

## Head- 406 –State Ministry of Renewable Energy Project Development

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### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Renewable Energy Project Development 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 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 Renewable Energy Project Development was issued to the Accounting Officer on 23 August 2022 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 30 November 2022 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 Renewable Energy Project Development as at 31 December 2021 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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My opinion is qualified based on the matters stated 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 Responsibilities of the Accounting Officer on Financial Statements

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The Accounting Officer is responsible for Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

As per 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.

The Accounting Officer shall ensure that an effective internal control system is prepared and maintained for the financial control of the Ministry in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **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 misstatements, whether due to fraud or error, and to issue an auditor's summary 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 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;

- Appropriate audit procedures were designed and performed identify and assess the risks 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 audit 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 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. .

I communicate 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 Requirements

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I declare the following matters in terms of Sub-section 6 (1)(d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements of the preceding year had not been implemented.

Reference to the Paragraph -----	Audit Observation -----	Recommendation -----
1.2.1(a)	Although 331 items of assets worth Rs. 10,359,937 obtained from the Ministry of Power were in use by the State Ministry, no action had been taken to take over and account for those assets in accordance with Budget Circular No.06/2020 dated 30 November 2020.	Those assets should be taken over and brought to account in terms of Budget Circular No.06/2020 dated 30 November 2020.

## 1.6 Comments on the Financial Statements

### 1.6.1 Statement of Financial Performance

#### 1.6.1.1 Non-revenue Receipts

##### Receipt of Treasury Imprests

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Although the Treasury imprest received by the State Ministry during the year under review was Rs.171,589,000 according to the cash flow statement, it had been stated as Rs.174,899,439 in the statement of financial performance. As such, the receipt of Treasury imprest	It is kindly informed that the observations made by the Auditor General are correct. The imprests provided to the ministry for the year 2021 was Rs. 171,589,000 and as data had been input erroneously in the books of the Department (CIGAS), there is a difference of Rs. 3,310,439 between the departmental books and the Treasury printouts. The affairs of this ministry which was constituted as a new ministry were carried out by the new employees and lack of their experience had given rise to these errors.	Receipt of Treasury imprests should be correctly recorded and action should be taken to identify and correct the differences

had been overstated by Rs.3,310,439.

It is further informed that the departmental books will be systematically maintained from the year 2022.

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| <p>(b) An amount of Rs.1,100,000 obtained from the Sustainable Energy Authority to pay overtime had been stated as the Treasury imprests in the statement of financial performance.</p>  | <p>It is kindly informed that the observations made by the Auditor General are correct. The amount of Rs. 1,100,000 obtained from the Sustainable Energy Authority to pay overtime had been stated as the Treasury imprests in the departmental books and it has been subsequently included as the deposits in order to correct the error.</p>  | <p>Necessary corrections should be made in the financial statements.</p>                 |
| <p>(c) Although 03 debit notes totaled Rs. 2,210,439 stated in the Treasury printouts had been stated as the Treasury imprests in the statement of financial performance by the State Ministry, details relating to those notes had not been furnished to the audit.</p> | <p>It is kindly requested that the observations of the Auditor General be compared with the following matters. As the imprest provided to the ministry for the year 2021 had been erroneously included in the departmental books (CIGAS), there was a difference of Rs. 3,310,439 between the departmental books and the Treasury printouts. Action has been taken to correct it by these debit notes. It is further informed that the departmental books will be systematically maintained from the year 2022.</p> | <p>The journal vouchers related to the debit notes should be furnished to the audit.</p> |

### 1.6.1.2 Recurrent Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Although the building rent for the year under review should be Rs. 17,976,441, it had been stated as Rs. 24,233,472 in the statement of financial and as such, the building rent had been overstated by Rs. 6,257,031.</p>	<p>It is kindly requested that the observations of the Auditor General be compared with the following matters. The building rent of Rs. 6,364,467 applicable to the first quarter of the year 2021 was paid by the Ministry and the building rent of Rs. 17,869,005 from the second quarter to fourth quarter was paid by the Cabinet Ministry on behalf of our ministry. Accordingly, the building rent for the year under review was Rs.24,233,472 and it has been correctly stated in the statement of financial performance.</p>	<p>The reasons behind the difference should be ascertained and relevant corrections should be made in the financial statements.</p>

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| (b) | Although the travelling expenses were Rs. 1,847,945 according to the consolidated trial balance, it had been stated as Rs. 1,886,464 in the statement of financial performance. Accordingly, travelling expenses had been overstated by Rs. 38,519.                    | It is kindly stated that the observation of the Auditor General is correct. The travelling expenses for the year 2021 was Rs.1,886,464 and due to its erroneous inclusion in the departmental books (CIGAS), there is a difference of Rs. 38,519 between the consolidated trial balance and the statement of financial performance. | Necessary corrections should be made in the departmental books and the financial statements. |
| (c) | As per the Treasury printouts (SA 10), the recurrent expenditure of the programme No.2 was Rs. 198,438,250. Nevertheless, it had been stated as Rs. 207,731,450 in the statement of financial performance, thus overstating the recurrent expenditure by Rs.9,293,200. | It is kindly informed that the Auditor General's observations are correct. The recurrent expenditure mentioned in the programme No.2 as per the Treasury computer printouts (SA10) is correct and this difference has caused due to erroneous inclusions in the departmental books (CIGAS).   | -Do-   |

### 1.6.1.3 Capital Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
As per the Treasury printouts (SA 10), the capital expenditure of the programme No.2 was Rs. 203,439,000. Nevertheless, it had been stated as Rs.209,717,200 in the statement of financial performance, thus overstating by Rs. 6,278,200.	It is kindly informed that the Auditor General's observations are correct. The capital expenditure mentioned in the programme No.2 as per the Treasury computer printouts (SA10) is correct and this difference has caused due to erroneous inclusions in the departmental books (CIGAS).	Necessary corrections should be made in the departmental books and the financial statements.

## 1.6.2 Statement of Financial Position

### 1.6.2.1 Non-financial assets

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Although property, plant and equipment had been stated as Rs. 10,205,340 in the statement of financial performance, it was observed as a zero value in accordance with the Treasury computer printouts.	It is kindly informed that the Auditor General's observations are correct. Only the non-financial assets worth Rs. 10,205,340 purchased during the years 2020 and 2021 had been entered in the CIGAS and due to non-inclusion of that value in the CIGAS webpage, the assets balance in the Treasury computer printouts shows a zero value. It is informed that necessary action will be taken to include the assets entered in the CIGAS in the CIGAS webpage.	Correct records should be made in respect of fixed assets.
(b) A laptop computer worth Rs.325,000 purchased in the year 2020 had not been included in the statement of financial position.	It is kindly informed that the Auditor General's observations are correct. The laptop computer purchased at a cost of Rs. 325,000 on 24 December 2020 has been included in the CIGAS system in the year 2022.	Necessary corrections should be made in the financial statements.
(c) The expenditure of Rs.3,242,150 incurred on the rehabilitation and improvement of vehicles had not been stated as the fixed assets in the statement of financial position.	It is kindly informed that the Auditor General's observations are correct. Payments have been made by obtaining provisions through a supplementary estimate under a recurrent Object. It is kindly informed that this error will be prevented in due course.	-Do-
(d) Even though 471 items of assets received from the external institutions were being used by the State Ministry, those had not been properly taken over and brought to account.	It is kindly informed that the Auditor General's observations are correct. It is further informed that necessary arrangements will be made expeditiously to take over the assets to the ministry and account for them based on the report of the Assets Verification Committee.	Arrangements should be made to duly take over and account for the assets.
(e) Since an assets worth Rs.79,500 had been stated twice, the assets had been overstated by that amount.	It is kindly informed that the Auditor General's observations are correct. The assets valued at Rs. 79,500 purchased from the Soft Line Trade and Services company in December have been stated twice and it is also included in the unpaid cheque list in the bank reconciliation statement. Action has been taken to correct it by the bank reconciliation statement in July 2022.	Necessary corrections should be made in the financial statements.

### 1.6.2.2 Financial Assets

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Since a sum of Rs.1,100,000 received from the Sustainable Development Authority in April of the year under review had been twice recorded in the cash book in April and July as the cash receipts, the cash balance had been overstated by that amount.	It is kindly informed that the Auditor General's observations are correct. The amount of Rs.1,100,000 received from the Sustainable Development Authority for the payment of overtime had been included as the Treasury imprest in the departmental books and subsequently it was corrected and included as the deposits. As a result, entries have been made twice in the cash book as the cash receipts in the months of April and July.	Necessary corrections should be made in the departmental books and the financial statements.
(b) According to the cash book the balance was Rs. 3,223,860, whereas it had been stated as a zero value in the bank reconciliation statement. Similarly, cash book had not been amended by recognizing the payments of Rs. 14,163,316 and those payments had been stated as unidentified payments in the bank reconciliation. Although the balance as at 31 December 2021 was Rs. 66,894,106 as per the bank statement, the value of the cheques issued but not presented to the bank was Rs. 77,995,591. Accordingly, cheques worth Rs.11,101,485 had been issued in excess of the bank balance.	It is kindly informed that the Auditor General's observations are correct. Due to erroneous inclusion of data relating to the receipt of imprests in the departmental books (CIGAS), there was a difference of Rs. 3,223,860 between the departmental books and Treasury printouts. However, due to an error in the CIGAS, action could not be taken to correct that value in the books of the Department. Therefore, action was taken to correct the Imprest Account maintained by the Department of State Accounts on behalf of the State Ministry by curtailing expenses in December 2021 in accordance with instructions received from the Department of State Accounts.	Unidentified payments should be identified and the cash balance should be correctly stated in the financial statements.

### 1.6.3 Cash Flow

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although the cash balance was zero as at 31 December 2021 as per the cash flow statement, the balance as at that date was Rs, 3,223,860 according to the cash book.	It is kindly informed that the Auditor General's observations are correct. According to the Treasury printouts, the balance as at 31 December 2021 was zero and the balance in the cash book was Rs. 3,223,860. Due to erroneous inclusion of data relating to the receipt of imprests in the departmental books (CIGAS), there was a difference of Rs. 3,223,860 between the departmental books and Treasury printouts. However, due to an error in the CIGAS, action could not be taken to correct that value in the books of the Department. Therefore, action was taken to correct the Imprest Account maintained by the Department of State Accounts on behalf of the State Ministry by curtailing expenses in December 2021 in accordance with instructions received from the Department of State Accounts.	The cash flow statement should be prepared correctly.

### 1.6.4 Advances to Public Officers Account

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Following the establishment of the State Ministry on 08 August 2020, 24 employees saved in the Ministry of Power had been attached to the State Ministry and loan and advance balances due from 18 of those employees was Rs.3,371,186. However, the documents including applications related to the payment of these loans and advances were not furnished to the Audit by the State Ministry and any information including the dates of issuance of loans and advances to various officers through the Ministry of Power before the establishment of the State Ministry was not available in the State Ministry. Accordingly, it was observed that issues regarding the loans and advances (default of loan, retirement or resignation of the guarantors) may crop up in taking action in accordance with Sub-section 3 of Chapter XXIV of the Establishments Code.	It is kindly requested that the observations of the Auditor General be compared with the following matters. Although the State Ministry was established on 08 August 2020, accounts activities of this ministry were carried out by the Accounts Division of the Ministry of Power until December of that year. Accordingly, arrangements have been made to take the applications from the Ministry of Power which are relevant to the loans and advances obtained from 08 August 2020 by the officers who were transferred to the State Ministry from the Ministry of Power.	Action should be taken to furnish necessary documents to the Audit.



### 1.6.5 Imprest Balance

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although the cumulative debit balance of the Imprest Account was Rs.174,899,439 as per the Treasury computer printouts (SA 70), it had been stated as Rs.176,421,489in the consolidated trial balance, thus overstating by Rs. 1,522,050.	It is kindly informed that the Auditor General’s observations are correct. The cumulative debit balance of the Imprest Account was Rs.174,899,439 as per the Treasury computer printouts (SA70), it has been stated as Rs. 176,421,489in the consolidated trial balance. Due to the erroneous inclusion of the imprest receipts in the departmental books (CIGAS), there is a difference of Rs.1,522,050 between the departmental books and the Treasury printouts. However, due to an error in the CIGAS, action could not be taken to correct that value in the books of the Department. Therefore, action was taken to correct the Imprest Account maintained by the Department of State Accounts on behalf of the State Ministry by curtailing expenses in December 2021 in accordance with instructions received from the Department of State Accounts..	Action should be taken to make the relevant corrections.

### 1.6.6 Non-maintenance of Books and Registers

It was observed during the course of audit test check that the State Ministry had not maintained following certain documents while some other documents had not been properly maintained in an updated manner.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The Cash Books had not been properly maintained up-to-date in terms of provisions in the Financial Regulations 446.	The observations of the Auditor General are correct and the cash book will be maintained properly and updated manner from the year 2022.	The cash book should be maintained properly and updated manner in terms of provisions in the Financial Regulations 446.
(b) A Fixed Assets Register had not been maintained in terms of Financial Regulation 502 (2) as stated in Appendix II thereof.	-Do-	The Fixed Assets Register should be maintained in terms of Financial Regulation 502 (2) as stated in Appendix II thereof with the concurrence of the Auditor General.

(e)	A register of cheques, money orders etc. had not been maintained in terms of Financial Regulations 451.	-Do-	A register to record received cheques and money orders had not been maintained in form G.A.M 83 in terms of provisions in Financial Regulation 451.
(d)	A record of liabilities had not been maintained in terms of Financial Regulation 214.	-Do-	Liabilities should be included in a record of liabilities so as to regularly check the liabilities in terms of Financial Regulation 214.
(e)	A record of losses had not been maintained in terms of Financial Regulation 110.	-Do-	A record of losses should be maintained in terms of provisions in Financial Regulation 110 according to format appears thereunder.
(f)	A record of loans and advances of the public officers had not been maintained in terms of Financial Regulation 502.	-Do-	A register of loans and advances of the public officers should be maintained in terms of Financial Regulation 502.
(h)	A security register inclusive of information of the employees who should give securities had not been maintained as required by Financial Regulation 891 (1).	-Do-	A security register inclusive of information of the employees who should give securities should be maintained as required by Financial Regulation 891 (1).
(i)	Inventory of Electrical Fittings should be maintained in terms of Financial Regulation 454 (2).	-Do-	An Inventory of Electrical Fittings in the government buildings should be maintained as stated in the Financial Regulation 454 (2).
(j)	A Catalogue of Books had not been maintained in accordance with Financial Regulation 454 (3)	-Do-	A Catalogue of Books should be maintained in accordance with Financial Regulation 454 (3)
(k)	An inventory book had not been maintained in terms of Financial Regulation 454 (1)	-Do-	An inventory book in Form General 44 had not been maintained in terms of Financial Regulation 454 (1)

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| (1) Stock books had not been maintained in terms of Financial Regulation 751 and 763. | -Do- | Stock books had not been maintained in terms of Financial Regulation 751 and 763. |
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## 2. Financial Review

### 2.1 Imprest Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Due to failure of the State Ministry to properly manage the imprests, the balance of the Imprest Account in the months of February, March, April and September had become a negative value.	It is kindly informed that the Auditor General's observations are correct. Due to the erroneous inclusion of the imprest receipts in the departmental books (CIGAS), the balance of the Imprest Account had become a negative value in the months of February, March, April and September. However, due to an error in the CIGAS, action could not be taken to correct that value in the books of the Department. Therefore, action was taken to correct the Imprest Account maintained by the Department of State Accounts on behalf of the State Ministry by curtailing expenses in December 2021 in accordance with instructions received from the Department of State Accounts.	Imprest Account should be managed properly.

## 2 Expenditure Management

### 2.2.1 Deficiencies in the Preparation of Estimates of Expenditure

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
In terms of Financial Regulations 50 (ii), the Estimates should be prepared as completely and accurately as possible. Nevertheless, due to failure to take action accordingly, the State Ministry had obtained supplementary provisions totaling Rs. 9,500,000 for 02 Objects by the allocation of supplementary provisions relating to the year 2021 and it had ranged from 28 per cent to 438 per cent as compared with the estimated provision. Further, having	It is kindly requested that the observations of the Auditor General be compared with the following matters. Following the establishment of this ministry as a new ministry in the year 2020, the budget estimates for the year 2021 were prepared based on the expenditure of several months that year. Since this ministry was a new ministry and provisions allocated were inadequate, this supplementary provisions were obtained for the purchase of necessary fixed assets and a repair activity of the official vehicle of the honourable state minister. Provisions of Rs. 46,700,000 had been allocated as the building rent for the year 2021. As this ministry and the ministry of power had been housed in the same building, the	Estimates should be duly prepared so as to minimize the expenses.

allocated provisions of Rs. 46,700,000 for the building rent, a sum of Rs. 11,474,000 of that amount had been transferred to another Objects subsequently.

ministry of power agreed the payment of only 1/3rd of the building rent by the State Ministry based on the space used by that ministry. As a result, provisions of the Object of building were saved and those provisions were utilized by transferring them for the Objects with insufficient provisions under the proper approval.

### 2.2.2 Underutilization of Provisions

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Hundred per cent of the total net provisions amounting to Rs.850,000 made for 03 Objects and 12 per cent to 79 per cent of the net provisions of Rs. 451,175,995 made for another 16 Objects had not been utilized.	It is kindly informed that the observations of the Auditor General are correct. A minimum number of staff reported for the service due to the travel ban imposed under the Covid epidemic situation prevailed in the country and the expenditure of the institutions had to be limited. Further, certain expenditure were restricted based on the circulars issued from time to time and as such, provisions made could not be utilized adequately.	Provisions should be utilized efficiently and effectively.

### 2.3 Incurring Liabilities and Commitments

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
The liabilities amounting to Rs. 323,722 of the State Ministry as at 31 December 2021 had not been stated in the Record of Liability and liabilities of Rs. 128,049 had been incurred exceeding the savings of provisions of Rs. 101,682 by Rs. 26,367.	Observations of the Auditor General are correct. Arrangements have been made to incur liabilities only for the amount provisions available in the year 2022.	Expenditure should be incurred within the provision limits.

## 2.4 Utilization of Provision Granted by Other Ministries and Departments

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The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>a) Provision amounting to Rs.43,900,000 had been made for the State Ministry by the Ministry of Power and Energy on the basis of being reimbursed in order to implement the project to provide electricity for the low-income families in rural areas under the “Gama SamagaPilisandara” programme. Vouchers for reimbursement of expenses should have been sent before 10 December 2021 though, it had not been so done, and additional provision amounting to Rs.12,637,200 had also been made after that date on 24 December 2021.</p>	<p>It is kindly requested that the observations made by the Auditor General be compared with the facts given below. The State Ministry of Solar, Wind and Hydro Power Generation had been requested by the Sri Lanka Sustainable Energy Authority that provision amounting to Rs.43.9 million be allocated for the cost estimated to provide electricity through off-grid technology under the “Gama SamagaPilisandara” programme. Accordingly, the provision had been allocated following approval of the Minister of Power and Energy. Nevertheless, considering the fact that the preliminary budget provision of Rs. 43.9 million had exceeded the negotiated final price by Rs.12,637,200, it had been requested through the Letter, No. SEA/RES-1/21/W-1 dated 04 October 2021 that the additional amount be provided. As such, the State Ministry had been authorized by the Ministry of Power and Energy to grant the total amount of Rs.56,537,200 to the Sri Lanka Sustainable Energy Authority. However, the State Ministry had paid only a sum of</p>	<p>The vouchers for reimbursement of the expenses should be obtained within the specified period, and no provision should be given thereafter.</p>

Rs.52,435,474 in cash to the Sri Lanka Sustainable Energy Authority.

- b) The State Ministry had made a payment of Rs. 52,435,474 in favor of a performa invoice valued at Rs. 56,537,200 furnished by the Sri Lanka Sustainable Energy Authority without obtaining bills for works done. As per Financial Regulation 145 (3), the State Ministry should have acted as the Principal in respect of the Agent being the Ministry of Power and Energy. Nevertheless, the State Ministry (Sri Lanka Sustainable Energy Authority) giving those provision to another Agent, was observed to have violated the Financial Regulations. The responsibility of watching the plan and progress of the work and the expenditure thereon, and ascertaining whether any part of the work would remain unfinished at the close of the financial year had not been exercised by both the Ministry of Power & Energy and the State Ministry contrary to Financial Regulation 146 (a) and (b). Cheques had been written in that connection on 31 December 2021 and payments had been made on 25 January 2022. The saving of Rs. 4,101,526 out of the imprest given by the Treasury, had been returned to the Treasury.
- It is kindly requested that the observations made by the Auditor General be compared with the facts given below. The State Ministry had been requested by the Ministry of Development Coordination and Monitoring through the Letter dated 2022/03/23 that a report be furnished on the progress of supplying electricity to the Galamuduna village under the "Gama SamagaPilisandara" programme. Accordingly, the Sri Lanka Sustainable Energy Authority had been informed to furnish a progress report on the project for supplying electricity to the Meemuregala village. In response, the Sri Lanka Sustainable Energy Authority had furnished a progress report in that connection to the Ministry of Development Coordination and Monitoring with a copy to the State Ministry. That report stated that construction of the power station at Galamuduna village, wiring of houses, and construction of distribution lines had been commenced.
- Action should be taken in accordance with Financial Regulations.
- c) A payment of Rs. 4,955,000 had been reimbursed to the Sri Lanka Sustainable Energy Authority by the State Ministry in respect of expenses incurred on supplying electricity to the Sapumalkandawala Raja MahaVihara in Bogaswewa under
- It is kindly requested that the observations made by the Auditor General be compared with the facts given below. The Sri Lanka Sustainable Energy Authority had been informed that a progress report on the project for supplying
- Action should be taken as per the Financial Regulations.

the item of expenditure relating to the improvement of electricity facilities for the low income families through the “Gama SamagaPilisandara” programme. Nevertheless, any confirmatory document relating to the completion of works for supplying electricity, had not been made available with the voucher. The responsibility entrusted to the State Ministry and the Ministry of Power and Energy to watch the plan and progress of the work and the expenditure thereon, and ascertain whether any part of the work would remain unfinished at the close of the financial year, had not been exercised violative of the Financial Regulation 146 (a) and (b).

electricity to the Sapumalkandawala Raja MahaVihara, Bolaswewa in Vavuniya under the “Gama SamagaPilisandara” programme be furnished. Accordingly, the Sri Lanka Sustainable Energy Authority had furnished a progress report in that connection to the State Ministry. The facts mentioned therein included : the temple had been provided with electricity through solar power by the Sri Lanka Sustainable Energy Authority after completing the procurement process, 15 solar-powered street lamps had been installed, and a solar system with 10 Kwh batteries having a capacity of 5 Kilowatts had been handed over to the temple.

## 2.5 Certifications of the Chief Accounting Officer

Observation	Comment of the Chief Accounting Officer	Recommendation
<p>According to provisions of 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 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. Such reviews should be carried out in writing, and a copy thereof should be presented to the</p>	<p>Observations of the Auditor General are correct. Action will be taken to ensure that the Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Ministry , and carry out periodic reviews in writing to monitor the effectiveness of such systems, thus presenting the Auditor General with a copy thereof.</p>	<p>Action should be taken in accordance with provisions of Section 38 of the National Audit Act, No. 19 of 2018.</p>

Auditor General, but no evidence had been furnished to the Audit that such reviews had been carried out.

## 2.6 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with provisions of Laws, Rules and Regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations -----	Observation ----- Non-compliance	Comment of the Accounting Officer -----	Recommendation -----
a) Section 1.4 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	A Secretary and a Head of Department should take steps to ensure that a strict and continuous check on overtime expenses is maintained. Nevertheless, having exceeded the initial provision of Rs. 4,000,000 allocated for overtime in the year 2021, the State Ministry had spent a sum of Rs.5,261,389. Overtime totalling Rs. 3,748,039 was paid to the Ministerial staff which represented 43 per cent of the entire staff, and that sum indicated 71 per cent of the total expenditure on overtime.	With attention being drawn on generating power through sustainable energy sources, a heavy responsibility was entrusted to the State Ministry. As such, those overtime payments were made in that connection.	Action should be taken in accordance with the Establishments Code.
b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	(i.) Financial Regulation 103 (1). Necessary action had not been taken by the State Ministry with respect to shortages of 73 items identified in the revaluation of assets.	It is kindly informed that observations of the Auditor General are correct. Further action is being taken on shortages based on the report of revaluation committee.	Action should be taken in accordance with the Financial Regulations.



(ii.) Financial Regulation 137.	In approving the expenses, the work or service has been performed or the supply rendered in terms of such authorization and/or a relevant Agreement. However, the State Ministry had approved the expenses prior to completion of supplies thus writing a cheque valued at Rs.1,486,252 on 31 December 2020. Secretary to the State Ministry informed that the items were rejected as they had not been received in accordance with the standard and specifications in the year 2021. However, the same items had been purchased thereby paying an additional sum of Rs. 1,327,060 in the year under review.	As this Ministry had been established newly, functions thereof had to be commenced without delay. As such, the fixed assets had directly been purchased from the Sri Lanka State Trading Corporation, a Government entity. Considering that the amount was payable to a Government institution, the voucher was approved thus writing the cheque. However, following malfunctions of Laptops, letters were sent to the supplier for handing them over. Responding to those letters, representatives of the supplier visited several times and rectified the faults. Making payments for assets used for a period of one year, was done in December 2021. Of the assets valued at Rs.1,486,252, the air conditioner valued at Rs. 159,192 was returned, and as such, payments were made only for assets valued at Rs. 1,327,060	- Do.
(iii.) Financial Regulation 396.	Necessary action had not been taken on 34 cheques worth Rs. 3,856,161 of which the validity period had lapsed by 31 December of the year under review.	Observation of the Auditor General is correct, and corrective measures will be taken by the year 2022.	- Do.
(iv.) Financial Regulation 756 (6).	Board for surveys had not been appointed before 15 December 2021. Furthermore, annual surveys	This Ministry was established newly in the final quarter of the year 2020. A Committee was	- Do.

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|    | on stores should be conducted by every Ministry within the timeframe mentioned in the Financial Regulations. However, the State Ministry had not conducted an annual survey on stores for the year 2021 thus failing to present the reports. | appointed to revalue and identify the assets existed in the year 2021. A board for annual surveys had also been appointed on 2021.11.10 with respect to the year 2021. Action will be taken to conduct the survey on stores in accordance with the report of the revaluation committee on assets received.   |   |                                  |
| c) | Sections 05 and 07 of the Assets Management Circular No. 01/2017 dated 28 June 2017.   | Information on the assets of the State Ministry had not been made available to the Office of the Comptroller General. Furthermore, information relating to the assets purchased by institutions should have been provided quarterly for the Office of the Comptroller General, but action had not been taken to provide the information on assets worth Rs. 8,881,840 purchased in the year 2021, for the Office of the Comptroller General. | Action will be taken promptly to report the Office of the Comptroller General on assets belonging to the State Ministry.  | The Circular should be followed. |
| d) | Assets Management Circular No. 02/2017 dated 21 December 2017.   | Twelve vehicles provided for the State Ministry by the Ministry of Power and Energy, had not been acquired formally up to the date of audit.   | Action is being taken for taking over those vehicles. Preliminary activities in that connection such as obtaining revenue licenses, have been done. Duties and functions of the State Ministry are being carried out despite the absence of a State Minister or a Secretary. Nevertheless, this State Ministry has not yet been absorbed into the Ministry of Power and | - Do.                            |

Energy thus far. As such, the takeover remains indecisive.

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| <p>e) Paragraph 2.1 of Guideline 06 issued by the Department of Treasury Operations as per Public Finance Circular, No. 02/2020 dated 28 August 2020.</p> | <p>The cash balance of Rs.3,223,860 as at 31 December 2021 had not been remitted to the Treasury contrary to the Guideline.</p> | <p>The balance as at 31 December 2021 remained zero as per the Treasury printouts whereas the balance in the cash book amounted to Rs. 3,223,860. As data had been input erroneously in the books of the Department (CIGAS), there existed a difference of Rs.3,223,860 between the books of the Department and the Treasury printouts. However, due to errors in CIGAS, action could not be taken to correct that value in the books of the Department. As such, action had been taken to correct the imprest account maintained by the Department of State Accounts for the State Ministry, by curtailing expenses in accordance with instructions received from the Department of State Accounts.</p> | <p>- Do.</p> |
| <p>f) Guideline 03/2021 of the State Accounts dated 26 November 2021.</p>   |   |  |              |
| <p>(i.) Paragraph 3.1.</p>  | <p>The trial balance generated by CIGAS (consolidated balance sheet) had not been annexed to the financial statements.</p>      | <p>Observation of the Auditor General is correct, and this had happened due to a mistake.</p>  | <p>- Do.</p> |

(ii.) Paragraph 8.3.	A reconciliation statement on deposits should have been prepared and presented to the Department of State Accounts with a copy to the Auditor General prior to 28 February 2022. However, a reconciliation statement had not been presented by the State Ministry.	Soft copies of monthly account summaries are presented to the Department of State Accounts in each month, and a reconciliation statement on deposits can be obtained therefrom. Necessary action has been taken to prepare a reconciliation statement on deposits and present to the Department of State Accounts with a copy to the Auditor General from June 2022.	- Do.
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## 2.7 Irregular Transactions

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Some of the transactions performed by the Ministry lacked regularity. Some of such instances observed are as follows.

Observation -----	Comment of the Accounting Officer -----	Recommendation -----
a) Without written approval of the Secretary to the Ministry, the Accountant of the State Ministry had obtained a sum of Rs. 1,100,000 on 12 April 2021 under reimbursement basis from the Sustainable Energy Authority in order to make payments on overtime of the State Ministry.	The issue on that amount had been resolved on 2022.05.31. It is kindly informed that such transactions would be performed in due course under formal approval of the Chief Accounting Officers.	The necessary approvals should be sought.
b) Four other vehicles had been used by the State Ministry without formal approval in addition to the 12 vehicles provided under written approval of the Ministry of Power and Energy. A sum of Rs. 16,554,313 comprising Rs.5,723,416 on fuel and Rs.10,830,897 on maintenance expenses, had been incurred by	Those vehicles were used to temporarily provide transport facilities for the limited number of staff in the wake of Covid-19 pandemic. Many of the vehicles of the Ministry were old vehicles used for projects. As such, frequent repairs were needed and the fuel efficiency remained low. Accordingly, heavy expenses were incurred on maintenance.	Necessary approvals should be obtained, and expenses should be incurred within the limits of provision.

the State Ministry on vehicles in the year under review. That sum was observed to have represented 16 per cent of the total recurrent expenditure. In addition to the initial provision of Rs. 8,700,000 allocated through the annual budget on vehicle maintenance, sums of Rs. 2,500,000 and Rs.1,400,000 had been provisioned through supplementary estimate and transfers respectively.

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| <p>c) Color of a vehicle registered with the Ministry of Power and Energy had been changed without being approved by that Ministry. A supplier who had not registered under the relevant category had been selected for changing the color and main repairs, and a sum of Rs. 3,242,150 had been paid to him during the year under review. Although provision for capital expenses on vehicles had not been made during the year under review, those expenses on maintenance of vehicles had been made through additional provision as mentioned in Paragraph (b) above.</p> | <p>Action was being taken to take over the vehicle number KQ-5423 from the Ministry of Power Energy through the RMV, but that process had delayed due to Covid-19 pandemic. Considering the practical issue arisen in the wake of Covid-19 pandemic, approval had been obtained to use the same list of suppliers of the year 2020 for the year 2021 as well. The payment of Rs.3,242,150.00 on repairs including the change of color, had been made to a supplier approved for the year 2020 in which the repair had also been done. That payment had been made by considering as a recurrent expense due to a mistake.</p> | <p>Necessary approvals should be obtained.</p>  |
| <p>d) A sum of 126,194 Euros or Rs.29,506,138 had been paid by the State Ministry as contribution to the Technical Cooperation Fund of the International Atomic Energy Agency, but according to the account details presented under letter head of the International</p>   | <p>Classification of expenses 2021- as for the standard Objects, and categories and names of Objects, the name of the Object 1505 is “Contributions” and the Object 1507 is “Contributions for Provincial Councils”. Although a provision of Rs. 28 million had been received from the Ministry</p>  | <p>Confirmation of balances should be obtained from the relevant foreign institution, and the loan balances should be verified.</p> |

Atomic Energy Agency as at 25 November 2020, the value of contribution amounted to 100,450 Euros. The dues had not been verified by comparing with the payment registers of Sri Lanka.

of Power and Energy for making that payment, that amount was not sufficient. Furthermore, no provision had been allocated for our Ministry under the Object 1505 through the annual budget of the year 2021, and approval of the National Budget Department was given to incur expenses under that Object for the year 2021. Accordingly, the provision that lacked to make that payment, was transferred to Object 1505 from the Object 1404 under Treasury approval, thus the payment was made. Following the consent that 2/3 of the monthly rental of buildings on area of land being used, would be settled to the Ministry of Power and Energy, provision had saved under the Object 1404 in the year 2021. A certain amount of that provision had been transferred to the Object 1505, and action will be taken to receive the receipt of acknowledgment from that institution.

e) According to the account details given above, the financial obligation of the Government of Sri Lanka amounted to 455,484 Euros and 234,019 US \$ as at 25 November 2020. Nevertheless, due to failure of the Ministry and the Sri Lanka Atomic Energy Agency in properly maintaining registers relating to those dues, the Audit could not verify the accuracy of the said dues. Furthermore, the officers and institutions who had been entrusted with the responsibility of ensuring the timely payment of

As this Ministry did not have enough funds to pay the contribution on time, balances amounting to 455,484 Euros and 234,194 US \$ exist.

The balances should be verified by obtaining confirmation of balances from the relevant foreign institution. Action should be taken in accordance with the international agreement for the payment of membership fees in a timely manner.

contributions as per the agreements entered into with international institutions, had failed to look into the failure in regular settlement of contributions. The Audit had not been provided with evidence on the action taken to settle the dues or obtain relief in that connection in order to continue the membership of that organization in the future.