

Rooftop Solar Power Generation Line of Credit Project – 2019

The audit of the statement of Utilization of funds of the Rooftop Solar Power Generation Line of Credit Project for the year ended 31 December 2019 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 the section 27(a) of schedule 03 of the Loan Agreement No. 3571-SRI dated 18 September 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement of the Project, the Ministry of Finance and Mass Media is the Executing Agency and the Department of Development Finance, Ministry of Finance is the Implementing Agency of the Project. The objectives of the Project are mainstream renewable energy development, enhance power generation capacity and improve the environmental conditions in the country. The activities of the Project are implemented under three components namely, debt funding for Rooftop Solar Power Generation increased, Rooftop Solar market infrastructure and bankable subproject pipeline developed and Capacity and awareness of stakeholders, including the Ministry of Finance and Mass Media, participating financial institutions and commercial and domestic sector customers, increased. As per the Project Administration Manual, the estimated total cost of the Project was US\$ 50 million equivalent to Rs. 7,550 million and this amount was agreed to be financed by Asian Development Bank. The Project had commenced its activities on 17 April 2019 and scheduled to be completed by 31 December 2021.

1.3 Opinion

In my opinion, the accompanying Statement of Utilization of Funds of the Rooftop Solar Power Generation Line of Credit Project presents fairly, in all material respects for the year ended 31 December 2019 in accordance with the Sri Lanka Accounting Standard.

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

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the statement of the utilization of funds 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 statement of the utilization of funds.

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 statement of the utilization of funds, 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the statement of the utilization of funds, including the disclosures, and whether statement of the utilization of funds represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Physical Performance

2.1 Delays in Commencement of the Project

Nos	Activities	Scheduled date of Commencement	Date of Implementation	Delays	Impacts	Responses of the Management	Auditor's Recommendations
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01	Establishment of Project Monitoring Unit	July 2017	December 2018	17 Months	Delay in implementation of the Project.	It was a necessary to sign Loan Agreement prior to establish the Project Monitoring Unit.	Components of the Project should be implemented as scheduled.
02.	Loan Signing	Oct 2017	September 2018	12 Months	-Do-	Several meetings had to be made with Attorney General over the delay period.	-Do-

2.2 Physical Performance of the Project

Activity	As at 31 December 2019		Audit Issue	Impact	Response of the Management	Auditor's Recommendation
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	Expected physical performance	Performance achieved				
	(Units)	(Units)				
Refinancing of loans	1162	1020	142 numbers of loans had not been refinanced.	Delay of Solar Power Generation.	Total approved loan amount could not be refinanced due to inadequate budget provision and the Central Bank of Sri Lanka has closed accounts before 31 December 2019.	Action should be taken to fully utilize Budget Provision.