

## **Head 119 – Ministry of Power**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of Ministry of Power for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 29 June 2021 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 15 March 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 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Opinion**

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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. 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 and the Accounting Officer in relating to the Financial Statements**

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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 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 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 judgement 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 Ministry's 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**

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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 Incurring of Liabilities and Commitments

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
Although paragraph 4 of Public Accounts Circular No. 255/2017 dated 27 April 2017 states that each Expenditure Unit is required to upload information on its commitments and liabilities on a daily basis at <a href="http://www.newcigas.treasury.gov.lk">www.newcigas.treasury.gov.lk</a> to identify the amount of commitments and liabilities for each Head of Expenditure on a given day. But this was not done accordingly.	That the relevant information system will be properly updated from the beginning of the year 2021.	The information system needs to be updated daily.

### 2.2 Non-compliance with Laws, Rules, Regulations

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Although the Cash Flow Statement should be prepared on a gross basis as per paragraph 06 of Guideline No. 06 issued by the Department of Public Accounts in accordance with paragraph 10.1 of Public Finance Circular No. 2/2020, the following observations are made on the cash basis.  (i) According to Ministry books, Instead of showing Rs.73,502,415 as non-revenue receipts, Rs.271,106	That the Cash Flow Statement has been prepared by the Ministry	Accounting should be formalized following the guidelines.

was stated in the cash flow statement on a cash basis. In addition, the revenue collected for other headings not included in the Ministry books was stated as Rs.84,869 as cash flow in the Cash Flow Statement.

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| <p>(ii) Although the imprest received according to ministry books is Rs.214,311,106, in the cash flow statement it was recorded as Rs.214,176,985 and a difference of Rs.134,121 was observed.</p>                                     | Do | Do |
| <p>(iii) According to the Ministry books, the value of personal salaries and operating expenses is Rs.157,691,642, but in the cash flow statement it was recorded as Rs.150,891,122 and a difference of Rs.6,800,520 was observed.</p> | Do | Do |
| <p>(iv) Although the expenditure on subsidies and transfers in the cash flow statement was Rs.13,369,188, according to the Ministry books the value was Rs.12,992,632 and the difference was Rs.376,555.</p>                           | Do | Do |
| <p>(v) Although the expenditure on other headings in the cash flow statement was Rs.17,905,765, according to the ministry books the value was Rs.104,906,178 and the difference was Rs.87,000,413.</p>                                 | Do | Do |

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| <p>(vi) Although the imprest settlement in the cash flow statement was Rs.5,577,197, according to the Ministry books, the value was Rs.6,145,370 and the difference was Rs.568,173.</p>   | <p>Do</p> | <p>Do</p> |
| <p>(vii) According to the Ministry books, advance recovery was Rs.11,094,783 but in the cash flow statement it was stated as Rs.626,863 and a difference of Rs.10,467,920 was observed.</p>   | <p>Do</p> | <p>Do</p> |
| <p>(viii) According to the books of the Ministry the value of the advance payment is Rs.11,685,700, but in the cash flow statement it was Rs.3,427,350, it was observed that the advance payment had been reduced by Rs.8,258,350 in the cash flow statement.</p> | <p>Do</p> | <p>Do</p> |
| <p>(ix) Although Rs.1,565,680 was stated as deposit receipts under the cash flow generated from the financial activities, according to the Ministry books, the value was Rs.2,855,336 and the difference was Rs.1,289,656.</p>                                    | <p>Do</p> | <p>Do</p> |
| <p>(x) Although Rs.2,517,587 was stated as deposit payments under the cash flow generated from the financial activities, according to the Ministry books, it was Rs.3,504,886 and the difference of Rs.987,299 was observed.</p>                                  | <p>Do</p> | <p>Do</p> |

- (b) In accordance with the Circulars of the Ministry of Public Administration and Management dated 06.02.2008 No. 05/2008 and 05/2018 (1),a Citizen / Client Charter had not been compiled for the Ministry to create the background needed to provide the services to the public more efficiently and effectively.
- That action is being taken to prepare the Citizen Client Charter.
- Act in accordance with the circular.
- (c) According to the Public Administration Circular No. 02/2018 dated 24.01.2018, a Human Resource Development Plan specific to the institution should have been prepared but the plan was not prepared to include the matters to be included in the circular and Annual Performance Agreements had not been signed for the entire staff of the Ministry.
- A copy of the Human Resource Plan has been sent to you by my letter PE / IA / 104 Vo.I and dated 18.03.2021.
- A Human Resource Plan should be prepared to include the matters to be included in the circular and Annual Performance Agreements should be signed for the staff.
- (d) According to Financial Regulations 756 (6), the reports of all Board of Survey should be submitted to the Auditor General, but the Board of Survey reports relating to the vehicles of the Ministry had not been submitted to the Auditor General.
- The Annual Board of Survey Report 2020 has been submitted to the Auditor General on 03.03.2021.
- Board of survey reports on all assets owned by the Ministry Should be submitted.
- (e) The Ministry had not kept the list of losses and damages required to be maintained in accordance with Financial Regulations 110 up to date.
- Action has been taken to prepare a new document containing all the information regarding motor vehicle accidents as per FR 110.
- In accordance with the provisions of 110 Financial Regulations, a record of damages shall be maintained in accordance with the format provided therein.

(f) In accordance with the guidelines 4.2.1 and 4.2.2 of the Government Procurement Guidelines, although a major procurement plan listing the expected procurement activities for a period of at least 3 years and a procurement schedule describing the steps of each procurement process from the beginning to the end of each procurement should have been prepared in chronological order, but that had not been done.

The Ministry of Power and the Office of the Minister of Power will also take into consideration the purchasing power required and the amount of funds available on demand.

Should be follow the guidelines.

### 3. Operational review

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#### 3.1 Action plan

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<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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Due to non-presentation at the progress of the activities included in the Action plan for the year under review, failure to perform roles, activities contrary to core functions, failure to achieve expected outcomes and return levels could not be examined.	The action plan of the foreign aid projects implemented by the institutions under the Ministry is prepared and its progress is reviewed quarterly and necessary action has been taken for the issues that have arisen. The draft Annual Performance Report for the year 2020 was also submitted to the Auditor General on 23 March 2021.	Action should be taken to prepare a progress report for the action plan for the year and submit it to the audit.

### 3.2 Foreign Aid Projects

#### 3.2.1 Delays in project execution

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) <b>31 MW Construction of Moragolla Hydro Power Plant</b>	<p>The project's consultancy service contract was delayed by about 2 years, approval for the Environmental Assessment Report (EIA) was delayed, that there was a delay due to various disturbances caused by the COVID-19 epidemic in the year 2020.</p> <p>As per the terms and conditions of the loan agreement with the Asian Development Bank, that the relevant commitment (Commitment Charges) had to be paid due to the disburse not repaying the loan on the due date.</p>	Action should be taken to complete the projects within the stipulated time.
<p>Although the project to build an operational Moragolla Hydro Power Plant was planned to commence in 2014 with the objective of bringing 31 MW capacity to the National Grid, work on the project was commenced in 2017 after a delay of 3 years.</p> <p>The estimated cost was Rs.18,809 million, Due to non-commencement 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 2020, Rs.4,113 million had been spent on this project and the physical progress had been as low as 27 percent.</p>		

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

The estimated cost of the project is Rs.23,720 million, which is being implemented to increase the network substation capacity and minimize transmission damage in the Western, Central and North Central Provinces, This was scheduled to begin in January 2015 and be completed in January 2018, but work had not yet been completed by 31 December 2020. Furthermore, the project had been delayed for nearly 3 years from the date of completion by 2020 December 31, at a cost of Rs.9,357 million and the physical progress had been 33 percent.

According to the JICA instructions, it took a long time to carry out the pre-qualification test of the contractors and to carry out the procurement and appointment of project consultants, That the contract failed to be completed by the due date due to reasons including the COVID 19 epidemic.

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

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

The estimated cost for the construction of the Broadlands Hydro Power Plant with a capacity of 35 MW is Rs.9,424 million, and

With the expiration of the loan agreement in January 2018, the progress of the project was delayed due to difficulties and delays in financing the rest of

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

the project was scheduled to begin in August 2013 and be completed in August 2017. According to the information submitted for the audit, by 31 December 2020 it was almost 3 years late than the due date to complete this project. Furthermore, as at 31 December 2020, the physical progress of the project was 86 percent.

### 3.2.2 Performance of foreign aid projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>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 is Rs.2,172 million and the project was scheduled to commence in 2019 and be completed in 2022. However, as at 31 December 2020, no physical progress had been made on this project, which was still in the process of being procured.</p>	<p>Cabinet approval is pending for the completion of the procurement of this project and the awarding of the tender. As the construction work has not started in the year 2020, no physical progress can be made in the project.</p>	<p>Action should be taken to complete the projects within the stipulated time.</p>

#### 4. Human Resource Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) As at 31 December 2020, the approved staff of the Ministry was 104 and the actual staff was 93 and 11 vacancies were observed.	By the Extraordinary Gazette Notification No. 2187/27 dated 09.08.2020, the Ministry of Power and Energy and the State Ministry of Solar, Wind and Hydro Generation Projects Development became two Ministries. Thereby a portion of the scope of this Ministry was transferred to the State Ministry. Accordingly, the staff of the Ministry of Power had to be reduced to 104.	Action should be taken to maintain the number of employees approved by the Ministry properly.
(b) There were five vacancies in the posts of Director General, Director (Planning), Chief Accountant and Internal Auditor and no action had been taken to fill the vacancies during the year.	Action has been taken to appoint an officer by the Public Service Commission to perform the duties of the post of Director (Planning) from 07.07.2020. The Ministry of Public Administration will be made aware of the vacancies in the posts of Director General, Chief Accountant and Internal Auditor on the basis of service requirements.	Action should be taken to fill the relevant vacancies as required.

- (c) The tertiary level approved staff of the Ministry was 4 and 03 posts of that level, 2 posts of Administrative Officer and Translator could not be filled as on 31st December 2020. The Ministry of Public Administration has been informed about the vacancies in the post of Translator and the Ministry of Public Administration has been informed from time to time regarding the expeditious recruitment of officers for the existing vacancies. Action should be taken to fill the relevant vacancies as required.
- (d) Since September 2020, two employees attached to the Ceylon Electricity Board have been employed for two non-staff security guard posts approved by the Ministry staff. On the instructions of the Hon. Minister, action has been taken to recruit two employees of the Ceylon Electricity Board who are serving in the post of Defense Guard on service requirements for the personal staff of the Minister. Should be comply with the Public Enterprise Circular No. PED / 12 of 02 June 2003.
- (e) Apart from the approved staff of the Ministry, 19 employees attached to the Electricity Board were employed in the Ministry during the year under review and some of the officers had been attached to the Ministry since 2009. The post holder of the Data Processing Activist was attached to cover the duties of a post in the Media Unit of the Minister on demand, and two office bearers belonging to the Ceylon Electricity Board and 16 security officers for the security of the Ministry have been attached to this Ministry. Should be comply with Public Enterprise Circular No. PED / 12 of 02 June 2003.