Annual Report 2016

Sri Lanka Sustainable Energy Authority

Content

Corporate Information

Name of the Authority

Sri Lanka Sustainable Energy Authority

Legal States

Established by the Sri Lanka Sustainable Energy Authority Act, No 35 of 2007

Board of Management Year 2016

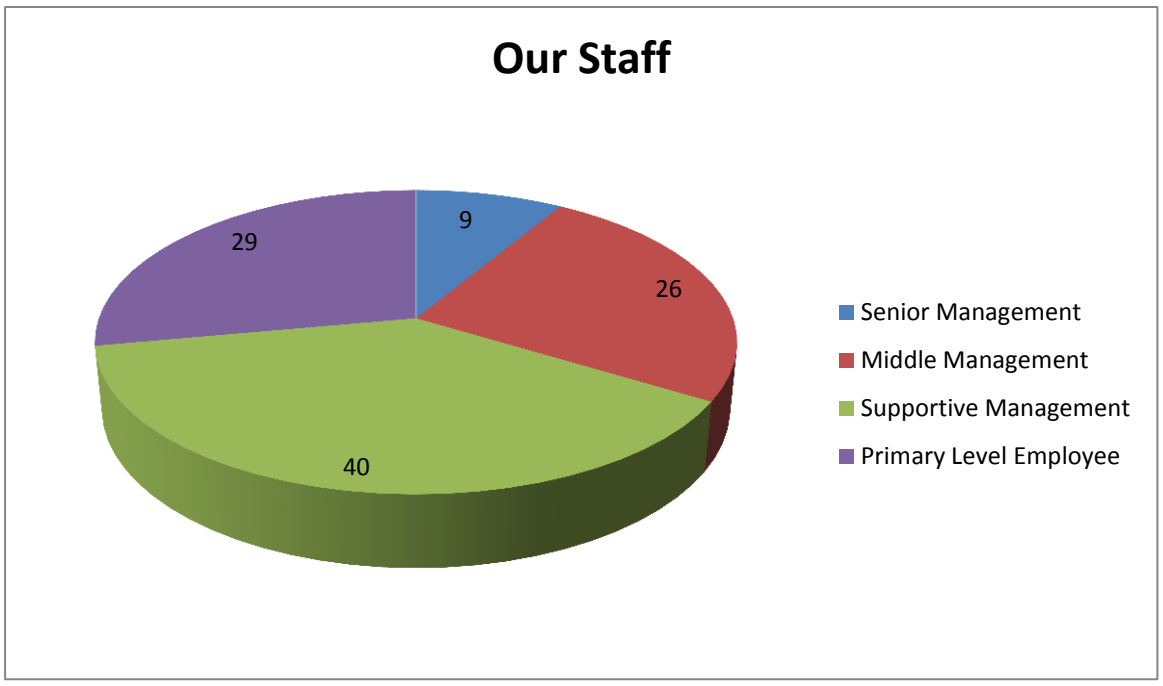
Mr. Keerthi Wickramarathna	Chairman	Sri Lanka Sustainable energy Authority
Mr. M.G.A. Goonathilake	Member	Ministry of Power & Renewable Energy
Mr. B. N. Damminda Kumara	Member	Ministry of Provincial Councils & Local Government
Ms. I. J. Abeyrathna	Member	Ministry of Industry & Commerce
Mr. K.B. Guruge	Member	Ministry of Plantation Industry
Mr. D. V. Bandulasena	Member	Ministry of Agriculture
Mr. W. T. H. Ruchira Withana	Member	Ministry of Mahaweli
Eng. D. D. Ariyarathne	Member	Ministry of Irrigation & Water Management
Mr. A. M. R. J. K. Jayasinghe	Member	Ministry of Transport & Civil Aviation
Mr. S. Tharshan	Member	Ministry of Finance
Ms. R. P. R. Amarasinghe	Member	Ministry of Science & Technology
Mr. Damitha Kumarasinghe	Member	Public Utilities Commission of Sri Lanka
Mr. D. D. Ananda Namal	Member	Sri Lanka Energy Manager's Association
Ms. Farzana Aniff	Member	Appointment Member
Mr. A. M. C. Perera	Member	Appointment Member
Mr. Hiran Ajith Karunaratne	Member	Appointment Member
Mr. G. Mahendra Perera	Member	Appointment Member

Members of the Audit & Management Committee Year 2016

Mr. S. Tharshan	Chairman	Ministry of Finance
Mr. M. G. A. Gunathilake	Member	Ministry of Power & Renewable Energy
Ms. Farzana Aniff	Member	Appointment Member
Mr. L. K. I. Samantha	Superintend of Audit	Auditor General's Department
Mr. S. K. Malavisooriya	Chief Internal Auditor	Ministry of Power & Renewable Energy

Our Staff Composition Year 2016

We are relatively young organization with a total of 104 persons. The Composition of our staff is shown below.



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Chairman's Statement

As the Chairman of Sri Lanka Sustainable Energy Authority, I'm happy to add this message to performance review of activities of year 2016.

Energy is one of the primary commodities required for the development of the country. National Energy Policy and Strategies of Sri Lanka place a strong emphasis on energy security from both national and individual perspectives. The policy envisions a situation wherein reliable, affordable and clean energy will be made available to all the citizens at all times.

Sri Lanka Sustainable Energy Authority (SLSEA) is the focal government entity that promotes the increased adoption and sustainable use of all forms of renewable energy in the country. I understand that through the SLSEA Act, the country has taken strong initiatives to go for a sustainable energy path in the modern energy use in Sri Lanka. The power sector of Sri Lanka is presently facing many challenges, especially in relation to supply of uninterrupted electricity for the entire country at affordable prices, and the severe adverse effect on the economy due to heavily depending on imported fossil fuel for thermal power generation. In order to arrest this situation the Government has set following targets;

- 20% grid electricity generation using New Renewable Energy sources by 2020 as an alternative to imported fossil fuel.
- 10% reduction in total energy consumption by 2020 through implementation of energy conservation measures.

Now it has been able to surpass the limit of 10% New Renewable Energy (NRE) addition in the total electricity generation, which shows a satisfactory landmark in the journey of realizing 20% electricity generation using NRE by 2020.

In the area of energy conservation, programmes have been implemented focusing regulatory interventions and strengthening the energy efficiency services sector. Under the programme implemented in the year 2016, an energy saving of 38GWh electrical energy, 14 million litters of furnace oil and 27.2 million kg of fuel wood could be realized.

The programmes being implemented are under 4 thematic areas as mentioned below.

i. Renewable Energy Development – The objective is to directly involve in the realization of national renewable energy targets
ii. Energy Conservation & Management – The objective is to directly involve in the realization national energy conservation targets
iii. Knowledge Management – The objective is to implement energy education programmes towards an energy conscious nation

iv. Strategy – The objective is to develop policy interventions, R&D interventions, technological dialogues, etc. to support long-term sustainable energy establishment in the country

We require modern technology, legislative approaches, research & development, knowledge & awareness to implement energy conservation through properly managing the use of energy. Similarly, in terms of energy resource utilization we will also require to go for novel approaches in order to optimally harness the indigenous renewable energy resources to meet the future energy demand of the country.

We can be happy with the progress of the programmes implemented in the past period in view of the fact that the necessary framework for mass implementation of sustainable energy in the country has been laid down. It will be a conducive platform for a developed stage of sustainable energy in the future. In the said background, what is required is to strengthen the activities with the understanding that it will be of absolute importance to implement sustainable energy in the country in a well-focused and concerted manner. I believe that solar storage system (with battery) will provide lasting solution for the power crisis of the world.

Let me express my sincere thanks to the Ministry of Power & Renewable Energy and to all the stakeholders for the cooperation extended in taking sustainable energy initiatives in the country.

Keerthie Wickramaratne

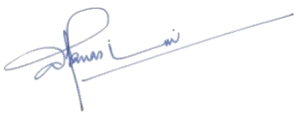
Chairman

Director General's Review

Sri Lanka Sustainable Energy Authority (SLSEA) is the key national entity for paving the way of the country towards energy sustainability. SLSEA was established in year 2007, and it was an important milestone in the country's energy journey. With the understanding that global attention is gradually being focused to the rational use of energy, we can be happy with the progress of the entire country in line with the initiatives in sustainable energy. The activities that have been so far implemented make an enabling environment for Sri Lanka to become a leading country in the subject in the future.

With the programmes implemented under the two major thematic areas of renewable energy development and energy management, and also in the knowledge and strategic spheres and with the achievements in the period in concern, we can be happy that year 2016 has marked a good progress in the activities of SLSEA. The country has already passed the initial target of realizing 10% of the electricity generation using new renewable energy resources. New renewable energy capacity of 53 MW was added in this year resulting in 518 MW of total capacity by the end of year 2016. Similarly, through the energy efficiency improvement programmes implemented by way of regulatory and facilitatory interventions, considerable reductions in electricity, fuel oil and firewood consumption could be achieved, through the programmes implemented in industrial, commercial and statutory institutions and also in the household sector. Apart from these, the programmes implemented with a future focus, especially in policy, strategy, research & development and awareness creation will provide a conducive environment to enhance the scopes of both the thematic areas in the short-term future as well as in the long run.

I would take this opportunity to express my sincere thanks to all the stakeholders who joined hands in the implementation of sustainable energy development programmes in the country. As the country will have to go a long way in the journey towards energy sustainability, the continued support from all the sectors will be the prime requirement of our future success. I make my earnest request from all to extend cooperation in the future programmes leading the country towards energy sustainability.



M.M.R. Pathmasiri

Director General

Our Vision

An Energy Secure Sri Lanka

Our Mission

To guide the nation in all its efforts to develop indigenous energy resources and conserve energy resources through exploration, facilitation, research & development and knowledge management in the journey of national development, paving the way for Sri Lanka to gain energy security by protecting natural, human and economic wealth by embracing best sustainability practices.

Performance of Sri Lanka Sustainable Energy Authority

National Energy Policy and Strategies of Sri Lanka place a strong emphasis on energy security from both national and individual perspectives. The policy envisions a situation wherein reliable, affordable and clean energy will be made available to all the citizens at all times.

Sri Lanka Sustainable Energy Authority (SLSEA) is the focal government entity that promotes the increased adoption and sustainable use of all forms of renewable energy in the country. The power sector of Sri Lanka is presently facing many challenges, especially in relation to supply of uninterrupted electricity for the entire country at affordable prices, and the severe adverse effect on the economy due to heavily depending on imported fossil fuel for thermal power generation. In order to arrest this situation the Government has set following targets;

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The programmes being implemented are under 4 thematic areas as per mentioned below.

- Renewable Energy Development – The objective is to directly involve in the realization of national renewable energy targets

  (Specific theme: REACT – Renewable Energy Actions)
- Energy Conservation & Management – The objective is to directly involve in the realization national energy conservation targets

  (Specific theme: EnMaP – Energy Management Plan)
- Knowledge Management – The objective is to implement energy education programmes towards an energy conscious nation

  (Specific theme: SEEK – Sustainable Energy through Energy Knowledge)
- Strategy – The objective is to develop policy interventions, R&D interventions, technological dialogues, etc. to support long-term sustainable energy establishment in the country

  (Specific theme: SAFE – Sustainability Approach for Future Energy)

Programmes implemented in the year 2016 shown in the following sections.

PERFORMANCE 2016

<table>
<tr><th>No</th><th>Description Of Activity (Major Achievements)</th></tr>
<tr><td></td><td>Renewable Energy Development (under REACT)</td></tr>
<tr><td>1</td><td><u>Resource Allocation and Development Activities</u>

SLSEA undertakes the issuance of Energy Permits (EP) & Provisional Approvals (PA) for on-grid renewable energy projects, to accelerate the development of indigenous RE resources in to commercial scale projects. A summary of the projects commissioned up to end 2016 is given below.

<table>
<tr><th>Renewable Energy Source</th><th>No. of projects</th><th>Installed capacities</th></tr>
<tr><td>Hydro</td><td>170</td><td>340MW</td></tr>
<tr><td>Wind</td><td>15</td><td>128.45MW</td></tr>
<tr><td>Biomass</td><td>9</td><td>28.6MW</td></tr>
<tr><td>Solar</td><td>5</td><td>21.36MW</td></tr>
</table>

Total electricity generation from Non-Conventional renewable energy projects in 2016 was 1,169GWh</td></tr>
<tr><td>2</td><td><u>Progress monitoring</u>
The main objective of this programme is to assist the developers to expedite their projects without any delay.
✓ Progress of all the PA and EP issued projects were monitored quarterly and assisted in solving the problems associated with commissioning of the projects.
In addition to that, performance of the grid connected projects was tested under this programme.</td></tr>
<tr><td>3</td><td><u>Technology development & Research</u>

SLSEA is undertaking Technology Development and Research activities, with the focus of mapping the renewable energy resource potential in Sri Lanka. Studies on solar, wind, small hydro, biomass, wave energy, agricultural waste and municipal solid waste have been done, with the intention of giving inputs for the Development of road map for</td></tr>
</table>

	renewable energy (thermal and electricity). Furthermore, resource technology assessments were done for emerging technologies like thermal storage systems. Some of the activities completed in this regard are shown below. ✓ Three new wind measuring masts in Northern region were erected at Pooneryn and Ponnalai of Jaffna Peninsula and Kokilai in Mulathivu. ✓ A desktop analysis was conducted to assess the wind power generating capacity of Jaffna Peninsula and North Eastern coast line. Twenty five sites were identified with capacities totaling 345MW. ✓ Biogas programme with Dept. of Animal Production and Health, NWP was completed. Nearly 100 units have been installed.
4	<u>Renewable Energy Services</u> In order to uplift the delivery of energy services to the rural community, households, SME and agricultural sectors, SLSEA intervenes through the following projects. I. Electrification of Non Accessibility Areas to the National Grid with Off-grid Solutions (Sunithyaloka) II. RE Solutions for SME sector and Rural Industry III. Implementing "Soorya Bala Sangramaya" programme in collaboration with CEB & LECO IV. Assessment of existing technologies and introduce RE solutions for basic energy needs (Provincial Biogas Programme) Activities that were completed in 2016 include; ✓ Completed the installation of 167 Solar Home Systems for households at Uchchamunai village in Kalpitiya. ✓ A programme was launched to educate "AdiWasi" community in energy efficiency. Efficient cook stoves and energy efficient LED lamps were introduced to them. ✓ Indurana "Green village programme" was launched where a training centre for hydro power development will be put up. Extensive awareness programmes were conducted and introduced energy efficient cook-stoves and energy efficient LED bulbs (2,000 Nos.)

	✓ Installed 29 Solar Systems for Religious Places under the net-metering scheme ✓ Completed the installation of 30 Solar Steert Light Car park Anuradapura Siri maha bodhiya ✓ Environmental friendly, low cost bio mass dryers were introduced to fishing societies in Devinuwara, Hambantota and Waligattha areas for drying of maldivefish, as a demonstration project. ✓ Supplied, installed and commissioned two biomass dryers at "Renewable Energy Park" of Faculty of Engineering, University of Jaffna, Kilinochchi and Institute of Agro-Technology and Rural Science of University of Colombo, located in Hambantota. ✓ "Sooriya Bala Sangramaya" concept was ceremonially launched on 6 Sept. 2016. ✓ The Sri Lankan Standard code of practice for Grid connected solar PV power systems SLS1522 has been prepared and published. ✓ Initiated to develop a guideline called“Home Owners’ Guide To Investing In A Solar Photovoltaic (PV) System”. ✓ Technical supports including site inspection, preparation of specifications/bidding documents, serving TEC, etc. for government organizations were provided for solar roof top installation. ✓ Registered 50 new solar PV service providers involved in solar net metering totaling 152 Nos. ✓ Conducted several training/ awareness programmes for Energy Managers, Rural development officers, general office staff including drivers of North Western Provincial Council and Hospital staff of Monaragala District general hospital.

Biogas installation in North Western Province

Solar power introduction to religious places

Solar home systems for islands off Kalpitiya

Donation of Biomass drier to the Jaffna University

5 <u>Donor Funded Projects</u>

Two major RE development projects funded by Asian Development Bank (ADB) had been initiated by SLSEA, and the progress of the projects are as below. These two projects are,

1. Solar Rooftop Power Generation Project
2. Estate Micro Hydro Rehabilitation and Repowering Project

Solar Rooftop Power Generation Project

Under this Project SLSEA is implementing Solar PV Pilot projects at public and private sector institutions with a view to catalyze and popularize photovoltaic based power generation in Sri Lanka. The public sector component primarily focuses on Engineering Faculties of the Universities. Following shows the activities completed under this project. The progress for the year 2016 was as follows.

- ✓ Installation of four Solar PV Rooftop Systems at University of Peradeniya, University of Moratuwa, University of Ruhuna and University of Jaffna were completed connecting 200 kWp to the national grid.
- ✓ 11 Nos of Solar PV Rooftop Installations were completed at private sector institutions connecting 800 kWp to the national grid.

Installation of 100kWp Solar System at Brandix, Koggala

Installation of 100kWp Solar System at MJF Teas Paliyagoda

Installation of 100kWp Solar System at Mas Holdings, Pallekelle

Installation of 60kWp Solar System at University of Jaffna

Estate Micro Hydro Rehabilitation and Repowering Project

Under this Project, rehabilitated abandoned 50kWp micro-hydro power project at Strathdon Estate under Watawala Plantations PLC.

Micro Hydro Projects at Strathdon Estate

UNDP/GEF/FAO funded projects titled 'Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies' and 'Appropriate Mitigation Action in the Energy Generation and End-Use Sectors in Sri Lanka' are in implementation, and SLSEA is an

implementing partner for the project. Following activities had been completed.

'Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies'

- Proposals were called for 6 pilot Biomass Energy Terminals and investors were selected for 3 locations (Kurunegala, Ratnapura and Galle). The process of establishing bio mass terminal was initiated by the selected inverters. These terminals would process biomass into value added forms and would also have an information exchange database system (grower-supplier-end user). The terminals would be in operation from 2017.
- 15 Biomass Energy Technology (BET) demonstration projects were implemented (3 large scale and 12 SMI) and Monitoring, Reporting and Verification (MRV) system were developed for all above BETs under phase I. In addition, 12 feasibility studies were completed for fuel switching projects to be implemented in future. The programme has also assisted the local R&D and entrepreneurs to capture more market to their innovative products related to biomass energy technologies.
    - co finance investment leverage is about 5.7 million USD
    - Direct emission reduction of 11,426 tCO_2/yr.
- MOU has been signed with SLCF to implement phase II demonstration projects.
    - New fuel switching demonstration projects >10 (4 large 6 SMIs to date)
    - expected co finance leverage with new projects- >USD 2.2 million
    - direct emission reduction of >13,040 tCO2/yr

Some of Biomass Energy Demonstrations implemented by the project

- Two stakeholder workshops were conducted to validate baseline studies conducted in the previous year and the consultant reports were finalized.
- Joint circular on Forestry Management in RPCs has been drafted to obtain inputs on the shortcomings of the current Forest Management Plan and to propose effective implementing and monitoring arrangements to ensure smooth implementation of commercial conservation forestry management in the plantation sector.
- Sri Lanka Standard on Sustainably Produced Fuel wood was finalized with the Sri Lanka Standards Institute and council approval has been obtained. Comprehensive auditor training was held to train auditors on field testing of the standard.
- 100 ha of pilot fuel wood growing models are being established under Forest Department
    - Fuel wood + Timber - 50 ha; Community fuel wood plantations - 50 ha
    - Agreements to be signed on RPCs and NGOs/CBOs and RRI to grow fuel wood
- Training Needs Assessment for the Production and Supply of biomass was developed
- Stock-taking and database on available fuel wood resources was completed


Pilot testing of different growing models by Forest Department

- Workshops and awareness programmes were conducted in Southern, Central, Wayamba and Uva Provinces for end users, government stakeholders, plantation companies and financial institutes.

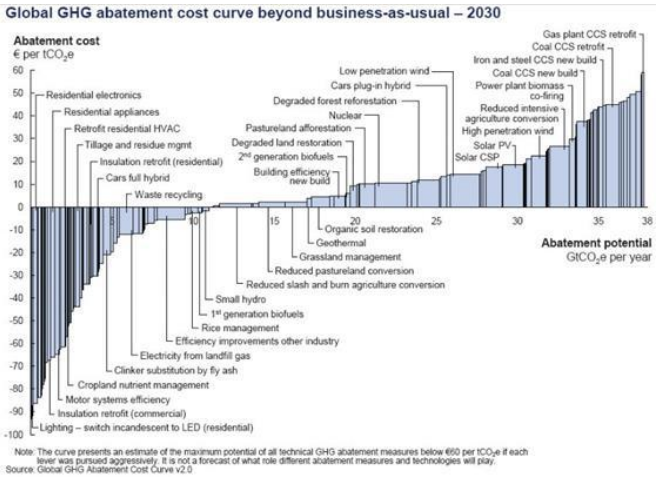
Highlights of 2016 Work Plan – Key Activities

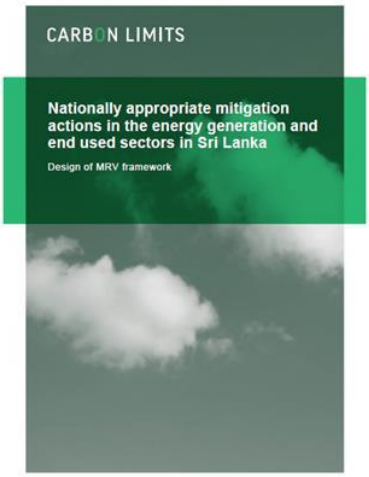
- Obtain Cabinet approval and establish the Inter - Ministerial Officials Committee on Renewable Energy (ICRE)
- Identify & develop important policy decisions to support biomass energy sector
- Establish biomass energy terminals and satellite supply systems
- Draft recommendations on enabling policies and incentive schemes for fuel wood supplying industry

	o Continuation of establishment of fuelwood growing models o Launch criteria and indicators for sustainably produced fuel wood o Continuation and completion of the technology demonstration projects -Phase II o Conduct training, awareness and media publicity programmes and complete a video documentary on technology demonstrations. For the project **"Appropriate Mitigation Action in the Energy Generation and End-Use Sectors in Sri Lanka"**, o Cabinet approval was obtained to the project as an appropriate MRV mechanism for Intended Nationally Determined Contributions (INDCs), which can also be used as a project financing mechanism which will support to leverage the funding requirements in implementing projects towards meeting the NDCs. The technologies under the 4-year project from 2015 to 2018, it was expected to establish the required MRV framework for NDCs in Sri Lanka. Three types of projects will be implemented under that, which will be used as pilot projects for the MRV framework being, 1. 1,000 bio-digesters, initially in five provinces 2. 1,300 high efficient motors in tea factories and 3. 150 solar PV net-metering systems with battery storage o Six technology suppliers were selected to install High Efficiency Motors (HEMs) in tea industry. Completed installing 23 HEMs and 5 VFD in five factories. o Procurement process for service providers & beneficiaries selection for solar net metering system was completed. Installations for the first phase will be started from Feb, 2017 by establishing 14 systems in Kurunegala and Kotte green zones. o MoUs have been prepared and steering committees were appointed to implement biogas programme with five provinces. Over 380 applications were received (to Dec); 291 was short-listed for review and 40 systems are being constructed. Furthermore, situational analysis was done in North Western Province and Southern Province, Quality Assurance system and methodology to verify constructed biogas systems was developed and more than 300 extension officers were trained on biogas system implementation operation and performance monitoring.

Some of the Technology demonstrations under the NAMA project

- Two missions of International Consultancy team and related capacity development activities were completed, in which preliminary Marginal Abatement Cost Curve (MACC) Analysis for 17 mitigation options (RE/EE and other) was developed.
- MACC Analysis for long-list of mitigation options for the energy sector to be commenced in Jan. 2017





- Generalized Monitoring Reporting and Verification (MRV) Framework for Energy NAMAs has been drafted
- MRV methodology developed and MRV parameters were identified for 3 pilot

	technologies – draft stage Capacity development activities were completed
6	<u>Energy Park Development</u> Due to geo-climatic conditions, Sri Lanka is blessed with several forms of renewable energy resources. Among them are solar and wind energy. Since Sri Lanka is located in the equatorial belt, it receives a year round supply of solar irradiation. Similarly, the tropical temperatures and the island location in the Indian Ocean have resulted in distinct wind regimes. These settings have endowed the country with an ample RE resource base. A recent study on solar potential, conducted by SLSEA has identified 11 sites in Mannar, Ampara, Monaragala, Hambantota, Mulathivu, Batticoloa and Polonnaruwa districts totalling a potential of 1,100MW. Further the Wind Energy Resource Atlas compiled by the National Renewable Energy Laboratory (NREL) in year 2003, has identified three major regions as having good-to-excellent wind resources in Northwestern coastal region from Kalpitiya Peninsula north to the Mannar Islands and the Jaffna Peninsula, Central highlands in the interior of the country – largely in the Central Province and parts of the Sabaragamuwa and Uva Provinces.It has been estimated that there is nearly 5,000km^2 of windy areas with good-to-excellent wind resource potential in Sri Lanka. About 4,100km^2 of the total windy area is on land. The windy land represents about 6% of the total land area (65,600 km^2) of Sri Lanka. Using a conservative assumption of 5MW per km^2, this windy land could support more than 20,000MW of potential installed capacity. Up to now total installed capacity was 128MW. Recently concluded wind resource assessment project funded by ADB in Northern area revealed that the wind potential in the Mannar region is 375MW. Pooneryn is another site identified location where more than 100MW potential is existed. The idea of developing "Energy Parks" was first proposed by SLSEA in 2009 with the objective of promoting planned wind and solar development which could bring benefits both to the state and private developers. In this scenario, SLSEA will conduct resource assessments, acquire lands, obtain environmental and other statutory clearances and build infrastructures. Finally, investors are selected through competitive bidding to build their power plants in the declared area. ✓ Three potential sites for 100MW solar power park in Monaragala were identified and the site at Kotiyagala was selected. Initial discussion for land acquisition was commenced and the project staff was selected. ✓ Site for the Pooneryn Wind park development was identified and confirmed. Resource assessment was completed.

	Energy Efficiency Improvement (Under EnMAP)
	The following overall energy savings could be achieved in 2016 through implementing energy management activities;

Source	Total Saving
Electricity	**38 GWh**
Diesel	**11.04 Mn. litres**
Furnace Oil	**14 Mn. litres**
LPG	**35 tons**
Firewood	**27.2 kilo tons**

1 Establishment of Energy Management Systems

SLSEA facilitates energy conservation in commercial and industrial state sectors through introducing the ISO 50001 Energy Management Systems. (EnMS)

- ✓ Altogether 208 Energy Managers in private sector, 16 Energy Auditors and 400 Energy Managers in government sector were accredited by the end of 2016.
- ✓ Conducted ISO 50001 (EnMS) audits at 18 organizations.

2 Introducing Standards and Regulations

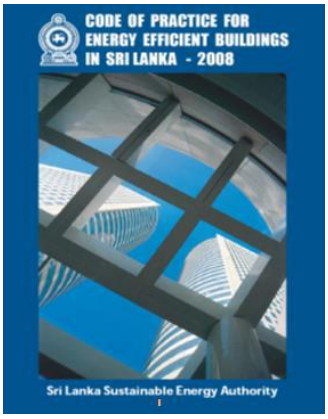
Different activities are being carried out by SLSEA to formulate proper regulatory interventions along with creating awareness to manage energy efficiency improvement in industrial, domestic and commercial sectors.

Energy label for LED lamps

Published gazette for LFL and Ballasts

Description	Progress
CFLs	Standard was revised. Published the revised Standard as SLS Standard.
Tubular Fluorescent Lamps and Ballasts	Regulations on mandatory requirement of the energy label was Gaszetted.
Air conditioners	Draft Energy Labelling Standard was prepared and sent to Sri Lanka Standards Institution (SLSI) for further proceedings.
Refrigerators	Testing of refrigerators is in progress. About 15 refrigerators of various brands have been tested so far.
LED Lamps	Voluntary energy label was introduced for LED lamps.
Computers	Draft Energy Labelling Standard was prepared.

- ✓ Revised the "Code of practice for Energy Efficient Buildings in Sri Lanka - 2008". To be published by the end of this year
- ✓ Developed the "Guideline for Sustainable Energy Residencies in Sri Lanka".



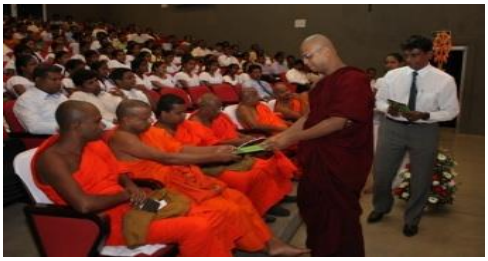
3 <u>Advisory and Counselling Services</u>

SLSEA assists industries, commercial and state sector institutes to solve their energy related issues by providing consulting services by answering queries, awareness programs upon request.

- ✓ 11 energy audits were completed for government institutions.
- ✓ 34 ESCOs were registered under the categories EEI (Energy Efficiency

	Improvements), EAS (Energy Auditing Services) and TP (Technology Providers), and the updated ESCO list is published in the web.
4	<u>Rewarding of Achievements</u> SLSEA encourages energy management practices in industrial and commercial sector through conducting the Sri Lanka National Energy Efficiency Award (SLNEEA) Scheme ✓ Sri Lanka National Energy Efficiency Award Ceremony was held on 24th November 2016 at BMICH, with the participation of His Excellency the President of Sri Lanka, Hon. Maithripala Sirisena as the chief guest with the presence of the Hon. Minister and Hon. Deputy Minister of Power and Renewable Energy. ✓ Awards delivered at the Sri Lanka National Energy Efficiency Award (SLNEEA), ❖ National Energy Efficiency Award (SLNEEA) ❖ Best Energy Services Company (ESCO) Award ❖ Outstanding Energy Manager of the Year Award ❖ Eminent personnel in energy sector Award.    Winners of Sri Lanka National Energy Efficiency Award 2016

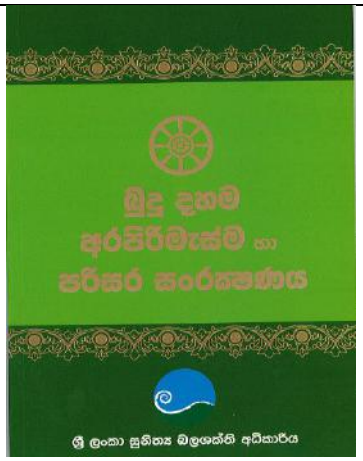
5	**<u>Sector Specific Energy Management Programmes</u>** SLSEA assists to develop and implement energy management programmes at provincial level.
6	<u>National Energy Conservation Programme</u> ✓ Conducted 4 Pre School teacher training programmes. ✓ Conducted 6 energy conservation programs to Scouts (14,500). ✓ Conducted 9 workshops for journalist on renewable energy and energy conservation. ✓ Arranged 2 field visits for journalists to Norochcholai Coal Power Plant and Putlam Wind Power Plant.  Pre School teacher training programmes   ✓ Conducted the Dhamma School Essay Competition among 9,000 Dhamma schools, received 2,000 essays and 100 were selected for final selection. ✓ Conducted School Awareness Programs. ✓ Public Awareness to government Institutions. ✓ Programme on Energy saving Kitchen for school students.



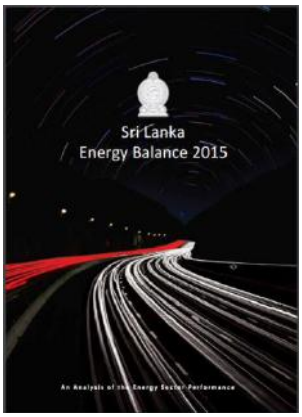
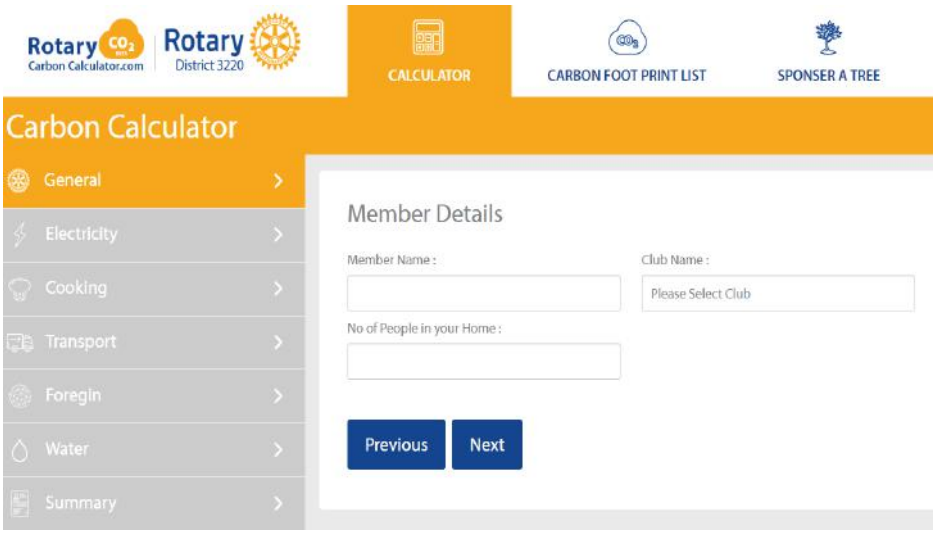

Dhamma School Essay Competition Book launch

Programme on Energy saving Kitchen O/L students

- ✓ Conducted Energy Managers Forum for registered Energy Managers
- ✓ Conducted training programs on Energy Management and Conservation for Navy officers/ government sector institutions
- ✓ Motor Rewinding Programme for NVQ qualified motor reminders.
- ✓ Trained teachers in Technical College on energy efficient motor rewinding practices.



- ✓ DVD for children song on Energy Conservation was launched.
- ✓ “Sanraksha Magazine” was published in every three months.
- ✓ Published a book on ‘Buddha’s teaching on Environment protection and Conservation ’.

	Development of Sustainable Energy Policies and Strategies (Under SAFE)
1	<u>Energy Information Analysis</u>  Energy Balance 2015 ✓ National Energy Balance 2015 and Key Energy Statistics 2015 were published, and the web-based energy statistics database was updated accordingly. ✓ Updated Energy Balance Website ✓ Carbon footprint as a sustainability analysis tool • Web based application and a mobile application for calculating carbon footprint were developed in collaboration with the Rotary Club.  ✓ End-user Energy Consumption Assessments A study on food value chain was completed and the report of the study was submitted by the Faculty of Livestock, Fisheries and Nutrition, University of Wayamba.

Energy Consumption Assessment on food value chain

- ✓ End-user Energy Consumption Assessments

  Analysis of the data collected in the Island wide petrol shed survey conducted in 2015 was carried out obtaining assistance from the Census Department.

2

<u>Sustainable Energy Technology Archives</u>

- ✓ First phases of two advanced research projects related to technical interventions in large-scale solar power development were completed, in collaboration with the Department of Electrical and Electronics Engineering, Faculty of Engineering, University of Peradeniya.
  - Security of supply with the large scale deployement of PV in Sri Lanka
  - Energy efficient utilization of PV through a DC Micro Grid
- ✓ Revamped SLSEA website was launched at the Sri Lanka National Energy Efficiency Award 2016 held on 24thNovember 2016 at the BMICH, with the participation of H. E. the President, Maithripala Sirisena as the chief guest.

- ✓ Three research papers were presented at Asia Clean Energy Forum - 2016
  - Integration of Non-Conventional Renewable Energy Based Generation into Sri Lankan Grid
  - Effective Demand Side Management for an Isolated Island Power System in Sri Lanka with Renewable Energy Sources
  - Interventions in energy efficient lighting in Sri Lanka

	Knowledge Management Programmes (under SEEK)
1	**<u>Development of an Energy Education Program</u>** The key objective of this was to add energy related knowledge and activities to primary and secondary level school syllabus, to create a self-driven system for energy education. ✓ Energy related knowledge and activities have been introduced to the science subject module in Grade 10 and Grade 6 and it has already been implemented in Government schools under new syllabus and for Grade 11 and Grade 7 was implemented in 2016. ✓ Conducted 3 'Funds Mobilization Programme' combining all provinces of the island to implement activities of the Energy Clubs in all provinces. ✓ Received 3,000 applications from Government schools and 2,700 Energy Clubs had been established out of this. Further establishments have been carried out ✓ Completed 'Future Dreams' exhibition and provincial awards of the Energy Education Programmein 9 province. A comprehensive program including school energy clubs, energy day celebration and 'Energy Star' contest was implemented to engage students to rational use of energy and utilization of renewable energy in their day-to-day life. Energy Education Programme was officially introduced to the education system on 30th April 2015 after issuing Education Circular 06/2015 by the secretary of the Ministry of Education. Accordingly, School Enegy Clubs Programme has been extended to all Government schools which have Grade 6 and above.

<table>
<tr><td></td><td>  
Evaluation of students' creations</td></tr>
<tr><td>2</td><td>Communication Programe
The communication programme was introduced as a knowledge dissemination strategy for capturing, developing and sharing energy information in the society
✓ Presented innovative awareness programe including skills development workshops, dissemination of knowledge and Entertainment - Education in 'Youth Exhibition' at Sigiriya.
  
Youth Exhibition' - Activities for participants</td></tr>
</table>

Sri Lanka Sustainable Energy Authority
Balance Sheet as at 31st of December 2016
(All amounts in Sri Lanka Rupees)

	Notes	2016	2015
Non Current Assets			
Property, Plant And Equipment's	1	907,714,742	1,026,065,370
Intangible Assets	2	14,885,933	6,540,250
Work in Progress	3	19,885,853	13,744,628
Investments	4	77,770,893	74,609,163
Loans Recoverable	5	60,539,709	-
		1,080,797,130	1,120,959,411
Current Assets			
Receivables	6	21,286,085	17,904,145
Other Current Assets	7	49,965,177	29,413,032
Cash and Cash Equivalent	8	346,032,869	266,066,769
		417,284,131	313,383,946
Total Assent		**1,498,081,261**	**1,434,343,357**
Equity And Liability			
Equity			
Accumulated Fund	9	22,100,336	22,100,336
Net Surplus		94,275,311	88,848,196
Deferred Grant	10	881,213,250	985,822,817
Sri Lanka Sustainable Energy Fund	11	293,257,237	205,446,714
Sustainable Guarantee Fund		81,935,978	76,591,020
		1,372,782,112	1,378,809,083
Non Current Liabilities			
Gratuity Liability		16,844,582	12,005,755
Loans From ADB (L 2892 Sr) C		45,659,709	
Loans From ADB (L 2733 Sri) SPSSP		16,900,356	
		79,404,647	12,005,755
Current Liabities			
Other Payables	12	38,242,131	37,429,298
Short-term Provisions Audit Fees		2,822,636	2,222,636
Net Deposit on Land Acquisition		4,829,735	3,876,585
		45,894,502	43,528,519
Total Equity And Liabilities		**1,498,081,261**	**1,434,343,357**

FOR AND ON BEHALF OF THE SRI LANKA SUSTAINABLE ENERGY AUTHORITY


Head Finance


Director General


Chairman

Board of Management Members
Board of Management Members

Sri Lanka Sustainable Energy Authority

Income Statement for the year ended 31st December 2016

(All amounts in Sri Lanka Rupees)

	Note	2016	2015
Revenue			
Capital Grant for Activities/ Program Expenses	13	41,247,949	27,910,521
FARDF(17)		1,000,000	
Amortized Deferred Grant	14	123,361,618	159,394,219
Treasury Recurrent Grant		83,416,663	85,160,000
UNDP- Ministry of Environment UNDP -Ministry of Mahweli Development		530,000	3,968,047
Revenue Grant ADB G0303 (CENEIP)		50,002,360	2,865,301
Revenue Loan ADB 2733 (SPSSP)		923,854	
UNDP Nama Progect Grant		2,036,947	39,000
UNDP Bio Mass Progect Grant		2,691,954	506,070
SponserShip LTL Holdings		6,547,053	
Other Income(Gross of VAT)	15	133,349,512	139,044,099
Total Revenus		**445,107,910**	**418,887,257**
Expenditure			
Project/ Activity Expenses	16	(166,460,446)	(79,546,833)
Salaries And Allwances	17	(89,359,231)	(76,761,267)
Travelling And Subsistence	18	(1,553,237)	(713,053)
Supplies	19	(4,472,982)	(5,227,728)
Maintenance Expenses	20	(8,583,142)	(7,607,804)
Contract Serves	21	(35,931,662)	(29,190,036)
Depreciation Expenses	22	(123,361,618)	(159,394,219)
Other Recurrent Expenses	23	(8,921,899)	(8,035,388)
Expenditure For Period		**(438,644,217)**	**(366,476,328)**
Prior Year Adjustments		(879,123)	8,348
Loss and Damages		(157,454)	-
Surplus /(Deficit)		**5,427,116**	**52,419,277**

Sri Lanka Sustainable Energy Authority

Cash Flow statement for the year ended 31st December 2016

(All amounts in Sri Lanka Rupees)

	Note	2016	2015
Cash Flows from Operating Activities			
Surplus For The Period		5,427,116	52,419,277
Adjustment For			
Loss and Damage		157,454	-
Transfer to Guaranty Fund		-	-
Transferred to Guarantee Fund		-	-
Amortized Grant		(123,361,618)	(159,394,219)
Transfers from Energy Fund		(38,573,814)	-
Service Gratuity Provision		5,621,087	1,305,150
Depreciation		123,361,618	159,394,219
		(27,368,157)	**(53,724,427)**
Increase)/Decrease in Other Current assets		(23,934,085)	(3,387,148)
Increase) /Decrease in Current Liabilities		2,365,983	(9,820,362)
Net Cash from Operating Activities		**(48,936,259)**	**40,516,917**
Cash Flows from Investing Activies			
Purchase of Property, Plant and Equipment		(5,168,444)	(50,887,934)
Intangible Assets		(8,345,683)	(5,643,450)
Work in Progress		(6,141,226)	(6,805,978)
Interest Invested/Investments in FD & TBs		(3,161,729)	(3,537,146)
Loan Disbursed to Developers		(60,539,709)	-
Net Cash Used in Investing Activities		**(83,356,791)**	**(66,874,508)**
Cash Flows From Financing Activities			
Deferred Grant		18,752,051	17,510,403
Sri Lanka Sustainable Energy Fund		126,384,337	(26,899,008)
Accumulated Fund		-	-
Sri Lanka Sustainable Guarantee Fund		5,344,958	3,269,392
Loan Re-payable to Foreign Donors		62,560,064	-
Gratuity Payment		(782,260)	-
Net Cash Used in Financing Activities		**212,259,150**	**(6,119,213)**
Net Increase in Cash and Cash Equivalents		79,966,100	(32,476,804)
Cash and Cash Equivalents at beginning of Period		266,066,769	298,543,573
Cash and Cash Equivalents at End of Period		346,032,869	266,066,769

Sri Lanka Sustainable Energy Authority

Statement of Changes In Equity for the year ended 31st December 2016

(All amounts in Sri Lanka Rupees)

Description	Accumulated fund	Net Surplus/ Deficit	Deferred Grant	Sri Lanka Sustainable Energy Fund	Sustainable Guarantee Fund	Total
Balance as at 31.12.2014	22,100,336	36,428,918	1,127,706,633	232,345,722	73,321,629	1,491,903,238
Increase/(Decrease) for the Year 2015	-	52,410,929	(141,883,817)	(26,899,008)	3,269,392	(113,102,504)
Previous Year Adjustment	-	8,348	-	-	-	8,348
Balance as at 31.12.2015	22,100,336	88,848,195	985,822,817	205,446,714	76,591,020	1,378,809,082
Increase/Decrease for the Year 2016	-	6,463,693	(104,609,567)	87,810,523	5,344,958	(4,990,393)
Previous Year Adjustment	-	(879,123)	-	-	-	(879,123)
Loss and Damages	-	(157,454)	-	-	-	(157,454)
Balance as at 31.12.2016	**22,100,336**	**94,275,311**	**881,213,250**	**293,257,237**	**81,935,978**	**1,372,782,112**

The Accounting polices and notes appearing pages 5 to 17 form an integral part of the financial statements.

Notes to the Financial Statements as at 31.12.2016

1. Corporate Information

1.1 General

Sri Lanka Sustainable Energy Authority (SEA) was established on 1st of October 2007. It is Located at block -5 of the BMICH in Colombo 7.

Energy Conservation Fund (ECF) Act No. 02 of 1985 was repealed by Sri Lanka Sustainable Energy Authority Act No. 35 of 2007. All the assets and liabilities of ECF as at 30th September 2007 were automatically transferred to the accounts of SEA from 1st of October 2007.

The Regional Center for Lighting (RCL) which was under the SL SEA was transferred to the Ceylon Electricity Board as per Instruction received from the Ministry of Power & Energy. Accordingly the assets and liabilities and employees of the RCL were transferred to the CEB in December 2012.

1.2 Principal Activities of Authority

Sri Lanka Sustainable Energy Authority; to develop renewable energy resources; to declare energy development areas; to implement energy efficiency and conservation measures to conduct programs to promote energy security, reliability and cost effectiveness in energy delivery and information management.

1.3 Funds of the Authority

AS per the SL SEA act 35 of 2007 the SL SEA is required to maintain and operate 3 funds. They are as follows:

1.3.1 Fund of the Authority

This fund is maintained to deposit initial capital, permit fees, loans, lease rentals and other receipts approved by parliament. Further there shall be paid out of the fund all such sums of money to defray expenditure incurred by the authority in exercise, discharge & performance of its power functions and duties as per the act.

1.3.2 Sri Lanka Sustainable Energy Fund

This fund is maintained to deposit initial grant from consolidated fund, proceeds of Cess, Royalties, fees for professional services, money from lease rentals, application fees and, fees for managing carbon assets.

There shall be paid out of this fund subsidies for renewable energy conversion plants, subsidies for promoting energy efficient appliances & technologies, subsidies for fuel switching, expenses of awareness programs, incentives for encouraging energy conservation measures.

1.3.3 Sustainable Guarantee fund

The purpose of this fund is to provide guarantees on behalf of investors who apply for loans to carry out projects relating to energy efficiency. As per the act there shall be credited to this fund an initial capital from the consolidated fund, an annual premium and interests for guarantees offered and funds received from the Fund of Authority.

1.4 No of Employees

Number of employees as at 31.12.2016. - 104

2.1 Summary of Significant Accounting Policies

2.1.1 Basis of Preparation and statement of compliance

The Balance sheet, Income statement, Statement of changes in Equity and Cash flow statement of the Sri Lanka Sustainable Energy Authority (SLSEA) as at 31 December 2016 together with accounting policies and notes have been prepared in compliance with the Sri Lanka Public Sector Accounting Standards.

The financial statements of the SLSEA are presented in Sri Lankan Rupees. The financial statements are prepared on accrual basis under the historical cost convention. Where appropriate the accounting policies are disclosed in succeeding notes.

2.1.2 Comparative figures

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year. The comparative figures for Year 2015 have been restated as note 24 per.

2.2.1 - Accounting for Government Grants and Disclosure of Government Assistance.

Government grants are divided into two categories as capital grant and recurrent grant. Recurrent grant is used to meet the reoccurring expenses such as salaries of the staff, building rent etc. Capital grant is used to meet program (activities) expenses and purchase of fixed assets. As the Activity/program expenses comprise recurrent and capital expenses they are incurred from the capital grant.

Government capital grants used in purchase of fixed assets are considered as deferred income which is recognized as income on a systematic and rational basis over the useful life of the asset.

Grants related to activities/program expenditure are presented as a credit in the income statement, under the heading capital grant for Programs/activity expenses.

2.2.2- Accounting for Foreign Aid

The SL SEA carries out many foreign aid projects. Most of the assistance is received from the ADB & UNDP in the form of Loans & grants. However some of the payments to suppliers and loans are made directly by the CBSL and the ADB on the recommendations by the SL SEA. They have been accounted for in the financial statements.

2.2.3- Accounting for long –term Investments.

Investments are made in Govt. Treasury Bills and Fixed Deposits at National Savings Bank and stated at cost. Interest receivable from investments in fixed deposits & treasury bills at the end of the year are credited to respective fund but the investment is debited only after the actual interest is received in the subsequent year.

2.2.4 - Revenue recognition

Revenue represents Energy permit fees, sale of electricity, Training course fees, income from exhibitions, hiring of instruments and other income.

Part of the Interest from Sustainable Guarantee Fund has been treated as income. While part of it has been re invested. Part has been utilized to meet the cost of maintaining /earning the income to the fund.

2.2.5 Contingent Liabilities and Contingent Assets

As per the cabinet decision dated 31 March 2008 the SL SEA has to pay the Ceylon Electricity Board an estimated Rs. 897 million for purchase of electricity from non conventional renewable energy producers. The SL SEA currently has no means of making this payment, unless funds are granted by the treasury or from earnings through CESS , royalties etc , These are subject to the approval of the General Treasury. Therefore this is disclosed only as a contingent liability.

2.2.5 The SL SEA sells the electricity generated from its Hambanthota solar power plant to the CEB on a monthly basis. But the payment for the production sold during the last few months of 2015 was paid only in 2016 after the intermediation of the Ministry of Power & Renewable Energy.

2.3 Property, Plant and Equipment

2.3.1 Cost and valuation

Fixed Assets is stated at cost less accumulated depreciation. The provision of depreciation for fixed assets is calculated by using straight line method.

2.3.2 Disposals of Fixed assets

The Udappuwa wind tower which collapsed has been revalued & written off after obtaining necessary approval.

2.3.3 Depreciation

Depreciation rates of fixed assets are based on the estimated life span of the asset and could be subject to revision. The current rates are given bellow:

Depreciation rate for a year is shown below:

Item	Rate of Depreciation
Furniture and Office Equipment	25.00%
Motor Vehicles	20.00%
Photocopier	25.00%
Computers	33.33%
Electrical Goods	25.00%
Library Book	20.00%
Energy Instruments	33.33%
Exhibition Equipment's	25.00%
Wind Towers	20.00%
Building and Structures	5.00%
Solar Power / Mini Hydro Projects	
A. Solar Panels	5.00%
B. Steel Structure	10.00%
C. Building	5.00%
D. Switch Gear	20.00%
E. Inverters	20.00%
F. Transformers	5.00%
G. Power Electronics	33.33%
I. Sanitary And Plumbing	5.00%
J. Cables	20.00%
K. Furniture Fittings and Office Equipment's	25.00%
L. Tools	33.00%
M. Machinery	20.00%
H. Other	20.00%

2.4 Liabilities and provisions

2.4.1 Gratuity

An amount equal to a half-month's salary for each year of employment based on the salary of the last month of the financial year is allocated for gratuity for all entitled employees.

2.4.2 EPF & ETF

Employees' are entitled to contribute to EPF & ETF according to the respective rules & regulations. Contributions by the SL SEA are made to EPF & ETF as 12% and 3% respectively.

2.4.3 Mahaweli Land

The title deed for the 50 acre Mahaveli land acquired for the Hamabanthota solar plant has now been valued but the valuation report is yet to be received from the Valuation Dept. Hence it has not been included as an asset in the accounts.

2.4.4 Approval of the board

These financial statements have been approved by the board of management of the Authority on 10th October 2017.

Note 01 : Property, Plant & Equipment

Fixed Assets

Description	Consolidated Balance as at 31.12.2015	Acquisition During The Period 2016 From Fund Of Authority	Revaluation Amount	Disposal During Year 2016	Balance as at 31.12.2016 Fund Of Authority	Balance as at 31.12.2016 Energy Fund	Consolidated Balance as at 31.12.2016
Land	45,856,451	-	-	-	-	45,856,451	45,856,451
Building	-	-	-	-	-	-	-
Furniture and Office equipment	19,420,184	185,286	-	-	19,605,470	-	19,605,470
Motor Vehicles	52,266,495	-	-	-	52,266,495	-	52,266,495
Photocopier	2,994,191	-	-	-	2,994,191	-	2,994,191
Computers	33,258,570	362,700	-	-	33,621,270	-	33,621,270
Electrical Goods	429,197	-	-	-	429,197	-	429,197
library Book	1,438,352	-	-	-	1,438,352	-	1,438,352
Energy instruments	89,142,935	2,440,452	-	-	91,583,387	-	91,583,387
Wind towers and instruments	46,482,873	1,237,429	444,421	(925,921)	47,238,802	-	47,238,802
Refrigerator testing laboratory	42,165,337	-	-	-	42,165,337	-	42,165,337
Solar and Mini Hydro projects		-	-	-		-	
A. Solar panels	660,106,452	-	-	-	660,106,452	-	660,106,452
Steel Structure	222,261,738	-	-	-	222,261,738	-	222,261,738
C. Bullding	131,017,606	-	-	-	131,017,606	-	131,017,606
D. Switch gear	13,973,767	-	-	-	13,973,767	-	13,973,767
E. Inverters	79,091,306	-	-	-	79,091,306	-	79,091,306
F. Transformers	45,753,626	-	-	-	45,753,626	-	45,753,626
G. Power Electronics	31,257,940	361,100	-	-	31,619,040	-	31,619,040
I. Sanitary and plumbing	166,473,900	25,575	-	-	166,499,475	-	166,499,475
J .Cables	100,224,571	-	-	-	100,224,571	-	100,224,571
K. Furniture fitting and office Equip	3,014,584	-	-	-	3,014,584	-	3,014,584
L. Tools	14,243,433	5,000	-	-	14,248,433	-	14,248,433
M. Machinery	4,001,375	46,000	-	-	4,047,375	-	4,047,375
H. Other	60,039,664	-	-	-	60,039,664	-	60,039,664
Exhibition Equipments	354,853	-	-	-	354,853	-	354,853
Fixed assets for UNDP projects	19,500	504,800	-	-	524,300	-	524,300
	1,865,288,900	**5,168,342**	**444,421**	**(925,921)**	**1,824,119,291**	**45,856,451**	**1,869,975,742**

Depreciation

Description	Rate Of Depreciation %	Depreciation For The Year 2015	Balance as at 31.12.2015	Depreciation For The Year 2016	Disposal During Year 2016	Balance as at 31.12.2016	Net Book Value as at 31.12.16
Land	0	-	-	-	-	-	45,856,451
Building	5	-	-	-	-	-	-
Furniture and office equipment	25	2,379,666	15,790,951	2,472,572		18,263,523	1,341,947
Motor vehicle	20	1,158,245	47,361,824	1,247,215		48,609,039	3,657,456
Photocopier	25	(438,462)	1,811,405	281,070		2,092,475	901,716
Computers	33.33	3,099,306	28,414,885	1,828,688		30,243,573	3,377,697
Electrical Goods	25	52,682	314,754	52,682		367,436	61,761
Library book	20	71,175	493,153	203,408		696,561	741,791
Energy instruments	33.33	7,041,829	89,244,037	2,238,248		91,482,285	101,102
Wind towers and instruments	20	9,648,214	39,239,109	6,433,908	(324,046)	45,348,971	1,889,831
Refrigerator testing laboratory	20	8,433,067	16,288,527	8,433,067		24,721,594	17,443,743
Solar and Mini Hydro projects;							-
A. Solar panels	5	33,024,410	148,732,470	33,025,517		181,757,987	478,348,465
B. Steel structure	10	22,226,174	98,859,540	22,226,174		121,085,714	101,176,024
C. Building	5	6,444,377	28,443,536	6,560,293		35,003,829	96,013,777
D. Switch gear	20	2,794,753	13,782,344	191,421		13,973,765	2
E. Inverters	20	15,732,456	71,561,272	7,081,112		78,642,384	448,922
F. Transformers	5	2,287,681	10,236,139	2,287,681		12,523,820	33,229,806
G. Power Electronics	33.33	3,770,899	30,169,921	1,121,099		31,291,020	328,020
I. Sanitary and plumbing	5	8,323,695	36,772,641	8,324,143		45,096,784	121,402,691
J. Cables	20	20,044,914	88,759,497	11,454,590		100,214,087	10,484
K. Furniture fitting and office equip	25	442,990	2,989,541	12,539		3,002,080	12,504
L. Tools	33.33	47,340	14,050,642	54,977		14,105,619	142,814
M. Machinery	20	800,275	2,589,530	756,753		3,346,283	701,092
H. Other	20	12,007,933	52,962,987	7,004,694		59,967,681	71,983
Exhibition Equipments	25	500	354,725	128		354,853	
Fixed Assets for UNDP projects				69,637		69,637	454,663
		159,394,119	**839,223,430**	**123,361,616**	**(324,046)**	**962,261,000**	**907,714,742**

Note 02:

Intangible Assets

Description	Acquisition during the period 2015	Balance as at 31.12.2015	Acquisition during the period 2016	Balance as at 31.12.2016
Computer Software	2,085,000	2,085,000	8,345,683	10,430,683
Date and Information	3,558,450	4,455,250	896,800	4,455,250
	5,643,450	6,540,250	9,242,483	14,885,933

Note 3 : Work In Progress

	31.12.2016	31.12.2015
Renewable Energy Assessment	2,377,000	2,377,000
ADB Quantum Leap - Wra (Wind Force)	2,299,935	2,299,935
Energy Efficiency Utilization of PV / DC Micro Grid	442,000	442,000
Building Office Complex	3,936,978	668,893
Electric Prototype Vehicle	7,956,800	7,956,800
Sampoor Wind Measuring Mast	130,550	
Nadukudab Wind Measuring Mast	1,775,025	
Clean Energy Network Efficiency Project	15,788	
Revision of Code For Energy Efficiency Building	951,777	
	19,885,853	**13,744,628**

Note 4: Investments

Fixed Deposits (Deposited in National Savings Bank borella)

Date of investment	Date of maturity	Rate of investment	Deposit Reg . NO.	Deposit as at 31.12.2016	Deposit as at 31.12.2015
21.09.2011	21.09.2017	11.0%	2-0061-05-10416	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10432	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10408	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10343	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10335	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10378	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10386	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10327	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10319	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10297	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10289	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10262	1,200,000	1,200,000
21.09.2011	21.09.2017	11.0%	2-0061-05-10254	1,200,000	1,200,000
25.09.2011	21.09.2017	11.0%	2-0061-04-12376	450,000	450,000
05.09.2011	05.10.2017	11.0%	2-0061-03-09834	2,894,453	2,894,453
02.05.2014	02.05.2017	8.5%	2-0061-09-60845	9,039,590	8,540,000
20.10.2014	20.10.2017	11.0%	2-0061-09-49981	448,169	423,400
				28,432,212	**27,907,853**

Treasury Bills-Invested in people's Bank Head Quarters

Date of investment	Date of maturity	Rate of investment	Deposit REG NO	Deposit as at 31.12.2016	Deposit as at 31.12.2015
18.01.2011	17.01.2017	7.0%	LKB00615C156	15,585,004	14,807,604
09.07.2011	11.07.2017	10.0%	LKB00314J011	33,753,677	31,893,706
				49,338,681	**46,701,310**

Total Amount	**77,770,893**	**74,609,163**

Note 5

Loans Recoverable

	31.12.2016	31.12.2015
ADB Loan (L2892/93 SRI) through Sampath Bank		
for Clean Enegy Network Efficiency Improvement Proj		
Loan to orange field	2,793,000	-
Loan to miami Cloth	2,425,500	-
Loan to T5 escapes	1,485,000	-
Loan to MJF teas	2,763,600	-
Loan to Asia bike	2,523,900	-
Loan to Miami Clothing	5,659,500	-
Loan to SG Joseph and Brothers	4,649,809	-
Loan to MJF Teas	6,448,400	-
Loan to mount eliza tea factory	2,718,000	-
Loan to Asia bike	2,523,900	-
Loan to meezan and co	3,450,000	-
Loan to light house hotel	2,991,900	-
Loan to Asia bike Industrial	3,365,200	-
Loan to SG Joseph	1,862,000	-
	45,659,709	-
ADB Loan (L2892/93 SRI) through National Dev Bank		
for Sustainable power sector Support project		
Loan to Embilipitiya plantations	7,110,000	-
Loan to Watawala Plantations	7,770,000	-
	14,880,000	
	60,539,709	**-**

Note 6 - Receivables

	31.12.2016	31.12.2015
Interest Receivable on Fixed Deposits	1,104,643	701,875
Interest Receivable on Treasury Bills	2,688,109	1,609,523
Power generation - Hambanthota / Indurana	8,691,945	13,109,742
Ceylon Electricity Board - RCL Rent	8,033,271	
Receivable employees	2,382	2,382
VAT Credit from Dept Of Inland revenue	280,458	2,071,868
Local Traning program (Suspence)	443,309	348,381
Aitkenspence travel	6,309	24,715
Heritance Ahungalla	35,659	35,659
Total amount	**21,286,085**	**17,904,145**

Note 7 : Other Current assets	31.12.2016	31.12.2015
Advances/ Refundable Deposits		
CFL Loan		
Receivable from Energy Fund To Fund of Authority	**12,176,162**	14,586,777
Medical Insurance	500	500
Deposit Fuel ect	186,500	186,500
Hambanthota - CEB deposit	52,000	52,000
Indurana-CEB Deposit	62,500	62,500
Deposit-Telephone	351,048	351,048
Deposit- Mobitel Telephone	2,000	2,000
Deposit SWRDB National Memorial fund	340,429	284,280
Deposit Water Board	2,500	
Advances for programs etc	190,093	27,990
Deposit- Hambanthota hostel rent	132,000	132,000
Deposit-Spring Water PVT Ltd	3,500	3,500
Deposit - WDGS O nil	2,100,000	
Ministry of Fisheries - Sothern Provincial Council	1,800,000	1,800,000
Deposit-American Premium Water	23,000	23,000
Deposit - National youth	40,000	40,000
Deposit- JR Jayawardana Center	5,000	5,000
Advances National Hospital of Sri lanka	475,000	475,000
Advance - Dept of Animal Husbandry Wayamba province	26,777	26,777
Advance - District Hambanthota	23,992	2,199,668
Advance - Industry technology Institute	97,680	97,680
Advance- Mahaveli Reach hotel	231,388	231,388
Advance- University of Sri Jayawardenapura	700,000	700,000
Advance - Sri lanka Rupawahini Corp	150,000	150,000
Advance- Panadura Nagara Sabawa	24,725	
Advance- Visual Business Systems	510,622	
Advance- Ranjith Ruwan Wijewardena	108,000	
Advance - CEB Sooriya Wewa	100,750	
Advance- Sri Lanka Foundation	97,000	
Advance- WDGS Onli Pro Management Unit	2,578,450	
Advance - Division Secretariat - Ruwanwella	256,360	
A dvance - NCP Education Dept - Anuradhapura	2,000,000	
Advance- Ministry of Public Administration	84,150	
Advance- Provincial Education Dept -Uwa	1,253,150	
Advance- Provincial Education Dept -Eastern	1,323,300	
Advance- Provincial Education Dept -Northern	1,618,300	
Advance- Provincial Education Dept - North Western	1,120,850	
Advance- Buddhist Cultural Center	280,122	
Advance- Provincial Education Dept - Central	1,976,480	
Advance - Provincial Education Dept - Southern	2,156,715	
Advance- Provincial Education Dept - Sabaragamuwa	1,122,542	
Advance- Government printer	2,365,000	
Advance- Provincial Education Dept - Western Province	776,750	
Advance- Sugathadasa Bandara and Sons LTD	64,260	
Advance- BMICH	75,000	
	39,064,595	**21,437,608**
Revolving Fund		
Distress Loan	10,864,008	7,925,100
Special Advance	4,585	4,585
Festival Advance	31,989	45,739
	10,900,582	**7,975,424**
	49,965,177	**29,413,032**

	2016	2015
Note 8 Cash and Cash equivalents		
National Savings Bank - Borella	160,380,083	153,623,898
Peoples Bank - SEA 078-1-001-8-8-503576	13,512,846	6,434,270
Peoples Bank - SEA 078-1-002-7-8-503576	4,578,684	4,578,684
Bank of Ceylon - Torrington- Revolving fund	343,943	1,875,373
Bank of Ceylon - Torrington- Fund of authority	20,969,081	31,943,304
Bank of Ceylon - Torrington- Energy fund	146,248,232	67,611,240
	346,032,869	**266,066,769**

Note 9 Accumulated fund

Accumulated fund of Energy Conservation fund (ECF) as at 30 sep 2007
Transferred to SLSEA On 1 Octcber 2007. It Consists the following

Accumulated fund as at 30 September 2007	7,076,392	7,076,392
Initial Capital	5,000,000	5,000,000
Capital Grant-Ministry of Power and Energy	5,761,145	5,761,145
Capital Grant - UNDP	3,612,560	3,612,560
Donor Grant- Food and Agriculture Organization	650,239	650,239
Total	**22,100,336**	**22,100,336**

	2016	2015
Note 10: Deferred Grant		
Capital Grant 2008	33,770,435	33,770,435
Capital Grant 2009	11,955,533	11,955,533
Foreign Grant 2009- Japnese	24,165,380	24,165,380
Capital Grant 2010- Hambanthota Solar Park	46,693,991	46,693,991
- Unamortized Capital grant	10,646,819	10,646,819
Foreign Grant 2010- Japnese	11,419,569	11,419,569
Capital Grant 2011- Indurana mini hydro Project	15,523,945	15,523,945
-Unamortized Capital grant - Indurana MHP	68,798,341	68,798,341
Foreign Grant 2011- Japnese	1,155,016,402	1,155,016,402
- korean	191,097,075	191,097,075
Differed grant - Foreign aid -2012-ADB	15,082,346	15,082,346
Treasury Capital grant -2012	23,581,236	23,581,236
Differed grant - ADB-2013	43,416,071	43,416,071
Differed Grant- Koika- 2013	35,662	35,662
Treasury Capital grant / FARDF- 2013	41,873,961	41,873,961
Capital Grant 2014	20,487,827	20,487,827
Capital Grant 2015	14,655,015	14,655,015
Capital Grant 2016	18,752,051	
Less		
Deferred Revenue 2016	(123,361,618)	
Deferred Revenue 2015	(159,394,219)	(159,394,219)
Deferred Revenue 2014	(162,919,374)	(162,919,374)
Deferred Revenue 2013	(168,752,494)	(168,752,494)
Deferred Revenue 2012	(161,579,648)	(161,579,648)
Deferred Revenue 2011	(63,412,336)	(63,412,336)
Deferred Revenue Previous years	(26,338,720)	(26,338,720)
	881,213,250	**985,822,817**

Note 11	31.12.2016	31.12.2015
Sri Lanka Sustainable Energy Fund		
RE Income	349,270,722	234,856,712
Instrument hiring and enegy auditing	24,927,402	23,657,099
Interest on Savings A/C - NSD	47,758,836	36,591,569
WHT	(726,127)	(258,884)
Widrawal for Programs / activities of Energy Fund	(80,974,096)	(42,400,282)
Widrawal for Purchase of Land for office Complex	(47,000,000)	(47,000,000)
BOC Savings A/C Opening Cost	500	500
	293,257,237	**205,446,714**
Note 12 Other Payables		
Sastainable Energy Fund	-	
Payable to Fund of the Athority from Energy Fund	12,176,162	14,586,777
Switch Asia Control A/C	4,548,176	4,548,176
Ministry of Power and Energy	500	500
Accrued expenses	11,645,917	11,579,596
Unpresented Cheques	173,696	121,271
Payable- Renewable energy Solar registration fees	295,860	
Bandaranaike Memorial fund (BMICH)		2,146,796
Ministry of Mahavali Development andEnvironment	470,000	
UNDP- NAMA Project	1,036,803	
UNDP- Biomass Project	1,970,834	
Creditors		
Renewable Energy - Net Solutions (PVT) LTD	1,667,500	1,667,500
Acquisition of Energy Instruments		
E- Net Solutions (PVT) LTD	326,025	326,025
Retention	3,167,807	1,614,807
Narahenpita Jathika Pola	99,405	99,405
Other Creditors		(1)
Sundry Creditor		
Sri Lanka Custom	310,748	310,748
Welfare Society SEA	442	442
Refundable deposits		
E- Net Solutions (pvt) LTD	10,000	10,000
ENL Consultant	150,000	150,000
ZIGMA Technologies	10,000	10,000
Renco Renewagle Energy Co.(pvt) Ltd	30,000	30,000
Vidulaka exhibition	9,256	9,256
Ceyloan Petroleum Corp	54,000	54,000
Refundable deposit - Vehicle	14,000	14,000
ATA International	50,000	50,000
Ruhuna Solar Enegy Systems		75,000
Vidulka Symposium - Entertainment ltd	25,000	25,000
	38,242,131	**37,429,298**

Note 13: Capital grant for project expences	2016	2015
Capital grant received from treasury	60,000,000	42,565,536
Transfer payments Under FR295 (1)		
Less		
Work in Progress	(4,341,226)	(6,805,978)
Intangible Assets	(9,242,483)	(113,450)
Capital assets aquired during the Current year	(5,168,342)	(7,735,587)
	41,247,949	**27,910,521**

Note 14 Amortized deferred grant		
Depreciation for Current year	123,361,618	159,394,219
Depreciation for previous year		
	123,361,618	**159,394,219**

Note 15 Other Income		
Energy permit fees	57,407,265	31,813,385
Interest on Fixed deposits	237,635	1,207,403
SAARC Energy Centre		
Distress loan interest	391,525	389,555
Special advance interest	2,202	3,110
Income from power generation - Hambanthota	33,404,790	42,049,876
Income from power generation -Indurana	1,335,492	3,559,824
Energy Managers Training Prog	64,954	359,250
accreditation of energy managers		
Other income	1,644,335	429,021
Income from Energy fund for purchase of land		47,000,000
Income from energy fund	38,573,814	12,057,675
Value added tax on taxble income		
Wind data income		
Lamp testing		175,000
Performance test fees	287,500	
	133,349,512	**139,044,099**

Note 16 project Expenses		
Renewable Energy	**2016**	**2015**
1. Resource Allocation and Development	883,505	551,826
2. Progress Monitoring	1,026,650	210,453
3. Technology Development and research	1,809,305	1,762,389
4. Renewable Energy Services	31,902,188	10,280,995
5.1 Donor funded projects Sustainable power proj	2,990,724	3,106,625
5. Donor funded proj UNDP bio mass proj	2,691,954	4,388,732
5.5 donor funded proj - Clean Energy network Effciency	51,635,867	3,185,627
5.5 donor funded proj - foreign Exchange loss/ (Gain)	(24,365)	39,000
5.6 NAMA	2,036,947	
6. Operation of Hambanthota RE sight	8,851,875	6,766,182
7 . Operation of indurana sight	1,834,814	1,597,884
	105,639,464	**31,889,713**

	2016	2015
Energy Management		
1. Energy management cells	10,907,130	6,939,616
2. Standards and Regulations	2,321,326	611,912
Green Building Program 1 - 7	530,000	
Green Building Program 1 - 15	-	
3. Advisory and Counseling	73,904	72,862
4. Rewarding and achievements	8,965,350	7,319,577
5. Sector Specific Programs	1,456,034	1,711,166
6. Research and development	7,125	2,098,844
7. Establishment of pilot Proj	-	780,263
8. Energy audit		2,598,873
Consultancy Services	408,439	
9. Demand side Management	1,873,823	
	26,543,131	**22,133,113**
Knowledge Management		
1. Energy Education Programs	22,886,248	9,994,530
2. Communication Programs	3,772,951	4,812,136
	26,659,199	**14,806,666**
Strategic Activities		
Formulation and publishing Energy data and information	1,392,336	1,944,284
2. Island wide petrol Shed Survey	21,604	6,721,053
3. Characterization of domestic Energy demand		911,334
4. Energy policy research work shops		1,140,670
Research and development	4,477,600	
End User Energy Survey	1,497,122	
Energy sustainable initiative	229,990	
	7,618,652	**10,717,341**
Total for project expences	**166,460,446**	**79,546,833**

	2016	2015
Recurrent Expenses		
Note 17 Salaries and allowances		
Salaries for Staff	48,257,110	46,665,650
Cost of living allowance	8,556,600	8,751,600
Allowances for Staff		5,839,872
E.P.F. 12%	7,387,725	6,654,047
E.T.F. 3%	1,845,834	1,663,161
Overtime and Holiday pay	5,450,447	3,700,950
Gratuity	5,621,087	1,305,150
Interim allowance	4,590,000	
Medical Insurance	1,574,988	1,490,837
Own Vehicle Utilization	1,920,000	690,000
Fuel allowance	2,260,440	
Professional allowance	1,895,000	
	89,359,231	**76,761,267**
Note 18 Travelling and Subsistence		
Travelling - Domestic	603,260	559,522
Travelling- Foreign	949,977	153,531
	1,553,237	**713,053**
Note 19 Supplies		
Printing Stationary and Office requisites	1,124,947	1,329,229
Fuel and Lubricants	3,277,015	3,764,224
Other News papers and Miscellaneous Service	71,020	134,275
	4,472,982	**5,227,728**
Note 20 Maintenance Expenditure		
Maintenance of Vehicles and insurance and Licence fees	7,652,188	7,084,759
Maintenance of Office Equipment	832,454	430,170
Maintenance building and structure	98,500	92,875
	8,583,142	**7,607,804**
Note 21 Contract Service		
Office Rents and hire Charges	30,519,070	25,174,703
Postal and Telecommucation Charges	3,800,935	2,613,004
Transport	1,011,657	802,329
Audit fees	600,000	600,000
	35,931,662	**29,190,036**
Note22 Depreciation Expenses		
Furniture and Office equipment	2,472,572	2,379,666
Motor Vehicles	1,247,215	1,158,245
Photocopier	281,070	(438,362)
Computers	1,828,688	3,099,306
Electrical Goods	52,682	52,682
Library Book	203,408	71,175
Energy instruments	2,238,250	7,041,829
Wind towers and instruments	6,433,908	9,648,214
Refrigerator testing Laboratory	8,433,067	8,433,067
Hambanthota and indurana Enegy park	100,100,993	127,947,897
Exhibition Equipments	128	500
Fixed assets for UNDP proj	69,637	
	123,361,618	**159,394,219**

	2016	2015
Note 23 Other Recurrent Expenses		
Office and other miscellaneous Expenses	1,447,356	2,255,581
Paper advertisements	587,220	246,186
Insurance	34,103	32,966
Translation Fees	101,863	41,721
Allowances for BOARD Members	882,400	465,000
Refreshment charges	576,842	506,147
Labour charges		
Welfare Expenses		
Local / Foreign Training program	2,155,091	3,213,688
Bank charges		27,388
Vidulka and public awareness		
National Building tax (NBT)	3,137,024	1,246,711
	8,921,899	**8,035,388**

Note 24

Restatement of Prior Years

	2015 Rs (Dr)/Cr	
1 Activities -Energy management	177,600	Dr
Payable	177,600	Cr
(for Purchase of Multimedia camera -Vidulka 2015)		
2 Rent for Office Complex	1,969,196	Dr
Rent Payable to BMICH	1,969,196	Cr
(being Office Rent for 2015 accounted for in 2016)		
3 Staff Training	27,941	Dr
Recivable from Employees	27,941	Cr
(being completion of trining cources by 2 employees in 2015)		
4 Accumulated Depriciation- Photo copy machines	811,685	Dr
Dpriciation-Photocopy Machine	811,685	Cr
(being correction of depriciation in previous year)		
5 Widrawal from Energy Fund	47,000,000	Dr
Income from Energy Fund	47,000,000	Cr
Being widrawal for purchase of land)		
6 Recivable from Energy Fund	1,838,373	Dr
Payable from Energy Fund	1,838,373	Cr
(being amount transferable for input VAT)		
7 Income from Energy Fund	690,729	Dr
Widrawal from Energy Fund	690,729	Cr
(being reversal for transfer of output Vat)		
	52,515,524	

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය எனது இல. My No. POE/E/SLSEA/FS/2016/04 ඔබේ අංකය உமது இல. Your No.

දිනය திகதி Date 15 February 2018

The Chairman,

Sri Lanka Sustainable Energy Authority

Report of the Auditor General on the Financial Statements of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2016 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Sustainable Energy Authority (SLSEA) for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 and the statement of income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 50(3) of the Sri Lanka Sustainable Energy Authority Act, No.35 of 2007. My comments and observations, which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 ag@auditorgeneral.gov.lk www.auditorgeneral.gov.lk

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 Basic for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Sustainable Energy Authority as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

(a) A land had been purchased in the year 2015 for the construction of a building by the Sri Lanka Sustainable Energy Authority spending a sum of Rs.45,856,451 (including taxes of Rs.4,856,451) on a long term lease basis and the following observations are made in that connection.

(i) The value of this land had not been disclosed in the statement of financial position separately as a lease property and action had not been taken to amortize the value of land up to 31 December 2016.

(ii) A sum of Rs.47,000,000 obtained from the Energetic Fund for the leasing of land had been recognized as a revenue receipt instead of a capital receipt and brought to accounts under other income in the statement of financial performance in the year 2015, resulting in an overstatement of surplus for that year by Rs.47,000,000.

(iii) Even though, the value added tax incurred on the land amounted to Rs.2,698,675, a sum of Rs.5,020,368 had been debited to the Energetic Fund and as such the balance of that Fund as at 31 December 2016 had been under stated by Rs.2,321,693.

(iv) Even though a sum of Rs.3,936,978 had been withdrawn from the Energetic Fund Investment Account in the years 2015 and 2016 in respect of planning that building, it had not been debited to the Fund Account resulting the overstatement of the balance of Fund account as at 31 December 2016 by a similar value.

(v) Even though, a sum of Rs.47,000,000 had been withdrawn from the Energetic Fund, the total amount incurred on land amounted to Rs.45,856,451. The over withdrawn amount of Rs.1,143,549 had not been brought to accounts as a payable balance.

(b) The land, 50 acres in extent acquired from the Mahaweli Authority on 28 July 2011 for the solar-power part in Hambanthota had not been assessed and brought to accounts even in the year under review.

(c) Of a sum of Rs.60,000,000 received from the Treasury during the year under review as government grants, a sum of Rs.42,144,744 should have been recognized as income in the statement of financial performance for program expenditure, only a sum of Rs.41,247,949 had been brought to accounts as income.

(d) Despite, the repayment responsibility of the loan of Rs.62,560,065 issued to the sustainable Energy Sector Project, phase 2 and improvement of Clean Energy and Network Efficiency Project implemented under the non-transferred Asian Development Bank Loan, had not been vested in the Authority, it had been shown in the statement of financial position under non-current liabilities by the Authority.

2.3 Unexplained Differences

The following observations are made.

(a) The balance of the Energetic Fund as at 31 December 2016 amounted to Rs.293,257,237 whereas the balance of the related investment account as at that date amounted to Rs.306,628,315. Action had not been taken to reconcile and correct the difference of Rs.13,371,078.

(b) Even though, a sum of Rs.1,231,353 should have been credited to the Security Fund account in the year under review in respect of interest income on Treasury Bills and Fixed Deposits only a sum of Rs.1,136,900 had been credited, thus observing a difference of Rs.94,453.

2.4 Contingent Liabilities

According to the decision of the Cabinet of Ministers dated 21 March 2008, the Ceylon Electricity Board had implemented the new charges method for the non-traditional renewable energy developers. Accordingly, it was decided that 90 per cent of the cost was born by the Ceylon Electricity Board under "Cost based tariff" method and the balance 10 per cent to be reimbursed from the Sustainable Energy Authority. Based on this decision a sum of Rs.897,025,999 payable to the Ceylon Electricity Board by the Sustainable Energy Authority as at 31 December 2010 had been disclosed under contingent liabilities in the financial statements but no any arrangements had been made to settle this amount by the Authority.

2.5 Accounts Receivable and Payable

The following observations are made.

(a) A sum of Rs.8,033,270 receivable from the Ceylon Electricity Board for the Regional Centre for lighting had not been recovered even up to 27 September 2017.

(b) Action had not been taken to settle the balance of Rs.565,688 receivable for the period over one year and less than 4 years included in the accounts receivable as at the last date of the year under review, advances of Rs.3,480,844 given to external parties and advances totalling Rs.16,397,978 given for four active projects of the Authority during the year under review, even up to 31 December 2016.

(c) Of a sum of Rs.11,645,917 shown in the accounts as accured expenses as at the end of the year under review, sums of Rs.7,269,482 and Rs.352,704 had been brought forward for ever 5 years and 4 years respectively. Action had not been taken to settle them or to take any other appropriate action even up to the end of the year under review by the Authority.

2.6 Transactions not supported by adequate authority

A sum of Rs.3,135,202 out of a sum of Rs.7,334,354 received from European Commission under the "Switch – Asia Programme" had been paid to all officers of the Authority as Professional Allowances in the years 2010 and 2011 contrary to the provisions of the Public Enterprises Circular No.95 of 04 June 1994. The order to recover this irregular payment from the officers concerned or from the responsible officers, given by the Secretary to the Ministry on 03 December 2012 had not been carried out even up to 30 September 2017.

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

The following non-compliances were observed in audit.

	Reference to Laws, Rules, Regulations etc.	Non-compliance
(a)	Sustainable Energy Authority Act No.35 of 2007. Section 46 (3)	Contrary to the objective of the Energy Fund, a sum of Rs.50,936,978 had been withdrawn during the years 2015 and 2016 for the purchase of a land to construct an office building for the Sustainable Energy Authority and to prepare building plan thereto from the investment of that Fund.
(b)	Establishments Code of the Democratic Socialist Republic of Sri Lanka Section 13.7 of Chapter II and Section 12.2.6 of Chapter VII	Despite the appointing authority had not formally recruited, without the approval of the Secretary to the Ministry, a total sum of Rs.2,180,886 had been paid as acting allowances from the year 2013 to 2016.

(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
	Financial Regulation 756	A Board of Survey had not been carried out as at 31 December of the year under review in respect of the assets of the Authority.
(d)	Treasury Circular No.842 of 19 December 1978.	A register of fixed assets in respect of the assets totalling Rs.1,869,975,742 had not been maintained in accordance with the circular.
(e)	Circular No.IAI/2002/02 of 28 November 2002.	A register of fixed assets for the Computers, accessories and software valued at Rs.14,885,933 had not been maintained.
(f)	Public Enterprises Circular No.PED/12 of 02 June 2003.	The draft annual report for the year 2016 had not been presented to the Auditor General along with the financial statements of the year under review.
(g)	Public Enterprises Circular No.PED/50 of 28 July 2008 and PED 2015/01 dated 22 May 2015.	Fuel allowances totalling Rs.2,600,000 had been paid to 06 officers who were acting in the higher posts from 2013 to 2016 and a sum of Rs.1,650,000 as transport allowances to 3 posts of Head of Divisions during the period from 2015 to 2016 had been paid without the approval of the Board of Directors and contrary to circulars.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the year under review had been a surplus of Rs.6,463,693 as compared with the surplus of Rs.52,410,929 for the preceding year, thus observing a deterioration of Rs.45,947,236 in the financial results of the year under review as compared with the preceding year. Recognition of a sum of Rs.47,000,000 received as capital receipts in the previous year as revenue receipts had mainly attributed to this deterioration.

In analyzing the financial results of previous four years and the year under review, there were continuous surpluses and it had improved 71 per cent between the years 2012 and 2013. After being adjusted the taxes paid to Government and depreciation provided, the contribution of the Authority had increased by 15 per cent. However, the contribution in the year 2014 had decreased by 5 per cent as compared with that of the year 2013, but it had increased by 17 per cent in the year 2015 as compared to the year 2014.

4. Operating Review

4.1 Performance

In terms of the Sri Lanka Sustainable Energy Authority Act No.35 of 2007, the main objects of the Authority are as follows.

(i) Identify, assess and develop renewable energy resources with a view to enhancing energy security.

(ii) Identify, promote, facilitate, implement and manage energy efficiency improvement and energy conservation programmes for use of energy in domestic, commercial, agricultural, transport, industrial and any other relevant sector and

(iii) Promote Security reliability and cost effectiveness of energy delivery by policy development and to ensure that, adequate funds are available to implement its objects consistent with minimum economic cost of energy and energy security.

In the achievement of the above objects the following observations are made.

(a) Energy Audit

As one and only government institution which provides Energy Services in Sri Lanka, the Sustainable Energy Authority has a direct responsibility in respect of Energy Auditing and Energy Efficiency improvements. As such the Authority should have a competent staff including Engineers, Technology Officers and complex measuring equipment. Nevertheless, the staff in this Energy Service Division had decreased to one Technological Officer in the year under review and as a result of utilizing measuring equipment purchased in the years 2008 and 2010, supply of services had declined.

(b) A licence (No.EP-325530) had been issued to the Western Power (Pvt) Company on 23 May 2014 for a electricity generation project with 10 Mega votes by Solid Waste in a land at Meethotamulla, 3.5 acres in extent, belonged to the Urban Development Authority. This project had not been commenced even at the end of the validity period of licence of 2 years, that was 22 May 2016. Even though, this type of projects should have been expedited as a remedy to the disposal of Solid Waste, the Authority had not supervised adequately after being issued the licence.

The Chairman had informed me that until being resolved the situation such as protests made by dwellers against the acquiring of proposed land for the construction of a power station which was beyond the control of the Authority and the project proposer, a provable progress could not be expected.

(c) In terms of Section 21.1 of the Sri Lanka Sustainable Energy Authority Act No.35 of 2007, it is the duty of the Authority issue licenses to the companies which import and install solar power generation systems and to check whether they are operated qualitatively and reliable. Nevertheless, a sufficient test had not been carried out in respect of the quality and

provision of services of the solar power generation systems imported and installed by the license holding companies.

(d) An agreement had been entered into with a private company on 14 July 2008 for the construction of 10 wind measuring masts and this construction work should have been completed within one year. However, as equipment in the mast had become inoperative in collecting data from 9 masts which had been completed by the year 2012 data in certain towers had not been continuously collected due to non- visiting to the relevant places. Furthermore, the preparation of wind power resources map and the design had not been completed by using this data.

(e) The construction of one wind meter tower for which a total sum Rs.1,410,250 had been spent as cost of equipment and processing charges and a mobilization advance of Rs.416,875 paid in the year 2011 had been halted half way and action had not been taken to complete the construction work even by 30 September 2017. Utilisation of equipment furthermore which had been purchased before 6 years and the recovery of processing cost is problematic in audit.

4.2 Management Activities

The following observations are made.

(a) A land had been purchased on 30-year-leasing basis from the Urban Development Authority for the construction of Head Office of the Authority, spending a sum of Rs.45,856,451 on 22 June 2015. As a result of entering into lease agreement without legal advice, a condition that the failure to complete development work within a period of 2 years, ownership of the lease property would be transferred to the lessor. Even though 2 years had elapsed by 30 September 2017, design part of the building had not been completed.

(b) A gratuity of Rs.782,260 had been paid to a senior manager who retired on 25 December 2016. Deviating from the Management Services Circular No.02/2016 dated 25 April 2016 it had been calculated by adding adjustment allowance as well. As such an overpayment of Rs.94,990 had been made.

(c) The investigation report on errors occurred in the conversion of employees salaries since the inception of the Sustainable Energy Authority had been presented to the Authority on 03 February 2012 but the recommendations made in that report had not been implemented up to now. According to that report, the Secretary to the Ministry, as the Chief Accounting Officer had ordered to recover the overpayment of Rs.2,171,760 made for the period from 01 October 2007 to 30 September 2011 deviating circulars from the relevant officers but no any action in that regard had been taken by the Authority.

(d) Development of three prototype electric vehicles

According to an agreement entered into on 28 September 2007, a sum of Rs.7,956,800 had been paid to a private party in the year 2007 for the development of three prototype electric vehicles within 18 months. However, the developer had failed to complete even a single vehicle upto 30 September 2017, after a lapse of over 8 years and necessary action had not been taken either to return 3 vehicles having being developed 02 or to take legal action to get the paid amount refunded.

4.3 Idle and Underutilised Assets

The following observations are made.

(a) A balance of Rs.4,548,176 from the receipts under the "Switch-Asia" Programme had been retained in a current account in the Peoples Bank since 2011 and a sum over Rs.150,000,000 had been retained in a Savings Account in a State Bank since several years. This money had not been utilized for any investment activity, in order to earn an income.

(b) A cab motor vehicle belonging to the Authority had been idling for about 2 ½ years and any action had not been taken to get it repaired or to dispose of even up to 30 September 2017.

4.4 Personnel Administration

The following observations are made.

(a) An approved scheme of recruitment had not been prepared and get it approved in terms of paragraph 9.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

(b) The cadre approved for the Authority by the Department of Management Services had been 136 and the actual cadre as at 31 December 2016 had been only 103. Accordingly, 33 vacancies had existed, consisting of 3 posts of Directors, 4 posts of Divisional Heads and 12 Management posts.

The Chairman had informed that a revised organizational structure had been prepared by using the number of approved posts from 2007 up to now, having being made minor revisions thereto and it had been referred to the Ministry of Power and Renewable Energy to be forwarded to the Department of Management Services for approval.

(c) Deviating from paragraph 13.1 (b) of Chapter 11 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and without the approval of the Board of Directors which is the appointing authority, the chairman of the Authority had appointed the three directors fallen vacant and 3 of the four Divisional Heads as stated above for acting in those posts.

4.5 Resources given to other government institutions

The Divisional Head (Technology Promotion) and Acting Director (Strategies) had been released on full time basis to the post of Director (Technology) of the Ministry of Power and Renewable Energy since 15 February 2016, contrary to the Public Enterprises Circular No.PED/12 of 02 June 2003 and without the approval of the Cabinet of Ministers. A sum of Rs.1,404,828 had been paid as salaries to him up to May 2017 by the Authority from the date of release.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

The statement of Management responsibility on the presentation of accounts had not been included in the financial statements, in terms of paragraph 3 of Public Enterprises Circular No.PED/45 of 02 October 2007.

5.2 Corporate Plan

A Corporate Plan in terms of Paragraph 5.1.2 of Public Enterprises Circular No.PED/12 of 02 June 2003 had not been prepared.

5.3 Action Plan

Out of the allocation of Rs.280,421,124, according to the action plan for projects, programmes and activities, only a sum of Rs.111,236,670 or 40 per cent had been utilized. Accordingly, the Authority had failed to perform the activities in the action plan efficiently and fulfilling the expected objects adequately.

5.4 Internal Audit

As non-availability of a Chief Internal Auditor in the year under review, a sufficient internal audit had not been carried out as per the audit plan.

5.5 Budgetary Control

The following observations are made.

(a) A provision of Rs.6,000,000 had been made for the capital expenditure from the Budget but only a sum of Rs.2,549,041 had been spent. As such, a sum of Rs.3,450,959 or 58 per cent had not been utilized for relevant activities from the budgetary provisions. Even though, no budgetary provisions were made, an expenditure of Rs.4,238,165 had been incurred on improvement of buildings and lands by utilizing those savings as well.

(b) As compared the budgeted recurrent expenditure in the year under review with the actual expenditure, considerable variances, ranging from 17 per cent to 161 per cent were observed in 9 items of expenditure and as such it was observed that the budget had not been used as an effective instrument of management control.

6. Systems and Controls

Weaknesses in systems and control observed in audit were brought to the attention of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of systems and controls.

Area of Systems and Control		Observations
(a)	Accounting	(i) Non-following accounting standards, existence of omissions and non-reconciliations.
		(ii) The computerized ledgers had not been maintained enabling to analyze the expenditure incurred under various expenditure heads.
(b)	Financial Control	Existence of idle cash balances.
(c)	Debtors Control	Non-collection of debtors and other receivables without delay.
(d)	Human Resources Management	Human Resources not efficiently managed in terms of functions and extent in the achievement of objects of the Authority.
(e)	Implementation of Projects	Non-implementation of project activities for the achievement of the expected objectives of the projects efficiently and expeditiously as planned.

(f)	Budgetary Control	Budget not utilized as an instrument of financial control, having being prepared realistically.
(g)	Assets Management	(i) Valuation and documentation of property, plant and Equipment not systematically carried out and they have not been utilized efficiently in order to achieve the objectives of the Authority.
		(ii) Not taking action to replace the old measuring equipment with modern equipment and dispose of non-usable equipment.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesinghe
Auditor General

Replies for the Auditor General's report on the transactions of Sri Lanka Sustainable Energy Authority for the year ended 31st December, 2016

2. Financial Statement

2.2.1. Accounting deficiencies

(a)

I. This land has been shown in the financial statement of 2017 as an asset, and depreciation has been made for it.

II. Rs.47,000,000.00 which was obtained from Energy Fund to obtain the land under lease has been shown in year 2015 as a receivable income and such income was overstated in that year by Rs. 47,000,000.00. This error will be corrected in the financial statement of next year.

III. VAT value has been recorded in the invoice provided by Urban Development Authority for the relevant land as Rs.5,020,368.00, and the same has been accounted. Therefore, we are of the opinion that the said outstanding balance has not been understated.

IV. This has been corrected.

V. Arrangements have been made to account in the financial statement of next year.

(b) Next steps will be taken to enter the estimate value in financial year of 2017.

(c)

Total government capital expenditure - 2016	60,000,000.00
Work in progress (WIP)	4,341,226.00
Acquisition of intangible assets	9,242,483.00
Acquisition of fixed assets	5,168,342.00
	41,247,949.00

Accordingly, we are of the opinion that the Rs. 41,247,949.00 identified as an income in performance report is correct.

(d) Payment of loan installment was not transferred to us. However, our Authority has been given with controlling power in relevant stage, and therefore, it has been recognized as non-current asset and non-current liability.

2.3. Unexplained Differences

(a) Outstanding balance in the Energy Fund has been accurately accounted in the final accounts of 2017, and explanation for the difference has been given.

(b) Value of Treasury Bill and fixed deposits has been accounted accurately and included in the final accounts of 2017.

2.4 Contingent liabilities

We have requested necessary funds from the General Treasury to settle this amount of Rs.897,025,999. Nevertheless, the Department of National Budget by its letter No. BD/ID119/1/14/2016 dated 21/12/2016 has informed us through the Ministry of Power and Renewable Energy that such funds could not be released.

2.5 Receivable and payable accounts

(a) A letter dated 09/09/2017 has been sent to the Chairman of Ceylon Electricity Board requesting to reimburse this amount of Rs. 8,033,270/= to our institution by CEB. However, the CEB has not reimbursed the amount yet. Similar letters have already been issued in the preceding years through the Treasury and the Ministry. However, the Ceylon Electricity Board has failed to take action accordingly. We will be compelled to take necessary action through Hon. Minister.

(b) Out of these receivable outstanding balances, most of them are refundable deposits for the services obtained from other institutions. Therefore, it is unable to get these deposits refunded until such services are obtained. This has been clearly mentioned in our statement of age analysis. Most of such outstanding balances remaining are the advances paid to Provincial Councils for energy based educational programs. Even though such services were provided by them, certain Provincial Councils have not made arrangements to get such dues to them by indicating the relevant expenditure for the services they provided. However, Rs.20,789,010/= has already been settled from the balances as at 31/12/2016.

(c) 11.6 million rupees of accrued expenditure remained as at 31/12/2016 has now come down to 5.9 million. 1.36 million rupees paid out of this is the accrued expenditure receivable from 2012 to 2015 by the Auditor General's Department (relevant bills were received by our institution in the month of August 2017).

2.6 The transactions not supported by adequate authority

A letter issued from the Ministry informing to recover the money paid to the employees from the funds of this Switch Asia Program has not been received by our Finance Division. However, our institution has sent a letter dated 29/11/2016 to DMS in order to get approved this payment justifying it. This request has already been referred even to the Secretary to the Ministry by our letter dated 08/03/2017. According to the letter dated 21/06/2016, the General Treasury has notified us that the opinion had been sought from the National Salaries and Cadres Commission.

2.7 Non-compliance with laws, rules, regulations and management decisions

(a) Sustainable Energy Authority Act

International Energy Agency has defined energy efficiency as a prime fuel of a future energy security. To spread such concept within the country and take a possible effort for it in all sectors which use energy is one duty among four key responsibilities entrusted to our Authority. Sri Lanka Sustainable Energy Authority has brought considerable primary benefit initially for the energy users and in general for the economy through performing these responsibilities with various interventions. Being exemplary and giving guidance takes a specific place among those interventions.

Out of national energy consumption, around 40% is consumed in building sector. So, the Authority has paid a great attention on the energy efficiency of that sector. It has been revealed from a study carried out by this Authority that the energy use in this sector remains in a very initial level and contributes to energy waste in a large scale. It is observed that particularly the air-conditioned buildings built a certain period ago contribute to energy waste in a great amount and their annual specific energy use exceeds 180 kWh/m^2. Further, the Authority has assessed that this volume can be reduced up to 60 kWh/m^2, i.e. 1/3 of the present level through use of modern technology. It has been observed that this type of ideal buildings have not been not built in the country, and construction is carried out in a manner where energy waste occurs. Sustainable Energy Authority understood the necessity of a pilot project in order to provide leadership for this change, and decided to establish a Center of Excellence in Sustainable Energy. It was decided to use this Center for Authority's office activities,

for bringing it to the attention of the energy consumers and to establish such centers close to the capital city.

Accordingly, as a result of a continuous effort made, Urban Development Authority took action to provide a land lot from the vicinity of Parliament area. This is a land lot with a high market value got allocated by another party, and not issued to the particular party due to some delay from them. For their use, but due to delay in their side, it was lost by them. The said land is owned by Urban Development Authority. Considering this fact, our Authority took steps to obtain this land and use without much delay. If arrangements are made under normal procedures to allocate money from Consolidated Fund payable for this land lot, this short term opportunity given to us by the Urban Development Authority would become fruitless, and therefore this land lot was obtained under re-payment basis for the above purpose by paying Rs.50,936,978.00 from Sri Lanka Sustainable Energy Fund.

Moreover, it is observed that the purpose of the Authority primarily and the aspiration of the Sri Lanka Sustainable Energy Fund specifically are achieved by taking this type of typical construction into Sri Lanka's building sector. Our Authority is of the view that at-least about 418 GWh of energy per year (around 8,360 million rupees according to the present power generation cost) can be saved with the construction of this type of energy efficient buildings, and the Authority is of the view this type of investment would be necessary to realize the energy conservation potential.

(b) <u>Establishment Code</u>

This Authority was established in 2007 and operated with the staff of then Energy Conservation Fund which was a predecessor entity of the Authority. A corporate plan for a 3 year period on the activities of the Authority was submitted in the first meeting of the Board of Directors and approved. Nevertheless, it has been unable to get approval from the relevant sections for a scheme of recruitment which attracts the necessary human resources to achieve the objectives of the Authority. Several efforts were made throughout the last decade to allocate human resource for the Authority, but it is still functioning with the staff given to it at the time when the Energy Conservation Fund was transformed to the Authority. It was unable to attract the necessary human resources for the Authority to deploy such resources and perform its specific

responsibilities and duties assigned to it, by using the scheme of recruitment including the updated and approved designations by the Department of Management Services. Considering this fact, our Authority decided to assign additional duties to the experienced staff already in its service. These appointments were done as our Authority has no other alternative to provide other necessary human resources to achieve its objectives exercising the powers vested in it. However, the task of preparing the scheme of recruitment for approval has almost been completed with the coordination of line the Ministry, the Salaries and Cadres Commission and the Department of Management Services. After finalization of this, these appointments can be regularized.

Further it should be mentioned that the Authority was not affected with this decision taken due to no alternative measure. It was so done because those acting officers have relevant qualifications with experience for the relevant posts and who really involved in getting necessary approval on time for the scheme of recruitment for the officers receiving promotion to those posts. These officers have performed their duties well during their acting periods. Even though they were placed in their substantial posts, they have performed several additional duties. As the case is so, no justification or administrative room to recover these site allowances which have been paid to them for their additional duties performed by them.

(c) <u>Financial regulation</u>

Revaluation is now being done for the fixed assets with the approval of the Board of Management according to the instructions received from the representative of the Department of Auditor General. Since this will consume more cost and time, AMC made a recommendation to carry out both board of survey and revaluation process simultaneously. However, with the instruction of the Ministry, the board of survey has been initiated by appointing a separate committee.

(d) A register of fixed assets has been maintained from the commencement. This was updated in 2012. This was updated again in 2015.

(e) Arrangements will be made immediately to prepare a list of fixed assets in respect of computers, accessories and software. Its has already been started.

(f) A draft copy of 2016 report has already been submitted to the Auditor General.

(g) Other facilities provided for these officers in addition to the above acting posts are the due facilities for those posts. The Authority is bound to provide necessary facilities for them in performing their duties on those posts. Hence, no justification or administrative room to recover this additional expenditure from those officers.

4. Operational review

4.1 Performance

(a) Energy audit

Sri Lanka Sustainable Energy Authority at its beginning carried out energy audits by itself but later it has made arrangements to carry out such energy audit activities without its direct involvement, through other institutions supplying energy services registered with the Sri Lanka Sustainable Energy Authority. Energy audits are carried out by Sri Lanka Sustainable Energy Authority free of charge only for the government organizations which are unable to spend money for energy audits.

Further, the income of 2015 has been recorded as Rs.10,198,009 which includes the income of the renewable energy division. Therefore the income generated in 2015 through carrying out energy audits and giving measuring equipment on rent should be corrected as Rs.1,593,608.

(b) Sri Lanka Sustainable Energy Authority has issued permits to generate electricity from solid waste. After issuance of such permits, the relevant parties were asked about the progress of such generation of electricity. However, such parties were unable to report sufficient progress about their tasks to us owing to issues our institution or project proponents do not have ability to control. A huge protest was carried out by the people living in the particular area and it was the main reason for any institution which could not give a plot of land for construction of a power plant using solid waste. Further, due to this, it had not been able to obtain technical or investment support for this project. It is unable to expect a material progress unless and until the problematic issue in this field is solved.

(c) Sooryabala Sangramaya is already being implemented. Necessary arrangements have been made to import quality and standard items in importation of solar systems under Sooryabala Sangramaya preparing all required standards relevant to such items. These solar systems installed on the roof are not subject to section 16, 18 or 21 of the Sri Lanka Sustainable Energy Authority Act. These are the accessories installed on the roof.

However, if this question is raised in terms of the above sections, the energy permits have been issued according to the conditions effect in the said Act, for large scale of solar power projects associated with the installation on the land. Moreover, since the project investors are investing a great amount of money for these projects, no one would allow wasting money. Therefore, those investors are entering into separate agreements with manufacturing companies. Apart from this, there are some other agreements with regard to the guarantee on settlement of loan and quality of products. Since the standard of such items confirms what we expect, the additional conditions have not been laid down.

(d) In the process of collection of data, since tower instrument had not been properly functioning in certain instances, there was a difficulty in certain towers to obtain data continuously. The wind measuring tower at Mullipuram area has now been dismantled, out of these towers. There is a difficulty in obtaining data from the wind measuring towers at Balangoda and Kalametiya area. Wind measuring tower at Seethaeliya, Silavatturai, Sooriyakanda and Nadukuda areas is in operational condition. Necessary arrangements have been made to bring the remaining towers into working condition immediately. Field inspection has been made to the wind measuring towers at Balangoda, Kalametiya, Mullipuram, Seethaeliya and Silavatturai areas in August, April, August, July and May respectively for observation and collection of data.

Preparation of wind resource maps by using these data for Mullipuram, Seethaeliya and Nadukuda area wind measuring towers has been completed. Preparation of wind resource maps for Balangoda, Kalametiya and Silavatturai areas are to be completed by December 2017. Further, at the time of planning 120 MW Wind Power Station at Puttalam area, the wind data collected from Mullipuram wind measuring tower erected by our Authority was used. Moreover, at the time of planning 100 MW Wind Power Station at Mannar, the wind data collected from Nadukuda wind tower was used.

(e) Installation of 9 wind measuring towers was assigned to an organization called E Net Company and installation work of 8 towers has been completed out of 9. But, only installation of Kabaragala wind measuring tower was not completed. Rs.416,875 and Rs.833,750 as advance for preliminary work and wind measuring tower fabrication respectively have been paid in 2011. Further, necessary items for wind measuring towers have been procured making a payment of Rs. 576,500, and totally an amount of Rs.1,827,125 has been paid. Since this fabrication had not been completed even by May 2017, the relevant contract with that company was terminated after sending a notice. According to the decision arrived at later, it has been decided to erect this wind measuring tower in another area. The accessories prepared for fabrication of Kabaragala wind measuring tower and imported items are to be used in that installation. The wind tower and the relevant items are now under the custody of Sustainable Energy Authority.

4.2 Management Activities

(a) It is mentioned in the lease agreement that such agreement can only be cancelled if it fails to commence the development activities within three months of time and complete such activities within two years of time. A soil test on the land has been completed now. Such construction work has been brought into a final stage obtaining the service of the Institute of Architecture. The lessor, Urban Development Authority did not finalize the matter of building permit yet, and therefore we have made a request from that authority to make these conditions flexible.

(b) The gratuity payments paid upon retirement from the service have been made according to the provision of the Gratuity Act, No.12 of 1983. During the discussion made with the Additional Auditor General, instruction was given by him to look into the formula allows to carry out correct calculation on this payment by including the payment of adjustment. Necessary steps are being taken for that.

(c) The inquiry report mentioned in this note was a so-called report prepared by a retired officer at the request of the Board of Directors. The said report later had been found being prepared with some errors. Therefore, our Authority acted against such report as it was not reliable.

As the case is so, determining the salary steps based on that fake report is not ideal. Further, at the time of this Authority came into operation, under virtue of section 69 (e) of the said Act has provided two options to the employees worked in the Energy Conservation Fund which was a predecessor entity of this Authority.

i. Every officer and every employee of the Energy Conservation Fund who was offered employment by the Authority shall be placed in the service of the Authority based on the rules and conditions which do not affect such rules and conditions found on his relevant employment on the day prior to due date; if not

ii. Every officer and every employee of the Energy Conservation Fund who was not offered employment by the Authority or such person who did not accept the employment so offered shall be entitled to receive a compensation determined by the Minister with the concurrence of the Board.

Consequently the staff that agreed with the 1st option and joined the service of this Authority and therefore it is the liability of our Authority to pay the agreed salary for them. Accordingly, salary conversion has been made.

A comprehensive report is to be submitted to the Board of Directors.

(d) This is a project started under a technical development program. The objective of this project was to exhibit the capacity to use electric power in making the transport sector totally depending on fuel into diversity. However, the contractor who was selected for this task has failed to complete it. Instruction from the Attorney General in this regard was sought and in response to that he informed us that when comparing the amount incurred with liability or taking legal action would be a time and cost consuming effort. Therefore, our institution has been informed by the Secretary to the Ministry look into the possibility to complete this project in a successful manner through relevant contractor. A comprehensive detailed report introducing an alternative solution for the issue has been prepared. This report can be handed over to the Ministry within 2 weeks of time.

4.3 Idle and Underutilized assets

(a) A letter seeking a concurrence in respect of this payment made to the staff was sent on 05.12.2012 to the Treasury through the Secretary to the Ministry of Power and Energy. Further, in terms of the instruction No.13 of the meeting of Committee on Public Enterprises, one more letter seeking such a concurrence also was sent on 04.01.2013 to the Treasury through the Secretary to the Ministry of Environment and Renewable Energy. Further, a letter containing the full details in this regard was submitted on 02.12.2014 to the Committee on Public Enterprises through the Secretary to the Ministry of Environment and Renewable energy. Copies of that letter also have been referred to the Treasury and the Auditor General. In addition to this, a letter seeking the approval of the Treasury with the submission of the facts in this regard was sent on 06.12.2016 to the Treasury through the Secretary to the Ministry of Environment and Renewable Energy.

(b) As indicated in your draft report, the cab registered under 54 - 3189 belonged to the Authority has already been out of service for about 2 ½ years. An estimate report in this regard was obtained on 17.06.2015 from the Automobile Association of Ceylon. The said report recommends disposing the vehicle as it has nothing economic benefit even though it is repaired.

4.4 Personal administration

(a) An organizational structure and a scheme of recruitment suit to discharge the functions and achieve the target stipulated in the Sri Lanka Sustainable Energy Authority Act were prepared and submitted to the Salary and Cadre Commission, but it was unable to obtain approval from the Commission.

Though many schemes of recruitment and organizational structures had been prepared from 2007 up to now they were rejected due to certain shortcomings found in them. Thereafter, a revised fresh organizational structure was prepared with the assistance of a Research Officer from the Department of Management Services, using approved number of posts from 2007 up to now making little modification and sent to the Ministry of Power and Renewable Energy in order to refer it to the Department of Management Services for its approval.

(b) Since there is no approved scheme of recruitment, recruitment matters has been stopped temporarily. However, after receiving the approval for the scheme of recruitment already prepared and submitted, all the recruitments can be done.

(c) As indicated in the query, the appointing authority should be corrected as the Board of Directors (section 55(1) of the Sustainable Energy Act No.37 of 2007). The Chairman as the Head of the Board of Directors has made the relevant appointment on the recommendation of the Director General. Such recommendations have been given by Senior Specialist (Human Resources), Deputy Director General (operations) and Director General (it can be proved when the personal file is examined).

4.5 Resources given to other government institutions

This Authority which has been established as a government institution for renewable energy development and energy efficiency improvement is very often working with its line Ministry. A great deal of work has to be carried out to prepare various rules, regulations and other legal documents for the implementation of the legal provisions made in the Act. This Authority believes that Mr. Chamila Jayasekera, who has good knowledge and experience on the technical and administrative matters would serve for the Ministry on secondmend basis as a good alternative for this. Even though this officer was attached to the Post of Director (Technical) of the Ministry, the responsibilities of the Authority was excellently performed by him. Further, he has given a great contribution at Ministry level to fulfill the needs of the Authority. Our Authority is of the opinion that this appointment on secondment basis was highly useful to it.

5 Accountability and good governance

5.1 Arrangements have been made to include the management's responsibility of submission of financial statement in the financial statements.

5.2 The Corporate Plan for 2012-2016 was prepared by the Sustainable Energy Authority. The identified programs under this were implemented as long-term programs. After that, a ten-year action plan of 2015-2025 was prepared by including the programs for which the priority to be given the time period.

The National Energy Policy and the Working Method were prepared by the Ministry. In this regard, the officers of our Authority worked on formulating the energy policies that specially focus on sustainable energy development. After formulating the Energy Policy, our aim was to formulate the Corporate Plan of our Authority. The draft of the Energy Policy has already been submitted to the relevant Review Committee. Based on that, preparation of the Corporate Plan has been started.

5.3 After launching of 100 days program under the government came into power just after the Presidential Election in 2015, the Authority prepared a formal work plan for 2016. Nevertheless, a new cabinet was appointed after the Parliamentary Election in the latter part of 2015, and the line Ministry and Deputy Ministers were also newly appointed. Accordingly, establishing the future programs subject to new government policies was carried out at the beginning of 2016. There was no room to implement the 2016 Work Plan fully as designed.

Introduction of new strategies based on calling competitive tenders instead of renewable development strategies which have been prevailed so far and restructuring Energy Efficiency Enhancement Program with a new facet under the Presidential Task Force can be given as an example. Accordingly, implementation of the designed work plan for 2016 became problematic. Therefore, we would note that performance for this year was around 40%. Nevertheless, we would kindly inform that the Authority has effectively used it to create the next steps in that year.

5.4 The approval form the Department of Management Services was not granted to recruit a Chief Internal Auditor. However, the approval was received on 01.06.2018 to recruit only an Internal Auditor.

5.5 <u>Budgetary control</u>

(a) The institution stated here has spent Rs. 3.4 million to acquisition of land to construct a new office building. It has been spent from the capital of Rs. 6 million, which have been allotted for management purposes. So that no balance available at present.

(b) The gratuity payment cannot be estimated accurately at the beginning of the year. However, according to the Gratuity Act this should be paid, and therefore there is a difference.

Further, foreign invitations were received for foreign trips and foreign trainings within 2016 and therefore it was unable to do as per a pre-plan of the institution. Thus it also shows a difference with the budget.

A considerable amount of money remained as saving as the purchase of newspapers was curtailed

6) Systems and control

Special attention will be paid on the areas indicated by the Auditor General. In the meantime necessary action also will be taken to refer such areas to achieve the relevant objectives and identify the relevant weakness and correct them. The computer ledger system mentioned here has been introduced, and accounting is being done through such system from 2019.