

Ceylon Electricity Board – 2015

The audit of the financial statements of the Ceylon Electricity Board (CEB) and the consolidated financial statements of the Board (CEB) and its Subsidiaries for the year ended 31 December 2015 comprising the statements of financial position as at 31 December 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 49(4) of the Ceylon Electricity Board Act, No.17 of 1969 as amended by Act, No.31 of 1969. My comments and observations, which I consider should be published with the Annual Report of the CEB in terms of Section 14(2) (c) of the Finance Act, appear in this report. The financial statements of the Subsidiaries were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries except the Lanka Coal Company (Pvt) Ltd.

1.2 Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the CEB’s preparation and fair presentation of the financial statements 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 CEB’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 **Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. **Financial Statements**

2.1. **Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements of the Ceylon Electricity Board (CEB) and the consolidated financial statements of the CEB and its Subsidiaries give a true and fair view of the financial position as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 **Comments on Financial Statements**

2.2.1 **Group Financial Statements**

The audit of the financial statements of the Lanka Coal Company Private Ltd (LCC) for the year ended 31 December 2015 had been carried out directly by the Auditor General and expressed a qualified opinion based on the following matters.

- i. The Company had not invested its retirement benefits in order to meet the future obligation and the steps to be followed for accounting the defined benefit plan in proper manner had not been executed by the Company in terms of provisions in **LKAS 19-Employee Benefits**.
- ii. An entity has to be recognized its “loan and receivable” under the “financial assets” and subsequently measured at amortised cost using the effective interest rate method. However, the financial assets such as trade debtors advance for thermal coal shipment amounting Rs.336,683,193 and trade debtors (CEB) steam coal amounting Rs.47,624,500 etc. had not been measured at amortised cost in terms of provisions in **LKAS 39- Financial Instruments: Recognition & Measurement**.

Further, the staff loans provided at interest rate below the market interest rate shall be recognized at amortized cost using the effective interest rate method and the difference between the market interest rate and the interest rate which received from loans shall be recognized as staff cost. However, the Company had not recognized the staff cost on loans, as per the requirements of the Standard.

- iii. The amount receivable from the CEB as at 31 December 2015 as per the financial statements of the Company was Rs.380,343,765. However, the corresponding amount shown in the financial statement of the CEB was Rs.734,086,996. Hence, an un-reconciled difference of Rs.353,743,231 was observed between those two financial statements.

2.2.2 Financial Statements of the Ceylon Electricity Board

2.2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS) and Accounting Policies

The following observations are made.

- (a) The CEB is applying the standard costs for valuing labour, material and overhead cost incurred for its capital and maintenance jobs instead of the actual costs. As a result, the net material price variance and labour and overhead rate variances aggregating Rs. 5,532,803,700 had been brought to the accounts along with the following lapses.
- i. Applying the standard prices for valuing the stocks and work-in-progress (WIP), and Property, Plant and Equipment (PPE), was not complied with the **LKAS 2 - Inventories and LKAS 16 - Property Plant and Equipment**, respectively.
 - ii. The operating results, assets, liabilities and equity of the CEB have been affected significantly due to high financial involvement in relation to the capital jobs. However, the impact to the financial statements thereon could not be ascertained in audit due to non-availability of required information.
- (b) **LKAS 39 - Financial Instruments, Recognition and Measurement:** Required information in order to evaluate the nature and extend of risk arisen from the financial instruments which the entity is exposed as at the end of the reporting period had not been disclosed as requested by the Standard.

Further, the following items had not been shown in the financial statements at their fair values as per the requirements of this Standard.

- Staff Debtors
- Investment in Joint Ventures

2.2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A provision for income tax amounting to Rs. 3,939,497,475 for the year of assessment 2013/2014 had not been made in the accounts and as a result, the tax liability shown in the financial statements as at 31 December 2015 had been understated by similar amount.

- (b) Six vehicles worth Rs. 46,884,422 which registered under the name of then Ministry of Power and Energy in the year 2009 had continually been shown in the financial statements as the assets of the CEB and depreciated accordingly. As a result, the PPE and accumulated depreciation show in the statement of financial position as at 31 December 2015 had been overstated by Rs. 46,884,422 and Rs.31, 631,338 respectively while understating the profit for the year under review and retained profit as at 31 December 2015 by Rs.6, 697,772 and Rs.31, 631,338 respectively.
- (c) Eleven vehicles, costing Rs.7, 267,690 released to the line Ministry had gone missing since several years ago. Nevertheless, they were still in the books of accounts of the CEB without making any adjustment. It was further observed that, no investigation had been carried out in this regard to date.
- (d) Fuel stock shortage valued at Rs. 33,526,482 identified at the physical verification carried out during the year under review had not been adjusted in the accounts. Further, the investigation in this connection had not been conducted even up to the end of April 2017.

2.2.2.3 Un-reconciled Differences

Un-reconciled differences aggregating Rs. 911,254,975 was observed between the balances of bulk and ordinary debtors as at 31 December 2015 shown in the billing system and the financial statements for the year under review.

2.2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Out of trade debtors of Rs. 14,069,944,922 as at 31 December 2015, debtors relating to both ordinary and bulk supplies aggregating Rs. 3,065,299,421 had remained outstanding for over one year and of that Rs.1,233,096,468 was outstanding for more than five years without being recovered.
- (b) Balances of other receivable remained outstanding for more than five years as at 31 December 2015 without taking adequate recovery actions were Rs.2, 294,287,211. The details are given below.

Name of the Debtor	Amount (Rs.)	Nature of Transaction
Wood Group Gas Turbine Ltd	8,264,352	Payment made for build-up an access road to the West Coast Power Plant
Ministry of Power and Energy	6,142,276	Payment made for the opening ceremony of the West Coast Power Plant
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to Mini Hydro Developers
Lindel (Pvt) Ltd	5,137,329	Lease rental paid since 1997 for a land obtained for the Asia Power (Pvt) Ltd
Asia Power (Pvt) Ltd	1,000,000	Deposits made for the leased out land.
Sri Lanka Land Reclamation and Development Corporation (SLRDC)	7,755,810	The balance remained to amortize, out of the total lease amount of Rs. 10,631,560 paid to the SLRDC on behalf of leased out land.
AES Kelanithissa (Pvt) Ltd	1,368,961,445	Amount to be recovered on payment of price differences.
Total	<u>2,294,287,211</u>	

(c) Proper actions had not been taken to recover a sum of Rs. 46,548,248 due from the Lanka Electricity Company Private Ltd. (LECO) for more than five years.

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

The following instances of non-compliance were observed in audit.

(a) Ceylon Electricity Board Act No. 17 of 1969

(i) **Section 47(1) (b)** – The CEB may establish and maintain a Sinking Fund with the General Treasury in respect of the repayment of loans taken by the CEB. The reserve had been shown in the financial statements but it had not been updated since the year 2000. The balance in that Reserve Account as at 31 December 2015 was Rs. 17,708 million.

- (ii) **Section 47(2) (a)** - The CEB may establish and maintain a Depreciation Reserve with the General Treasury to cover the depreciation of its the movable and immovable property of the CEB. However, in contrary to that requirement, the CEB had established a Depreciation Reserve in its financial statements by transferring Rs.1 million per annum up to 31 December 2000 and thereafter no provision had been made. A sum of Rs.23 million being accumulated balance on that date had been carried forward in the annual financial statements continuously without any review.
- (iii) **Section 47(2)(b)** - The CEB may establish and maintain a General Reserve with the General Treasury for the purpose of financing its capital works from revenue of the CEB, ensuring the financial stability of the CEB, and for such other purposes as the CEB may from time to time determine. However, in contrary to that requirement, the CEB had established Other Capital Reserve in its financial statements but it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2015 was Rs.165.446 million.

The Chairman of the Board had stated in this regard as follows,

The Board of Directors at its meeting held on 15 December 2014 had decided to maintain these Reserves by transferring funds when adequate liquidity is available.

- (b) In contrary to the provisions in Section 46 of the CEB Act, No. 17 of 1969 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971, the CEB had invested its funds amounting to Rs. 6,037 million as at 31 December 2015 in the Insurance Escrow Fund based on a contribution of 0.1 per cent of the total value of the gross fixed assets as at the end of each year since 1989.
- (c) According to paragraph 7.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, all public enterprises should have their own Systems/Manuals covering all major operations, regularly revised and updated. However, the CEB had not revised and updated its procedure manuals prepared somewhere in 1987.

3. **Financial Review**

3.1 **Financial Results**

According to the financial statements of the CEB and the Group, the operations of the CEB and the Group during the year under review had resulted in a pre-tax net profit of Rs.19,876 million and Rs. 24,411 million respectively as against the pre-tax net loss of Rs.15,003 million and Rs.8,779 million respectively for the preceding year, thus showing an improvement of Rs.34,879 million and Rs.33,190 million respectively in financial results of the year under review.

Decrease of thermal power generation by 47 per cent due to increase of net hydro and coal power generation by 35 per cent during the year under review was the main reason attributed for this improvement in the financial results.

However, the Distribution Division 2, 3, and 4 had made negative contribution to the overall profit of the year 2015 as against the positive contribution made in the year 2014. The details are shown below.

Division	2015 Profit / (Loss) (Rs.)	2014 Profit (Rs.)
D-1	2,115,611,753	2,476,141,130
D-2	(662,110,806)	1,544,956,634
D-3	(1,615,856,125)	1,273,031,982
D-4	(1,374,124,575)	514,742,105
Total	(1,536,479,753)	5,808,871,851

3.2 Analytical Financial Review

3.2.1 Financial Position

According to the information made available, the total assets of the year under review as compared with the previous year had marginally increased by 2 per cent. Meanwhile, the net current assets had become a positive figure of Rs. 12,861 million in 2015 as against the negative figure of Rs. 6,990 million in the previous year which represented 284 per cent increase. The main reason for the decrease of current assets was not because of the improvement of the debt recovery process but because of the recovery of mobilization advances.

Thirty four per cent or Rs.214 billion of total capital employed by the Board as at 31 December 2015 had been financed through borrowings whereas it's represented 37 per cent in the previous year.

3.2.2 Profitability

Even in a situation where there is enough hydro power generation, incurring of the fixed cost is unavoidable in term of conditions in the power purchase agreements and as a result, the CEB is not able to achieve one of its most important objectives of supplying a power unit at low cost to the general public.

The average unit cost of the year under review was Rs.14.28 as compared with Rs.19.31 in the year 2014 and sold at an average price of Rs.16.01 per unit (previous year average selling price was Rs.18.31). Accordingly, the gross profit per unit of the year under review was Rs.1.73 and it was 273 per cent increase as compared with the previous year average gross

loss of Rs.1.00 per unit. The following table shows the tariff category and the contribution per unit (KWh) of electricity sold in the year under review as compared with the previous year.

Category	Contribution per unit (kWh)	
	2015 Rs.	2014 Rs.
Domestic	(1.40)	(4.07)
Religious	(7.15)	(12.33)
General Purpose	9.65	8.58
Industrial	0.49	(2.73)
Government	4.04	(0.57)
Hotels	3.46	0.83
Street Lighting	(14.28)	(19.31)
Sales to LECO	1.14	(0.84)
Average contribution per unit	<u>1.73</u>	<u>(1.00)</u>

Accordingly, the tariff category of General Purpose was the highest positive contributor to the total contribution of the year under review and the tariff on Industrial, Government, Hotels and LECO categories were also positively contributed therefor. The tariff on Domestic category was the highest negative contributor to the total contribution of the year under review and the tariff on Religious and Street Lighting category had also shown unfavourable contributions thereto.

3.3 Operating Review

3.3.1 Power Generation and Direct Cost

The power generation and a summary of direct costs incurred for the generation of electricity and power purchases during the year under review as compared with the previous year is shown in the following tables.

(i) Power Generation

Source	Net Power Generation During the year		Increase/ (Decrease) GWh	Percentage
	2015 GWh	2014 GWh		
Hydro	5,970	4,534	1,436	32
Thermal	2,275	4,306	(2,031)	(47)
Coal	4,443	3,202	1,241	39
Non-Conventional Renewable Energy	402	315	87	28
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Total	<u>13,090</u>	<u>12,357</u>	<u>733</u>	<u>6</u>

According to the above analysis it was revealed that the increased demand of 733 GWh had been catered through non-thermal sources and due to the favourable rain fall in 2015, the thermal power generation could be able to reduce by 2,031 GWh which resulted to reduce the cost of sales by Rs.37, 418 million.

(ii) **Direct Cost incurred for Power Generation and Purchase**

Cost Item	Direct cost incurred in				
	2015		2014		
	Rs. Million	Percentage	Rs. Million	Percentage	
Power Purchase	63,732		48	101,149	56
Power Generation					
- Coal	20,991		16	17,031	9
- Fuel	<u>23,114</u>		<u>18</u>	<u>46,582</u>	<u>26</u>
	107,837		82	164,762	91
Other Operational Cost					
- Operation and Maintenance	10,771		8	5,984	3
- Depreciation	<u>13,459</u>		<u>10</u>	<u>11,513</u>	<u>6</u>
Direct cost	<u>132,067</u>		<u>100</u>	<u>182,259</u>	<u>100</u>

Accordingly, it was revealed that 82 per cent and 91 per cent of the total operational cost of the year 2015 and 2014 respectively was directly related to power purchase and generation.

3.3.2 **Operations of the Lak Vijaya Power Station (LVPS)**

The coal stock as at 31 December 2015 had been physically verified by an independent survey company and based on the report issued by that company the verification team had identified a coal shortage of 65,148 Metric Tons valued at Rs. 760,280,883. However, this shortage had not been brought to the books of accounts as the doubt on the accuracy mainly the following lapses prevailing in coal handling.

- No method for measuring of coal receives to and issues from the yard
- No reliable method for measuring of coal input to the plant
- Unloading from the ship is neither monitored by the LCC nor the CEB
- Store keeper is just doing the recording activity rather than stock controlling as dominated by the Engineers.

Accordingly, it was observed that the LVPS is responsible to establish and maintain appropriate controls over the coal handling.

3.4 Irregular Payments / Uneconomic Transactions

The following observations are made.

- (a) The CEB had paid the PAYE tax on behalf of its employees which should be borne by the employees in contrary to the decision taken by the Cabinet of Ministers on 13 December 2007 to shift the PAYE tax liability to employees since the next salary revision which scheduled to be effected since 2009. Further, a similar decision had been taken on 20 May 2015 by the Cabinet of Ministers at the time of consideration of Collective Agreement for Remuneration of the Employee of the CEB.

The PAYE tax so paid by the CEB since 2010 to 2015 by overruling above decisions taken by the Cabinet of Ministers was Rs. 2,006,685,521.

The value of non-cash benefits specified by the Commissioner General of Inland Revenue in terms of Gazette Notification No. 1706/18 dated 20 May 2001 had to be considered when calculating the PAYE of each employee. However, the CEB had not considered the non-cash benefits such as provision of quarters, apartments and motor vehicles for private use etc.

- (b) Different staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board of Directors in contrary to the decision of the Cabinet of Ministers No 07/1955/332/045 of 14 November 2007 and audit test checks revealed that such allowances amounting to Rs. 1,144 million had been paid in the year 2015 as compared with Rs.849 million paid in 2014.
- (c) The total expenditure incurred by the CEB for piling and consultancy service of the proposed building called “Vidulakpaya” for the Head Office of the CEB at the ended of year 2014 was Rs.401 million. However, construction works had not been commenced even up to the end of the year 2015 and the Board of Directors had taken a decision on 09 July 2014 to construct the CEB Head Office Building at Chittappalam A Gardiner Mawatha, Colombo 02, by abandoning the “Vidulakpaya” project. Further, the Board of Directors at the same meeting had decided to utilize this premise for alternative purpose which had not been finalized to date.
- (d) A sum of Rs. 77,306,029 had been deducted by the lending agency as commitment charges from the loans given for implementing the foreign funded projects due to not utilized the funds in timely manner by the CEB.
- (e) Even though the cost of annual trip is not a part and partial of the coal supply business as per the agreement entered into between the CEB and the Lanka Coal Company (Pvt) Ltd, a sum of Rs.1,047,220 spent by this Company for that purpose had also been reimbursed by the CEB.

3.5 Matters in Contentious Nature

The following observations are made.

- (a) A difference of Rs. 756,760,082 was observed between the payable and receivable balances of Rs. 1,963,273,434 and Rs. 2,720,033,516 shown in the in financial statements of the CEB and Ceylon Petroleum Corporation (CPC) respectively.

The Chairman of the CEB had reported in this regard as follows.

As per the decision taken at the meeting chaired by the Secretary to the Treasury on 30 September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20 April 2013. However, the delayed interest payment of Rs.753, 610,829 is relevant to fuel purchase before 20 April 2013 by CEB. Therefore, it is not required to carry out reconciliation for this difference since the CEB does not liable.

- (b) The foreign aid and the capital grant received by the CEB for generation, transmission and distribution programs including rural electrification programs had been treated as contributed capital for a longer period even though certain such grants had not been considered by the General Treasury as the capital contribution. According to the financial statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year 2015, the total capital contributed to the CEB was to Rs.269 billion. However, according to the financial statements of the CEB it was Rs.302 billion. Accordingly, the un-reconciled difference of Rs.33 billion was observed between those two financial statements.

The Chairman of the CEB states in this regard as follows.

The General Treasury at the meeting held on 13 February 2015 had agreed to continue the difference of Rs.33 billion between their records and the records of the CEB as contributed capital and the Treasury accounts will make a disclosures in their books regarding the deviation.

- (c) It was observed in audit that the CEB had maintained the position in accordance with the Ceylon Electricity Board Act, No. 17 of 1969 as amended by Act No.31 of 1969, that the Treasury Circulars and Public Administration Circulars issued by the Government from time to time to maintain uniform procedures and practices in relation to Finance and Administration in all public sector organizations including Public Corporations and Boards are not applicable to them if the Board of Directors of the CEB had not allowed to adopt as the administrative rules of the CEB. The following instances can be cited as examples.
- i. Instead of granting vehicle loans to staff at an interest rate of 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 of 08 March 1998, the Board had granted the loans at an interest rate of 4.2 per cent. Further, it was observed that the staff loans have been paid without any control even the CEB is facing severe liquidity problems.

- ii. Please refer the observations in paragraph 3.4 (a) and 3.4 (b) of this report as well.
- (d) The shortfall of Rs. 4,307 million between the balances in the Insurance Reserve Fund and Investment of Insurance Reserve Fund as at 31 December 2015 had not been invested as per the self-insurance policy of the CEB. Further, there was no proper financial management was in operation in the CEB to implement such statutory requirements.
- (e) Even though the CEB had sold electricity to the LECO and purchasing fuel from the CPC for several years, there were no sales and the purchase agreements entered into between these parties in order to ensure the smooth operations in the individual institutions.
- (f) The impact to the CEB from the major issues highlighted in my *Special Audit Report on Procurement of coal by the LCC for the Lakvijaya Power Plant, presented to the Parliamentary Sectorial Oversight Committee on Energy on 30 December 2016* are summarized as shown below.
- (i) The Draft Agreement prepared based on the agreement of all parties to include certain criteria in the original bidding documents of coal procurement had been amended when the LCC entered into the agreement with suppliers. As a result, penalties of Rs. 1,723,264,270 could not be recovered. Details are shown below.

	Amount Rs.	Amount Rs.
Price penalty for deviation of size consist		
Term Contract	1,138,147,270	
Spot Tenders	380,285,100	1,518,432,370

Price penalty for deviation of sulfur and ash contains		204,831,900

Total		1,723,264,270
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- (ii) An additional expenditure of Rs. 68,141,580 had to be incurred by the CEB due to procurement of 141,046 Metric Tons of coal from Ceylon Shipping Corporation (CSC) at higher prices than the prices agreed with the existing supplier at the time of those procurements. Further, those procurements had been executed without following an accepted procurement procedure and without the approval of the Cabinet of Ministers.
- (iii) In addition, the Board had identified Rs. 852,768,000 of loss due to inferior quality of the coal supplied by CSC as mentioned in the above paragraph.

- (iv) The short supply of deaf coal, required for laying on the yard of the Power Plant prior to storage of thermal coal, and thermal coal was 7,635 Metric Tons and 29,896 Metric Tons respectively and the values of which were Rs.55,390,920 and Rs.462,639,190 respectively. Those amounts had not been settled even to date since the year 2009 and 2012 respectively.
- (v) According to the computation made by the CEB, the loss sustained due to running the Lakvijaya Power Plant at low throughput as a result of not supplying the coal in timely manner during the period from 2014 to 2015 was Rs. 983,230,000.
- (vi) A sum of Rs.607 million of demurrages on coal handling in the port had been reimbursed to the LCC without sharing this with, the LCC and the CSC based on the individual responsibility.

3.6 Ideal Assets

Two tug boats and 03 barges purchased in 2009 at a cost of Rs.1,129,256,732 for the transportation of coal are remained idling to date due to not suitable for coal unloading operations.

3.7 Human Recourses Management

The following observations are made.

- (a) Scheme of Recruitment (SOR) of the Board had not been updated for a longer period.
- (b) Three thousand eight hundred fifty six posts in the approved permanent cadre had been in vacant by 31 December 2015 and the most of them had been filled on contract and outsource basis

Category	Number of Vacant Posts	Filled by Contract Basis / Manpower
Executive	311	0
Middle Level Technical Service	226	8
Clerical and Allied Categories	510	1058
Office Employee Categories	63	287
Drivers	75	551
Skilled Technical Service	} 2628	} 3887
Semi- Skilled Technical Service		
Other Skilled Grade		
Total	<u>3856</u>	<u>5797</u>

- (c) According to the existing SOR, 50 per cent of the total cadre of Human Recourse Officers (HRO) is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent. However, it was not observed a clear promotion path for those externally recruited employees in the promotion scheme as two engineers covered the functions of the Divisional Head over a longer period of the CEB's history.
- (d) Even though the key post in the Human Recourse Division is DGM (Personnel), required qualifications and experience for that post had not been specified in the SOR keeping the post opens to other services, especially for electrical engineers.
- (e) Experience required for direct recruitment of the Human Resource Manager (HRM) and the HRO is 06 years in the field of the HR in an organization having more than 100 employees which inadequate as compared with the staff strength need to be handled in the CEB.

4. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Board in time to time Special attention is needed in respect of the following areas of control.

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| (a) Assets Management | Clearances of the long delay in completing of the capital work-in-progress in the Distribution Divisions of the CEB and expedite to survey, valuation and protection of lands of the CEB scattered island wide. |
| (b) Debtor Control | Timely recover the debtors and other receivables. Update the security deposits on Bulk Supply in timely manner. |
| (c) Human Resources Management | Management of human resources as enables to achieve the objectives of the CEB. |