

Rooftop Solar Power Generation Line of Credit - 2020

The audit of the Statement of Utilization of Funds of the Rooftop Solar Power Generation Line of Credit Project for the year ended 31 December 2020 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 Section 27(a) of Schedule 03 of the Loan Agreement No 3571- SRI dated 18 September 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, the Ministry of Finance is the Executing Agency and Development Finance Department is the Implementing Agency of the Project. The objectives of the Project are mainstream renewable energy development, enhance power generation capacity and improve the environmental conditions in the country. As per the Loan Agreement, the estimated total cost of the Project was US\$ 50 million equivalent to Rs. 7,550 million and entire amount was agreed to be financed by ADB. The Project had commenced its activities on 17 April 2019 and scheduled to be completed by 31 December 2021.

1.3 Opinion

In my opinion, the accompanying Statement of Utilization of Funds of the Rooftop Solar Power Generation Line of Credit Project for the year ended 31 December 2020 gives a true and fair view in accordance with the Rooftop Solar Power Generation Line of Credit Project Subsidiary Loan Agreements and equivalent requirements stated in the Section 27 (a) of the Loan Agreement.

1.4 Basis for 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 utilization of funds section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of statement of utilization of funds that give a true and fair view in accordance with the Rooftop Solar Power Generation Line of Credit Project Sub Loan Agreements and equivalent requirements stated in the Section 27 (a) of the Loan Agreement, and for such internal control as management determine is necessary to enable the preparation of statement of utilization of funds that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

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

My objective is to obtain reasonable assurance about whether the statement of utilization of funds 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 statement of utilization of funds.

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 statement of utilization of funds, 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 internal control of the Project.
- 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 statement of utilization of funds, including the disclosures, and whether the statement of utilization of funds 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. Unutilized Resources

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	Even though, Rs. 2,390,000,000 was allocated by the annual budget for the Project for the year under review, 12.7 percent of the allocation was remained unutilized as at 31 December 2020.	Agreed with the observation. Further, COVID – 19 epidemic situation had adversely affected to the demand of this loan of scheme.	It is required to utilize the allocated funds maximum.
(b)	Eventhough a sum of to Rs.5,315,709,974 had been provided by the ADB as at 31 December 2020, only a sum of Rs.3,835,293,882 was utilized and, Rs.1,480,416,092 was remained in the Central Bank Account as unutilized at the end of the year 2020.	Agreed with the observation. Further, PFIs are liable to pay an interest to the Treasury for the received funds from date of receipt to the Central Bank Account.	It is required to utilize the received funds without delay.