

## **Ceylon Electricity Board Pension Fund - 2024**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of financial statements of the Ceylon Electricity Board Pension Fund for the year ended 31 December 2024 comprising the statement of net assets available for benefits as at 31 December 2024 and the statement of changes in net assets available for benefits, the statement of cash flows for the year then ended and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 14(1) of the extraordinary Gazette No. 1321/18 read in conjunction with provisions of National Audit Act No.19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements of the Fund give a true and fair view of the financial position as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **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 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.

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

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

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

#### **1.4 Auditor's Responsibility 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:

- 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 the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 Fund'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 Fund 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 of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund,
- Whether the Fund has performed according to its powers, functions and duties; and

- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non- compliance	Management Comment	Recommendation
Pension Fund Regulations published in Extraordinary Gazette Notification No. 1321/18 dated 31 December 2003			
(a) Rule 18	Contrary to the Provision, decisions had been taken by the Board of Directors to increase the pension payment in several times. Further, a sum of Rs.1,031.14 million had been paid from the year 2018 to 2024 as medical payments based on the board decision dated 23 October 2013.	The relevant approvals obtained and documentation required for publication of the amendments have been forwarded to the Ministry from time to time. In addition, the documents have been resubmitted to the Ministry of Energy to be published. The said salary increases and medical payments have been made as per the amended rules 23.2, 23.3 & 23.4 of the pension fund regulation.	Should be complied with the Pension Fund Regulations.
(b) Rule 6.2	Even though the Committee of Management shall meet at least in 03 months times, only 02 meetings had been held during the year under review.	Noted and will arrange Committee meetings as per Rule 6.2 in the future.	Should be complied with the Pension Fund Regulations.
(c) Rule 22.1	Contrary to this provision, a decision had been taken by the management committee on 13 February 2024 to pay the pension to an officer who had completed only 18 years 5 months and 19 days service at CEB. The committee had taken this decision based on a letter of	Pension has been awarded by the relevant HR Division and has been paid from January 2023 to June 2023. However, due to an issue regarding the service period, the pension was stopped by the Pension	Should be complied with the Pension Fund Regulations.

Secretary of Ministry of Power and Energy no විබ/පා/6/දේ.ප.ගැ. dated 27 March 2017 by the backdating the appointment date of 12 July 2004 as 10 November 1995 without paying any salary arrears to that employee. Accordingly, a sum of Rs.715,440 had been paid as pension payment to that officer since 2023 to the end of the year under review.

Unit. The pensioner filed a case in the HRC.DGM (Personnel) advised to table this matter at the Committee of Management of the Pension Fund to take a decision. The committee approved the release of the stopped payment as the Pension has already been awarded and payment effected for a period of 6 months.

- (d) Rule 24.2 Due to the lack of proper mechanism to verify the living condition of a particular pensioner in reasonable time intervals, pension payments of Rs.8.38 million had been credited to bank accounts of death employees only from the year 2019 to 2024 and which could not be recovered even at the end of the year under review. Further, it was observed that this over payment had not been recorded as receivable in the books of accounts even at the end of the year under review.
- Management Committee Should be informed regarding the overpayments for the year 2024. Upon identification of overpayments, actions are taken to issue letters to respective banks and their legal beneficiaries to recover the overpayments. Provisions have not been made in the account due to non-assurance of recoverability of the pension remitted and such payments are already charged for the accounts during the year.
- Should be complied with the Pension Fund Regulations.

## 2. Financial Review

### 2.1 Financial Result

The net assets available for benefits as at 31 December 2024 was Rs.60,215 million and the corresponding net assets available for benefits in the preceding year amounted to Rs.59,766 million. Therefore, an improvement amounting to Rs.449 million of the net assets available for benefits was observed. Further, based on the actuarial valuation report of the fund a sum of Rs.25,060.6 million had been identified as receivable from the Ceylon Electricity Board and that amount had also been recorded as liability in the Financial Statements of Ceylon Electricity Board.

In addition to that there is reasonable deficit between the annual contribution received from the Board to the fund and the actual annual pension payments to the pensioners which was amounting to Rs.886.64 million and Rs.1,001.39 million for the year under review and for the preceding year respectively and that gap had been filled mainly through investment income. These matters had been

considered even at the Management Committee meeting held on 18 September 2024 and at that meeting General Manager and the Vice Chairman of the Ceylon Electricity Board highlighted the importance of finding a way to bridge this gap as the fund would deteriorate and will not be able to pay pensions to all contributors in the long run. As one option the committee had reviewed to amend the rules of pension fund to be published in this regard. However, action had not been taken to resolve this matter even as at the end of the year under review. Without considering that, the committee had approved to increase the minimum monthly pension payment from Rs.16,500 to Rs.20,000 for eligible pensioners with effect from 01 February 2025 considering the hardship faced by pensioners as per the paragraph No. 04 of the Management Committee meeting minute number of 2025/01 dated 13 February 2025.

## 2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of decrease are as follows.

Income/ Expenditure	2024	2023	Increase / (Decrease)	Percentage %
	Rs. million	Rs. million	Rs. million	
Investment income	4,980	5,620	(640)	(11.39)
Benefits paid to pensioners	3,677	4,344	(667)	(15.35)

## 3. Operational Review

### 3.1 Management inefficiencies

Audit Observation	Management Comment	Recommendation
A sum of Rs.400.4 million had been invested in Treasury Bonds through Entrust Securities PLC in the 2014 and it was observed that the company had withdrawn the investment without approval of the Fund. Further, in an investigation carried out by the Internal Audit Division of the Ceylon Electricity Board in 2015, it was revealed that no Treasury Bonds were in existence under the name of the Pension Fund as per the confirmation (Lanka Secure System) received by the Central Bank of Sri Lanka. However, the Board had filed a civil case against Entrust Securities PLC to recover the investment with accrued coupon interest at the date of maturity only in 2018 with a delay of more than 2 years. However, no action had been taken against the responsible officers who were serving the fund at that time, for their negligence and they were allowed to retire from Ceylon Electricity Board.	Regarding the Investments made in Entrust PLC, there is an ongoing investigation conducted by FCID. The required documents by FCID were submitted, and statements were given on March 10, 2025.	(i) Should ensure that a proper internal control mechanism is in place to avoid such incidents in future. (ii) Should ensure that all reasonable actions had been taken to recover the loss made. (iii) Actions should be taken against the responsible officers for their negligence.