

Head 119 - Ministry of Power and Energy

1. Financial Statements

1.1 Opinion

Head 119 - The audit of the financial statements of the Ministry of Power and Energy for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Power and Energy was issued to the Accounting Officer on 31 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 02 October 2024 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Ministry of Power and Energy as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

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

1.3 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are consistent with the previous year,
- (b) The recommendations which I had made with regard to the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A total of Rs.3.1 million which is receivable from two private companies for the second half of the year 2023 for compulsory registration fees for lubricants had not been received to the Ministry even by May 2024.	One company is in arrears of Rs.87,260 for the second half of 2023 and after the completion of the contracting process with this Ministry and other companies related to the contracting process, actions will be taken to collect relevant license fees from the second half of 2023.	Actions should be taken to periodically and properly collect revenue.
(b) It had failure to collect license fees of Rs.2.4 million and Rs.2 million pertaining to first half year of 2023 and the second half year of 2022 respectively from Ceylon Petroleum Statutory Corporation for bitumen trading.	The CPC was informed to pay license fees for bitumen trade for the years 2022 and 2023.	Actions should be taken to periodically and properly collect revenue.

2.2 Entered into Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although there were Rs.15.8 million receivable from the year 2010 for the provision of generators to the Ministry, and Rs.9.1 million receivable from the year 2008 for the repair and servicing of air	Information related to this has been requested from the Ceylon Electricity Board, and after receiving the information, the necessary further actions	Records relating to liabilities should be properly maintained.

conditioners as per the financial statements of the Electricity Board for the year 2023, the amounts had not been shown as liabilities in the financial statements of the Ministries and actions had not been taken to settle even by the end of the year under review. will be taken.

2.3 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Reference to Laws, Rules and Regulations	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 104.(3) and 104 (4)	The preliminary reports of 07 vehicle accidents that occurred during 2021-2023 were issued with an immense delay and their final reports had not been issued even by May 2024.	As soon as repairs and police reports are received, actions will be taken to issue relevant reports as per Financial Regulations.	Actions should be taken to in terms of Financial Regulations.
(b) Asset Management Circular No. 2/2017 dated 21 December 2017	A vehicle owned by the Ministry is being used by the Sri Lanka Atomic Energy Regulatory Council without properly transferred and 03 vehicles belonging to another Ministry, Project and a Board were being used by the Ministry for a long time without taking over ownership.	As it is a vehicle related to a litigation, it is expected to be handed over after completion of the case and arrangements are being made to get confirmed the registration of ownership of the vehicle owned by another Ministry and take over. As the project has not yet been	Actions should be taken in terms of the Circular.

completed, the vehicle owned by the project cannot be taken over and actions are being taken to take over the vehicle owned by the Board to the Ministry.

(c)	Public Finance Circular No. 08/2019 dated 17 December 2019 regarding the implementation of the Electronic Government Procurement System (e-GP System)	Although all government institutions should be registered in the e-GP System before 31 January 2020, the Ministry had not registered in the system even by 30 April 2024.	Although the Ministry has not yet been registered in the Electronic Government Procurement System (EGP System), it was noted to carry out the activities related to its registration.	Actions should be taken in terms of the Circular.
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3. Operational Review

3.1 Performance

3.1.2 Delays in Execution of Projects

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) Projects implement by Ceylon Petroleum Corporation

(i)	The Polypto Lanka Company was established under the Central Environment Authority in 2008 with the aim of producing fuel using discarded plastic and polythene solid waste. The Ministry owned 60 per cent, the manufacturer 30 per cent and the Faculty of Mineral Resources Research of Moratuwa University owned 10 per cent in the year 2008, and the	The Central Environment Authority has not given the Waste Management License to the Company for the year 2024. Further, it has been decided to get a detailed project proposal from the Ministry that includes the activities proposed to be carried out for the development of the Company to recover the	In making government investments, arrangements should be made with proper consideration on the security and profitability of its future benefits.
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government had lost 60 per cent ownership of this Company which was restructured on 26 September 2018 on the approval of the Cabinet of Ministers dated 21 August 2018 and the Ministry held 1 per cent of the Company's ownership until the recovery of assets and related interest of the Company. Further, at the time of restructuring, the assessed value of the assets held by the company was at Rs.83 million and the value had been given to the investor on the basis of recovery to the government in 10 years. Although 6 years had passed since this Company was handed over to the investor by September 2024, the operations of the Company had not been commenced and there is uncertainty regarding the recovery of the amount owed to the government.

assets of Rs.83 million from the Company to the government. Similarly, since this institution is no longer a government company, a request was made to the Ministry of Finance to provide the necessary guidelines to bring the institution under the Ministry of Finance in order to recover the amount due to the government.

- (ii) Two projects (No. 2035 and 2227) under the SOREM (Sapugaskanda Oil Refinery Expansion and Modification Project) project with an estimated cost of Rs. 560 million and Mabima Road Reconstruction Project (No. 2036) with an estimated cost of Rs. 705 million, had not been commenced even by the year under review on delay in land acquisition.

As cases have been filed in connection with the acquisition of these lands, it is informed that the actions will be taken to complete the compensation payments after the court verdict and to start the project work after the land acquisition is completed and the land acquisition activities are being done through the Divisional Secretariat under Section 4.

Arrangements should be made to carry out proper supervision regarding the projects to be implemented by the institutions under the Ministry and to make necessary interventions in problematic situations and complete the projects promptly.

- (iii) An amount of Rs.809.8 million had been estimated for the project to replace the existing 10-inch pipeline from Kolonnawa to Seram Gate of Colombo Port and although it was planned to be completed between April 2022 and April 2023 as per the project report, the Project had not been commenced even at the end of the year under review.
- The approval was obtained from the Department of National Planning to construct an 18" pipeline instead of the existing 14" pipeline and necessary arrangements are being made to obtain approval of the Cabinet of Ministers to commence procurement activities.
- Arrangements should be made to carry out proper supervision regarding the projects to be implemented by the institutions under the Ministry and in order to make necessary interventions in problematic situations and complete the projects promptly.

(b) Projects implemented by Sustainable Energy Authority

An allocation of Rs.56.5 million had been given in the year 2021, to the Sustainable Energy Authority to provide electricity facilities through small grids using renewable energy for the 03 villages of Gala Muduna, Udagal Debokka and Meda Kele and electricity had been supplied only to Gala Muduna village in the year 2021, by spending Rs.33.3 million. It had delayed for about 2 years even by 31 December 2023 to complete Udagal Debokka and Medakele Projects in this project, for which the utilization of allocation was Rs.33.3 million and the remaining parts of the project had not yet been completed.

During the implementation of this Project, as the Covid epidemic and the financial crisis in the country, and the increase in the estimated prices, it has not been possible to carry out the works of the project in the remaining two villages. However, considering the social and economic value of the project, the Sri Lanka Sustainable Energy Authority has initiated negotiations with the relevant project company regarding the financial matters related to the completion of the remaining works of the project and has taken the necessary steps to continue the project by inviting tenders again in the year 2024.

Actions should be taken to complete the projects and get the desired benefits without delay.

3.2 Foreign Funded Projects

3.2.1 Delays in Execution of Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Although the Moragolla Hydro Power Plant Construction Project with the aim of implementing a capacity of 31 MW to the national grid at estimated cost of Rs. 19,288 million was planned to commence in 2014, the works of it had been commenced in the year 2018 with a delay of 3 years. Similarly, approximately Rs.28 million (USD 177,931) had to be paid as commitment charges in 2017 for the loan obtained. The loan period of the Project ends in June 2024 and a one-year loan extension was requested up to 30 December 2025 to complete other civil works and construction. Similarly, a sum of Rs. 14,269 million had been spent on this project as at 31 December 2023, and the physical progress had been 64 per cent.</p>	<p>The project, which was delayed due to the encounter of an endemic fish, the need to change the design of the reservoir dam on the notification of the Mahaweli Authority, the delay in environmental approvals, the Covid epidemic situation and the subsequent economic crisis, has achieved 73% physical progress so far and a sum of Rs.16,844 million has been spent. The expected physical progress as at 13 July 2024 when the credit facility expires of the project is 85%. A request has been submitted to the Asian Development Bank for funding for the remaining works. Accordingly, it is expected that this project will be able to commence producing hydro power before the end of 2024.</p>	<p>Arrangements should be made to complete the projects within the stipulated periods and desired goals should be achieved.</p>
<p>(b) The National Transmission and Distribution Network Development and Efficiency Development Project which is implemented under 4 packages with the aim of developing transmission networks in Western, Central and North Central Provinces and reducing transmission losses, was scheduled to commence in January 2015 and be completed</p>	<p>This project has not been able to achieve the expected physical progress due to suspension of JICA funding.</p> <p>Due to the difficulty of obtaining JICA funds during the ongoing economic reforms, even though packages 01 and 02 were implemented using Ceylon Electricity Board</p>	<p>Proposals for completion of projects at regular intervals and completion of suspended works should be implemented promptly.</p>

in January 2018. However, a significant physical progress was not observed in packages 1 and 2 of this Project which had spent Rs. 39,942 million by 31 December 2023 and the necessary arrangements for the re-implementation of packages 3 and 4, which had been terminated without implementation, had not been made.

funds, the packages 03 and 04 have been temporarily stopped. Accordingly, it is clear that this project cannot be carried out according to the Action Plan.

3.3 Losses and Damages

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the information submitted for the audit, it had incurred a loss of Rs 898,400 to the government due to a car accident occurred on 27 January 2010 Even though it had been 14 years since the accident happened, the Ministry had failed to recover the loss or take legal action against it even up to now.	Further legal actions are being taken to recover this loss.	Arrangements should be made to recover the losses from the responsible parties.
(b) Due to an accident happened on 12 May 2009 to a motor vehicle owned by the Electricity Board which had been released to the Ministry, although it had elapsed for 15 years, the Ministry had failed to recover the loss of Rs.251,334 incurred to the Government or take legal action against, even by the end of the year under review.	Due to the accident to this vehicle which had been released to the Ministry with third party insurance and owned by Ceylon Electricity Board, arrangements have been made to recover the loss from the parties who did it. The Ceylon Electricity Board has been informed to file a case by the instructions of the Attorney General.	Arrangements should be made to recover the losses from the responsible parties.

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| <p>(c) The double cab PH-2913 which was assigned to an official of the personal staff of State Minister of power had experienced an accident on 07 June 2023 at around 2.45 a.m. while returning from Pozon area in Divulapitiya. An estimate of Rs.1,345,375 was obtained on 06 July 2023. However, sufficient information was not submitted to the audit to ascertain whether the accident in question occurred during official work, i.e. the official nature of the journey.</p> | <p>The vehicle PH-2913 was assigned as the official vehicle of the Public Relations Officer of the Minister of State. While reporting the accident, the driver has not stated the official journey the vehicle was on at that time. In this regard, instructions have been given to note down the statements from the Public Relations Officer and the Public Relations Officer also made aware of it on 24.04.2024.</p> | <p>Actions should be taken to carry out investigations on accidents properly without delay.</p> |
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3.4 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) (i) According to Sri Lanka's National Energy Policy and Strategy published in August 2019, a National Steering Committee oversees the implementation of the relevant policy and the respective Committee shall report the progress of the meetings to the Cabinet of Ministers at quarterly intervals. Nevertheless, according to the information submitted for the audit, the National Steering Committee had not held any meeting during the year 2023.</p>	<p>The necessary activities to appoint a National Steering Committee are being carried out in 2024.</p>	<p>Actions should be taken to effectively implement the policy.</p>

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| <p>(ii) Although the actions should be taken to revise the Performance Time Frame included in the Energy Policy Statement in every 02 years, arrangements had not been made from the year 2019 to the year under review to revise it.</p> | <p>A Technical Action Committee had been appointed and the performance time frame has been reviewed every two years by the Technical Action Committee. Amendments have not been made in 2020 and 2021 due to various reasons such as the Covid epidemic. However, a review committee has been appointed in 2024 and recommendations for revisions are being prepared.</p> | <p>Actions should be taken to revise the policy effectively.</p> |
| <p>(iii) The following matters were observed during the inspection of the progress towards achieving the targets and milestones assigned to the Ministry included in the above Performance Time Frame.</p> | | |
| <p>- Even though the Board of Risk Assessment of Internal and External Uncertainties that can have a critical impact on the performance of the Energy Sector expected to be established by the end of 2019 as per Paragraph 4.1.d under the certification of energy security, it had not been established even by the end of 2023.</p> | <p>Arrangements will be made to appoint a Board for Risk Assessment in 2024 on internal and external uncertainties.</p> | <p>Actions should be taken to achieve the goals and milestones included in the policy.</p> |

- Although it was stipulated to introduce Lighting Standards for rural, urban and major road lighting, including public space lighting, in 2020 under improving energy efficiency and conservation of the Performance Timeframe and to be implemented on a mandatory basis, the respective standards had not been published so far. According to the information received to audit, although these standards have been prepared by the end of 2022, prescribed approvals of the Public Utilities Commission had not been obtained. Formulation of lighting standards for lighting of rural and urban main roads including lighting of public places, the Public Utilities Commission of Sri Lanka has conducted workshops with the participation of stakeholders such as the Ministry, local government bodies, Ceylon Electricity Board, Ceylon Electricity Private Company and Sri Lanka Sustainable Energy Authority by employing a consulting service agency related to this and the report had been completed at the end of the year 2022. The criteria in the Final Report on road lighting standards submitted to the Cabinet of Ministers by the Public Utilities Commission were under review for approval and actions have been taken to complete the activities in 2024. Actions should be taken to achieve the goals and milestones included in the policy.
- (b) Even though the Sri Lanka Institute of Standards has prepared standards No. 768, 1103 and 595 for petroleum-based petrol, diesel and kerosene respectively, the Ministry had not taken actions to create a formal programme to make the adoption of those Standards as mandatory in Sri Lanka. Further, an authorized agency had not been established to test the standards of that fuel in Sri Lanka up to now and the Ministry had failed to prepare a formal program for that so far. Internationally recognized laboratory facilities have been established to carry out laboratory tests on petroleum products of Ceylon Petroleum Storage Terminal Limited (CPSTL) and Sapugaskanda Petroleum Refinery necessary laboratory tests are carried out using these laboratories. As the laboratory tests to be done by independent third parties should be done in concurrence with the fuel suppliers and the relevant fuel importer, the tests will be carried out by the laboratories selected by mutual agreement. Adequate attention should be drawn to the possibility of obtaining technical assistance from a third party and steps should be taken to effectively utilize the investment made in a government agency.

- (c) A 70 per cent of the country's electricity generation was expected to be fulfilled from renewable energy by the year 2030 in accordance with the General Policy Guidelines for the Electricity Industry published by the Ministry of Power in January 2022 approved by the Cabinet of Ministers in November 2021 and it was had also been included in the main objectives of the Ministry. Nevertheless, the contribution of renewable energy sources including hydro power in the electricity generation mix was 49 per cent in the year 2023, which was 52 per cent in the year 2022 according to the Draft Performance Report of the Ministry for the year 2023. Accordingly, it was observed that achieving the target of obtaining 70 per cent of electricity generation by renewable energy by the year 2030 may be challenging.
- The above goals have been achieved based on the "Long Term Power Generation Expansion Plan - 2023-2042" and the Renewable Energy Future Development Plan of Sri Lanka Sustainable Energy Authority. By the end of 2023, out of the total electricity capacity of 4991 MW. An amount of 3167 MW. Electricity have generated through renewable energy sources and the total capacity added by renewable energy sources has been targeted to increase to 8783 MW by 2030. Approximately USD 6110 million should have been invested for this by 2024-2030.
- Public policy guidelines should be followed and actions needed to achieve its goals should be done in a plan.
- This Ministry is taking necessary measures to achieve those goals.
- (d) Even though an observation had been included in the audit report of preceding years regarding the fact that making of an informal appointment on acting basis for a position that was not included in the approved staff of the Ministry and payment of Rs 2,047,347 as salary for 07 years, appropriate actions had not been taken to recover the said amount even by 30 April 2024 .
- A Committee consisting of Ministry officials has been appointed to conduct a preliminary investigation and further actions will be taken according to the decision of the Committee.
- Actions should be taken in accordance with circulars and recovery of irregular allowance payments should be done according to F.R.. 135, 136, 137, 138.

4. Human Resources Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Thirty seven per cent of the 27 vacancies in the Ministry's Electricity Sector were senior level vacancies as at 31 December 2023 and the post of Director General was vacant from the year 2020 and the post of Legal Officer was vacant from the year 2022. However, out of those vacancies, only 04 posts had been filled by May 2024.</p>	<p>A letter dated 06.01.2024 has been submitted to the Ministry of Public Administration to fill these vacancies.</p> <p>Several senior level vacancies in Power Sector have been filled so far. Also, a letter dated 22.03.2024 has been submitted to the Ministry of Public Administration to get appointed of an Additional Secretary.</p>	<p>Appropriate action should be taken in consultation with Department of Management Services.</p>
<p>(b) As the number of approved staff related to the Energy Sector of the Ministry as at 31 December 2023, was 103 and the actual staff was 76, there were 27 vacancies.</p>	<p>Requests have been made to the Ministry of Public Administration to fill up these vacancies.</p>	<p>Appropriate action should be taken in consultation with Department of Management Services.</p>