

Ceylon Electricity Board Pension Fund - 2023

1. Financial Statements

1.1 Opinion

The audit of financial statements of the Ceylon Electricity Board Pension Fund for the year ended 31 December 2023 comprising the statement of net assets available for benefits as at 31 December 2023 and the statement of changes in net assets available for benefits, the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 14(1) of the extraordinary Gazette No. 1321/18 read in conjunction with provisions of National Audit Act No.19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements of the Fund give a true and fair view of the financial position as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 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 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund 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 of the Fund.

1.4 Auditor's Responsibility 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of

information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund,
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non- compliance	Management Comment	Recommendation
Rule 18 of the Pension Fund Regulations published in Extraordinary Gazette Notification No. 1321/18 dated 31 December 2003	Contrary to this Provision, decisions had been taken by the Board of Directors to increase the pension payments. Further, a sum of Rs.866.22 million had been paid from year 2018 to 2023 as medical payments based on the board decision dated 23 rd October 2013.	The requested documents have been furnished to the Ministry of Power and Energy from time to time to be published through the Gazette Notification by letter Nos CEB/ACCT(PEN)CC dated 2022-06-16, 2022-02-03 and 2021-09-30 .	Should be complied with the Pension Fund Regulations.

2. Financial Review

2.1 Financial Result

The net assets available for benefits as at 31 December 2023 was Rs.59,766 million and the corresponding net assets available for benefits in the preceding year amounted to Rs.53,968 million. Therefore an improvement amounting Rs.5,798 million of the net assets available for benefits was observed. The reason for the improvement was the recognition of the deficit of Rs.2,003 million identified through Report on Actuarial Valuation as receivable from Ceylon Electricity Board in terms of the board decision taken on 21 February 2024. Accordingly, total receivable from Ceylon Electricity Board as at 31 December 2023 as per the financial statements was Rs.28,087.37 million.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are as follows.

Income/ Expenditure	2023	2022	Increase (Decrease)	Percentage
Rs.	Rs. million	Rs. million	Rs. million	%
Investment income	5,620	3,825	1,795	47
Benefits paid to pensioners	4,344	3,090	1,254	41

3. Operational Review

3.1 Management inefficiencies

Audit Observation

A sum of Rs.400.4 million had been invested in Treasury Bonds through Entrust Securities PLC in the 2014 and it was observed that the company has withdrawn the investment without obtaining the approval of the Committee of Management. Further, in an investigation carried out by the Internal Audit Division of the Ceylon Electricity Board in 2015, it was revealed that no Treasury Bonds are in existence under the name of the Pension Fund as per the confirmation (Lanka Secure System) received by the Central Bank of Sri Lanka. However, the Board had taken over 2 years to file a civil case against Entrust Securities PLC to recover the investment with accrued coupon interest at the date of maturity in 2018. Further, proper action had not been taken in timely manner to identify the responsible officers who were serving the fund at that time and they were allowed to retire from Ceylon Electricity Board.

Management Comment

CEB had revealed this matter in year 2015 and immediately complain was made to FCID to recover the invested amount in due on 2015-12-09. Subsequently, FCID had filed the Case No. B290/2016 against the Entrust Securities PLC in the Magistrate Court. Furthermore, based on the report of Chief Internal Auditor, the Chairman CEB had appointed a committee to study the report on this matter under TOR. The Committee had concluded the report identified that CEB officers were not under charges of malpractice, fraud or corruption due to non-availability of any evidence. CEB has instituted action against the Entrust Securities PLC by filing case no. DMR 1029/2018 which are pending in the District Court.

Recommendation

Should ensure that a proper internal control mechanism is in place to avoid such incidents in future, all reasonable action had been taken to recover the loss made and Action should be taken against the responsible officers for their negligence.