the addition of 31 MW to the National Grid, it had been started in 2017 with a delay of 3 years. Rs16,780 million had been received from the Asian Development Bank for this project and due to the failure to commence the project on scheduled date, Rs 28 million (USD 177,931) had to be paid as Commitment Charges. Physical progress as at 31 December 2019 is 26 percent.	Plans should be prepared in a proper manner enabling the implementation of projects within the scheduled timeframe.	The physical progress as at 31 December 2019 should be corrected as 24 per cent
(B) National Transmission and Distribution Network Development and Efficiency Improvement Project		
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This project had been scheduled to commence in January 2015 and end in January 2018. The estimated cost was Rs 23,720 million and the expenditure incurred as at 31 December 2019 was Rs 3,488 million and accordingly the physical progress was 2 percent.	-Do -	Agree with the facts in the report.



(C)	<u>Broadlands Hydropower Project -35 MW</u>  This project had been scheduled to commence in August 2013 and end in August 2017. The estimated cost was Rs 9,424 million and the expenditure incurred as at 31 December 2019 was Rs 6,426 million and accordingly the physical progress was 74 percent.	-Do-	The total cost of the project as at 31 December 2019 was Rs 9,385 million.
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### 3.2 Furnishing of Security by Public Officers.

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Public officers should furnish security as per Financial Regulation 880 and the Public Officers’ Security Ordinance (Cap 112) to the effect that duties are carried out honestly. Further, as per Financial Regulation 881, an officer appointed to a post carrying security should furnish security within two months from the date of appointment.	As per financial Regulation 888 and 881, an officer appointed to a post carrying security should furnish security within two months from the date of appointment	Discussions have been held with the State Accounting Department regarding furnishing of security by officers of the Ministry, as per section 4 (Cap 612) of Public Officers’ Security Ordinance ,each officer has completed documents dated 24.09.2020 to obtain Security Bonds and referred them to the Mutual Security Commission.

### 3.3 Losses and Damages.

----- Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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It was observed that the loss of Rs.251,334 due to the accident of the Ministry’s vehicle HE – 2381 happened on the 12 <sup>th</sup> May 2009, had not been recovered from the relevant party untill 31 <sup>st</sup> December 2019 as per Financial Regulation 104(4).	Losses should be recovered from the relevant parties.	Ceylon Electricity Board is sorting out legal issues with the Attorney General’s Department and actions will be taken in future after finding information regarding the latest situation from the Electricity Board.

#### 4 Human Resource Management

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The following observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(A) 25 vacancies existed in the Ministry at the end of the year under review and the Higher Management had not taken steps to fill 11 vacancies including the posts Additional Secretary (Planning and Development), Director (Planning ) and Administration Officer which are instrumental in efficiently running the institution.	Steps should be taken to fill the vacancies or revise them.	Steps have been taken from time to time to inform the Ministry of Public Administration of the need of immediately getting officers attached to the vacant posts.
(B) As at the end of the year under review, 27 employees attached to the Ceylon Electricity Board had been employed in the Ministry outside the approved cadre for the Ministry and some officers had been attached to the Department since 2006.	Should take actions as per <b>Public Enterprise Circular</b> No Ped/12 dated 02 June 2003	Only an annexure had been submitted.