

Head - 406 - State Ministry of Solar, Wind and Hydro Power Generation Projects Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Solar, Wind and Hydro Power Generation Projects Development for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 State Ministry of Solar, Wind and Hydro Power Generation Projects Development was issued to the Chief Accounting Officer on 07 July 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Accounting Officer on 31 May 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 the State Ministry of Solar, Wind and Hydro Power Generation Projects Development as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the facts set out in paragraph 1.6 of this report.

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 Chief accounting Officer and 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 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 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

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 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.

The chief accounting officer was made aware on important audit findings identified during my audit, major internal control weaknesses and other issues.

1.5 Report on Other Legal Requirements

No recommendations made in terms of the section 6 (1)(d) of the National Audit Act No. 19 of 2018 since there was no need for the presentation of financial statements for the preceding year by the State Ministry of Solar, Wind and Hydro Power Generation Projects Development.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following deficiencies were revealed in the accounting of the properties plant and equipment.

Audit Observation	Comments of the ministry	Recommendation
(a) Even though 331 non-financial asset items worth Rs. 10,359,937 obtained from the Ministry of Power had been using by the State Ministry, no action had been taken to take over and account those assets as per Budget Circular No. 06/2020 dated 20 November 2021.	Since the assets provided by the Ministry of Power had not been formally transferred to the State Ministry by 31 December 2020, they had not been presented in the financial statements.	Taking action to take over and account the relevant assets in terms of the Budget Circular No. 06/2020 dated 20 November 2021.
(b) Assets purchased during the year under review worth Rs 1,849,246 had not been shown in the statement of financial position.	Purchased assets had not been accounted for due to non-availability of expected quality and had been returned to the relevant institution in January 2021.	Action should be taken to account for all assets at the time of purchase.

2. Financial Review

2.1 Expenditure Management

Audit Observations	Comment of the Ministry	Recommendation
(a) Even though the expenditure estimates should be prepared as accurate as possible in terms of the Financial Regulation 50 (ii), an additional provision of Rs. 1,500,000 had been received for 02 objects	It is kindly informed that the observation of the Auditor General is correct. This shortcoming is due to the inability to predict certain factors in the preparation of estimates.	Action should be taken to prepare expenditure estimates completely and accurately as possible in terms of the Financial Regulation 50 (ii).

through allocation of Supplementary Estimates for the year 2020 by the state ministry. It is an increase from 200 to 500 percent compared to the estimated provision.

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| (b) | 100 per cent of the net allocation of Rs. 345,000 made for 06 objects and 31 per cent to 92 percent out of net provisions of Rs. 7,265,000 provided for 11 other objects had not been utilized. | This situation has arisen due to the lack of need to utilize the allocations provided in the unpredictable economic and social environment. | Estimates should be prepared as accurately as possible. |
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2.2 Certifications to be made by the Chief Accounting Officer

Audit Observations	Comment of the Ministry	Recommendation
(a) According to the provisions in section 38 of the National Audit Act no.19 of 2018, the Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system is set up and maintained for the financial control of the Ministry and that the effectiveness of that system should be reviewed from time to time and necessary changes should be made to ensure that the system is effective. The reviews were to be made in writing and a copy was to be submitted to the Auditor General, but no statement was made available to the Audit stating that such reviews had been carried out.	Every effort has been made to establish a formal internal control system in a very short period of time, and It is kindly informed that it will be rectified in the year 2021.	Action should be taken in accordance with the provisions of section 38 of the National Audit Act No. 19 of 2018.

- (b) Even though the Chief Accounting Officer and the Accounting Officer should ensure that there is an effective methodology for the proper functioning of the internal audit function, this requirement had not been met as per the observations made in paragraphs 5.1 and 5.2 of the report. It is informed that necessary measures will be taken to rectify this shortcoming. Action should be taken in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

2.3 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the laws, rules and regulations observed during the sample audits are explained below.

Reference to laws, rules and regulations	Observation		Comments of the Ministry	Recommendation
	Amount Rs.	Non-compliance		
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
F.R. 138,139	-	Rs. 11,885.71 had been paid without following the systematic procedure mentioned in the Financial Regulations.	It is kindly informed that the observation made by the Auditor General is correct.	Must comply with financial regulations when making payments.
(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka				
Paragraph 2:10 of Chapter VI	-	Even though the matters such as approval of salary increments, acting appointments and transfers of officers should also be reported to the Auditor General according to this	Action will be taken to correct it in the year 2021.	Action should be taken in accordance with the provisions of the Establishments Code

paragraph, the State Ministry had not acted accordingly.

**(c) Management Service
Circulars**

<p>Management Services Circular No. 04/2017 dated 20 September 2017</p>	<p>-</p>	<p>Even though the staff information updated according to the staff changes as a result of recruitment, resignation, vacation of post, dismissal, retirement and death etc. of officers should be forwarded to the Department of Management Services within one month at the end of each quarter, the State Ministry had not acted accordingly.</p>	<p>Action will be taken to correct it from year 2021.</p>	<p>Action should be taken in accordance with the relevant circular.</p>
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3. Operational Review

3.1 Planning

3.2 Procurements

Audit Observation -----	Comments of the Ministry -----	Recommendation -----
<p>The State Ministry of Solar, Wind and Hydro Power Generation Projects Development, established on 09 August 2020, had functioned without an action plan from then until the end of the year under review. Further, even though the Annual Action Plan for the coming year should have been prepared and submitted to the Chief Accounting Officer for approval before 15 December of the year under review in accordance with paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020, no action had been taken complied with it.</p>	<p>It is kindly informed that the observation of the Auditor General is correct. Action will be taken to correct it from year 2021.</p>	<p>Action should be taken in accordance with paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020.</p>

Audit Observation

**Comments of the
Ministry**

Recommendation

Even though the State Ministry had not prepared a procurement plan for the year under review, Rs. 1,849,246 worth of non-financial assets had been purchased. Further, even though Annual Procurement Plan for the Implementation of Recurrent and Capital Programmes for the coming year should be prepared before 10 December of the year under review and the approval of the Chief Accounting Officer, and then a copies should be referred to the National Auditor Commission, Auditor General Department and the Department of Public Finance in terms of the paragraph 04 of the Public Finance Circular no.02/2020 dated 28 August 2020, the procedure had not been adhered to.

It is kindly informed that the observation of the Auditor General is correct. Action will be taken to correct it from year 2021.

Action should be taken in terms of the Public Finance Circular No. 02/2020 dated 28 August 2020.

3.3 Assets Management

Following observations are made.

Audit Observation

Comments of the Ministry

Recommendation

Even though the annual board of survey should be conducted by all ministries in terms of the Financial Regulation 128 (1) (e) and Public Finance Circular No. 05/2016 dated 31 March 2016 within the time frame set out in paragraph 3.1 therein, the Board of Survey for the year 2020 had not been conducted and reports had not been submitted by the State Ministry.

The assets obtained from the Ministry of Power had not been taken over and the Board of Survey was not conducted as the purchased assets had been returned to the relevant institution in January 2021.

Action should be taken in terms of the relevant circular.

4. Achieving the Sustainable Development Goals

Following observations are made.

Audit Observation	Comments of the Ministry	Recommendation
(a) The Sustainable Development Goals, out of the 17 Sustainable Development Goals agreed upon by the Member States of the United Nations in year 2015, that are directly relevant to the State Ministry of Solar, Wind and Hydro Power Generation Projects Development had been identified in terms of the National Budget Circular No. 02/2017 dated 25 July 2017.	Action will be taken to correct it from year 2021.	The Sustainable Development Goals directly relevant to the Ministry should be identified.
(b) No internal circulars or guidelines on the implementation of the Sustainable Development Goals had been issued or training programmes had been conducted in the year 2020 to create awareness among the interested parties.	Action will be taken to correct it from year 2021.	Necessary programs should be implemented to implement the Sustainable Development Goals.
(c) The human, physical and financial resources required to achieve the Sustainable Development Goals had not been identified.	Action will be taken to correct it from year 2021.	The human, physical resources and financial resources required for this should be identified.
(d) A methodology for deploying physical resources and staff to achieve sustainable development objectives as well as a methodology for regulating related activities had not been identified.	Action will be taken to correct it from year 2021.	A methodology for utilizing physical resources and staff to achieve sustainable development goals as well as a methodology for regulating related activities should be identified.

5. Good Governance

5.1 Internal Audit

Audit Observation	Comments of the Ministry	Recommendation
Even though an internal audit unit presided by a class I officer of the Sri Lanka Accountants' Service should be established for all ministries under the direct supervision of the Chief Accounting Officer in terms of the section 40 of the National Audit Act No. 19 of 2018 and paragraph 03 of the Management Audit Circular No. DMA / 01- 2019 dated 12 January 2019, and the internal audit plan should be prepared and its' copies should be submitted to the Management Audit Department and Auditor General by the same unit, , the State Ministry had not acted accordingly.	An Internal Audit Unit will be established under a Grade I Officer of the Sri Lanka Accountants' Service and will act accordingly from the year 2021.	Action should be taken in accordance with the National Audit Act and the relevant circular.

5.2 Audit and Management Committee

Audit Observation	Comments of the Ministry	Recommendation
Even though an Audit and Management Committee should be established by Chief Accounting Officer for his ministry for the requirements of section 41 of the national Audit Act no. 19 of 2018 and in terms of the para 5.1 of the Management Audit circular no. DMA / 01- 2019 dated 12 january 2019 and its meetings should be held at least once a quarter, no action had been taken as above from 09 August 2020, when the State Ministry was established, up to the date of the report.	Action will be taken to correct it from year 2021.	Action should be taken in accordance with the National Audit Act and the relevant circular.