

Sri Lanka Sustainable Energy Authority - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2023 comprising the Statement of Financial Position as at 31 December 2023 and Statement of Income, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies 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 provisions of the National Audit Act No.19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Authority as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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

1.3 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 Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis for accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

As per Sub Section 16(1) of National Audit Act No.19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared of the Authority.

1.4 විගණන Scope of Audit (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 skepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records, and other documents are in effective operation
- Whether the Authority has complied with applicable written law, or other general or special discussions issued by the governing body of the Authority
- Whether the Authority has performed according to its powers, functions and duties and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance	Comments of the Management	Recommendation
(a) According to the audited financial statements, the net book value of fixed assets as at 31 December 2022 is Rs.451.02 million and it had been restated as Rs.449.54 million in the financial statements of the year under review. However, according to the related Accounting Note No. 10, the opening balance of the year under review was stated as cost of Rs.660.99 million and the accumulated depreciation value of Rs.112.54 million, it was observed that comparative information was not provided in the financial statements as per Paragraphs 29 and 53 of Sri Lanka Public Sector Accounting Standard 01.	The Authority could not present comparative information in the financial statements due to insufficient information on the physical condition of the asset and the purchase cost for the balance in the ledger under each asset category. The appropriate measures in this regard will be taken in the future.	It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.
(b) Sri Lanka Public Sector Accounting Standard 02		
(i) When adjusting working capital changes under cash flows generated from operating activities, the cash inflows of Rs.26.14 million from the decrease in accounts receivable balances were not adjusted and the cash outflows due to increase in other current assets were overstated by Rs.2.13 million.	When adjusting changes in working capital under operating activities, adjustments were made to changes in total current assets. That is, cash outflow of Rs.148.07 million from the increase in total current assets (excluding interest receivable) was shown under changes in working capital in the cash flow statement.	It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.

<p>(ii) According to the information provided to the audit, although the fixed deposits and treasury bonds amounted to Rs.5.54 million and Rs.20.18 million had been invested in the year under review, those amounts were not stated as cash outflows under investing activities in the cash flow statement.</p>	<p>In the year 2023, the amount invested in fixed deposits by the authority was Rs.104.09 million, and the value added for treasury bonds in the year 2023 was Rs.1.91 million. Therefore, its total value of Rs.106 million of investment value was correctly stated under investment activities.</p>	<p>It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.</p>
<p>(iii) According to the information submitted to the audit, although property, plant and equipment amounted to Rs.1.033 million had been acquired during the year under review, it had been stated Rs.72.13 million as cash outflows under investing activities in the cash flow statement. Also, the capitalized work-in-progress in the year under review of Rs.66.54 million was stated as cash inflow from investment activities.</p>	<p>In preparing the statement of cash flows, this was occurred by connecting the values to the balance sheet and related notes. However, we believe that this has not affected the net cash flow generated from investing activities in the cash flow statement. Also, as observed in the audit, in comparing the 2024 financial statements, it will be corrected and presented this.</p>	<p>It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.</p>
<p>(c) Sri Lanka Public Sector Accounting Standard 07</p>		
<p>(i) Although it had been removed 12 wind measuring towers and 2 inverters with cost of Rs.85.9 million from the books in the year under review without proper approval, as per Paragraph 81 of the Standard, the resulting gain or loss was not calculated and adjusted in the financial statements.</p>	<p>These inverters will be refurbished and used as exhibits or for educational purposes. The wind towers were disposed in 2012, and since it was difficult to find the historical cost of the wind towers and other related information accurately, it was difficult to make adjustments in the financial statements, so disclosure was made through a note in the financial statements. Based on the recommendations of the internal expert committee appointed by the Director General in January 2020, 4 wind towers have been recommended to be derecognized.</p>	<p>Assets should be derecognized in accordance with Sri Lanka Public Sector Accounting Standards.</p>
<p>(ii) Although the related cost should be recognized as an asset when there is a possibility of future economic benefits or service possibilities related to the asset item according to paragraph 14 of the</p>	<p>The necessary activities for the legal transfer of the lease rights to the Siambalanduwa Land to the Authority have been completed, and the authority paid the lease amount</p>	<p>It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.</p>

<p>standard, a cost of Rs.1.03 million incurred for the installation of boundary posts on the land proposed to be taken over for the Siyambalandua solar power project, which does not have such potential, was accounted as fixed assets.</p>	<p>to the relevant Divisional Secretariat in the year 2023 for the preliminary work. The draft lease agreement has been sent to the Attorney General's Department, and the lease agreement is to be signed as soon as it is approved. Therefore, the cost incurred for installing the boundary posts was capitalized as it contributes to asset identification and other tasks by installing these boundary posts.</p>	
<p>(iii) Although the accumulated depreciation should be calculated from the date of revaluation according to paragraph 42 of the standard, they were depreciated for the entire year 2023 and Rs.112.54 million had been adjusted as depreciation in the financial statements on the basis of the revaluation values of the assets on 31 August and 31 December 2023.</p>	<p>Sustainable Energy Authority follows the rule of making full depreciation adjustments for the year of asset purchase and no depreciation adjustments in the year of disposal. Although the revaluation period of these assets is delayed, all these assets are assets purchased before the year 2022, and most of the assets are fully depreciated assets. Therefore, we believe that since these assets have been used by the Authority throughout the year, the depreciation adjustment for the entire year has not had a material impact on the financial statements and therefore represents a more effective value. As the Authority does not have the information of the previous years of the assets, the financial statements have been presented as per the available information.</p>	<p>It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.</p>
<p>(iv) No provision was made as per paragraph 79 of the Standard in respect of 266 items of idle equipment amounting to Rs.259,095 as at 31 December 2023, and disclosures required as per paragraphs 86 and 91 had not been made.</p>	<p>It will be taken necessary action to present this information in future financial statements as recommended by the audit.</p>	<p>It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.</p>
<p>(d) The land with 0.62 hectare in Avissawella which was acquired under the Government Land Acquisition Act</p>	<p>In order to complete the acquisition of the land, after completing 6.1 of the Land Act, the legal documents of</p>	<p>It should be acted in accordance with Sri Lanka Public Sector</p>

No. 08 of 1979 in year 2017 by the Authority and was leased to a private company for Rs.7.8 million had not been identified and accounted for as investment property in accordance with Sri Lanka Public Sector Accounting Standard 13.

the land will be received by the Sustainability Energy Authority, and then after the valuation by the valuation department, I will proceed to make the accounts in the books.

Accounting Standards.

- (e) In accordance with paragraph 76 of the Sri Lanka Public Sector Accounting Standard 19 - Employee Benefits Standard, the gratuity provision was not calculated using the actuarial valuation method, and the disclosures required by section 141 of the Standard were not made in the financial statements. Further, as the gratuity provision was Rs.40.7 million according to the statement of financial position and **Rs. 40.4 million** according to the schedule, a difference of Rs.340,821 was observed.

The calculation of the value of retirement benefits should be done by parties who have good experience in the prescribed manner in accordance with Section 76 of the Sri Lanka Public Accounting Standard No. 19 (SLPSAS – 19) regarding employee benefits and, although it could obtained the information on 2 such institutions and none of them submitted quotations, the calculations were done so as to the calculations of previous years' benefits.

It should be acted in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Surplus and net value of buildings in the year under review was overstated by Rs.3.75 million as calculation of depreciation for the year under review based on the previous year's net value of Rs.86.28 million as the initial cost of non-revalued buildings.	This has happened by mistake during the accounting of asset revaluation, and instructions were given to take necessary measures to correct the accounting work on this.	As per the accounting standards, retrospective correction should be made in the next accounting year.
(b) The error of accounting the advance of Rs.12.78 million that given to Department of Forest Conservation in previous year for reforestation in Siyambalanduwa Project as work-in-progress had been rectified during the year under review and, the entire value was accounted for as an expense without obtaining information on how the advance was spent.	The authority here operates through a process similar to that of the project developer. With the aim of making the project successful and getting the approval of the Department of Forest Conservation, an amount of Rs.12.78 million has been given to the Forestry Department for forestry purposes. This amount is a contribution amount given for forestry. As contributions not directly related to a project (unable to capitalize) had to be adjusted to that	The details of the work related to the money spent should be obtained and the expenses should be accounted for accordingly.

expenditure incurred in the year against the revenue, it was accounted for as an expense in the year 2022.

1.5.3 Absence of Written Evidence for Audit

Audit Observation	Comments of the Management	Recommendation
Detailed schedules, bills, balance confirmations had not been submitted to the audit in relation to 02 items of liabilities of Rs.25.45 million and an item of asset of Rs. 2.8 million included in the financial statements.	The detailed schedules for the accrued expenses and the retained money are being provided to the audit, and letters have been sent to the Southern Provincial Council to make the relevant expense reports of the NAMA project available to the authority. It will be made arrangements to provide the copies to the audit.	The relevant evidence should be submitted to the audit immediately.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
The remaining of Rs.5.6 million out of the money given by the investors of 19 small hydropower projects for land acquisition, were shown as current liabilities in the financial statements and, out of which the outstanding balance beyond 05 years which was not settled was Rs.4.2 million. The reason for this was that the land acquisition work was not completed promptly and handed over to the investors.	The authority has only one officer to carry out land related activities. These days he was very busy with Siambalanduwa, Punareen and Mannar renewable energy projects. For this purpose, the authority will restore the approved cadre in the future, and take necessary measures to solve the land problem very quickly.	The relevant money should be used for land acquisition activities and the land required for the projects should be obtained promptly and leased to the investors.

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Sri Lanka Sustainable Energy Authority Act No.35 of 2007			

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| (i) | Section 3 | Although the Board of Directors of Sri Lanka Sustainable Energy Authority should consist of 21 members consisting of 12 ex-officio members and 9 members to be appointed by the Minister, as of 31 March 2024, one member to be appointed by the Minister had not been appointed. | Although the Chairman's letter dated 16.05.2024 has submitted a request to the Honorable Minister, the appointment has not been made so far. | It should be acted according to the provisions of the Act. |
| (b) | Financial Regulations 104 and 110 of Financial Regulations of the Democratic Socialist republic of Sri Lanka | It had not been acted as per referred financial regulations in relation to 02 inverters amounted to Rs.20 million which were inactive. | The possibility of repairing these inactive inverters is being explored. It is arranged to be used as an exhibit or for educational purposes. | It should be acted according to the Financial Regulations. |
| (c) | Public Finance Circular No. 01/2020 dated 28 August 2020 | | | |
| (i) | Paragraph 11 | The Board of Survey report of the Authority had not been submitted for audit by August 2024. | The Annual Board of Survey Report is in its final stage and I will take necessary action to submit it to the Internal Audit and Management Committee by 31/08/2024. | It should be acted according to the provisions of circulars. |
| (ii) | F.R. 877(1)(c)(d) and 877(2)(c) specified in Paragraph 15.1 | Budget documents were not prepared for the years 2021, 2022, 2023 and 2024 for the Sri Lanka Sustainable Energy Fund and Sustainable Energy Guarantee Fund under the authority and, keeping accounts of receipts and payments of funds, preparation of quarterly reports and final accounts were not done as per the guidelines and forms | The methods of using these funds have not been completed properly, and it will be worked accordingly in using the funds in the future. | It should be acted according to the provisions of circulars. |

provided by the Public Finance Department.

- (d) Public Enterprise Circular No. 01/2021 dated 16 November 2021
- (i) Paragraph 4.3 and paragraph 1 of Annexure 01 in Guidelines for Corporate Governance in Public Enterprises
- A committee had not been appointed to assess the risks in various sectors of the authority and the authority had not prepared a set of forecasted financial statements in line with the strategic plan.
- The committee is expected to be appointed soon. Due to the acute shortage of employees in the authority, the daily activities of the financial division are also being conducted under great difficulty. In the future, it will be assigned employees for this purpose and take action to deal with it accordingly.
- It should be acted according to the provisions of circulars.
- (ii) Paragraph 6.6 of Operational Manual for Corporate Governance in Public Enterprises
- The Authority had not submitted the draft annual report along with the financial statements of the year under review.
- In the future, I will take necessary measures to submit the financial statements to the Auditor General on the due date.
- It should be acted according to the provisions of circulars.
- (e) The timeline mentioned in No. 4 of the National Energy Policy and Strategy Code of Sri Lanka published by Extraordinary Gazette No. 2135/61 dated 9 August 2019
- The authority had not done any work regarding the 10 tasks that were legally assigned to the authority.
- A major component of this energy policy, 70 percent renewable energy in 2030 for grid integration
- The policy which was a major component of this energy policy and, for connection of 70 percent of renewable energy to main grid by 2030 was supported by Sustainability Energy Authority. There, due to interference in land surveying and other activities, a lot of effort had to be put in for it. Also, the money that was supposed to be received from the Asian
- It should be acted according to the National Energy Policy

Bank and the World Bank was not received (IMF Condition) as expected, so it was not possible to carry out these actions. But every possible project has already started.

1.8 Non-compliance to Tax Regulations

Audit Observation	Comments of the Management	Recommendation
<p>Although the authority earns taxable income and investment income according to Paragraphs 6 and 7 of Chapter (ii) of the first part of the Inland Revenue Act No. 24 of 2017, tax payments were not made as per Paragraph 145 of the said Act by submitting tax returns in accordance with Paragraph 126 (i) of the said Act. Accordingly, although the authority had earned a surplus of Rs. 105.54 million and Rs.88.08 million, investment income of Rs.34.8 million and Rs.175 million in the years 2022 and 2023 respectively, no provision had been made for income tax. Furthermore, according to Section 93(1) of the said Act and Section 113(1) of the Inland Revenue (Amended) Act No. 10 of 2021, the authority had not filed income return files from the year 2018 to 30 November 2023.</p>	<p>Since Sustainable Energy Authority is an authority dependent on the Treasury and there is a loss when the allocations received by the Treasury are deducted, there is no provision for taxes, but as per the audit queries, it has registered for income tax and has taken measures to pay income tax. As we have registered for Income Tax in the year 2024, we have been requested from the Income Tax Department to issue the electronic Income Tax returns to us. In the future, arrangements have been made to proceed accordingly.</p>	<p>It should be acted according to tax regulations.</p>

2. Financial Review

2.1 Financial Results

The operational result for the year under review amounted to a surplus of Rs.88.1 million and the corresponding surplus for the preceding year amounted to Rs.105.5 million. Accordingly, it had been observed a deterioration of Rs.17.4 million in the financial result. A decrease in income of energy fund by Rs.75.1 million in the year under review and an increase in the depreciation expense by Rs.61 million had mainly caused for this deterioration.

2.2 Variance Analysis of Key Subjects of Financial Statements

Compared to the previous three (03) years, the increase or decrease in the main subjects of the financial statements of the year under review and the percentage of the increase or decrease are analyzed and presented below.

Item of Financial Statement	2023	2022	2021	2020	Comments
Operational Income (Rs. Mn)	228	217	415	295	The lowest operating income was recorded in the year 2022, and the reduction of treasury capital grants given in the year 2021 greatly in the year 2022 was caused for this.
Variance (Rs.Mn)	11	(198)	120	14	
Increase/ decrease (%)	5	-48	41	5	
Non-operational Income (Rs. Mn)	278	340	61	41	Due to the investment of Sustainable Energy Fund in the year 2022, the non-operational income had increased greatly since that year and compared to 2022, the application fee income for energy projects had decreased in the year 2023.
Variance (Rs.Mn)	(62)	279	20	(45)	
Increase/ decrease (%)	-18	457	49	-52	
Project Expenditure (Rs. Mn)	98	200	64	59	In the year 2022, the authority had spent a lot on infrastructure for large-scale solar park projects.
Variance (Rs.Mn)	102	136	5	(41)	
Increase/ decrease (%)	51	212	8	-41	
Recurrent Expenditure (Rs. Mn)	320	251	231	234	Due to revaluation of assets in the year 2023, the increase in depreciation expense had led to an increase in recurring expenses.
Variance (Rs.Mn)	69	20	(3)	14	
Increase/ decrease (%)	27	9	-1	6	
Investment (Rs. Mn)	633	522	68	112	The continued investment of money in the Sustainable Energy Fund had led to an increase in investments.
Variance (Rs.Mn)	111	454	(44)	10	
Increase/ decrease (%)	21	668	-39	10	
Cash & Cash Equivalents (Rs. Mn)	723	201	587	460	Investing money in short-term deposits without a proper investment plan and financial forecast was the reason for this.
Variance (Rs.Mn)	522	(386)	127	23	
Increase/ decrease (%)	260	-66	28	5	

2.3 Ratio Analysis

Ratio	2023	2022	2021	2020	2019
Current Asset Ratio (Times)	3.33	8.51	21.63	21.07	13.58
Rate of Return on Total Assets (%)	3.51	6.45	13.26	3.54	3.79
Rate of Return on Equity (%)	4.16	6.84	13.95	3.71	3.96
Net Surplus (Profit) Ratio (%)	38.6	48.38	43.85	14.57	16.37
Asset turnover ratio (Times)	0.09	0.13	0.30	0.24	0.23

3 Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
<p>An amount of Rs.7.8 million had been given to a private company by the Authority for the manufacturing of 03 model of electric vehicles in 2007-2009. The false information related to this had been provided to Committee on Public Enterprises held on 07 December 2012 by the Authority and it had been decided at the committee meeting held on 4 January 2013 headed by Auditor General to take the disciplinary action against the officers connected to this task and inform the actual situation in relation to this matter to Committee on Public Enterprises through Chief Accounting Officer. However, no disciplinary action had been taken against the relevant officers even by the end of the year under review. Furthermore, instead of taking legal action against the concerned private company, the authority had entered into an arbitration process as per condition 19 of the expired agreement. There, instead of 3 models of electric vehicles, it was decided to get only one model and the settlement process was completed and even one model of electric vehicles had not been received by the authority by the end of the year under review.</p>	<p>It was decided in the Ministry Audit and Management Committee on 2024.07.02 that an internal investigation should be conducted and necessary actions should be taken by the responsible officers and steps have been taken to appoint a suitable committee for this purpose and the report of the committee will be forwarded to the Auditor General.</p>	<p>The committee should act according to the orders and it should be got the relevant work done so as to not to make losses to the government.</p>

3.2 Management and Operational Matters

(a) Functions mentioned in the Sri Lanka Sustainable Energy Authority Act No. 35 of 2007

Audit Observation	Comments of the Management	Recommendation
<p>(i) The authority should encourage and promote off-grid renewable energy projects in accordance with Section 5 (c) of the Act as a solution to the problem of insufficient available grid capacity in the central grid of the Ceylon Electricity Board, the authority had not done the necessary work for that. Due to this, as</p>	<p>Since the percentage extended to the national grid has grown to 98 percent by 2021, the Energy Authority has taken steps to provide electricity to the 2 percent that cannot be provided outside the national grid, depending on the location and condition of the land. Areas such as Meda Kale, Udagala</p>	<p>According to the provisions of the Act, off-grid renewable energy projects should be encouraged and promoted.</p>

per Section 25 (a) of the Act, no energy licenses have been issued for any off-grid renewable energy projects even by July 2024.

Debokka, Gala Muduna where the national system cannot be extended have been identified and appropriate measures have been taken to provide electricity. With the development of technology, if there are groups who need electricity outside the central grid, there are methods of obtaining private electricity based on their needs. The authority has prepared required guidelines continuously for preparation of manuals and standards for technical methodology required for them, creation of trained staff for establishment of such sets. It will be forwarded to draft laws in the future.

(ii) Although a renewable energy resource development plan should be prepared and published in the gazette with the approval of the Council of Ministers according to the potential of renewable energy resources in each area as per Section 8 of the Act, though 16 years had passed since the establishment of the authority, such a plan had not been gazette even by July 2024.

The Renewable Energy Plan prepared during the year 2020 was submitted to the Secretary of the Ministry of State for Solar, Wind and Hydropower Project Development on 26 November 2021 for Cabinet approval after receiving public comments on 21 July 2021. Then, it was informed that a revised cabinet paper would be submitted by the Minister of Power after presenting it to the cabinet on 27 February 2024. Thus, according to the instructions of the Secretary, the Regeneration Energy Plan prepared for the years (2024-2027) was forwarded to the Ministry of Power on 03 May 2024 for approval by the Cabinet.

The renewable energy resource development plan should be gazette as per the provisions of the Act.

(iii) According to Section 19 (1) of the Act, during the period of validity of the license issued, the developers shall be bound to pay annually a royalty fee to the Authority for the renewable energy used during that period as determined by the Minister in consultation with the Minister of Finance. However, the authority was not able to collect the relevant royalty due to the fact that the method to collect the relevant royalty had not been decided so far.

The authority has discussed with almost every minister appointed to the Ministry of Power and Energy since 2007 about the recovery of this royalty. The authority has also tried to get the consent of the Minister of Finance for these charges on many different occasions. In the same way, cabinet papers have also been prepared and forwarded to the ministry to get the necessary cabinet approval for the implementation of these concepts. As

As per the provisions of the Act, the measures for recovery of the royalty should be carried out expeditiously.

soon as the Ministry agrees, these charges will be taken over by the authority.

- (iv) Although a Cess tax which is calculated according to such proportions as may be determined from time to time by a rule published in the Gazette by the Minister with the concurrence of the Minister in charge of Finance as per Section 45(1) of the Act should be imposed, charged and paid on all imported fossil fuel products, it was not possible to collect the related fees due to the lack of preparation of methods for that.
- The authority has discussed the collection of this cess tax with almost every minister appointed to the Ministry of Power and Energy since 2007. The authority has also tried to get the consent of the Minister of Finance for these charges on many different occasions. In the same way, cabinet papers have also been prepared and forwarded to the ministry to get the necessary cabinet approval for the implementation of these concepts. As soon as the Ministry agrees, these charges will be taken over by the Authority.
- As per the provisions of the Act, the necessary measures to collect the Cess should be carried out promptly.
- (v) In terms of Section 61 (1) of the Act, special officers were not appointed with the written authority of the Board to enter and search, survey, inspect or investigate the buildings and premises.
- An energy manager or energy service provider duly accredited by the Authority is authorized to enter and inspect the premises of any institution, to obtain information, to verify information or for any inspection in the event of failure of an organization to report energy information in accordance with the Energy Label Regulation or to ensure compliance with the energy label. Accordingly, in the event that the necessary information is not provided for certain premises affected by these terms, all the necessary processes have been prepared for operation.
- It should be acted according to the provisions of the Act.
- (vi) According to Sections 47(1) and 67 of the Act, the regulations to be prepared by the Minister for the implementation of the activities of the Sustainable Energy Guarantee Fund, which was established with the aim of providing necessary guarantees for investors applying for loans for projects for energy efficiency, had not been approved by the Parliament.
- The drafts for setting up the Sustainable Energy Guarantee Fund have been finalized and have been forwarded to the Legal Draft Department.
- It should be acted according to the provisions of the Act.

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| vii) | Any of functions to be carried out by the Sri Lanka Sustainable Energy Fund as per Section 46 (3) of the Act, such as providing subsidies for selected renewable energy-based energy conversion processes, providing subsidies to promote the use of energy efficient equipment and technology, giving incentives or other similar financial assistance to any society or civic organizations for providing capital subsidies for conversion to fuels including industrial heat intensive inputs and to encourage adoption of energy conservation measures and to improve rural energy services in all parts of the country had not been carried out during the year under review. | The preparation of the guidelines for the establishment of Sustainable Energy Fund has been completed and it has been forwarded to the Board of Management for approval. Arrangements have been made to implement this in the future after incorporating the recommendations and suggestions of the Management Board. Also, the following projects started in 2023 are expected to be completed in 2024.
1. Lift Irrigation Projects 3 (Completed in 2024)
2. A 500 KW solar power project was started in Hambantota Park.
3. Electrification of Galamuduna Village (Completed) | The fund should be used only for the purposes approved by the Act. |
| (viii) | Although the Authority had started the acquisition of 14.13 hectares under the Government Land Acquisition Act No. 08 of 1979 for 15 small hydropower projects as per Section 30 of the Act, the said land had not been formally acquired by the end of the year under review. Therefore, according to Section 32 of the Act, the authority had failed to lease or hand over the enjoyment of the land and collect the annual lease. Further, leases and late fees of Rs.1.3 million that should be recovered from 2021 to March 2024 for other land had not been collected. | Out of the 45 plots of land taken over by the authority, 16 plots of land have been leased correctly and it is informed that the remaining 29 plots of land will be charged with due leases along with arrears after completing the title investigations under Section 9 of the Act and registering them in the Registrar's office. The construction work of the Sirioya project has not yet started and the authority has informed the relevant project proponents to pay the lease amount. | The land acquisition should be completed promptly and the lease should be collected by leasing lands. |
| (ආ) | An amount of Rs. 50 million had been given to the Ceylon Electricity Board last year for the network upgrade required to provide solar power system connections on rooftops and the progress of those works had not been followed up. | Letters were sent to the Electricity Board to inquire about the progress. However, no progress report was received by the Authority and reminders were also made to the Electricity Board. | The progress related to the respective tasks should be followed up timely. |

3.3 Contraneous Transactions

Audit Observation	Comments of the Management	Recommendations
<p>It had been granted approval by Cabinet Decision No. AMA/22/0380/301/008 dated 15 March 2022 to award the construction of 500 MW renewable energy power plants in Mannar and Punarin to a foreign private investor. It had been requested from the project developer from letter without number dated 08 November 2022 the USD 747,733 equivalent to Rs.261.7 million that incurred by that time for preliminary development activities in above projects by the Authority. As the receivable amount of USD 425,381 equivalent to Rs.112.5 million from the project developer in the financial statements of the year under review, USD 322,352 was disclosed in the notes to the financial statements by understating. The agreements reached with the project developer for those reductions were not submitted to the audit.</p>	<p>I present how the US\$ 425,381 is arranged.</p>	<p>Details of agreements relating to the reduction of values should be submitted to the audit immediately</p>

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>22 out of 48 approved posts of Deputy/Assistant Director - (Engineering) and 9 out of 17 approved posts of Technical Assistant who can directly contribute to the achievement of the objectives of the Authority were vacant as at 31 December 2023.</p>	<p>The Scheme of Recruitment of the Authority was approved by the Department of Management Services in August 2020. External recruitment was delayed as the country's shutdown due to the corona epidemic situation in the country. However, 16 engineers were selected through interview in May 2021 and appointed in 2022. In the year 2022, after issuing circulars restricting recruitment by the government, recruitment has been done for 06 Assistant Director (Engineering) and 05 Technical Assistant posts as per the request made for recruitment to essential posts.</p>	<p>Cadre should be managed so as to maintain an optimum service level.</p>

4. Accountability & Good Governance

4.1 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
Although 90 electric vehicle battery charging stations were to be developed as per the 2021-2025 Compact Plan, none of the stations had been constructed by the end of the year under review. Furthermore, no work was done in 3 tasks related to the development of renewable energy projects included in the Action Plan of the year under review, and the progress of other 24 project activities in the year under review was a low value from 10 percent to 54 percent.	This is expected to be implemented in the future.	According to the Corporate Plan, the planned tasks should be completed promptly.