

## **Mannar Wind Power Generation Project - 2022**

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The audit of financial statements of the Mannar Wind Power Generation Project for the year ended 31 December 2022 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 V (D) of the Project Administration Manual and Article IV section 4.02 of the Loan agreement No.3585-SRI dated 22 November 2017 entered into between the Ceylon Electricity Board (CEB) and the Asian Development Bank (ADB). My comments and observation which I consider should be reported to the Parliament appear in this report.

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan of the Project, the Ceylon Electricity Board is the Executing Agency and the Implementing Agency of the Project. The objective of the Project is to increase clean power generation in Sri Lanka by (a) increasing wind power generation capacity, (b) improving System reactive power management and (c) strengthening capacity of borrower in project engineering design review and supervision. As per the Loan Agreement, the estimated total cost of the Project was US\$.256.70 million equivalent to Rs.39,923.06 million and out of that US\$ 200 million equivalent to Rs.31,104.84 million was agreed to be financed by Asian Development Bank. The balance amount of USD 56.70 million equivalent to Rs.8,818.22 million is expected to be financed by the Ceylon Electricity Board. The Project had commenced its activities on 22 February 2018 and scheduled to be completed by 31 December 2021. However, the date of completion of the activities of the Project had been extended up to 31 March 2022.

### **1.3 Qualified Opinion**

In my opinion, except for the effects of the matters described in the table 2 of this report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2022, statement of expenditure and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **1.4 Basis for Qualified Opinion**

My opinion is qualified on the matter described in table 02 of this report.

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.

### **1.5 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.

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 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 scepticism 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 internal control of the Project.
- 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 financial statements, including the disclosures, and whether the financial statements represent 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. Comments on Financial Statements

### 2.1 Accounting Deficiencies

<b>Accounting Deficiency</b>	<b>Response of the Management</b>	<b>Auditor's Recommendation</b>
Asian Development Bank credit balance as at 31 December 2022 had not been translated into LKR value of that date in compliance with Sri Lanka Accounting Standard 21 and accounting	It is the practice of CEB to formulate project accounts under Additional General Manager (Projects) as a set of branch accounts. This has been duly accepted by the auditors and ADB	The financial statements should be prepared in accordance with the Sri Lanka Accounting Standards.

policies stated in Note no 2.3.2 to the financial statements and as a result the loan balance and development expenditure balance shown in the statement of financial position had been understated.

throughout the history and no query has been raised so far. Under the Additional General Manager (Projects), all the projects are executed while recording loan disbursements and the relevant asset construction in line with CEB's policies and generally accepted principles. All the transactions are recorded in General Ledger under the historical cost convention as per the accounting standards. The relevant loans are maintained and administered and settled by the Finance Manager – CEB in line with the guidance of the Ministry of Finance as applicable. Hence, the loan is recorded under the GL of CEB headquarters.

## 2.2 Non Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non Compliance	Response of the Management	Auditor's Recommendation
(a)	Section 4.3 of the Management Services Circular No.1/2016 dated 23 March 2016	Contrary to the provision, bonus aggregating to Rs.6.7 million had been paid to the project staff up to 31 December 2022 by using funds of the project.	Management comment had not been provided.	Circular instructions relating to foreign funded projects should be strictly followed.
(b)	Section V C (31) of the Project Administration Manual.	General Cash Book of the Project Division had been used for the records of receipts and payment of the Project instead of being maintained a separate cash book.	Management comment had not been provided.	Separate Cash book should be maintained as per the requirement of the Manual.

### 3. Physical Performance

#### 3.1 System and Controls

No	Audit Issue	Response of the Management	Auditor's Recommendations
(a)	The Project had not taken action to maintain a proper fixed asset register to record the Property, Plant & Equipment transferred to the Project.	A fixed asset register is properly maintained at the Finance Branch – Projects Division project- wise.	Fixed asset register should be continuously maintained from the inception of the project.
(b)	Physical verification as at 31 December 2022 had not being carried out by a properly appointed board of survey committee for fixed asset and mandatory spare parts amounted to Rs.26,008 million.	A committee has been appointed by the Project Director (Mannar Wind Power) to carry out physical verification of fixed asset and mandatory spare parts as at 31 December 2022 and the letter is attached herewith Annexure. The report of the physical verification is also attached herewith Annexure.	Physical verification report duly signed by the committee of Board of survey need to be submitted.

#### 3.2 Issues relating to the Land Acquisition

No of plots of land			Management Response	Auditor's Recommendations
Expected to be acquired	Acquired as at 31 December 2022	Ownership transferred		
Land acquired- WTG Locations (38), Access Roads (7) & Accommodation site (1)	Acquired (Possession by 38a order)	Vesting certificate orders had been received for 55 sub plots out of 112.	Management comment had not been submitted.	Ownership of lands need to be transferred immediately avoid future conflicts.