

## **Public Utilities Commission – 2024**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Public Utilities Commission of Sri Lanka for the year ended 31 December 2024 comprising the Statement of Financial Position as at 31 December 2024 and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and Notes to the financial statements, including material accounting policy information 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 and Finance Act No. 38 of 1971. My comments and observations which I considered would be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2024, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

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

## 1.4 Audit Scope

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 skepticism 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 Commission'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 Commission'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 Commission 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 Commission, and

whether such systems, procedures, books, records and other documents are in effective operation;

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

## 1.5 Accounts Receivables

Audit Issue	Management Comment	Recommendation
Although the annual regulatory levy due from the Ceylon Electricity Board for the years 2014 and 2015 is Rs. 14.64 million, there was no corresponding balance payable as per the Board's financial statements and there was no such balance as per the balance confirmations received directly from the Board.	The financial statements are repprepared for making the necessary adjustments and actions will take to submit.	Any differences in receivable balances should be analysed and resolved by reaching an agreement with the relevant institution.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Public Utility Commission of Sri Lanka Act No.35 of 2002			
(i) Section 3 (1)	The Commission shall consist of five members appointed by the Minister with the concurrence of the Constitutional Council and, although of whom, at least one member shall be a person who is qualified, and has experience, in the field of engineering, one member	According to Section 3 of the Commission Act, members of the Commission are appointed by the Minister with the consent of the Constitutional Council. Vacancies have been notified to the Ministry.	The provisions of the Act must be adhered to.

in the field of law, one member in the field of business management, as of the date of this report, the Commission consisted of only four members and, a member with qualifications and experience in the legal field had not been included among the above members.

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| (ii) Section 3 (2)      | Any vacancy in the membership of the Commission shall be filled within 03 months of its occurrence. In July 2024, the term of the then-existing commission expired and, five new commission members were appointed on 26 November 2024. However, there were two vacancies of members at the end of the year under review and one of the vacancies had not been filled as of the date of issuance of this report.   | According to Section 3 of the Commission Act, members of the Commission are appointed by the Minister with the consent of the Constitutional Council. Vacancies have been notified to the Ministry.  | The provisions of the Act must be adhered to in order to continue the work of the Commission effectively.               |
| (iii) Section 16 and 17 | Although Sri Lanka's utility industries, namely industries on electricity, petroleum, fuel and water, should be regulated, due to the failure to amend the relevant acts to supervise the Petroleum Corporation and the National Water Supply and Drainage Board, it had not been possible to bring the petroleum and water industries under the regulation of the Commission for over 22 years. Therefore, in fulfilling the objectives stated in Section 14(2) of the Commission Act, only the | The relevant Ministries have been informed of this and discussions have been held, but the relevant laws have not yet been drafted and the necessary powers have not been given to the Commission regarding the water and petroleum sectors. | The necessary work should continue to be carried out to prepare the legal framework for regulating petroleum and water. |

functions related to the electricity industry among the public utility industries could have been performed.

**(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka**

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| <p>(i) Financial Regulations 103(1), and 104(4)</p>   | <p>The motor vehicle worth Rs. 5,500,000, which was given to the then Chairman of the Commission in 2023, was involved in an accident on 11 December 2023 due to the relevant driver driving recklessly under the influence of alcohol, according to preliminary investigation reports and, the full report related to it had not been submitted by the end of March 2025. Furthermore, the insurance company had refused to compensate the vehicle for the loss of Rs. 2,185,052 due to this accident. As of the date of this report, steps had not been taken to recover that loss and the Rs. 22,000 spent on bringing the vehicle back to Colombo from the relevant party.</p> | <p>Investigations have confirmed that the driver in question is responsible for the damage and necessary steps are already being taken to initiate legal proceedings.</p>  | <p>Action should be taken to recover the relevant losses from the responsible parties in accordance with financial regulations.</p> |
| <p>(ii) Financial Regulation 1645 (b) (c), 1646 and Paragraph 5.1 of Public Administration Circular No. 30/2016 dated 29 December</p> | <p>Although daily running charts and monthly summary running charts must be submitted to the Auditor General before the 15th day of the following month after the end of each month, the Commission had not fulfilled the above requirement. Furthermore,</p>  | <p>The updating of summary running charts on fuel consumption balance, driver transfers and travel expenses has commenced. In the future, steps will be taken to submit the summary running charts to the Auditor General.</p> | <p>It should be acted as per financial regulations.</p>   |

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although the vehicle's fuel level and distance driven must be recorded and balanced in the daily running chart as per the Circular, the amount of fuel consumed in relation to the vehicles owned by the Commission had not been balanced.

<p>(c) Guidelines 9.3.1 (b) of Supplement 38 of Government Procurement Guidelines, 2006</p>	<p>Although the guidelines state that approval must be obtained from the Secretary of the relevant Ministry for motor vehicle repairs exceeding Rs. 500,000, the repairs worth Rs. 633,639 carried out in March 2024 on the Peugeot 408 car owned by the Commission were carried out only with the approval of the Commission without obtaining the approval of the Secretary to the Ministry of Finance.</p>	<p>Currently, approvals for vehicle repairs are obtained according to new procurement guidelines.</p>	<p>It should be acted as per procurement guidelines.</p>
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(d) Paragraphs 3.1 and 3.2 of Public Enterprises Circular No. 01/2021 dated 16 November 2021 - Operational Manual for Public Enterprises and Section 63 of the Public Finance Management Act, No. 44 of 2024

<p>(i) The necessary approvals had not been obtained from the Department of Management Services regarding the cadre, recruitment and promotion procedures and salary structure of</p>	<p>In terms of Section 12 of the Public Utilities Commission Act No. 35 of 2002, the Commission has the power to determine the salaries and other benefits of the staff of the Commission.</p>	<p>The implementation of the provisions of the Act must also be in accordance with the provisions of the Operations Manual for Public Enterprises</p>
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the Commission. Thus, payments totalling Rs. 42,084,105 had been made to the staff of his institution under 08 types of allowances during the year under review without obtaining prior approval from the Treasury.

introduced by the Public Enterprises Department.

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| <p>(ii) The Treasury approval had not been taken for the housing and property loan scheme with a maximum limit of Rs. 8 million and a repayment period of 15 years, as well as a vehicle loan scheme with a maximum limit of Rs. 5 million and a repayment period of 5 years which given for permanent employees of the Commission. Accordingly, the Commission had reimbursed Rs. 4,112,065 on housing and property loans taken by 17 officers and Rs. 77,352 on vehicle loans taken by two officers during the year under review as interest.</p> | <p>This facility has been approved by the Commission. Steps have been taken to verify the relevant property for the purpose of the loan. In terms of Section 12 of the Public Utilities Commission Act No. 35 of 2002, the Commission has the power to determine the salaries and other benefits of the staff of the Commission.</p> | <p>Treasury approval must be obtained for the vehicle loan scheme and the Commission must provide loans in accordance with public administration circulars.</p> |
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| <p>(e) Public Enterprises Circular No. PED - 1/2015 (ii) dated 14 January 2022</p> | <p>The fuel allowance was paid only with the approval of the Commission, in excess of the fuel allowance payable to officers who own official vehicles as per the circular and, accordingly, during the year under review, Rs. 1,724,310 had been paid for 4980 liters of fuel in excess of the official fuel allowance</p> | <p>In terms of Section 12 of the Public Utilities Commission Act No. 35 of 2002, the Commission has the power to determine the salaries and other benefits of the staff of the Commission.</p> | <p>In implementing the provisions of the Act, it should be complied with the provisions of the Public Enterprises circulars.</p> |
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in terms of the circular for the Director General, Deputy Director General and 10 officers holding the posts of Director of the Commission.

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| <p>(f) Paragraph 3.3 of the Public Enterprises Circular No. 1/2015 dated 25 May 2015 and Paragraph 2 of the Public Enterprises Circular No. 01/2015 (i) and dated 27 October 2016</p> | <p>Although the vehicle allowance as per the circular is Rs. 50,000, as it was paid a monthly official vehicle allowance of Rs. 60,000 each for 19 officers of the Commission during the year under review, the excess vehicle allowance paid to those officers was Rs. 2,245,000. In addition, the Commission had provided Rs. 20,000 each per month to 09 officers receiving vehicle allowances, and the total driver allowance provided as such was Rs. 2,090,000.</p> | <p>In terms of Section 12 of the Public Utilities Commission Act No. 35 of 2002, the Commission has the power to determine the salaries and other benefits of the staff of the Commission.</p> | <p>In implementing the provisions of the Act, it should be complied with the provisions of the Public Enterprises circulars.</p> |
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## **2. Financial Review**

### **2.1 Financial Result**

The financial result for the year under review amounted to a deficit of Rs. 28.3 million and the corresponding excess in the preceding year amounted to Rs. 22.9 million. Therefore, a deterioration amounting to Rs. 51.2 million of the financial result was observed. The reason for the deterioration is the decrease of investment income by 33 per cent and increase in operating expenses by 13 per cent.

### **2.2 Trend Analysis of major Income and Expenditure items**

Analysis of increase or decrease of major income and expenditure items of the year under review compared with the preceding year is as follows;



Description	Variance		Reasons for Variance
	Increase/ (Decrease) Rs. Million	Percentage (%)	
Other income	(44)	33	Decrease in investment income
Operating expenses	23	13	Making provisions for impairment of regulatory fees receivable

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) The Commission had provided 09 service contracts for the development and improvement of computer systems to 04 institutions in 2021 and 2022 without entering into a formal agreement and, all of those systems were to be completed by the end of 2022. However, 2 system development procurements worth Rs. 1,129,400 were stopped midway and the management had failed to complete and use the 4 systems worth Rs. 2,513,502 for the intended purposes by the end of the year under review.	<p>The PUCSL Intranet, Technician Information System and Procurement Workflow System are expected to be completed before the end of this year. The HRD System Modification is currently complete.</p> <p>Business Intelligence System - Development of this system was halted as new technology-based systems were developed. Discussions have already begun to recover the payments made for this.</p> <p>Modifying DRS System - Since this system is being newly developed, the improvement of the existing system has been stopped for now. Efforts are being made to recover the funds paid for the improvement of those systems.</p>	<ul style="list-style-type: none"> <li>- Contract awards should be made based on formal contract agreements.</li> <li>- Close monitoring should be carried out to prevent contract delays.</li> <li>- Steps should be taken to recover money paid for contracts where system development has been suspended.</li> </ul>
(b) 3,290 Giga Watt hours of electricity worth Rs. 95,557 million had been purchased on a short-term basis, by the Ceylon Electricity Board from independent power	The matter has been referred to the Attorney General for legal action. Further action will be taken on the advice of the Attorney General.	Necessary action should be taken in accordance with the provisions of the Sri Lanka Electricity Act

producers such as Ace Power Embilipitiya (Private) Company, Ace Power Generation Matara (Private) Company, and Asia Power (Private) Company whose power purchase agreements had expired by extending the initial power purchase agreements in 5, 4, and 2 instances respectively from the year 2016 to 2023. Although a valid license is required for the generation of electricity in accordance with Section 07 of the Sri Lanka Electricity Act No. 30 of 2009, as amended, the above companies did not have a valid license by that time. Also, in accordance with Section 13 of the Act, the Public Utilities Commission of Sri Lanka had not granted a license to those companies for the above period for the generation of electricity. However, the Commission had not taken any action against those companies as per Section 7 of the said Act up to the end of the year under review.

regarding the purchase of electricity from institutions whose power purchase agreements have expired.

### 3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
The Commission had introduced guidelines for the preparation of regulatory accounts in May 2016 with 06 objectives in mind, including establishing an efficient and transparent pricing process and improving regulatory efficiency, that guidelines were revised in the month of January 2018. According	The main reason for the delay in CEB regulatory accounts was that the licensee (CEB) had not updated their ERP package to generate regulatory accounts, and so they were using manual methods to prepare regulatory accounts, which was time-consuming. However, in cases where regulatory accounts are not available	Steps should be taken to obtain relevant financial statements from licensees without delay so that the objectives of introducing regulatory

to paragraph 2.4 of the revised guidelines, licensees must submit audited regulatory financial statements and audit report to the Commission no later than 5 months after the end of the relevant accounting year. However, according to the information obtained during the audit, Ceylon Electricity Board, the licensee of generation, transmission and distribution had submitted the regulatory financial statements for the years 2021, 2022, and 2023 on 14 August 2023, 26 January 2024, and 13 December 2024, respectively, that is, with a delay of one year, 8 months and 6 months to the Commission and, the distribution licensee, Lanka Electricity Private Company, had not submitted the above regulatory financial statements to date.

or are delayed, the licensee's data is imported into the required format to achieve the Commission's objectives.

guidelines can be achieved.

**3.3 Idle or underutilized property, plant and equipment**

Audit Observation	Management Comment	Recommendation
<p>The PEUGEOT 408 motor vehicle, which was purchased on 15 December 2014 for a value of Rs. 5,750,000 and had a revalued value of Rs. 7,200,000 as on 31 December 2024, had been remained unused and idle for almost 2 years from the year 2023 to the end of the year under review.</p>	<p>Relevant estimates and technical condition reports have been obtained to restore this vehicle to running condition and, the repairs have been completed in accordance with procurement guidelines, with independent recommendations from an expert with knowledge of automotive engineering, and are now being put into use.</p>	<p>Assets should be utilized optimally in a timely manner.</p>

### 3.4 Delays in Projects or Capital Works

Audit Observation	Management Comment	Recommendation
(a) The Commission had obtained consultancy services on certain occasions in the performance of its duties and functions and in the following instances, long delays were observed in completing the relevant work compared to the contracted time.		
(i) The Commission had entered into an agreement with the University of Colombo School of Computing in August 2021 for a value of Rs. 4,051,750 to prepare a procedure for detecting adulteration of petroleum fuels. Although the work required under the relevant agreement was to be completed within 30 weeks of the award of the contract, i.e. by April 2022, the final report was submitted in December 2024, after a delay of 2 years and 7 months, which was the end of the year under review.	The final report of this task has been received.	The tasks related to consultancy services should be completed within the contracted time frame and work should be done to achieve the relevant objectives.
(ii) With the primary intention of contributing to environmental conservation by disposing of used lubricants following accepted methods since a large number of lubricants used in the country are being released into the environment carelessly, causing environmental pollution, the Commission had planned to develop a mechanism for the collection, recycling and disposal of used lubricating oil in Sri Lanka under Activity No. AP20/CP/LIC/08 of the 2020 Action Plan. For this purpose, the Commission had entered into an agreement with a private consulting firm on 25 February 2022 for a value of Rs. 4,796,000 and, Although it was agreed to complete the relevant work within 8 months from the date of the	The revised draft final report has been completed, and the findings and recommendations contained therein have been forwarded to the Ministry of Energy for presentation to key government stakeholders.	Tasks related to consulting services should be completed within the contracted time frame and work should be done to achieve the relevant objectives.

agreement, though more than 02 years had passed since the date of the contract by the end of the year under review, the above work had not been completed.

(iii) The Commission had entered into an agreement with a private institution on 01 December 2022 for a value of Rs. 3,900,000 for reviewing and revising the contractual structure relating to rooftop solar electricity generation to facilitate third party investments and, although it was agreed that the relevant work would be completed within 20 weeks from the date of contract, i.e. by 01 May 2023, by the end of the year under review, more than 1 1/2 years had passed since the contractual completion date, but the relevant work had not been completed.	This work has now been completed. The final report has received the necessary commission approval.	Tasks related to consulting services should be completed within the contracted time frame and work should be done to achieve the relevant objectives.
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### 3.5 Human Resources Management

Audit Observation	Management Comment	Recommendation
(a) It was observed during the audit that recruitment had been made for only 47 employees out of the 76 staff members of the Commission as of the last day of the year under review and, out of the approved cadre, 29 employees were vacant for 28 posts. Steps had not been taken to obtain special approval to fill those vacancies or to timely evaluate the need for the posts and revise the approved cadre.	Steps have been taken to fill the vacancies during this year. The need for posts will be assessed periodically and the approved cadre will be revised during this year.	The approved cadre requirement should be reviewed.

#### 4. Accountability and Good Governance

##### 4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
(a) The Commission's Action Plan for the year 2024 consisted of 100 activities worth Rs. 169,584,508 under 12 sectors and, according to the information submitted to the audit, the following observations were made during the examination regarding the progress of the performance of the tasks as of 31 December 2024 in relation to 92 activities related to 09 sectors.		
(i) The task of establishing a fair price for water consumers, which was expected to be implemented in the year 2024, had not achieved the expected progress by the end of the year under review.	Since the legal framework for water service regulation was not prepared in 2024, the opportunity to formulate these tariffs and market mechanisms and provide a fair tariff system to the public was lost.	Efforts should be made to prepare more realistic plans and implement those plans to achieve the desired objectives.
(ii) Although the works such as Electricity generation cost benchmarking in order to set and approve cost parameters that go into PPAs of CEB generation plants under Task No. AP24/TEA/01/CP/01 and, Development of independent Data Submission System for Licensees to submit information to the PUCSL under Task No. AP24/LIC/CP/01/06 were expected to be completed in 2024, only very low progress of 20 percent and 25 percent respectively had been achieved by the end of the year under review.	AP24/TEA/01/CP/01- Benchmarking studies cannot be conducted using internal resources or data due to lack of data. Therefore, the task was planned to implement with technical assistance of the SAREP (USAID-funded). But the SAREP program was discontinued. AP24/LIC/CP/01/06 - The procurement process was delayed due to attempts to design the system with low-code or no code based on a common database. It was decided to develop a new specification for a system that could be	Efforts should be made to prepare more realistic plans and implement those plans to achieve the desired objectives.

connected to artificial intelligence capabilities, and further delays were caused by changes that required a complete revision of the tender document, such as giving the developer more autonomy through internal discussions, and incorporating artificial intelligence features such as API-based data retrieval. The procurement process for the project is now in its final stages, and the contract for the system is expected to be awarded shortly.

- (iii) The activities such as providing advice to the government on the structure of taxation on imported and domestic lubricating oils (AP20/RA/CP/04), Preparing an institutional disaster management plan for the petroleum sector (AP21/RA/CP/01), Preparation of Disaster Management Plans for the Power Sector (AP23/LIC/CP/LIC/16), which identified through the Action Plan for 2020, 2021 and 2023 and planned to be completed within the relevant years, were not completed by the end of the year under review and their progress was less than 50 percent.

#### AP20/RA/CP/04 -

This activity was planned to be implemented at the request of the Ministry of Energy. However, it was delayed due to the failure of market participants to provide the required data

Efforts should be made to prepare more realistic plans and implement those plans to achieve the desired objectives.

#### AP21/RA/CP/01 -

This activity could not proceed due to the failure of the Ceylon Petroleum Corporation (Refinery) to submit the required information.

#### AP23/LIC/CP/LIC/16

It has not been possible to complete the process due to the delay in providing the necessary information by CEB.