Head 119 - Ministry of Power

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Ministry of Power for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 to be 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 Ministry of Power was issued to the Chief Accounting Officer on 03 June 2022 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 was issued to the Chief Accounting Officer on 26 October 2022 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, the financial statements give a true and fair view of the financial position of Ministry of Power as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities 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 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 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of
 material misstatement in financial statements whether due to fraud or errors in providing a basis
 for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design
 procedures that are appropriate in the circumstances, but not for the purpose of expressing an
 opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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(1)(d) of the National Audit Act No. 19 of 2018.

- (a) That the financial statements correspond to the previous year,
- (b) My recommendations on the financial statements for preceding year had been implemented.

2. Financial Review

2.1 Management of Expenditure

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	A total additional provision of Rs.4,758,142,000 including, Rs.3,850,000 for 05 recurrent expenditure objects under the Weeramong procedure, Rs.2,930,000 for 02 recurrent expenditure objects and Rs.4,751,362,000 for 07 capital expenditure objects under supplementary provisions had been made for the Head. This was 18,160 percent of the total estimated provision for those expenditure objects.	in the approved budget estimates by the Department of National Budget, the appropriation limits	Action should be taken to accurately estimate the provisions.
(b)	The total net allocation of Rs.3,350,000, which was made for 04 expenditure objects under the Head in the year under review was remained unutilized, and 69 percent of it was left due to the suspension of capital expenditure by the Cabinet decision dated September 07, 2021.	Agreed with audit observation.	-Do-
(c)	A total of Rs.36,563,675 was underutilized out of the allocation of Rs.46,700,000 for 15 recurrent expenditure objects, most of which were left due to the situation of COVID 19 in the country. The savings ranged from 54 percent to 100 percent.		-Do-

(d) Out of the total allocation of Rs.284,500,000 for 05 capital expenditure objects, a total of Rs.51,546,733 had been left due to the suspension of capital Cabinet expenditure by the decision dated September 07, 2021 and due to the COVID 19 situation in the country. The saving ranged from 10 percent to 100 percent.

Agreed with the audit Accurate estimation of observation.

provision and formalized of utilization should be done.

(e) Ministry had given an allocation of Rs.28,000,000 to the State Ministry of Solar, Wind and Hydropower Generation Project Development out of the provision of Rs.40,000,000 provided in the annual estimate under expenditure object. The remaining allocation of Rs.12,000,000 was completely saved due to nonsubmission of relevant bills for payment of annual subscriptions.

Agreed with the audit -Doobservation.

2.2 Non-compliance with Laws, Rules, Regulations

Cases of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

Audit Observation

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(a)	05/2008 dated 6	Until the end of the year under review, a citizen/beneficiary charter for the Ministry had not been prepared to create the necessary background to deliver services to the public more efficiently and effectively.	circular, the Ministry's Citizen beneficiary Charter had been prepared and approved by the Secretary to the	$\begin{array}{ccc} charter & should & be \\ compiled & & and \\ implemented & in \\ accordance & with & the \end{array}$

- (b) Public
 Administration
 Circular No.
 02/2018 dated 24
 January, 2018
- (i)Although the organization should prepare unique human resource development plan, the plan was not prepared including the matters that should be included according to the circular.

The Ministerial Human Resource Plan - 2022 that prepared according to the "Guidelines for the Preparation Human Resource Development Plan" presented at the workshop held on has 2021.12.03 been referred to the Secretary for approval.

A human resource plan should be prepared according to the Circular.

(ii)Although annual performance agreements were to be signed for all the staff working in the Ministry, action had not been taken accordingly.

Answers not Act in accordance submitted. with the Circular.

Regulations of the Government of the Democratic Socialist Republic of Sri Lanka (i) Financial

Regulations 756(6)

Financial

(c)

Although the reports of all Board of Survey should be forwarded to the Auditor General, the Board of Survey reports related to the Ministry's vehicles had not forwarded to the Auditor General in the years 2020

and 2021.

A committee has been appointed 25.01.2022 to carry out the survey of the vehicles of the Ministry promptly and that the relevant activities are being carried out.

Board of Survey reports of all assets owned by the Ministry should be submitted.

- (ii)Financial Regulations 104(3),(4)
- (i) For 03 vehicle accidents out of 04 that had occurred in the year 2020, and for 03 vehicle accidents that had occurred in the year 2021, had not

In relation to the accidents, the officer in charge of the subject was informed to act according to the financial regulations in the future and for the

The Financial Regulations Should be followed.

completed inspection work according to F.R 104(4) by December 31, 2021.

accidents for which the initial reports had not been issued and the full reports have not been issued, investigations are conducted as per F.R. 104(4) immediately and the related activities are being carried out to issue related reports.

(ii)In terms of Financial Regulation 104(3) the initial report vehicle regarding accidents within seven days, and according to financial regulation 104(4) a complete report within three months should be submitted, but those reports were not submitted within the prescribed periods regarding the years

2020 and 2021.

-Do-

(iii)Financial Regulations 1646 Although the daily running charts and monthly summary notes all pool vehicles should be sent to the Auditor General before the 15th of the following month after the end of each month, the daily running charts monthly summary notes of the years 2020 and 2021 were not submitted to the audit.

That the necessary activities are being carried out to submit the daily notes related to the years 2020 and 2021 without delay.

The Financial Regulations Should be followed.

(d) Guidelines 4.2.1 and 4.2.2 of the Government Procurement Guidelines

A master procurement plan listing the expected procurement activities for a period of at least 3 years, and a procurement schedule chronologically describes the steps of each procurement process from the beginning to the end of each procurement were not prepared.

At present, the procurement plan has been prepared according to the guidelines 4.2.1 and 4.2.2 of the government guidelines.

The guidelines should be followed.

3. Operational review

3.1 Failure to review progress on assignments

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Due to non-presentation at the descriptive progress of the activities included in the Action plan for the year under review, progress in performance of roles, achieving expected output and outcomes etc. could not be examined.

The progress of the activities related to the action plan of the Ministry has been reported by the draft of the 2021 performance plan as of 31.12.2021,In addition, a report containing detailed progress of the activities of various sectors was arranged to be given to the audit.

Action should be taken by the Ministry to prepare the progress report against the action plan for the year and submit it to the audit.

3.2 Foreign Aid Projects

1 Delays in project execution

3.2.1 Delays in project execution

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) Construction of Moragolla Hydro Power Plant- 31 MW

Although the Moragolla Hydro Power Plant construction project was Due to the COVID 19 epidemic in the year 2020 and 2021, it has not been possible to reach

Action should be taken to complete the projects within the stipulated time.

planned to commence in 2014 with the objective of bringing 31 MW capacity to the National Grid, The project was commenced in 2017 after a delay of 3 years. The estimated cost was Rs.18,809 million. Due noncommencement of the project on time, nearly Rs.28 million (USD 177,931) had to be paid as commitment charges for the loan obtained .As at 31 December 2021. Rs. 5,806million had been spent on this project and the physical progress had been as low as 30 percent.

the physical progress of the project as planned and the project is planned to be completed by 30November 2023 and the construction work will be continued.

From the year 2020 to the 2021. the physical project, progress of this which had improved as low as 3 percent, was expected to start the generation activities by 30November, 2023. However, the ability to reach that target did not confirm in the audit.

The Ceylon Electricity Board's Project Management Committee has taken that the required maximum effort to complete within the stipulate time.

Action should be taken to complete the projects within the stipulated time.

(b) National Transmission and Distribution Network Development and Energy Efficiency Development Project

The estimated cost of the Rs 37,285 project was million, which was implemented with the aim of increasing the network substation capacity and minimizing transmission damage Western, in the Central and North Central Provinces. This was scheduled to begin in January 2015 and be completed in Although the project was planned to be completed by December 2021, the expected progress could not be achieved as planned due to the outbreak of the COVID-19 epidemic in 2020 and 2021, and due to the delay in acquiring the land required for the project and the rise social problems, Construction could not start on date schedule as planned.

Action should be taken to complete the projects within the stipulated time.

January 2018, Nevertheless, its physical progress as at31 December 2021 was about 48 percent, and the amount spent for this project, which had been delayed for almost 4 years, was Rs.15,888 million.

According to the Ceylon Electricity Board's Project Management Division, it has been informed that the project will take up to December 2023 to complete.

(c) Broadlands Hydro Power Project with a capacity of 35 MW

The estimated cost for the construction of the Hydro Broadlands Power Plant with a capacity of 35 MW was Rs.9,424 million, and the project was scheduled to begin in August 2013 and be completed in August 2017. However, it was not possible to finish the work on this project by 31, December 2021, which had been delayed for almost 4 years, and due to the non-utilization of the relevant loan amount in this project approximately of U.S.D. amount 1,197,199.67 had been paid penalty (Commitment chargers) to the Industrial and Commercial Bank of China (ICBC) by 16 December 2019.

The delay in the acquisition of land required for the project, the rise of social problems and the delay in the release of the final audited financial report of the Ceylon Electricity Board in 2016 and the temporary suspension of funding by ICBC Bank were the main reasons that caused the project to be delayed.

With the expiry of the loan agreement in January 2018, due to difficulties and delays in providing financial facilities for the rest of the project, as well as due to reasons such as the COVID 19 epidemic that has affected Sri Lanka since 2020, the project completion period had to be extended and the loan agreement was also to be extended. Commitment charges have to be paid during that time.

In January 2022, the hydropower plant was commissioned and connected to the national grid and is currently operating at its full capacity.

Action should be taken to complete the projects within the stipulated time.

3.2.2 Performance of foreign aid projects

Audit Observation Comments of the Chief Accounting Officer

The estimated cost of the project to build hybrid renewable energy systems on the three small islands of Nagadeepa, Analativu and Delft with the aim of generating renewable energy through power generation was Rs.1,980 million and the project was scheduled to commence in 2019 and be completed in 2022. However, Even by 31 December 2021, the tender awarding process had not been made.

According to a request made by the Government of India, the Cabinet has decided to carry out this project under the loan series of the Government of India (25%) and Indian grants (75%). That the activities of this project will be carried out by the State Ministry of Solar, Wind and Hydropower Generation Project Development.

Action should be taken to complete the projects within the stipulated time.

Recommendation

3.3 Assets Management

Following observations are made.

Audit Observation	Comments of the Chief	Recommendation
Accounting Officer		

(a) According to Asset Management Circular No. 02/2017 dated December 21, 2017, attention has been paid to the need for every vehicle used by every government institution, belonging to the government to be registered in the name of that institution. However, as of December 31, 2021, 19 vehicles with a value of Rs.227,700,000 out of 42 vehicles with a value of Rs.365,700,000 included in the financial statements of the Ministry of Power were not physically possession of the Ministry. following observations are made in this regard.

(i) Three vehicles worth Rs. 94,000,000 had been used by the Ministry of Mass Media without handover.

A letter has been sent to the Action should be taken Ministry of Mass Media informing them to return vehicles these the to Ministry of Power.

in accordance with the Circular.

(ii) The vehicle JZ-6200 worth Rs.8,500,000, which is a case item related to the criminal case HC 40/16 pending in the Kandy High Court, was handed over to Sri Lanka Atomic Energy Regulatory Council without formal handover even before the end of the case.

After the completion of the case, the vehicle will be handed over to the Sri Lanka Atomic Energy Regulatory Council.

Action should be taken in accordance with the circular.

(iii) 15 Out of vehicles valued at Rs.125,200,000, 04 vehicles were temporarily handed over to the State Wind Ministry of Solar, and Hydropower Generation **Project** Development, and to hand over the remaining 11 vehicles, the Secretary of the State Ministry was informed by the letter No විදුලි/පුවා/94/2020 dated 07 April 2021.Even though, the legal ownership of those vehicles had not been transferred by the audited date.

The 11 vehicles have been handed over to the State Ministry of Solar, Wind and Hydropower Generation Project Development along with the completed relevant documents for formal handover by letter dated 07.04.2021.

Action should be taken in accordance with the circular.

(b) It was observed that the motor vehicle bearing KI-1239 owned by the Ceylon Electricity Board was being used by the Ministry of Power as of December 31, 2021, without taking over the registration rights properly.

That the vehicle bearing number KI-1239 has been temporarily provided for the use of the Senior Assistant Secretary (Procurement).

Action should be taken in accordance with the circular.

(c) The Motor car bearing KI-3991 belonging to the Uma Oya Project of the Ministry of Irrigation and Water Management was taken by the Ministry of Power without proper handing over, and the said vehicle had been given to the State Ministry of Solar, Wind and Hydropower Generation **Project** Development.

The vehicle bearing number KI-3991 belonging to the Uma Oya project has been temporarily released to the Ministry of Power and It has been temporarily given to the Secretary of State Ministry of Solar, Wind and Hydropower Generation Project Development by this Ministry.

Action should be taken in accordance with the circular.

3.4 Security of Public Officers

Following observations are made.

Audit Observation

According to Financial Regulation 880, receiving or being in charge of government money, revenue stamps or goods, as well as distribution of government money or issuing

distribution of government money or issuing administratively of stamps goods, or responsible or delegated under the delegation of authority, or officials related to the government account. Vouchers, signatories of checks, and government officials must post bond in accordance with the Public Officials' Bail Ordinance, Section 612, which mandates the honest performance of their duties. Further, according to Financial Regulation 881, an officer has to deposit the bond within two months from the date of his appointment to such a post. Nevertheless, the Ministry had obtained temporary membership of the Mutual Guarantee Association by February

2022 only for 7 of the officials who had to post bail, and the proceedings regarding the posting of bail for all the relevant officials had

Comments of the Chief Accounting Officer

So far, 12 ministerial officers have been granted temporary membership in the Mutual Guarantee Association and necessary arrangements will be made to provide the same membership to other relevant officers.

Recommendation

Action should be taken to obtain membership for the relevant officers.

3.5 Losses and Damage

not been completed.

Audit Observation

According to Financial Regulation 104(4), a loss of Rs. 1,584,439 should have been recovered in 08 cases related to vehicles of the ministry from the year 2008 to the year 2020, of which 07 cases of Rs. 1,518,439 were more than 10 years old.

Comments of the Chief Accounting Officer

Out of the 07 vehicle accidents, 05 accidents are being investigated with the advice of the Honorable Attorney General and since the person from whom the damages should recover in one of the accidents is currently abroad, arrangements have been made to recover the said person's retirement

Recommendation

That the losses should be recovered from the respective parties.

gratuity. Furthermore the approval of the Secretary of the Ministry for the full report of the according to F.R 104(4) related to the other accident has been received on 07.02.2022and accordingly, related activities are being carried out to recover the losses.

3.6 Management Weaknesses

Following observations are made.

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The following observations are made		
	about the implementation of Sri Lanka's		
	National Energy Policy and Strategy.		

(i) Although the policy states that the action will be taken through a central coordination mechanism to increase the contribution of renewable energy by reducing the long time taken for approval of renewable energy projects, adequate steps were not taken till the end of the year under review.

The necessary basic steps have been taken in 2021 and 2022 by forwarding the amendments to the Sri Lanka Electricity Act and the amendments to the Electricity General Policy Guidelines to reduce the time required for approval renewable of energy projects, and this revised electricity bill, made based on the need of the Lanka Electricity Board and the Sri Lanka Sustainable Energy Authority, been has handed over to the Speaker's Office 04.05.2022 for tabling in Parliament. Further, that the entire operation regarding the scope of this renewable energy projects will be done under the State Ministry of Solar, Wind and Hydropower

Actions should be taken to effectively implement the policy.

Generation Project Development.

(ii) Although the policy includes the introduction of effective forecasting technologies for wind, solar power and rainfall in order to make optimum use of renewable energy resources, no action had been taken so far.

Providing the required policy contribution, the amendment of the Electricity Act and the Electricity General Policy Guidelines has been done in the years 2021-2022. That the whole operation regarding development scope of this renewable energy projects will be done under the State Ministry of Solar, Wind and Hydropower Generation **Project** Development.

Actions should be taken to effectively implement the policy.

(iii) Furthermore, although it is stated that action should be taken to revise the performance timeline included in this statement every two years, no revision has been made in this policy statement, which has exceeded 02 years as of 09August 2021.

In the last two years, there was no opportunity or space to make amendments here, but if it necessary by conducting a review in the next year, action will be taken to make an amendment as appropriate.

Actions should be taken to effectively implement the policy.

(b) Included in the National Energy Policy and Strategy Statement Performance timeframe assign responsibility to each institution for achieving timeframes and policy intentions that can be linked to goals and desired policy intentions. it was observed Accordingly, although the Ministry of Power should have achieved the following goals and milestones in order to ensure energy security and increase the contribution of renewable energy, those responsibilities were not sufficiently fulfilled.

- (i) To study and document the economic feasibility of cross-border transmission of electricity with existing countries in the region by the end of 2021.
- (ii) Establishment of a high-level standing committee named as "Energy Sector Risk Assessment Board" with adequate representation of key stakeholders to look into internal and external uncertainties that can have a critical impact on the performance of the energy sector by the end of 2019.

That the study of transmission of electricity across the borders with the countries in the region is ongoing.

That due to the crisis situation in the last two years 2020-2021, the necessary steps are currently being taken this year to carry out these tasks which have been discuss difficult to together, due to the difficulty of holding the meeting and other unavoidable reasons.

Actions should be taken to achieve the goals and milestones included in the policy as prescribed.

Actions should be taken to achieve the goals and milestones included in the policy as prescribed.

(iii) Lighting standards for rural, urban and main road lighting, including public place lighting, will be introduced in 2020 and implemented on a mandatory basis.

From the year 2019, this Ministry, under initiative of the Ministry Secretary, the officials related to the institutions of the Ministry of Local Government, Ceylon Electricity Board, Ceylon Private Electricity Company and Sri Lanka Sustainable Energy Authority gathered and conducted meetings this regard. That necessary work is being done to introduce lighting standards for lighting public places on the agreement of the relevant institutions during year

Actions should be taken to achieve the goals and milestones included in the policy as prescribed.

4. Human Resource Management

position of information and

technology

communication

The following observations are made.

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	As at 31 December 2021, the approved staff of the Ministry was 104 and the actual staff was 86 and 18 vacancies were observed.	It has been informed by the Ministry of Public Services, Provincial Councils and Local Government that a suitable officer will be appointed immediately to fill the vacancy of the post of Director General among the senior level vacancies and the Public Service Commission has arranged to appoint an officer to perform the duties of the Director (Planning) from 07.07.2020. Furthermore, the Ministry of Public Administration has been informed about the appointment of officers for the posts of Internal Auditor, Assistant Director, Additional Secretary and Senior Assistant Secretary (Administration). Also, the vacancies in the posts of Chief Accountant and Assistant Secretary (Administration) have now been filled.	Actions should be taken to fill the vacancies
(b)	During the year under review, 8 senior level vacancies were observed, out of the posts which of Additional Secretary, Senior Assistant Secretary (Administration), Director General, Assistant Director and Internal Auditor were still vacant on 1 June 2022.	-Do-	Actions should be taken to fill the vacancies
(c)	The number of approved employees at the tertiary level of the Ministry was 4, and all the positions at that level, i.e. administrative officer, 2 positions of translator and one	Arrangements have been made to inform the Ministry of Public Services, Provincial Councils and Local Government to assign officers for the two posts of administrative officer and translator at the tertiary level. The	Actions should be taken to fill the vacancies

Ministry of Public Services, Provincial

Councils and Local Government has

technician, were vacant from the year 2020 until now.

approved the appointment to perform the duties of the post of Information and Communication Technology Officer for a period of one year from 04.09.2021 or till the date of completion of the vacancy or whichever comes first.

(d) 14 employees attached to the Electricity Board who did not belong to the approved cadre of the Minister's staff were employed in the Minister's staff during the year under review and some officers were attached to the Minister's staff since year 2019.

According to the instructions of the Honorable Minister, the personal staff of the Minister had been appointed for the positions of data processor, control coordinator, clerk, typist, office worker, security guard and driver belonging to the Ceylon Electricity Board.

Should be complied with Public Enterprise Circular No.PED/ 12 of 02 June 2003.

(e) During the year under review, apart from the approved cadre of the Ministry, 18 employees attached to the Electricity Board were employed in the Ministry and some officers were attached to the Ministry since 2009.

To cover the duties of an existing position in the Ministry's Media Unit, the holder of the Data Processing Operator position has been assigned based on the service requirement and he is assigned to the duties of the Media Unit and performs the essential duties.

02 office workers belonging to the Ceylon Electricity Board have been assigned to this ministry and since there is no security unit under the ministry, from the security division of the Ceylon Electricity Board, which is an institution under the ministry, have been assigned security officers to the ministry regarding the security of this ministry.

Should be complied with Public Enterprise Circular No.PED/ 12 of 02 June 2003.