Ceylon Electricity Board – 2016

The audit of the financial statements of the Ceylon Electricity Board (" the CEB") and the consolidated financial statements of the CEB and its Subsidiaries ("the Group") for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and 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 Board in terms of Section 14(2) (c) of the Finance Act, appear in this report. The financial statements of the Subsidiaries other than the Lanka Coal Company (Pvt.) Ltd. were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries, while the financial statements of the Lanka Coal Company (Pvt.) Ltd. were audited by me.

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 CEB and the consolidated financial statements of the Group give a true and fair view of the financial position as at 31 December 2016, 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 Comments on Consolidated Financial Statements

The following observations are made.

(a) The auditor of the Trincomalee Power Company Limited has expressed a qualified opinion on its financial statements based on the following matter.

Property, plant and equipment shown in the statement of financial position included a capital work- in -progress of Rs.328,109,272 relating to the abandoned Sampoor Coal Power Plant Project. A detailed impairment assessment was not performed by the management as at 31 December 2016 to assess the possible impairment that may have arisen.

In addition to that, the following matter has been emphasized.

The Company ceased development activities of the Sampoor Coal Power Plant during the year under review. Hence, this indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company's to continue as a going concern.

(b) The Qualified Opinion on the financial statements of the Lanka Coal Company (Pvt.) Ltd for the year ended 31 December 2016 had been expressed by me based on the followings.

(i) The tax receivables in relation to Value Added Tax (VAT), Economic Service Charges (ESC) and Withholding Tax amounting to Rs. 26,506,918, Rs.894,150 and Rs.77,718 respectively and tax payables in relation to Income Tax, Nation Building Tax (NBT) and VAT amounting to Rs.11,703,151, Rs. 3,371,326 and Rs. 12,758,801 respectively shown under Notes 10 and 14 to the financial statements could not be satisfactorily verified due to non-availability of sufficient documentary evidence such as tax computation details and tax returns etc.

Similarly, income tax liabilities shown as opening balance of the year under review, under Note - 17 to the financial statements aggregating Rs.65,474,540 were not agreed with the balance shown in the record of the Department of Inland Revenue. Further, the reliability and accuracy of that liability could not be scrutinized in audit due to non-availability of information such as computation details and tax returns etc.

(ii) The amount payable to the Ceylon Shipping Corporation Limited as at 31 December 2016 as per the financial statements of the Company was Rs.170,378,808 whereas according to the confirmation received from the Ceylon Shipping Corporation Limited it was shown as Rs.788,958,985. Hence, an un-reconciled difference of Rs.618,580,177 was observed between those two records. Therefore, the accuracy of this balance could not be ascertained in audit.

In addition to that, the following matter has been emphasized.

According to the agreement entered into between the Ceylon Electricity Board (CEB) and the Company on 05 September 2013, the main function of the Company is procuring coal from international market (the Ceylon Electricity Board pays for Letters of Credit opened by the Company on its own name) and selling them back to the CEB without keeping any profit margin. Further, the all the operating expenditure of the Company which remained after setting off against any other income earned by the Company (i.e. net overhead cost of the Company) will be met by the CEB. However, the Company had failed to recognize the sales revenue, cost of sales, and operating expenditure etc. arisen from its main function in the financial statements prepared for the year under review.

2.2.2 Comments on Financial Statements of the CEB

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

(a) The CEB is applying the standard cost for valuing material, labour and overhead cost for its capital and maintenance jobs instead of the actual costs. As a result, the favourable price variance and labour and overhead rate variances aggregating Rs.5,750,127,816 and unfavourable stores price variance of Rs.3,287,230,903 had been brought to the financial statements together with the following lapses.

(i) Applying the standard prices for valuing the stocks and work-in progress, and property, plant and equipment was not complied with the provisions in **LKAS 2-** ***Inventories*****, 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 relating to those Capital Jobs.

(b) **LKAS 39 - Financial Instruments Recognition & Measurement**
Staff debtors aggregating Rs.6,970,878,902 had not been shown in the financial statements at it fair value as per the requirements of this Standard.

(c) **LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**
The Board had accounted the spare parts worth Rs.408,763,137 and Rs.440,056,229 as operational expenses and capital expenses respectively as instructed by Additional General Manager (Generation) without taking a firm policy decision by the Board of Directors of the CEB. Hence, reasonability of the basis applied for such classification could not be accepted in audit. Further, the basis applied for the classification also had not been disclosed with the financial statements.

2.2.2.2 **Accounting Deficiencies**

The following accounting deficiencies were observed.

(a) The CEB had recorded the operational and maintenance cost of the year 2014 and 2015 amounting to Rs.1,525,188,997 relating to Lak Vijaya Power Station as expenditure of the year under review instead of restating the financial statements. Hence, the loss of the CEB during the year under review had been overstated by that amount.

(b) Recoverability of investments made by the Pension Fund of the CEB amounting to Rs.403,717,966 and interest thereon amounting to Rs.51,399,687 is in doubt due to non-existence of these financial instruments. However, no adjustment or provision in this connection had been made in the financial statements for the year under review.

(c) Property, Plant and Equipment (PPE) and depreciation thereon had been overstated by Rs.46,884,422 and Rs.6,697,775 respectively as a result of accounting six vehicles belong to the Ministry of Power and Energy as property of the CEB. Hence, PPE as at 31 December 2016 and the loss of the year under review had been overstated by those amounts respectively.

(d) Ten vehicles costing Rs.3,542,566 released to then line Ministry of Power and Renewable Energy had misplaced since several years ago. Nevertheless, those vehicles had remained in the books of accounts of the CEB without taking prompt actions.

(e) A debit balance of Rs.223,211,703 (stock shortage) and a credit balance of Rs.18,143,015 (stock excess) had remained in the stock adjustment account for more than one year without being cleared. As a result, the Current Assets shown in the financial statements of the year under review had been overstated by Rs.205,068,688.

(f) Expenditure such as commission, clearing charges etc. relating to foreign indent amounting to Rs.224,554,623 had remained in Goods-in-Transits Account of the Lakvijaya Power Station over a period of one year without absorbing to the relevant expense or asset accounts.

2.2.2.3 **Un-reconciled Differences**

The following observations are made.

(a) A difference of Rs.789,308,344 was observed between the payable balance of Rs.12,434,413,663 shown in the financial statements of the CEB and the corresponding balance of receivable amounting to Rs.13,223,722,007 shown in the financial statements of the Ceylon Petroleum Corporation (CPC) as at 31 December 2016.

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 was 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) Un-reconciled differences aggregating Rs.423,369,454 was observed between the balances of bulk and ordinary debtors as at 31 December 2016 shown in the billing system and the financial statements of the year under review. In sample audit, it was observed that some balances of finalized trade debtor included in the billing system had not been included in the debtor balances shown in the financial statements and some balances of finalized trade debtor included in the financial statements had not been included in the debtor balances shown in the billing system.

(c) According to the financial statements of the Lanka Coal Company the net amount receivable from the CEB as at 31 December 2016 was Rs.143,351,210. However, the corresponding amount shown in the financial statements of the CEB as payable was Rs.1,435,642,785. Hence, a difference of Rs.1,292,291,575 was observed between those two amounts.

(d) The balance payable to Heladhanavi Limited as at 31 December 2016 as per the financial statements of the LTL holdings was Rs.270,498,308. However it was shown in the consolidated financial statements for the year under review as Rs.330,071,158. Hence, an un-explained difference of Rs.59,572,850 was observed between those amounts.

2.3 **Accounts Receivable and Payable**

The following observations were made.

(a) Out of trade debtor balance of Rs.10,045,563,295 as at 31 December 2016, a balance of Rs.3,196,567,076 relating to both ordinary and bulk supplies had remained outstanding for over one year and of them Rs.1,770,191,480 had remained outstanding for more than five years without being recovered.

(b) A sum of Rs.46,548,248 due from the LECO had remained outstanding for more than five years without taking any recovery action. Further, balances of other receivable aggregating Rs.2,280,397,073 had remained unrecovered for more than five years as at 31 December 2016. The details are given below.

Name of Debtor	**Amount**	**Description**
	Rs.	
Wood Group Gas Turbine LTD	8,264,352	Payments made for constructing an access road to the West Coast Power Plant.
Then Ministry of Power and Energy	6,142,277	Payments made for the opening ceremony of Kerawalapitiya Combined Power Plant.
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to the Mini Hydro Developers.
AES Kelanithissa (Pvt) Ltd	1,368,964,445	Amount to be recovered on payment of price differences.
Total	**2,280,397,073**	

2.4 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. Although a balance in this Fund was shown in the financial statements, it had not been updated since the year 2000. The balance in that Reserve Account as at 31 December 2016 was Rs.17,447 million.

(ii) **Section 47(2)(a)** - The Board may establish and maintain a Depreciation Reserve with the General Treasury in order to cover the depreciation of 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 movement had been taken place. A sum of Rs.23 million being accumulated on that date had been carried forwarded in the 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 to its capital works from revenue by 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 an Other Capital Reserve in its financial statements and it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2016 was Rs.165.45 million.

(iv) **Section 46 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.6,496 million as at 31 December 2016 in the Insurance Escrow Fund as contribution of 0.1 per cent of the total value of the gross fixed assets at the end of each year since 1989 contrary to the provisions in the Acts.

(b) The CEB had not paid interest for consumer deposits as specified in Section 28(3) of Sri Lanka Electricity Act, No.20 of 2009 and according to the computation made by audit based on the rate reported by the Public Utility Commission of Sri Lanka for the year 2016, the interest thereon was Rs.800 million.

(c) An amount of Rs.5,635 million relating to the Insurance Reserve Fund as at 31 December 2016 had not been invested as per the self-insurance policy of the CEB. Further, a proper financial management was not in operation in the CEB in order to implement such statutory requirements.

3. Financial Review

3.1 Financial Results

According to the financial statements presented for audit, the operations of the CEB and the Group during the year under review had resulted in a pre-tax net loss of Rs.13,234 million and Rs.10,439 million respectively as against the pre-tax net profit of Rs.19,409 million and Rs.23,943 million respectively for the preceding year, thus indicating a deterioration of Rs.32,643 million and Rs.34,382 million respectively in financial results of the year under review. Increase of thermal and coal power generation expenditure by 96 per cent and 14 per cent respectively due to decrease of hydro power generation by 29 per cent was the main reason attributed for this deterioration in the financial results.

However, the value addition of the CEB for the year under review after taking into account the personnel emoluments, tax expenditure and depreciation aggregating Rs.65,467 million was Rs.62,901 million and it had decreased by Rs.25,916 million or 29 per cent as compared with the previous year.

3.2 Analytical Financial Review

3.2.1 Working Capital Management

The Working Capital of the CEB as at 31 December 2016 was Rs.16,031 million. However, it was Rs.32,736 million in the previous year. Hence it had been deteriorated by 51 per cent as compared with the previous year. The main reason for this deterioration was increase of trade creditors by Rs.32,616 million.

3.2.2 Debt to Equity

Equity of the Board had been decreased by 4 per cent as compared with the previous year due to net loss of the year under review. Further, thirty per cent or Rs.234.52 billion of the total capital employed by the Board as at 31 December 2016 had been financed through borrowings. As a result, the Debt to Equity Ratio of the CEB had increased to 0.51 per cent in the year under review from 0.48 per cent in the previous year.

3.2.3 Profitability

The average unit cost of the year under review was Rs.18.06 as compared with Rs.15.01 in the year 2015 and sold at an average price of Rs.16.18 per unit (previous year average selling price was Rs.16.00 per unit). Accordingly, the gross loss per unit of the year under review was Rs.1.88 and it was 298 per cent decrease as compared with the previous year average gross profit of Rs.0.99 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)**	
	2016	**2015**
	Rs.	**Rs.**
Domestic	(4.64)	(2.13)
Religious	(10.91)	(7.88)
General Purpose	5.84	8.93
Industrial	(3.43)	2.74
Government	0.28	(0.24)
Hotels	(0.32)	3.32
Street Lighting	(18.06)	(15.01)
Sales to LECO	(2.29)	0.42
Contribution	**(1.88)**	**0.99**

Accordingly, the tariff category of General Purpose and Government were only the positive contributor to the total contribution of the year under review. The tariff on industrial and domestic category were the highest negative contributor to the total contribution of the year under review and the tariff on domestic, religious, industrial, hotel and sales to LECO had also shown unfavourable contributions thereto.

3.3 **Irregular Transactions**

The following observations are made.

(a) The Cabinet of Ministers has taken decisions on 13 December 2007 at the time of salary revision and on 20 May 2015 at the time of consideration of Collective Agreement, to shift the Pay As You Earn (PAYE) tax liability to employees. However, the CEB had paid the PAYE tax of Rs.2,617,839,903 from its owned fund without deducting it from the salaries of the respective employees during the period of 2010 to 2016 by contravening to the above decisions taken by the Cabinet of Ministers.

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

(b) Various staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board in contrary to the decision taken by the Cabinet of Ministers on 14 November 2007 and at the audit test checks, it was revealed that such allowances amounting to Rs.1,222 million had been paid in the year 2016 as compared with Rs.1,144 million paid in 2015.

(c) Instead of granting vehicle loans at the rate of interest ranging 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 of 08 March 1998, the CEB had granted these 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 though the CEB faces severe liquidity problems.

3.4 Identified Losses

A sum of Rs.59,750,592 had been deducted by the lending agency in 2016 as commitment charges from the loans given for implementing the foreign funded projects of the CEB due to un-utilization of the funds in timely manner.

3.5 Matters of Contentious Nature

--

The following observations are made.

(a) Even though the CEB had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there are no sales and purchase agreements entered with those two parties in order to smooth operation of the individual institutions.

(b) Impact to the CEB from the major issues identified in procurement of coal by the Lanka Coal Company (private) Ltd during the year 2016 for the Lakvijaya Power Plant are summarized as shown below.

(i) The Draft Agreement included in the original bidding documents of coal procurement had been amended when the Company entered into the agreements with coal suppliers. As a result, price penalties of Rs.461,453,005 for deviation of size consist could not be recovered.

(ii) Prices of the coal had been adjusted as per the quality analysis report issued at loading port instead of considering the quality analysis report issued at discharging port. As a result, the Company had incurred a loss of Rs.170,189,090 that could be chargeable to the supplier.

(iii) Letters of Acceptance pertaining to 16 shipments which procured 935,082 metric tons of coal had been issued prior to arrival of ships to the anchorage port. Hence, payments were released to the supplier even before obtaining coal analysis reports from discharging port.

3.6 Management Activities

The following observations are made.

(a) Approval of the Board of Directors had not been obtained for the revised manuals such as Operating Manual-DGM (Province) and Area Electrical Manual, etc.

(b) Two transformers with useful economic lifetime of 35 years purchased for Rs.18,254,550 in 2005 had been decommissioned within 5-7 years due to inability to withstand the short circuit conditions which can be identified within the procurement process. However, any action had not been taken to investigate in this regard.

(c) Three thousand insulators (Pin 33KV) procured at a cost of Rs.7,221,707 on 11 September 2014 had not been utilized due to quality issue and they were remained idle at the stores even as at 31 January 2018 without replacing . It was further observed that the validity period of the performance bond obtained in this connection had been lapsed on 26 February 2016.

(d) A special investigation had been carried out by the Internal Audit Branch in respect of stock shortage of Rs.52,550,929 identified in 2014 under project of Uthuruwasanthaya which finalised by 17 April 2017. However, no action had been taken against the officers those who responsible for this shortage even as at 31 January 2018. Further, a court case (Case no B/1164/15) had been filed in Magestrict Court, Trincomalee by the Criminal Investigation Department in 2015 in this regard. However, information relating to present position of the court case was not made available for audit.

(e) The staff loans such as distress, transport, festival advance and special advance to the value of Rs.5,821,247 had remained outstanding for more than 5 years without being taking any recovery action.

3.7 **Human Recourses Management**

The following observations are made.

(a) Scheme of Recruitments and Promotions (SOR) of the CEB had not been updated for a longer period.

(b) Even though the Key post in the HR Division is DGM (Personnel), required qualifications and experience for that post had not been specified in the Scheme of Recruitments and Promotions (SOR) and keeping the posts open to other services, especially, for electrical engineers.

(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) Experience required for direct recruitment of Human Resource Manager (HRM) and Human Resource Officer (HRO) is 06 years in the field of 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. **Operating Review**

4.1 **Performance**

(a) **Power Generation and Direct Cost**

The power generation, and a summary of direct cost 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 table.

(i) **Power Generation**

Source	**Power Generation During the year**		**Increase/Decrease)**	
	2016	**2015**		
	GWh	**GWh**	**GWh**	**Percentage**
Hydro	4,220	5,969	(1,749)	29
Thermal	4,461	2,275	2,186	96
Coal	5,047	4,443	604	14
Non-Conventional Renewable Energy	421	402	19	5
Total	**14,149**	**13,089**	**1,060**	**8**

Accordingly, the CEB had spent significant amount of Rs.22,682 million for thermal power purchase from Independent Power Producers in 2016 due to decrease of hydropower generation by 1,749 GWh due to drought prevailed in the country. Although the coal power generation was increased by 604 GWh, the cost had been decreased by Rs.437 million as compared with the previous year due to declining the coal prices.

(ii) **Direct Cost**

Description	**2016**		**2015**	
	Rs. million	**Percentage**	**Rs. million**	**Percentage**
Fuel	50,074	28	23,114	18
Power Purchase	81,752	46	63,732	48
Coal	20,204	11	20,641	16
Operation and Maintenance	12,083	7	10,771	8
Depreciation	14,797	8	13,792	10
Direct cost	**178,910**	**100**	**132,050**	**100**

According to the above information, it was revealed that the direct cost of power purchases and generation for the year 2016 had increased by Rs.46,860 million or 35 per cent as compared with the previous year. Further, it was revealed that, the fixed cost of power generation 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 power at low cost to the general public.

5. Accountability and Good Governance

5.1 Social Responsibilities

The CEB had paid Rs.12,526,000 as compensation for environmental issues pertaining to the Lakvijaya power station during the year under review. Further, Environmental Protection Licence (EPL) had not been issued by the Provincial Environmental Protection Authority since July 2017.

5.2 Budgetary Control

Significant variances were observed between the budgeted and the actual items of accounts, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

(a)	Assets Management	i. Long delay in completing the capital works in the Distribution Divisions. ii. Expedite to survey, valuation and protection of lands of the CEB scattered Island wide. iii. Maintenance of updated data base for vehicles.
(b)	Receivables and Payables	i. Timely recover the debtors and other receivables. ii. Update the security deposits on Bulk Supply in timely manner.
(c)	Human Resources Management	Management of human resources according to the role and the extent for achievement of the objectives of the entity.
(d)	Procument	i. Preparing procurement plan realistically to made use as a control instrument. ii. Strengthening coal purchasing process in order to minimize losses and to maintain quality of coal.
(e)	Inventory Control	i. Maintenance of stock records properly. ii. Establishment and maintenance of appropriate controls over the coal stock handling to avoid stock shortage.
(f)	Project Management and Control	i. Conducting internal audit for project activities. ii. Preparation of engineering estimate realistically.
(g)	Investments and Control over Subsidiaries	Parent Company should maintain control over its investments in order to increase the Return On Investments.