



Annual Report 2017



Sri Lanka Sustainable Energy Authority

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Corporate Information

Name of the Authority: Sri Lanka Sustainable Energy Authority

Legal Status

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

Board of Management Year 2017

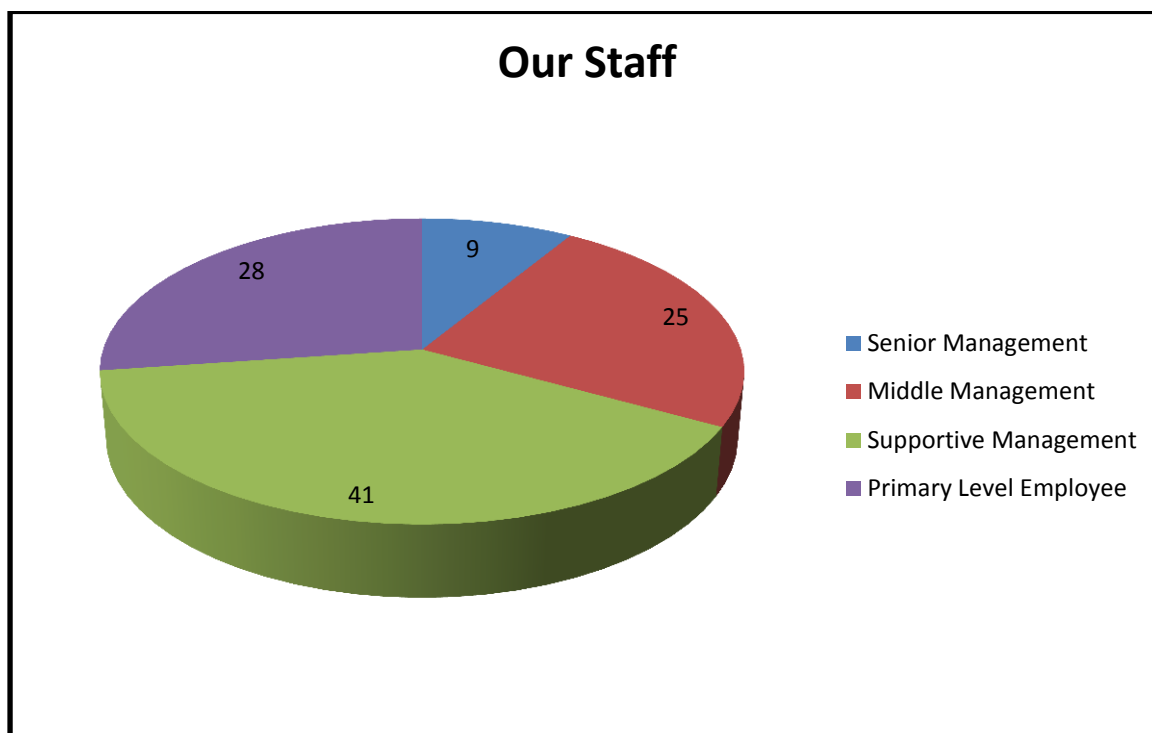
Mr. Keerthi Wickramarathna	Chairman	Sri Lanka Sustainable Energy Authority
Ms. Malani Kumarihamy	Member	Ministry of Power & Renewable Energy
Mr. B. N. Daminda Kumara	Member	Ministry of Provincial Councils & Local Government
Ms. I. J. Abeyrathna	Member	Ministry of Industry & Commerce
Mr. D. V. Bandulasena	Member	Ministry of Agriculture
Mr. K.B. Guruge	Member	Appointed Member
Mr. W. T. H. Ruchira Withana	Member	Ministry of Mahaweli Development & Environment
Eng. D. D. Ariyaratne	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
Eng. D.D. Ananda Namal	Member	Appointed Member
Ms. Farzana Aniff	Member	Appointed Member
Mr. A. M. C. Perera	Member	Appointed Member
Mr. Hiran Ajith Karunaratne	Member	Appointed Member
Mr. G. Mahendra Perera	Member	Appointed Member
Mr. G. Vijitha Nanda Kumara	Member	Appointed Member
Eng. Sarath Jayathilaka	Member	Appointed Member
Mr. Chandrasiri Senevirathne	Member	Appointed Member

Members of the Audit & Management Committee Year 2017

Mr. S. Tharshan	Chairman	Ministry of Finance
Ms. Farzana Aniff	Member	Appointed Member
Ms. B.A.D.A.Abewardana	Member	Ministry of Power & Renewable Energy
Ms. H.A.D. Chandani	Member	Auditor General's Department
Ms. Malani Kumarihamy	Member	Ministry of Power & Renewable Energy

Our Staff Composition Year 2017

We are a relatively young organization with a total staff of 103 persons. The composition of our staff is shown below.



Registered Office

Block 05, 01st Floor, BMICH,
Buddhaloka Mawatha, Colombo 07.

Tele: 0112677445

Fax: 0112682534

Email: info@energy.gov.lk

Web: www.energy.gov.lk

Chairman's Statement



As the Chairman of Sri Lanka Sustainable Energy Authority, I'm happy to add this message to the performance review of activities of year 2017.

Energy is one of the primary commodities required for the development of the country. Therefore, it is very important that both energy supply and demand are optimally managed in such a way that maximum possible economic benefits are obtained in the field of energy. Giving high prominence to this, energy sustainability is identified as an important economic dimension in the development of the country.

I'm happy to mention that Sri Lanka has given due concern to sustainable energy throughout the history of energy use. Conservation, one of the important elements of sustainable energy, is culturally endowed to our population. We were used to make use of the resources to the maximum possible benefits before they were released to the environment. It was part of our lifestyle. Then, when it comes to the energy resources, we could meet our total energy requirement through renewable energy some time back. Nevertheless, with the exhaust of especially the large hydro resources Sri Lanka had to divert to other energy resources.

I understand that through the Sri Lanka Sustainable Energy Authority Act, the country has taken strong initiatives to go for a sustainable energy path in the modern energy use. Even though we are used to the inherited conservation measures, we will not be able to exercise the conservation required by the present-day context through conventional approaches. 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 a 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 other 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 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 2017 has marked a good progress in the activities of SLSEA. With the new renewable energy based power generation capacity exceeding 450 MW, the country could surpass the initial target of realizing 10% of the electricity generation using new renewable energy resources. 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, 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.

Ranjith Sepala
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

1. Key objectives and activities of SLSEA

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;

- 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.

SLSEA has engaged several strategies to realise these targets while ensuring energy security of the country.

- Increasing the use of all forms of renewable energy
- Improvement of energy efficiency and conservation across all energy value chains
- Formulation of policies and strategies to encourage transition of the country's energy system from fossil fuel base to a sustainable energy base
- Creation of a conducive climate for sustainable energy investments in the country
- Introduction and promotion of new sustainable energy technologies
- Engaging the public to adopt sustainable lifestyles, habitats and neighbourhoods

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.

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)

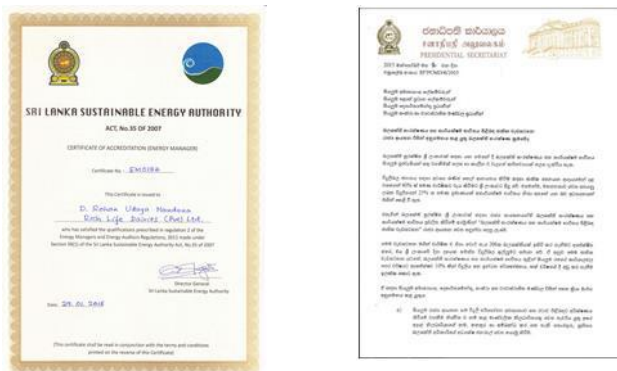
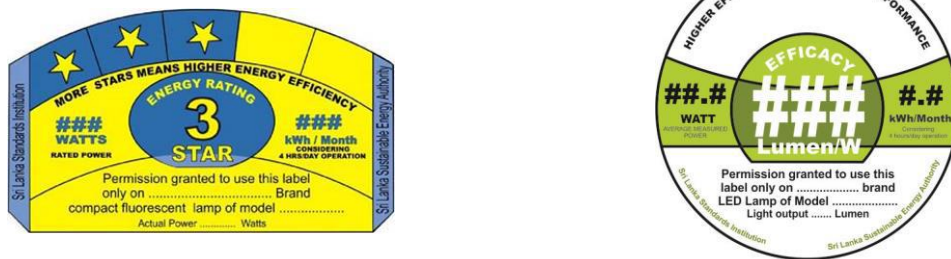
- Knowledge Management – The objective is to implement energy education programmes towards an energy conscious nation

(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)

2. Current status of energy conservation in Sri Lanka and new measures introduced in 2017

	Energy Efficiency Improvement (Under EnMAP)						
1	<p><u>Establishment of Energy Management Systems</u></p> <p>SLSEA facilitates energy conservation in commercial, industrial and domestic sectors through introducing the ISO 50001 Energy Management Systems.</p> <ul style="list-style-type: none"> ✓ Altogether 205 Energy Managers and 16 Energy Auditors were accredited. About 150 Energy Management officers in government sector were appointed as per the circular issued by presidential secretariat SP/PCMD/6/2015. <div data-bbox="531 701 1150 1070">  </div>						
2	<p><u>Introducing Standards and Regulations</u></p> <p>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.</p> <div data-bbox="403 1328 1358 1585">  </div> <table border="1" data-bbox="268 1603 1517 1895"> <thead> <tr> <th>Description</th><th>Progress</th></tr> </thead> <tbody> <tr> <td>CFLs</td><td>The revised Standard on Energy Labelling for CFLs was published. The Regulation for the revised Standard was prepared and sent to the Legal Draftsman's Department.</td></tr> <tr> <td>Air conditioners</td><td>Draft Energy Labelling Standard was prepared and sent to Sri Lanka Standards Institution (SLSI); going to be published shortly.</td></tr> </tbody> </table>	Description	Progress	CFLs	The revised Standard on Energy Labelling for CFLs was published. The Regulation for the revised Standard was prepared and sent to the Legal Draftsman's Department.	Air conditioners	Draft Energy Labelling Standard was prepared and sent to Sri Lanka Standards Institution (SLSI); going to be published shortly.
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Air conditioners	Draft Energy Labelling Standard was prepared and sent to Sri Lanka Standards Institution (SLSI); going to be published shortly.						

	Refrigerators	Compilation of a new Standard was initiated by acquiring similar Standards from other countries. Before the full scale energy labelling is attempted, Minimum Energy Performance Standards (MEPS) for refrigerators will be prepared.
	LED Lamps	Voluntary energy label was developed and implemented for LED lamps. Draft Regulations to implement the scheme on a mandatory basis will be sent to the Legal Draftsman's Department shortly.
	Computers	Draft Energy Labelling Standard was prepared and sent to Sri Lanka Standards Institution (SLSI); going to be published shortly.
	Ceiling Fans	Test lab equipment has been procured and installation of the test facility is in progress.
	<ul style="list-style-type: none"> ✓ A Regulation to enforce the revised Code of Practice on Energy Efficient Buildings – 2018 was drafted. Complete scheme of implementation, including a Building Ranking System was prepared for immediate implementation. ✓ The Guideline for Sustainable Energy Residencies in Sri Lanka – 2018 was developed to pre-press level in all three languages. 	
3	<p><u>Advisory and Counselling Services</u></p> <p>SLSEA assists industries, commercial and state sector institutes to solve their energy related issues by providing consulting services through answering queries, awareness programs upon request, attending ISO 50001 audits etc. A well maintained instrument bank is available for hiring to use in energy auditing activities.</p> <ul style="list-style-type: none"> ✓ Conducted ISO 50001 audits at eight organizations. ✓ 44 Energy Service Companies (ESCOs) were registered under the categories Energy Efficiency Improvement (EEI), Energy Auditing Services (EAS) and Technology Providers (TP), and the updated ESCO list is published in the web. ✓ Conducted a walk-through energy audit at STF Training School, Kalutara ✓ Conducted a detailed energy audit at the ITN, Machineries and Equipment Authority, North Western Province. ✓ Detailed energy audit at UCSC (Colombo University) is in Progress. ✓ Provided Consultancy Services, Training and Technical Assistance to conduct detailed energy audit at the Defence School Colombo, Pelawatta & Sevenagala Sugar Factories. ✓ Ten energy audits were completed in Government institutions in the Central Province by 	

	<p>selected 4 ESCOs.</p> <ul style="list-style-type: none"> ✓ Tender evaluation is in progress to select suitable ESCOs to conduct sixteen detailed energy audits in Government Hospitals and institutes. ✓ Number of Instrument hiring days is 1,200. <div style="display: flex; justify-content: space-around; align-items: center;">    </div>
4	<p><u>Rewarding of Achievements</u></p> <p>SLSEA involves in national level promotional activities through conducting the ‘Vidulka’ Energy Exhibition with the objective of Introduction of newer technologies and dissemination of knowledge. It will provide unique opportunity for energy sector organizations, equipment suppliers, manufacturers, innovators and academia to promote products and services related to energy conservation.</p> <p>Vidulka National Energy Exhibition was held from 18th to 20th November 2017 at the BMICH. The Energy exhibition consisted of sixty commercial and institutional stalls of renewable energy technologies, energy management, inventions and provided information on technologies, products, services to the general public.</p>
5	<p><u>Sector Specific Energy Management Programmes</u></p> <p>SLSEA assists to develop and implement energy management programmes at provincial level.</p> <ul style="list-style-type: none"> ✓ Completed two programmes on energy management in the Southern and Central Provinces for 60 Factory Managers and Factory Officers in the tea sector. Assessment Reports have been completed. Programme was conducted by a selected Training institute (SLEMA).

		
6	<p><u>Public Awareness and Training</u></p> <ul style="list-style-type: none"> ✓ The first phase of the energy and environment course for journalists was completed and seventeen journalists were awarded for successful completion. The second phase of the programme was launched at BMICH, on 3rd May 2017. Fifteen journalists are being trained, and the programme will be concluded in April 2018. ✓ Article series on Energy Conservation has been published in 'Navaliya' Newspaper. ✓ Article series on Solar Energy has been published in 'Vidusara' Newspaper. 	
7	<p><u>Carrying out Research and Development</u></p> <p>Initiatives are taken for exploring the potential of adopting new and innovative technologies for the development of energy management practices in Sri Lanka.</p> <ul style="list-style-type: none"> ✓ Designed a prototype of a standard tea withering trough including modified duct, radiators, process control and spreading mechanism with the assistance of Tea Research Institute (TRI), which would help in accurately evaluating the energy performance. An MOU has been prepared to be signed with TRI. 	



8 Establishment of Pilot Projects

Tri-generation or Combined Cooling Heat and Power (CCHP) refers to simultaneous generation of electricity and useful heating and cooling from one source of energy, which is the best method available for maximum utilization of energy, and it can achieve efficiencies over 80%. In this context, SLSEA explores the possibilities of introducing tri-generation for sectors such as hotels, textile and apparel, etc and industrial zones. The final evaluation for the selection of proposals is in progress.

9 Operation Demand Side Management (ODSM) Program

Recent study which concentrated on the electricity sector indicates that focusing on few thrust areas can annually save 1895 GWh (worth 28 LKRB) electricity by 2020 on an investment of 135 LKR billion over a five year period. This concept, which provided the basis for the demand side management (DSM) case of the Long Term Generation Expansion Plan 2014-2039 of Ceylon Electricity Board, was found to be the least cost option for implementation. As per this option, for the implementation of nine thrust areas under commercial, residential and industrial sectors a presidential task force for energy demand side management has been appointed and the programmes under that are being implemented under the guidance of the task force and a steering committee.



Thrust Area	Work Carried Out
Efficient Air Conditioning	A Circular was issued for the efficient use of A/C through the Ministry of Power and Renewable Energy. Two awareness programmes were conducted to create awareness among Energy Management Officers in the Government Sector (all island) and for Energy Management Officers in the Western Province.
Efficient Refrigerators	<p>A draft Regulation on 'Phasing Out Inefficient Refrigerators from the Sri Lankan Market' is under preparation. It is being reviewed by stakeholders of the programme.</p> <p>A scheme is being developed to replace inefficient refrigerators with efficient refrigerators.</p>
Efficient Chillers	A meeting was conducted for the ESCOs on 31 st May, 2017. Data collection on chillers is being carried out. Discussion was held with Engineers from Tekzol (Pvt) Ltd and CBL to get their inputs to develop a scheme for the programme.
Efficient Motors	Few industries were selected from the LECO area to implement this programme. A survey is being planned to be conducted in a cluster of 50 industries.
Eliminating Incandescent Lamps	<p>LED Lamps distribution scheme named 'Shakthi' has been developed. Target group of this scheme is domestic customers with average monthly electricity consumption less than 90 kWh in year 2017. It is proposed to distribute 10 million LEDs for eligible consumers through CEB, LECO representatives. Cost of bulbs will be recovered in instalments within 24 months, without interest.</p> <p>Selection of a suitable supplier of LEDs through competitive bidding process has reached conclusion.</p> <p>Details of participated account holders, returned Incandescent bulbs and distributed LEDs need to be gathered for monitoring, saving calculations, LED failure replacement and post evaluation.</p> <p>Bulb dissemination scheme has been fully developed, including an Android App and related software required for hand-held devices and documentation.</p>

Green Building	<p>The complete scheme of implementation, including a Building Ranking System in accordance with the revised Code of Practice on Energy Efficient Buildings – 2018 was prepared for immediate implementation.</p> <p>A scheme to disburse LKR 350 million for solar rooftop installations in selected Government buildings was developed and procurement process involving seven geographical clusters and four service providers was completed.</p>
Smart Home	<p>The Guideline for Sustainable Energy Residencies in Sri Lanka – 2018 was developed to pre-press level in all three languages.</p> <p>An interest rate buy-down scheme to promote the solar rooftop programme ‘Sooryabala Sangramaya’ was implemented utilising the allocation of LKR 1,500 million. Twelve banks have been actively engaged by end - 2017.</p>
Other (1) School Art Competitions	<ul style="list-style-type: none"> ✓ Awareness/ information gathering programme for provincial science/art educational directors was conducted on 29th March 2017. ✓ Competition and its evaluation have been completed and the winners have been selected ✓ Exhibition and award ceremony was held on 21st September 2017
(2) Development of Energy Demand Side Curriculum for Universities	<ul style="list-style-type: none"> ✓ Programme for university lecturers was held on 08th September 2017

It is expected to achieve savings by 2020 through implementing the programme under nine energy efficient technologies as shown below.

	Technology	Annual Saving by 2020 (GWh)
1	Efficient Air Conditioning	84
2	Efficient Lighting	250
3	Efficient Refrigerators	161

		4	Efficient Chillers	41	
		5	Efficient Motors	86	
		6	Eliminating Incandescent Lamps	139	
		7	Efficient Fans	298	
		8	Green Buildings	43	
		9	Smart Homes	139	
			Total	1,243	
<i>Development of Sustainable Energy Policies and Strategies (Under SAFE)</i>					
1	<u>Energy Information Analysis</u> <ul style="list-style-type: none">✓ Sri Lanka Energy Balance 2016 has been compiled. Printing is in progress. Web was upgraded with 2016 data.✓ Updated Energy Balance Website✓ End-user Energy Consumption Assessments <p>The survey plan for the island wide petrol shed survey was formulated with the Dept of Census and Statistics.</p>				
2	<u>Sustainable Energy Technology Archives</u> <ul style="list-style-type: none">✓ Successfully completed the one year of the two advanced research projects related to technical interventions in large-scale solar power development, in collaboration with the Department of Electrical and Electronics Engineering, Faculty of Engineering, University of Peradeniya.<ul style="list-style-type: none">- Security of supply with the large scale deployment of PV in Sri Lanka- Energy efficient utilization of PV through a DC Micro Grid				
3	<u>National Energy Symposium</u> <ul style="list-style-type: none">✓ The National Energy Symposium was held on 19th & 20th November 2017. 25 research papers were presented under two themes: energy efficiency and Renewable energy. Methodologies to obtain R&D inputs to the national programmes in these areas were also discussed with the participation of policy makers, researchers, industrialists and academia. Through ‘National Innovation Forum on Biomass Energy, innovations related to biomass energy were assessed.				



Knowledge Management Programmes (under SEEK)

1 Development of an Energy Education Program

- ✓ School Energy Clubs programme is the key programme of the Energy Education Programme. A total of 3,000 Clubs have been established covering the schools islandwide.
- ✓ School Energy Clubs Awards – 2016 was successfully held in 28th December 2017 at BMICH among a distinguished gathering.
- ✓ Students, who showed an outstanding contribution to advance, promote the use of innovative approaches related to energy in inventions, exhibits, projects, researches, surveys, digital posters, short films, dramas and debates, were awarded with cash prizes and certificates.
- ✓ Awards were given to 550 students finalized from 88 government schools covering the nine provinces. Further, awards were given to the Best Energy Teacher, In Service Officer & Deputy/Assistant Director of Education in the nine provinces in order to appreciate their commitments shown towards the programme.



2

Communication Programme


- ✓ Participated 'Tirasara Lanka' exhibition at BMICH conducted by Presidential Secretariat and National Youth Exhibition in Trincomalee.
- ✓ Participated 7 school exhibitions.
- ✓ Media Guide for Energy Journalist Awards has already been developed by Mass Communication Division of the University of Kelaniya, and approval of Secretary to the Ministry of Mass Media is expected Media.
- ✓ The Environment day programme was organized in Kegalle.



'Tirasara Lanka' exhibition at BMICH

3. Renewable energy projects implemented in 2017

Renewable Energy Development (under REACT)											
1	<u>Resource Allocation and Development Activities</u>										
	Through the issuance of Energy Permits (EP) & Provisional Approvals (PA) for on-grid renewable energy projects, total capacities of projects commissioned up to end 2017 are given below.										
	<table><tr><td>Renewable Energy Source</td><td>No. of projects</td><td>Installed capacities</td></tr><tr><td>Hydro</td><td>186</td><td>362.61 MW</td></tr><tr><td>Wind</td><td>15</td><td>128.45 MW</td></tr></table>		Renewable Energy Source	No. of projects	Installed capacities	Hydro	186	362.61 MW	Wind	15	128.45 MW
	Renewable Energy Source	No. of projects	Installed capacities								
Hydro	186	362.61 MW									
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	<table><tr><td>Biomass</td><td>10</td><td>32.6 MW</td></tr><tr><td>Solar</td><td>8</td><td>51.36 MW</td></tr></table>	Biomass	10	32.6 MW	Solar	8	51.36 MW
Biomass	10	32.6 MW					
Solar	8	51.36 MW					
2	<p><u>Technology development & Research</u></p> <ul style="list-style-type: none">✓ Data collection is in progress from the wind masts in Balangoda, Seetha Eliya, Kalametiya, Mullipurama, Silawathura, Nadukuda, Ponnalei, Pooneryn and Kokilai beach.✓ Resource mapping is in progress. Roughness maps were prepared for Seetha Eliya, Puttalam, Sooriyakanda, Jaffna and Pooneryn.✓ The procurement process for wind tower maintenance contract is in progress.						
3	<p><u>Soorya Bala Sangramaya</u></p> <ul style="list-style-type: none">✓ 296 Solar Energy Service Providers were registered with SLSEA by end-2017.✓ 135 solar systems were installed in religious places under the "Rivi Aruna", adding 270 kW to the system.✓ Seventeen Standards on solar PV were published in collaboration with the SLSI. Three technical workshops and a workshop for service providers were conducted.✓ Achievement of the 100 MW milestone under this programme was marked in a ceremony with the distinguished participation of the H. E. The President. <div></div>						

Donor Funded Projects

Two major RE development projects funded by the Asian Development Bank (ADB) had been initiated by SLSEA, and are currently in progress. 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. .

- ✓ 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.
- ✓ Completed 22 solar rooftop installations at private sector institutions, connecting 1800 kW to the National Grid.

Supporting Electricity Supply Reliability Improvement Project

Basically this project is focused on improving livelihoods of the families in 3 islands in the Northern Province - Nainativu, Analathive and Delft.

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’

- ✓ Under this project, establishment of a fuelwood depot in Homagama was completed in 2017. Work for the establishment of two more fuelwood depot in Monaragala and Kurunegala was initiated. 24 biomass energy projects in large scale industries and SMEs were completed.
- ✓ Fuel Wood Growing Handbook was published for the benefit of growers at ground level.
- ✓ Initial activities for fuelwood cultivation with the Coconut Cultivation Board, in 600 ha, were carried out.
- ✓ A 3-day training programme on biomass for the Tea Factory Officers was conducted.

Nationally Appropriate Mitigation Actions (NAMA) in the Energy Generation and End-Use Sectors in Sri Lanka”,

Pilot projects in high efficient motors, Solar PV net-metering and biogas were implemented under this. Marginal Abatement Cost (MAC) Curve for the energy sector was developed, and it was disseminated among stakeholders through workshops. A workshop was conducted on multi-criteria analysis and barrier analysis in NAMA interventions in the energy sector. 40 biogas digesters were Installed. Installation of Variable Frequency Drives (VFDs) for motors in tea factories was carried out. Five workshops on quality control in the Installation of biogas digesters were held at Provincial Councils.

5

Energy Park Development



Due to geo-climatic conditions, Sri Lanka is blessed with several forms of renewable energy resources.

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 renewable energy resource base. The solar resource atlas has been published in the past periods, and the mapping of wind resource is being carried out.

As far as the wind resource is concerned, 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 to the Mannar Islands and the Jaffna Peninsula, Central highlands in the interior of the country. Wind measurements are being carried out in these areas, and the wind resource map using these field data will be compiled next year. Accordingly it has been estimated that there is nearly 5,000 km² of windy areas with good-to-excellent wind resource potential in Sri Lanka.

Initiatives have been taken to develop the areas with high solar and wind every potentials as energy parks, and through that it will be possible to optimally harness the resources. Under the energy park approach, recourse assessments, acquiring lands, obtaining environmental and other statutory clearance, and building infrastructures will be done by the government and thereby international inventors will be attracted to projects at competitive prices.

Pooneryn Wind-Solar Energy Park



Activities of the Pooneryn wind solar energy park, the first large scale energy park in the country were initiated. A Project Steering Committee has been appointed and the first steering committee meeting was held on 30th November 2017. The related land survey has been initiated, and the following land areas are being surveyed.

- 1) The coastal land belt of 200 m width with high wind potentials along the east and west beaches of the Pooneryn land strip
- 2) The land area required for proposed 2 x 100 MW solar power plants

Discussions are going on with the Central Environmental Authority and the Coast Conservation Department regarding the Environmental Impact Assessment (EIA) of the project. Terms of Reference for the EIA will be issued by the Central Environmental Authority on completion of these discussions.

4. New measures to be implemented in the near future

According to the draft National Energy Policy and Strategies of Sri Lanka and other policy initiatives, Sri Lanka is heading towards major energy source of sustainable energy from fossil fuels. These initiatives, whilst passing the significant milestones cited below will ensure that Sri Lanka will become a carbon neutral country by 2050.

Milestone	Timeline	Status
Achieving 10% power generation from New Renewable Energy (NRE)	2016	Achieved one year ahead of schedule
Achieving 20% power generation from New Renewable Energy (NRE)	2020	Accelerated programme launched
Saving 20% of electricity from 2010 usage	2020	Presidential Task Force appointed, nine pronged programme launched in 2017
Sunset for fossil fuelled vehicles set for 2040	2040	Policy decision taken
Realising 200 MW of Solar PV roof top capacity	2020	100 MW achieved within a year and three months

5. Any other major developments

To realise the energy transition envisaged, substantial investments in facilities, systems and human resources will have to be made during the coming years. SLSEA is planning to evoke the provisions in the Act to mobilise the necessary financial resources by introducing a cess on fossil fuel imports and recovering a royalty from renewable energy based for power generation. The proposals would ensure an intra-energy sector fund flow to enable the energy transition without let and hindrance. The likely fund flow to the sustainable energy sector is summarised below.

Levying a cess of LKR0.01/GJ of energy content in fossil fuels imported to Sri Lanka.

Fuel	Cess added to Sale Price (LKR)	Likely amount accrued for 2016 imports* LKR million
Gasoline	0.34 per litre	330
Auto Diesel	0.38 per litre	696
LP Gas	0.44 per kg	153
Coal	0.24 per kg	577
Crude oil	0.43 per kg	727
Total		2,483

*Based on actual import volumes for year 2016

Recovering LKR 0.50 royalty from a kWh of electricity generated from renewable energy sources.

Type of Project	Capacity in Operation for 15+ years (MW)	Likely Generation (GWh/yr)	Amount of Royalty (LKR Million)
Biomass	-	-	-
Large Hydro	1,227.00	3,536.69*	1,768.35
Mini-Hydro	31.24	115.67	57.84
Solar	-	-	-
Wind	3.00	8.41	4.21
Total		3,660.77	1,830.39

*Note- Based on average generation from 2000-2016

6. Prospects, Problems and issues

Sri Lanka has the potential, not only to defend the enviable position it is holding in terms of share of renewable energy in primary energy supply and in power generation, but also to enhance these shares. However, major impediments were faced by the renewable energy industry since 2012, due to social issues, legal constraints and capacity constraints in the national transmission grid.

Due to many socio-political facts, public opposition to small hydro projects escalated during the past few years, making it almost impossible to implement projects in most parts of the country. Long delays experienced by the developers due to these impediments saw the licences they have been

granted being expired. Large numbers of such projects remain in abeyance with no sight of a solution.

Similarly, an amendment made to the Sri Lanka Electricity Act, No. 20 of 2009 required competitive bidding to be conducted to procure electricity from any party, including the small power plants and rooftop solar systems. Working within these constraints, the Ceylon Electricity Board (CEB) initiated competitive bidding for two wind power projects and two solar power projects (with capacity of 10MW each) nearly halving the cost of electricity purchased through the feed-in tariff scheme. Nevertheless, sourcing land parcels for these projects have proved to become very difficult, leading to long delays in implementation.

Bidding for 60 x 1 MW solar power plants also gained widespread interest among investor community, and due to the complexity of the bidding process, the awarding of contracts took much longer time than anticipated.

Immediate steps will have to be taken to realise the necessary investments in the transmission system and also to attract low cost financing to finance the sustainable energy investments. Without resolving the legal issues impacting the purchase price decision and providing a conducive socio-political environment for project implementation not much can be expected to happen in the immediate future.

7. Future plans for 2018 and beyond

In the energy efficiency improvement and conservation front, the provisions available in the Sri Lanka Sustainable Energy Authority Act, No.35 of 2007 will be evoked, to implement mandatory programmes targeting the building sector and the industrial sector. Through these programmes, a new performance based energy efficiency building code will be enforced on mandatory basis for commercial buildings. A similar guideline for sustainable residences will be introduced for voluntary adoption.

Apart from these programmes targeting buildings, mandatory energy management targeting the large industrial sector will be implemented. This programme will require designated industries and buildings to evaluate energy performance of their facilities at predetermined intervals, propose improvement plans and implement such measures.

After a lengthy dialogue with the (CEB), a substantial opening for renewable energy was realized, with the objective of expanding the role of NRE, possibly to reach 20% of the generation by 2020. This will pave the way for Sri Lanka to become a carbon neutral country by 2050 as envisaged in the draft National Energy Policy & Strategies, the ultimate goal of enabling a transition of the energy system from a fossil fuel based one to a renewable energy based system. The capacity to be added, investment required and energy derived from each of the technologies are given below.

Technology	Capacity Additions (MW)	Energy (GWh/year)	Investment (LKR)
Mini-hydro	95	349	22
Biomass	40	280	18
Wind	654	2124	145
Solar	678	1194	106
Total	1467	3949	292

In order to realise these investments totalling approximately to LKR 300 billion, the Government will have to incur approximately LKR 30 Billion in infrastructure (excluding transmission) and systems over the next decade.

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

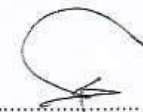
(All amounts in Sri Lanka Rupees)

	Note	2017	2016
INCOME			
Operational Income	2	295,154,682.92	341,238,731
Non Operational Income	3	270,591,538.60	103,869,179
TOTAL INCOME		565,746,221.73	445,107,910
EXPENDITURES			
PROJECT/ACTIVITY EXPENSES	4		
Renewable Energy	4.1	227,448,436.01	105,639,464
Energy Management	4.2	16,485,244.59	26,543,131
Knowledge Management	4.3	20,506,781.98	26,659,199
Strategic Activities	4.4	4,856,913.07	7,618,652
		269,297,375.65	166,460,446
RECURRENT EXPENSES	5		
Salaries And Allowances	5.1	89,676,107.49	89,359,231
Travelling And Subsistence	5.2	1,439,234.35	1,553,237
Supplies	5.3	4,418,297.51	4,472,982
Maintenance Expenses	5.4	8,486,841.87	8,583,142
Contract Service	5.5	35,339,902.55	35,931,662
Depreciation Expenses	5.6	92,808,653.51	123,361,618
Other Recurrent Expenses	5.7	12,577,013.87	8,921,899
		244,746,050.95	272,183,771
TOTAL EXPENDITURE		514,043,426.60	438,644,217
SURPLUS/(DEFICIT)		51,702,795.13	6,463,693

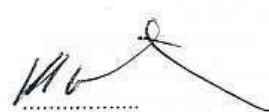
FOR AND ON BEHALF OF THE SRI LANKA SUSTAINABLE ENERGY AUTHORITY



 Director (Finance)



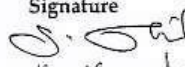
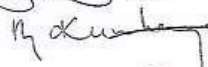
 Director General



 Chairman,
 23/08/18

"The Accounting policies on pages 05 to 09 and Notes on pages 10 to 21 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf. "

Name of the Director
 1 S. Tharshan.
 2 Mahini Kumari

Signature



SRI LANKA SUSTAINABLE ENERGY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

	Note	2017	2016 Restated
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	9		
Free Hold	9.1	877,417,702.70	861,825,491
Lease Hold	9.2	42,035,080.08	43,563,628
Intangible Assets	10	4,969,259.80	6,631,346
Work in Progress	11	35,699,243.00	19,885,854
Investments	12	84,907,163.74	77,770,893
Loans Recoverable	13	49,780,000.50	51,327,709
TOTAL NON CURRENT ASSETS		1,094,808,449.83	1,061,004,921
CURRENT ASSETS			
Receivables	14	21,557,401.67	21,201,585
Other Current Assets	15	37,990,919.21	46,952,362
Cash and Cash Equivalents	16	392,179,336.96	346,032,869
TOTAL CURRENT ASSETS		451,727,657.84	414,186,816
TOTAL ASSETS		1,546,536,107.66	1,475,191,737
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Fund	17	22,100,336.00	22,100,336
Net Surplus/Deficit		99,679,846.55	85,482,536
Deferred Grant	18	809,739,764.08	881,213,250
Sri Lanka Sustainable Energy Fund	20	318,204,589.88	288,663,394
Sustainable Guarantee Fund		89,899,766.70	81,935,978
Revaluation Reserve		101,217,000.00	-
TOTAL EQUITY		1,440,841,303.21	1,359,395,494
NON CURRENT LIABILITIES			
Gratuity Provision		20,213,314.36	16,844,582
Loans From ADB (L 2892 SRI)		49,780,000.50	36,447,709
Loans From ADB (L 2733 SRI)		2,020,356.00	16,900,356
TOTAL NON CURRENT LIABILITIES		72,013,670.86	70,192,647
CURRENT LIABILITIES			
Other Payables	19	28,631,649.21	40,773,862
Net Deposit on Land Acquisition		5,049,485.00	4,829,735
TOTAL CURRENT LIABILITIES		33,681,134.21	45,603,597
TOTAL EQUITY AND LIABILITIES		1,546,536,108.28	1,475,191,737

The Accounting policies and notes appearing pages 5 to 21 form an integral part of the financial statements.

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2017
(All amounts in Sri Lanka Rupees)

Description	Accumulated Fund	Net Surplus / Deficit	Deferred Grant	Revaluation Reserve	Sri Lanka Sustainable Energy Fund	Sustainable Guarantee Fund	Total
Balance as at 01.01.2016	22,100,336	88,848,196	985,822,817	-	205,446,714	76,591,020	1,378,809,083
Increase/ (Decrease) for the Year 2016	-	6,463,693	(104,609,567)	-	87,810,523	5,344,958	(4,990,393)
Previous Year Adjustments	-	(879,123)	-	-	-	-	(879,123)
Loss and Damages	-	(157,454)	-	-	-	-	(157,454)
Balance as at 31.12.2016	22,100,336	94,275,312	881,213,250	-	293,257,237	81,935,978	1,372,782,113
Prior Year Adjustments	-	(8,792,776)	-	-	(4,593,843)	-	(13,386,619)
Restated Balance as at 2017.01.01	22,100,336	85,482,536	881,213,250	-	288,663,394	81,935,978	1,359,395,494
Increase/ (Decrease) for the Year 2017	-	51,702,295.13	(71,473,485.42)	-	-	-	(19,771,190.29)
Transferred to Guarantee Fund	-	(7,963,788.70)	-	-	-	7,963,788.70	-
Transferred to Energy Fund	-	(29,541,195.88)	-	-	29,541,195.88	-	-
Land Revaluation	-	-	-	101,217,000.00	-	-	101,217,000.00
Balance as at 31.12.2017	22,100,336.00	99,679,846.55	809,739,764.08	101,217,000.00	318,204,589.88	89,899,766.70	1,440,841,303.21

The Accounting policies and notes appearing pages 5 to 21 form an integral part of the financial statements.

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

	Note	2017	2016 (Restated)
Cash Flows From Operating Activities			
Surplus/ (Deficit) for the Year		51,702,295.13	5,427,116
Adjustment For:			
Loss and Damage		-	157,454
Interest Income	3, 8	(20,285,998.08)	-
Amortized Grant (for Funds Received)	7	(91,280,105.14)	(123,361,618)
Transfers From Energy Fund		-	(38,573,814)
Service Gratuity Provision		4,265,245.36	5,621,087
Gratuity Payment		(896,513.00)	(782,260)
Depreciation	5.6	92,808,653.51	123,361,618
Operating Profit/ (Loss) before Working Capital Changes		36,313,577.78	(28,150,417)
(Increase)/ Decrease in Other Current Assets		8,605,626.00	(23,934,085)
Increase/ (Decrease) in Current Liabilities		(11,922,462.61)	2,365,983
Net Cash Flow from/(Used in) Operating Activities		32,996,741.17	(49,718,519)
Cash Flows from/(Used in) Investing Activities			
Purchase of Property, Plant and Equipment	9.1	(3,993,230.22)	(5,168,444)
Intangible Assets		-	(8,345,683)
Work in Progress	11	(15,813,389.00)	(6,141,226)
Investments in FDs and TBs	12	(7,136,270.74)	-
Interest Income	3, 8	20,285,998.08	(3,161,729)
Loans Disbursed to Developers		1,547,708.09	(60,539,709)
Net Cash Flow from/(Used in) Investing Activities		(5,109,183.79)	(83,356,791)
Cash Flows from/(Used in) Financing Activities			
Deferred Grant	18	19,806,619.08	18,752,051
Sri Lanka Sustainable Energy Fund		-	126,384,337
Accumulated Fund		-	-
Sustainable Guarantee Fund		-	5,344,958
Loans Repayable to Foreign Donors		-	62,560,065
Loans from ADB (L 2892 SRI)	13	13,332,291.50	-
Disbursement of Loan ADB (L 2733 SRI)	13	(14,880,000.00)	-
Net Cash Flow from/(Used in) Financing Activities		18,258,910.58	213,041,410
Net Increase/(Decrease) in Cash and Cash Equivalents		46,146,467.96	79,966,100
Cash and Cash Equivalents at Beginning of the Year	16	346,032,869.00	266,066,769
Cash and Cash Equivalents at End of the Year		392,179,336.96	346,032,869

The Accounting policies and notes appearing on pages 5 to 21 form an integral part of the financial statements.

Notes to the Financial Statements as at 31.12.2017

1. Corporate Information

1.1 General

Sri Lanka sustainable Energy Authority (SLSEA) was established on 1st of October 2007. It is located at block -5 of the BMICH in Colombo 07.

Energy Conservation Fund Act, No.02 of 1985 was repealed by Sri Lanka Sustainable Energy Authority Act No.35 of 2007. All the assets and liabilities of Energy Conservation Fund as at 30th September 2017 were automatically transferred to the accounts of SLSEA 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 & Renewable 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 conducts programs to develop renewable energy resources, declare energy development areas, implement energy efficiency and conservation measures, conduct programs and information management to promote energy security, reliability and cost effectiveness in the energy delivery.

1.3 Fund of the Authority

As per the Sri Lanka Sustainable Energy Authority Act, No. 35 of 2007, SLSEA 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 funds attained through managing carbon assets, application fees, money from lease rentals, fees from professional services, royalty and proceeds from cess.

The deposit of Sustainable Energy fund can be utilized for subsidies for renewable energy plants, energy efficient appliances and technologies fuel switching, expenses in awareness programmes and incentives for rural energy services.

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 31.12.2017 - 103

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 statements of the Sri Lanka Sustainable Energy Authority (SL SEA) as at 31 December 2017 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 2016 have been approved by auditor General.

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 use 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 grant 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 activates/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 from the loans & grants. However some of the payments to supplies 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.

Investment 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 is credited to respective fund

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 a part of it has been re invested. A 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.

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 2017 was paid only in 2018 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 Depreciation

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

Depreciation rate for a year is shown below:

<u>Item</u>	<u>Rate of Depreciation</u>
Furniture & office Equipment	25%
Motor Vehicles	20%
Photocopier	25%
Computers	33.33%
Electrical Goods	25%
Library Book	20%
Energy Instruments	33.33%
Exhibition Equipment	25%
Wind Towers	20%
Building & Structures	5%

Solar Power / Mini Hydro Projects:

A. Solar Panels	5%
B. Steel Structure	10%
C. Building	5%
D. Switch gear	20%
E. Inverters	20%
F. Transformers	5%
G. Power Electronics	33.33%
H. Sanitary & Plumbing	5%
I. Cables	20%
J. Furniture Fittings & office Equipment	25%
K. Tools	33%
L. Machinery	20%
M. Other	20%

2.4 Liabilities and provisions

2.4.1 Gratuity

An amount equal to a half-month's salary for each year of employment based in 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 Approval of the board

The financial statements have been approved by the Board of Management of the Authority on 10th October 2017.

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

	<i>Note</i>	2017	2016
NOTE 02 - OPERATIONAL INCOME			
Treasury Income (Capital)	6	45,074,380.78	41,247,949
Amortized Differed Grant	7	91,280,105.14	123,361,618
Treasury Income (Recurrent)		92,987,000.00	83,416,663
FARDF (17)		-	1,000,000
Treasury Grant (Installation of Solar Systems in Religious Place)		20,000,000.00	-
Power Generation-Hambantota		22,959,531.00	33,404,790
Power Generation-Indurana		864,666.00	1,335,492
Energy Manager Training Pro-Income		110,000.00	64,954
Solar Atlas Income		122,500.00	-
Wind Data Income		500,000.00	-
Energy Audit Income		62,135.00	-
Energy Permit Income		21,194,365.00	57,407,265
Total		295,154,682.92	341,238,731
NOTE 03 - NON OPERATIONAL INCOME			
FARDF-UNDP Projects (NAMA)		39,557,703.27	2,036,947
Lanka Electricity Co. (LECO)- ODSM		50,000,000.00	-
Tender Fee		520,000.00	-
Distress Loan Interest		514,197.76	391,525
Sponsorship		4,500,000.00	6,547,053
Other Income		388,245.00	1,644,335
Special Advance Interest		3,479.16	2,202
Vidulka Stall Reg Fee		1,645,000.00	-
FARDF-UNDP Projects (Biomass)		-	2,691,954
UNDP -Ministry of Mahaweli Development		-	530,000
Income from Energy Fund	8	29,541,195.88	38,573,814
Perfoemance Test Fees		-	287,500
Revenue ADB Project - Sampath Bnak		121,077,929.04	50,926,214
Revenue ADB Project - NDB Bank		14,880,000.00	-
Interest Income		7,963,788.70	237,635
Total		270,591,538.80	103,869,179

(Contd...)

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

Note	2017	2016
NOTE 04 - PROJECT EXPENSES		
NOTE 04 -1 RENEWABLE ENERGY		
Resource Allocation and Development	1,008,534.03	883,505
Progress Monitoring	219,656.25	1,026,650
Technology Development and Research	389,353.00	1,809,305
Renewable Energy Services	68,852,226.76	31,902,188
Donor Funded Projects UNDP Bio Mass Project	11,021,719.20	2,691,954
Donor Funded Project -ADB (L 2892 SRI)	121,320,931.74	51,611,502
NAMA Project	1,777,760.51	2,036,947
ADB Project	1,840.00	-
Operation of Hambanthota RE Site	6,427,930.86	8,851,875
Operation of Indurana Site	894,793.16	1,834,814
IFC Solar Project	43,187.00	-
Puneereen Project	610,303.50	-
Donor Fund Project- ADB (L 2733 SRI)	14,880,000.00	2,990,724
Total	227,448,436.01	105,639,464
NOTE 04 - 2 ENERGY MANAGEMENT		
Energy Management Cells	3,125,444.06	10,907,130
Standards and Regulations	4,025,435.62	2,321,326
Advisory and Counseling	84,400.00	73,904
Rewarding and Achievements	5,393,655.09	8,965,350
Sector Specific Programs	107,000.00	1,456,034
Research and Development	7,000.00	7,125
Energy Audit	103,360.00	-
Demand Side Management	3,639,449.82	-
Green Building Programme 1-7	-	530,000
Consultancy Service	-	408,439
Demand Side Management	-	1,873,823
Total	16,485,744.59	26,543,131
NOTE 04 - 3 KNOWLEDGE MANAGEMENT		
Energy Education Programs	19,544,857.73	22,886,248
Communication Programs	961,924.25	3,772,951
Total	20,506,781.98	26,659,199
NOTE 04 - 4 STRATERGIC ACTIVITIES		
Formulation Energy Data and Information	1,907,205.07	1,392,336
Research and Development	1,354,155.00	4,477,600
Waste Energy	370,215.50	-
Energy Symposium	1,225,337.50	-
Island Wide Petrol Shed Survey	-	21,604
End User Energy Survey	-	1,497,122
Energy Sustainable Initiatives	-	229,990
Total	4,856,913.07	7,618,652

(Contd...)

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

<i>Note</i>	2017	2016
NOTE 05- RECURRENT EXPENSES		
NOTE 05- 1 SALARIES AND ALLOWANCES		
Salaries for Staff	44,738,007.42	48,257,110
Cost of Living Allowance	8,654,100.00	8,556,600
Adjustment Allowance	5,547,456.00	-
E.P.F. 12%	7,405,831.89	7,387,725
E.T.F. 3 %	1,849,797.30	1,845,834
Overtime and Holiday Pay	6,086,489.52	5,450,447
Own Vehicle Utilization	2,950,000.00	1,920,000
Fuel Allowance	1,993,680.00	2,260,440
Professional Allowance	4,964,000.00	1,895,000
NAITA Salary	1,221,500.00	-
Gratuirty Expence	4,265,245.36	5,621,087
Interim Allowance	-	4,590,000
Medical Insurance	-	1,574,988
Total	89,676,107.49	89,359,231
NOTE 05 - 2 TRAVELLING AND SUBSISTANCE		
Travelling- Domestic	598,218.50	603,260
Travelling- Foreign	841,015.65	949,977
Total	1,439,234.15	1,553,237
NOTE 05 - 3 SUPPLIES		
Printing, Stationary and Office Requisites	1,369,203.04	1,124,947
Fuel and Lubricants	2,970,134.47	3,277,015
Other - News Papers and Miscellaneous Service	78,960.00	71,020
Total	4,418,297.51	4,472,982
NOTE 05 - 4 MAINTENANCE		
Vehicles, Insurance and License Fees	7,291,694.87	7,652,188
Plant Machinery	691,232.00	-
Office Equipment	-	832,454
Building and Structure	503,915.00	98,500
Total	8,486,841.87	8,583,142
NOTE 05 - 5 CONTRACT SERVICES		
Office Rents and Hire Charges	29,691,288.00	30,519,070
Postal and Telecommunication Charges	4,292,163.80	3,800,935
Transport	696,450.75	1,011,657
Audit Fees	660,000.00	600,000
Total	35,339,902.55	35,931,662

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

	Note	2017	2016
NOTE 05 - 6 DEPRECIATION AND AMMORTIZATION			
Furniture and Office Equipment		1,044,731.52	2,472,572
Motor Vehicles		1,247,215.00	1,247,215
Photocopier		333,293.00	281,070
Computers		1,924,330.00	1,828,688
Electrical Goods		52,682.00	52,682
Library Book		203,408.00	203,408
Energy Instruments		101,102.00	2,238,250
Wind Towers and Instruments		2,154,088.00	6,433,908
Refrigerator Testing Laboratory		8,433,067.00	8,433,067
Hambantota and Indurana Energy Park		74,054,465.01	100,100,993
Exhibition Equipments		-	128
Fixes Assets for UNDP Projects		69,637.00	69,637
Ammortization of Lease Hold Land		1,528,548.37	-
Intangible Assets Ammortization		1,662,086.60	-
Total		92,808,653.51	123,361,618
NOTE 05 - 7 OTHER RECURRENT EXPENSES			
Office and Miscellaneous Expenses		1,167,877.30	1,447,355
Paper Advertisements		614,067.50	587,220
Insurance		2,031,616.48	34,103
Translation Fees		144,803.00	101,863
Allowances for Board Members		1,099,700.00	882,400
Refreshment Charges		1,173,016.54	576,842
Local/Foreign Training Program		5,526,980.88	2,155,091
Bank Charges		29,576.17	-
National Building Tax (NBT)		789,376.00	3,137,024
Total		12,577,013.87	8,921,899
NOTE 06 - TREASURY INCOME (CAPITAL)			
Capital Grant Received from Treasury		64,881,000.00	60,000,000
Less:			
Work in Progress During The Year		(15,813,389.00)	(4,341,226)
Intangible Assets		-	(9,242,483)
Capital Assets Acquired During The Current Year		(3,993,230.22)	(5,168,342)
Total		45,074,380.78	41,247,949
NOTE 07 - AMMORTIZED DEFERRED GRNT			
Depreciation for Current Year		91,280,105.14	123,361,618
Total		91,280,105.14	123,361,618
NOTE 08 - INCOME FROM ENERGY FUND			
Energy Management Income		1,363,812.50	1,270,303
RE Income		15,855,174.00	114,414,010
Net Interest		12,322,209.38	10,700,024
Total		29,541,195.88	126,384,337

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

(All amounts in Sri Lanka Rupees)

NOTE 09 - PROPERTY, PLANT AND EQUIPMENT

NOTE 09 - 1 FREE HOLD ASSETS

Description	Balance as at 01.01.2017 (Restated)	Acquisition	Revaluation	Disposal	Balance as at 31.12.2017
Land	-	-	101,217,000.00	-	101,217,000.00
Furniture and Office Equipment	18,702,703	549,092.39	-	-	19,251,794.94
Motor Vehicles	52,266,495	-	-	-	52,266,495.00
Photocopier	3,879,191	488,750.00	-	-	4,367,941.00
Computers	33,621,270	1,189,340.00	-	-	34,810,610.00
Electrical Goods	446,964	-	-	-	446,964.45
Library Book	1,438,352	-	-	-	1,438,352.00
Energy Instruments	91,583,387	-	-	-	91,583,387.00
Wind Towers and Instruments	47,238,802	1,753,700.00	-	-	48,992,502.00
Refrigerator Testing Laboratory	42,165,337	-	-	-	42,165,337.00
Solar and Mini Hydro Projects					
A. Solar Panels	660,106,452	-	-	-	660,106,452.00
B. Steel Structure	222,261,738	-	-	-	222,261,738.00
C. Building	131,017,606	-	-	-	131,017,606.00
D. Switch Gear	13,973,767	-	-	-	13,973,767.00
E. Inverters	79,091,306	-	-	-	79,091,306.00
F. Transformers	45,753,626	-	-	-	45,753,626.00
G. Power Electronics	31,619,040	-	-	-	31,619,040.00
I. Sanitary and Plumbing	166,499,475	-	-	-	166,499,475.00
J. Cables	100,224,571	-	-	-	100,224,571.00
K. Furniture Fittings and Office Equip.	3,014,584	-	-	-	3,014,584.00
L. Tools	14,248,433	12,347.83	-	-	14,260,780.83
M. Machinery	4,047,375	-	-	-	4,047,375.00
H. Other	60,039,664	-	-	-	60,039,664.00
Exhibition Equipments	354,853	-	-	-	354,853.00
Fixes Assets for UNDP Projects	524,300	-	-	-	524,300.00
Total	1,824,119,291	3,993,230.22	101,217,000.00	-	1,929,329,521.22

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017
(All amounts in Sri Lanka Rupees)

DEPRECIATION ACCOUNT

Description	Balance as at 01.01.2017 (Restated)	Depreciations	Accumulated Depreciation on Disposals	Accumulated Depreciation As at 31.12.2017	Net Book Value As at 31.12.2017
Land	-	-	-	-	101,217,000.00
Furniture and Office Equipment	17,733,196	1,044,731.52	-	18,777,927.55	473,867.39
Motor Vehicles	48,641,839	1,247,215.00	-	49,889,054.00	2,377,441.00
Photocopier	2,611,554	333,293.00	-	2,944,846.76	1,423,094.24
Computers	30,243,573	1,924,330.00	-	32,167,903.00	2,642,707.00
Electrical Goods	378,684	52,682.00	-	431,366.21	15,598.24
Library Book	696,561	203,408.00	-	899,969.00	538,383.00
Energy Instruments	91,482,285	101,102.00	-	91,583,387.00	(0.00)
Wind Towers and Instruments	45,348,971	2,154,088.00	-	47,503,059	1,489,443.00
Refrigerator Testing Laboratory	24,721,594	8,433,067.00	-	33,154,661	9,010,676.00
Solar & Mini Hydro projects					
A. Solar Panels	181,757,987	33,025,517.00	-	214,783,504	245,322,948.00
B. Steel Structure	121,085,714	22,226,174.00	-	143,311,888	78,949,850.00
C. Building	35,003,829	6,560,293.00	-	41,564,122	89,453,484.00
D. Switch Gear	13,973,765	-	-	13,973,767	-
E. Inverters	78,642,384	448,922.00	-	79,091,306	-
F. Transformers	12,523,820	2,287,681.00	-	14,811,501	30,942,125.00
G. Power Electronics	31,291,020	328,020.00	-	31,619,040	-
I. Sanitary and Plumbing	45,096,784	8,324,143.00	-	53,420,927	103,078,548.00
J. Cables	100,214,087	10,484.00	-	100,224,571	-
K. Furniture Fittings and Office Equip.	3,002,080	12,504.00	-	3,014,584	-
L. Tools	14,105,619	57,650.00	-	14,163,269	97,511.83
M. Machinery	3,346,283	701,092.00	-	4,047,375	-
H. Other	59,967,681	71,983.00	-	60,039,664	-
Exhibition Equipments	354,853	-	-	354,853	-
Fixes Assets for UNDP Projects	69,637	69,637.00	-	139,274	385,026.00
Total	962,293,800	89,618,018.52	-	1,051,911,818.52	877,417,702.70

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017
(All amounts in Sri Lanka Rupees)

NOTE 9 - 2 LEASE HOLD ASSETS

Description	Balance as at 01.01.2017 (Restated)	Acquisition	Amortization	Balance as at 31.12.2017
Land	43,563,628	-	1,528,548.37	42,035,080.08
Total	43,563,628	-	1,528,548.37	42,035,080.08

NOTE 10 - INTANGIBLE ASSETS

Description	Balance as at 01.01.2017 (Restated)	Acquisition	Amortization	Balance as at 31.12.2017
Computer Software	6,631,346	-	1,662,087	4,969,260
Data and Information	-	-	-	-
Total	6,631,346	-	1,662,087	4,969,260

(Contd...)

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	2017	2016 (Restated)
NOTE 11 - WORKING IN PROGRESS			
Renewable Energy Assessment		2,377,000.00	2,377,000
ADB Quantum Leap -WRA (Wind Force)		2,299,935.00	2,299,935
Energy Efficiency Utilization of PV Thru DC Micro Grid (Uni-Pera)		442,000.00	442,000
Building Office Complex		6,797,403.00	3,936,978
Electric Prototype Vehicle		7,956,800.00	7,956,800
Sampoor Wind Ensuring Mast		130,550.00	130,550
Nadukuda Wind Musing Mast		1,775,025.00	1,775,025
Clean Energy Networ Efficiency Project		15,788.00	15,788
Revision of Code for Energy Efficiency Building Practice		951,778.00	951,778
Poonarin Project		12,952,964.00	-
Total		35,699,243.00	19,885,854

NOTE 12 - INVESTMENT

Fixed Deposits (in NSB, Borella)

Deposit Reg. No.	Date of Maturity	Rate of investment	Net Interest for 2017	Deposit as at 31.12.2017	Deposit as at 01.01.2017
2/0061/11/33829	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33861	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33853	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33888	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33772	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33837	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33845	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33756	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33764	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33802	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33713	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33896	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33799	09/21/2018	11.00%	121,411	1,321,440.00	1,200,000
2/0061/11/33870	09/25/2018	11.00%	46,079	495,540.00	450,000
2/0061/09/60845	10/20/2018	11.00%	44,127	492,537.62	2,894,453
2/0061/11/34051	09/30/2018	11.00%	292,856	3,187,371.64	9,039,590
2/0061/09/49981	05/02/2018	8.50 %	849,889	9,731,118.64	448,169
Total			2,811,298.26	31,085,288.00	28,432,212

TREASURY BILLS-(In People's Bank, Head Quarters)

Deposit Reg. No.	Date of Maturity	Rate of Investment	Net Interest for 2017	Deposit as at 31.12.2017	Deposit as at 01.01.2017
LKB00819K017	18/01/2018	9.85%	1,604,004.03	16,675,954.53	15,585,004
LKB00819K017	11/07/2018	10.2%	3,548,486.40	37,145,921.21	33,753,677
Total			5,152,490.43	53,821,875.74	49,338,681

TOTAL INVESTMENT

84,907,163.74 **77,770,893**

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL POSITION
FOR THE YEAR ENDED 31st DECEMBER 2017

	Note	2017	2016 (Restated)
NOTE 13 - LOAN RECOVERABLES			
ADB Loan (L 2892/93 SRI) through Sampath Bank			
-for Cien Energy Network Efficiency Improvement Project			
SG Joseph and Brothers (Orange Field Tea Factory)		-	9,304,809
Miami Clothing (Pvt) Ltd		-	8,085,000
T5 Escapes (Pvt) Ltd		-	1,485,000
Asia Bike Industrial Ltd		-	8,413,000
Mount Eliza Tea Factory		-	2,718,000
Meezan and Company (Pvt) Ltd		-	3,450,000
Lighthouse (Pvt) Ltd		-	2,991,900
Wimalasurendra and Sons Ltd		12,975,000.00	-
ARK Printing Solutions		2,437,000.00	-
Central Rubber (Pvt) Ltd		9,065,000.00	-
Aitken Spense Hotel Management (Pvt) Ltd		7,924,000.00	-
EB Creasy and Company Plc		8,493,000.00	-
Commercial Export Company		8,886,000.00	-
Total		49,780,000.50	36,447,709
ADB Loan (L 2892/93 SRI) through National Dev Bank			
-for Sustainable Power Sector Support project			
Elpitiya Plantations		-	7,110,000
Watawala Plantations		-	7,770,000
Total		-	14,880,000
NOTE 14 - RECEIVABLES			
Interest Receivable on Fixed Deposits		1,262,865.26	1,104,643
Interest Receivable on Treasury Bills		3,357,404.69	2,688,109
Ceylon Electricity Board -RCL Rent		8,033,271.00	8,033,271
Power Generation - Hambanthota/Indurana		5,174,781.00	8,691,945
Receivable from Employees		2,382.00	2,382
VAT Credit from Dept of Inland Revenue		3,472,802.21	280,458
Local Training Program (Suspense)		211,927.50	358,809
Aitkenspence Travel		6,309.00	6,309
Heritance Ahungalla		35,659.00	35,659
Total		21,557,401.67	21,201,585

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

Note	2017	2016 (Restated)
NOTE 15 - OTHER CURRENT ASSETS		
REFUNDABLE DEPOSIT		
National Youth	40,000.00	40,000
Water Board	2,500.00	2,500
Medical Insurance	500.00	500
Fuel Ect	186,500.00	186,500
Hambantota - CEB	52,000.00	52,000
Indurana- CEB	62,500.00	62,500
Telephone	351,048.00	351,048
Hambanthota Hostel Rent	132,000.00	132,000
Spring Water Pvt Ltd	3,500.00	3,500
American Premium Water	23,000.00	23,000
Mobitel	2,000.00	2,000
W.D.G.S Onil - ODSM	2,100,000.00	2,100,000
SWRD National Memorial Fund		340,429
JR Jayawardena Center		5,000
BMICH	354,153.48	-
Buddhist Cultural Centre	70,000.00	-
Watera Edge Limited	50,000.00	-
Vidulka Exhibition	25,000.00	-
ADVANCE		
Receivable from Energy Fund to Fund of Authority		12,176,162
Advances for Programs etc	311,398.22	190,093
Ministry of Fisheries -Southern Provincial Council		64,000
Industry Technology Institute		97,680
Panadura Nagara Sabhawa		24,725
Visual Business Systems		510,622
Ranjith Ruwan Wijewardena		108,000
Mahaveli Reach Hotel		231,388
Ministry of Public Administration		84,150
Sugathadasa Bandara and Sons Ltd		-
Sri Lanka Foundation		-
Divisional Secretariat -Ruwanwella	251,813.80	256,360
NCP Education Dept, Anuradhapura		2,000,000
Provincial Education Dept, Uwa	1,034,596.00	1,253,150
Provincial Education Dept, Eastern	1,323,300.00	1,323,300
Provincial Education Dept, Northern	1,618,300.00	1,618,300
Provincial Education Dept, North Western	842,682.00	1,120,850
Buddhist Cultural Center	892,512.00	280,122
Provincial Education Dept, Central		1,976,480
Provincial Education Dept, Southern	1,544,949.37	2,156,715
Provincial Education Dept , Sabaragamuwa		1,122,542
Government Printer	2,412,040.00	2,365,000
Provincial Education Dept, Western Province	518,585.00	776,750
Sugathadasa Bandara & Sons Ltd		64,260
BMICH		16,010
Eco Power Lanka Engineering (Pvt)Ltd	5,805,000.00	-
Other	4,576,703.50	2,934,144
Total	24,526,581.07	36,051,780

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

Note	2017	2016 (Restated)
REVOLVING FUND		
Distress Loan	12,089,386.22	10,864,008
Special Advance	4,585.00	4,585
Festival Advance	51,989.00	31,989
Flood Loan	1,318,377.92	-
	13,464,338.14	10,900,582
TOTAL OTHER CURRENT ASSETS	37,990,919.21	46,952,362
NOTE 16 - CASH AND CASH EQUIVALENT		
NSB Savings Account - 100610493406	166,974,053.14	160,380,083
Peoples Current Account - 078100188503576	8,512,421.00	13,512,846
Peoples Current Account - 078100278503576	4,578,684.00	4,578,684
BOC Current Account - 8002630	960,863.69	343,943
BOC Current Account - 74944408	11,228,284.48	20,969,081
BOC Savings Account - 75803419	153,868,425.24	146,248,232
BOC Current Account - 80595356	46,116,605.41	-
Total	392,179,336.96	346,032,869
NOTE 17 - ACCUMULATED FUND		
Accumulated fund of Energy Conservation Fund (ECF) as at 30 September 2007 transferred to Sri Lanka Sustainable Energy Authority (SLSEA) on 1 October 2007. It consists the following :		
Accumulated fund as at 30 September 2007	7,076,392.00	7,076,392
Initial Capital	5,000,000.00	5,000,000
Capital Grant - Ministry of Power and Energy	5,761,145.00	5,761,145
Capital Grant from UNDP	3,612,560.00	3,612,560
Donor Grant from Food and Agriculture Organization	650,239.00	650,239
Total	22,100,336.00	22,100,336
NOTE 18 - DEFERRED GRANT		
Capital Grant 2008	33,770,435.00	33,770,435
Capital Grant 2009	11,955,533.00	11,955,533
Foreign Grant 2009 - Japanese	24,165,380.00	24,165,380
Capital Grant 2010 - Hambantota Solar Park	46,693,991.00	46,693,991
- Unamortized Capital Grant	10,646,819.00	10,646,819
Foreign Grant 2010 - Japanese	11,419,569.00	11,419,569
Capital Grant 2011 - Indurana Mini Hydro Project	15,523,945.00	15,523,945
- Unamortized Capital Grant	68,798,341.00	68,798,341
Foreign Grant 2011 - Japanese	1,155,016,402.00	1,155,016,402
- Korean	191,097,075.00	191,097,075
Differed grant 2012 - ADB	15,082,346.00	15,082,346
Capital Grant 2012	23,581,236.00	23,581,236
Differed grant 2013 - ADB	43,416,071.00	43,416,071
Differed Grant 2013 - KOIKA	35,662.00	35,662
Capital Grant 2013 - FARDF	41,873,961.00	41,873,961
Capital Grant 2014	20,487,827.00	20,487,827
Capital Grant 2015	14,655,015.00	14,655,015
Capital Grant 2016	18,752,051.00	18,752,051
Capital Grant 2017	19,806,619.22	-
Less:		
- Deferred Revenue Previous Years	(865,758,409.00)	(742,396,791)
- Deferred Revenue for The Year	(391,280,105.14)	(123,361,618)
Total	809,739,764.08	881,213,250

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SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	2017	2016 (Restated)
NOTE 19 - OTHER PAYABLE			
Payable to Fund of The Authority from Energy Fund		-	12,176,162
Switch Asia Control Account		4,548,176.00	4,548,176
Ministry of Power and Energy		500.00	500
Accrued Expenses		11,842,516.77	11,355,012
Unpresented Cheques		173,696.00	173,696
Renewable Energy Solar Registration Fees		295,860.00	295,860
Ministry of Mahavali Development and Environment		470,000.00	470,000
UNDP - NAMA Project		1,036,803.00	1,036,803
UNDP - Biomass Project		1,970,834.00	1,970,834
Audit Fees		1,332,636.00	2,822,636
CREDITORS			
Renewable Energy-E Net Solutions (Private) Ltd.		1,667,500.00	1,667,500
Acquisition of Energy Instruments		326,025.00	326,025
Retention		4,154,251.44	3,167,807
Narahenpita Jathika Pola		99,405.00	99,405
SUNDRY CREDITORS			
Sri Lanka Custom		310,748.00	310,748
Welfare Society SEA		442.00	442
REFUNDABLE DEPOSIT			
E-Net solutions (Pvt) Ltd		10,000.00	10,000
ENL Consultant		150,000.00	150,000
Zigma Technologies		10,000.00	10,000
Renco Renewable Energy Co. (Pvt.) Ltd		30,000.00	30,000
Vidulka Exhibition		9,256.00	9,256
Ceylon Petroleum Corp		54,000.00	54,000
Refundable Deposit - Vehicle		14,000.00	14,000
ATA International		50,000.00	50,000
Vidulka symposium - Entertainment Ltd		25,000.00	25,000
Refundable Deposit - Genso Power Technologies		50,000.00	-
Total		28,631,649.21	40,773,862

SRI LANKA SUSTAINABLE ENERGY AUTHORITY
NOTES TO THE FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	2017	2016 (Restated)
NOTE 20 - SRI LANKA ENERGY FUND			
Balance as per bank account			
NSB Savings Account		166,914,053.14	160,380,083
BOC Savings Account		153,868,425.24	146,248,232
		320,782,478.38	306,628,315
Add:			
Fund Transferred Under Reimbursement Basis		-	-
Unreconciled Balance		4,102.50	-
Less:			
VAT payable for Income up to year end (To be transferred to Fund of Authority Account)		(2,581,991.00)	(17,964,921)
Total		318,204,589.88	288,663,394



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

} POE/E/SLSEA/FS/01/2017/07

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

} 17 October 2018

The Chairman

Sri Lanka Sustainable Energy Authority

Report of the Auditor General on the Transactions of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2017

The audit of operations of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2017 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. The financial statements for the year 2017 which should be presented as per the Section 13 (6) of the Finance Act had not been presented even up to 15 August 2018. My observations, which I consider should be presented to the parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka relating to the functions of the fund during the year under review, appear in this report.

1.2 Responsibility of the Management for Financial Statements

Management is responsible for the preparation and fair presentation of financial statements of the Fund in accordance with Sri Lanka Public Sector Accounting Standards and for 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.





2. Financial Statements

2.1 Presentation of Financial Statements

According to the Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the financial statements and the draft annual report should be furnished to the Auditor General within 60 days after the close of the financial year. However the financial statements for the year 2017 had not been furnished to the Auditor General even up to 30 August 2018.

2.2 Existence of Assets and Liabilities

A summary of assets, liabilities, revenue and expenditure of the Authority shown in the audited financial statements as at 31 December 2016 is given below.

Item of Financial statements	Amount
	Rs.
<u>Assets</u>	
Non- current Assets	1,080,797,130
Current Assets	417,284,131

Total Assets	1,498,081,261
	=====
<u>Equity and Liabilities</u>	
Equity	1,372,782,112
<u>Liabilities</u>	
Non- current Liabilities	79,404,647
Current Liabilities	45,894,502

Total Equity and Liabilities	1,498,081,261
	=====



Total Income	445,107,910
Total Expenditure	439,680,794
Surplus	5,427,116

2.3 Accounts receivable and Payable

When assigning management and assets of the Regional Center for Lightning (RCL) to the Lanka Electricity Board in November 2012 by the Sri Lanka Sustainable Energy Authority, an outstanding lease rent of Rs. 8,033,270 payable to the Bandaranayaka Memorial International Conference Hall Foundation had been paid and it had not been recovered from the Lanka Electricity Board up to 30 August 2018.

2.4 Non - compliance with Laws, Rules Regulations and Management decisions.

The following non- compliances were observed in audit.

Reference to laws, Rules and Regulations	Non – compliance
a) Sustainable Energy Authority Act No.35 of 2007	
Section 46 (3)	Contrary to the objectives of the Energy Fund, a sum of Rs. 54,263,517 had been withdrawn by the Authority from investment of the Fund in the years 2015, 2016 and 2017 for purchasing a land to construct an office building for the Sustainable Energy Authority and for preparing plans for that building.



b) Financial Regulations of the
Democratic Socialist Republic
of Sri Lanka.

- i. Financial Regulation 454 Inventory books had not been maintained as per the financial regulations.
- ii. Financial Regulation 757 (1) Physical verifications of assets had not been carried out according to the relevant format.

c) Treasury Circulars

- i. Circular No. 842 dated 19 December 1978 As per the Circular, the assets register had not been maintained properly and up to date in respect of fixed assets totaling Rs.1,961,896,952.
- ii. Circular No. IAI/2002/02 dated 28 November 2002 A fixed assets register had not been maintained in respect of computers, accessories and soft wares valued at Rs.14,973,433

d) Public Administration
Circulars

- Circular No. 28/2011 dated 12 December 2011 Although only the officers of the Sri Lanka Engineering Service are entitled for the professional allowances, a sum of Rs.7,980,000 had been paid by the Authority as professional allowances from August 2016 to May 2018 for officers who were not entitled to the Sri Lanka Engineering Service but engaged in the post of engineer of the Authority without obtaining the approval of the Management Service Department.



2.5 Transactions not Supported by an Adequate Authority

The following observations are made.

- a) Out of the Funds received under the programme of “Switch Asia” from the “Uropian Union” a sum of Rs.3,135,202 had been paid as professional allowances for all officers of the Authority in the year 2010 and 2011 contrary to the terms of the Public Enterprises Circular No.95 of June 1994. Even though the Secretary to the Ministry had directed on 03 December 2012 to recover this illegal payment back from the officers or responsible officers, it had not been done even up to 30 August 2018.
- b) Although a sum of Rs. 98,215 had been paid as salaries to the post of Director General under the category of HM 2-3 as per the Circular of the Department of Management Service No. 2/2016, according to the section 52 (4) of the Act without obtaining approval of the Management Service Department, a sum of Rs.250,000 per month had been paid to the new Director recruited for a period of 01 year on contract basis.

3. Operating Review

3.1 Performance

3.1.1 Planning

The following observations are made.

- a) The responsibility of the Board of Directors is to prepare a corporate plan for a period of at least 3 years and to operate the Institute as to achieve proposed targets accordingly because the activities of the Institute should be managed with a short and long term vision. However a corporate plan had not been prepared by the Authority as per the paragraph 5.1.2 of the Public Enterprises Circular No. PED/12 dated 2 June 2003.

- b) Although an annual action plan had been prepared by the Authority, a report as at the end of the year under review by reviewing the progress had not been prepared.
- c) A human resource development plan had not been prepared by the Authority.

3.1.2 Operating and Review

The following observations are made in connection with achieving targets.

a) Energy Audit and Providing Energy Services

The following observations are made in connection with hiring energy equipment to external parties by the Authority as per the Sri Lanka Sustainable Energy Authority Act No. 35 of 2007.

- i. Although equipment purchased during the period of 2008- 2012 are being used at present, those equipment had not been repaired. Therefore it could not be satisfied about the quality and the accuracy of the information obtained using this measuring equipment.
- ii. Out of the equipment mentioned above, actions had not been taken to dispose or repair the equipment identified as defective in the board of survey 2017 or to purchase modern equipment.
- iii. The rates for hiring energy measuring equipment had been decided by the Board of Directors of the Authority in the year 2010. However those rates had not been revised up to the year 2018.
- iv. Only one engineer and one engineering assistant were working in the staff of the Energy Service Section. As a result it was observed in audit that supplying of services and taking over equipment could not be carried out properly. Therefore supplying of services had dropped down and taking over the measuring equipment had to be done without examining. Hence some instances were observed that equipment had been taken over with defects.



- b) A total provision of Rs.74.787 million had been made from the sustainable Energy Fund for 3 Solar Energy Projects and 3 Solar Power Efficiency Improvement Projects which were expected to be implemented during the year under review. However total provision had been saved relating to 4 projects as at 31 December 2017 due to non-implementing of activities of 4 projects and performance of 2 projects were remained in a range of 2 to 0.2 per cent.

3.2 Management Activities

The following observations are made

- a) A land had been obtained incurring a sum of Rs. 45,856,451 on 22 June 2015 from the Urban Development Authority under 30 years lease in order to construct a head office for the Institute. Due to entering in to an agreement without obtaining legal advice, a condition had been entered in to the agreement that if it is failed to complete development activities within 2 years, the ownership of the leased property will be transferred to the lessor. Although two and half years had lapsed as at 30 September 2018, only planning of the building had been done.
- b) A sum of Rs.160, 090 had been paid by the authority as gratuity to a retired employee who had been recruited on contract basis, the service period had exceeded five years and retired on May 2018. However annual provisions had not been made in this regard.
- c) The report relating to the investigation carried out in connection with deficiencies occurred in the salary conversion at the beginning of the Sustainable Energy Authority had been presented to the Authority on 03 February 2017. However recommendations included in the aforesaid report had not been implemented by the Institution up to now. According to that report the Secretary to the Ministry as the Chief Accounting Officer had informed to recover salaries and allowances amounting to Rs.2, 171,760 overpaid deviating the circular instructions since 01 October 2007 to 30 September 2011 from relevant officers. Nevertheless actions had not been taken to recover or rectify them by the Authority.



- d) According to an agreement entered into on 28 September 2007 a sum of Rs.7,956,800 had been paid to an external party in the year 2007 to develop 03 petro type electric vehicles within 18 months. However 10 years had been lapsed up to 30 August 2018, the developer had failed to develop even one vehicle and actions had not been taken by the Authority to get developed 03 vehicles or to get recovered the money paid.

e) Wind Towers

According to the MEASNET Site Assossonent Guideline 2 April 2016, data collected on continuous basis throughout a year are sufficient for creating wind power plant and obtaining data for 2-3 years is enough to examine the co-relation. Accordingly data had been obtained from 06 towers established before the year 2012. However preparing Energy resources maps regarding wind power and plans using those data had not been completed even up to 31 August 2018.

- f) According to the Cabinet Decision dated 21 March 2008 new fees tariff had been implemented by the Lanka Electricity Board under the “cost based tariff” for Non - traditional Renewable Energy Developers and accordingly it had determined to increase 90 per cent of the cost by the Lanka Electricity Board and the rest 10 per cent by the Sustainable Energy Authority. However actions had not been taken by the Authority to prepare any methodology to settle the sum of Rs.897, 025,999 to Lanka Electricity Board.

3.3 Idle and Underutilized Assets

The following observations are made.

- a) A sum of Rs.4,548,176 in which the rest of the amount received under the “Switch Asia Programme” in a current account and amount relating to Energy Fund more than Rs.150,000,000 in a saving account maintained in two state banks had been deposited without using for any investing activity over a number of years.

- b) A cab and a motor bicycle owned by the Authority had remained idle more than 03 years and the Lanka Automobile Society had recommended to dispose the said cab according to the assessment report dated 17 June 2015. However necessary actions had not been taken to repair or dispose those vehicles even up to 30 August 2018 and it was observed that the cab was decaying in an open space.
- c) Wind Towers of Sampoor and Mullipuram removed on the recommendation to re-establish had been transported to the supplier's premises in Kappettiwala area without any agreement and payments had been released to the supplier without having any document to confirm that equipment removed from those towers had been handed over to the Authority. Further the Authority had failed to take actions to reuse said removed property or any other suitable solution.
- d) Equipment valued at Rs.915, 625 out of the equipment valued at Rs.1, 775,025 purchased in February 2016 for Nadukuda Wind Towers had not been taken to use until August 2018 and other equipment had been fixed in a delay of 11 months.

3.4 Staff Administrations

The following observations are made.

- a) According to the paragraph 9.3 of the Public Enterprises Circular No: PED/12 dated 02 June 2003, a recruitment procedure had not get prepared and approved for the Authority.
- b) The cadre approved by the Department of Management Services for the Authority as at 31 December 2017 was 136 and the actual cadre was 103. Accordingly 33 vacancies were remained and vacancies of 03 Director Posts, 04 posts of Divisional Heads and 12 posts of Management were included in it.



- c) Appointments had been made in acting basis for the above vacancies of 03 Directors and 03 Divisional Heads out of 04 by the Chairman in the years 2013 and 2014 without obtaining the approval of the Board of Directors as the Appointing Authority of the permanent posts deviating the terms of paragraph 13.1 (b) of chapter 11 of the Establishment Code of the Democratic Socialist Republic of Sri Lanka. Contrary to the paragraph 13.7 of chapter 11 and paragraph 12.2.6. of chapter VII of the Establishment Code a sum of Rs.2,903,361 had been paid as acting allowances from the year 2013 to the year 2017.
- d) According to the Public Enterprises Circular No. PED/50 dated 28 July 2008 and Public Enterprises Circular No. PED/01/2015 dated 25 May 2015, without obtaining the approval of the Board of Directors a sum of Rs.2, 610,800 had been paid as fuel allowances since the year 2013 to the year 2016 whilst a sum of Rs.4, 210,000 had been paid as transport allowances for the period since the year 2015 to the year 2017 to a Director included in the 03 Divisional Heads posts.
- e) All activities such as maintaining wind towers, collecting data from towers, preparing data from soft wares and maintaining files had been limited to one technical officer at the commencement of the year 2017. As a result performance targets could not be achieved as planned for the year 2017 and it was observed that there was a risk to the future performance.

4. Sustainable Development

4.1 Achieving Sustainable Development Goals

According to the “2030” Agenda for Sustainable Development Goals of the United Nations, proper criteria had not been identified through the action plan to measure the progress and variations between the targets and achievements of affordable and pure energy supply.



5. Accountability and Good Governance

5.1 Procurement and Contract Process

5.1.1 Procurement

The following observations are made in connection with preparing procurement plan by the Authority for the year.

- a) Although a sum of Rs.341, 409 million had been estimated from the Procurement Plan for the year 2017, out of the Procurement, planned, Procurement activities valued at Rs.94.476 million had only been made during the year. Accordingly it was observed that the requirement of the institute had been over estimated by the Authority when preparing the Procurement Plan.
- b) Although time frames had been identified in the Procurement Plan, Procurement had not been made systematically within those time periods.
- c) According to the Procurement Plan of the year 2017, even though it had been planned to carryout 50 supplies, only 06 supplies had been carried out.

6. Systems and Controls

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

Areas of Systems and Controls

Accounting

Observations

Computerized ledgers not being introduced as possible as to analyze expenditure incurred, under the various expenditure heads.



Financial Control

- I. There were non performing cash balances
- II. Proper delegation of work not been made relating to prepare salary registers, checking and signing salary cheques.
- III. Authority for signing cheques had been delegated without enacting any financial limit when naming officers for signing cheques.
- IV. Activities relating to checking payment vouchers, signing cheques, preparing salary registers and preparing bank reconciliations not being assigned to separate people
- V. Signatures not being put for checking and approving journal vouchers and confirmations for journal entries not been attached to the voucher.

Debtor Administration

Debtors and other receivables not being collected without delay.

Human Resources Management

Human Resources not being managed efficiently as balancing the amount and activities for achieving targets of the authority.

Implementation of Projects

Project activities not being implemented efficiently and immediately as planned for achieving expected objectives of the projects.



Assets Management

I. Evaluation of Property plant and equipment, and documentation not been carried out properly and not being utilized efficiently to achieve objectives of the Authority.

II. Inventory registers not being maintained Fixed assets register relating to receiving and issuing not being maintained among divisions.

Management of Information Systems

No proper procedure to secure data and information.

Vehicle Administration

Fuel consumption not being tested after the year 2014.

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, 2017

2.1 Presentation of financial statement

The financial statements for 2017 have been prepared and submitted for audit.

2.3 Receivable and payable accounts

The Ceylon Electricity Board agreed at the Audit & Management Committee meeting held at the Ministry to pay the Rs. 8,033,270/=, the balance amount of the payment made for RCL.

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

- (a) The Treasury is disbursing over 40 million rupees annually for the buildings of our Authority. Therefore it was decided in 2015 to construct a building of our own. As the first step, Rs.54,263,517/= was spent from the funds of our Authority to purchase a land lot. Nevertheless it is expected to reimburse this money when this project would be undertaken in future along with ADB.
- (b)
 - (i) Inventory book is being maintained.
 - (ii) Physical verification of the assets for 2017 has already been completed.
- (c)
 - (i) The report on board of survey for 2016 had not been prepared. Preparation of the report on board of survey for both 2016 - 2017 has already been completed and hence this can be corrected in 2018.
 - (ii) The fixed assets register in respect of computers, accessories and software has been maintained.
- (d) The General Treasury has agreed for a monthly payment of Rs.15,000/= for the officers attached to the Sri Lanka Engineering Service from 01/01/2012 as per 2012 budget proposal. The necessary instruction has been given by the Circular No. 28/2011 dated 12/12/2011 in this regard.

A request claiming the above professional allowance by the Engineers working in the Sustainable Energy Authority has been submitted to then Director General in order to send to the Secretary to the Ministry of Power and Renewable Energy for his

approval. The Secretary of the Ministry to Power and Renewable Energy has recommended this professional allowance for the Engineers of this Authority and referred his recommendation to the Director General.

The payment of this professional allowance for the Engineers of this Authority has been approved for them in the meeting of the Board of Directors of the Authority held on 08/07/2016 based on this circular.

However, the decision taken on paying the above professional allowance has been suspended at the time of authenticating such decision of the Board of Directors at its meeting held thereafter (09/08/2016) and accordingly it had been noted that such decision should be referred to the Department of Management Services and be approved by it. Nevertheless, in the next meeting (06/10/2016) it was decided that this payment of allowance be made continuously without stopping and obtain the approval for it from the Department of Management Services.

Accordingly, the request for payment of professional allowances with the approval of the Board of Directors has been referred to the Department of Management Services.

However, the Department of Management Service has informed that a formal approval has not been given to this effect and an answer to that will be provided considering it.

This matter was discussed in the meeting held on 15/08/2017 regarding the renewable energy projects with the Hon. Minister of Power and Renewable Energy due to the continuous prevalence of the issues. Instruction has been given in that meeting to obtain the approval without delay and take action to pay this allowance continuously until such approval is received.

This Authority has already made arrangements to obtain a special approval through a Cabinet Memorandum in order to avoid the doubt which may arise in the minds of the Engineers due to the delay in approval from the Department of Management Service.

2.5 Transactions not supported confirmed by an adequate authority

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

Further, on 08.03.2012, Secretary of the Ministry of Power and Renewable Energy has sent a letter to the Department of Management Services of the General Treasury clarifying the matter. Accordingly, as per the request made by the Department of Management Services, the money received from a foreign project as a professional allowance for the professionals who contributed to the project has been distributed among the employees of the Sri Lanka Sustainable Energy Authority who contributed to the success of the project. A full report on how the allowance was distributed was sent on 06th November 2017 to the Department of Management Services.

- (b) According to Section 52 (4) of the Sri Lanka Sustainable Energy Authority Act, No. 35 of 2007, the payment of relevant salary has been decided subject to the approval of the Board of Directors. However, opinion/approval of the Department of Management Services has been sought to extend the second time.

3.0 Operational review

3.1.1 Planning

(a) Corporate plan

According to the Corporate Plan formulated at the beginning of the Authority, programs have been implemented with the long term vision and mission of the institution aiming at ensuring the country's energy security. A 10 year plan for the year 2015-2025 has been prepared by the institution. Accordingly, the programs and the projects are implemented based on the identified programs under this plan. Further, the programs suit to each period are implemented as per the instructions received from time to time from the Ministry.

In this context, no new Corporate Plan was prepared for the institution. It had been observed that the Public Finance Circular No.01/2014 does not require a Corporate Plan for the institution.

(b) Action plan

The relevant report has been prepared reviewing the progress of the programs implemented within 2017 and the said report has been sent to the Central Bank through the Ministry for its applicability in respect of the annual Central Bank report.

(c) Human resource development plan

Steps will be taken to prepare a Performance Based Training Plan and a Human Resource Development Plan after preparing the scheme of recruitment.

3.1.2 Operation and review

(a) Energy audit and provision of energy services

1. Defective and the equipment which needed calibration had been identified. Such defective equipment must be repaired solely through their agents and some of the equipment have to be calibrated only with foreign countries. Since high cost incurs for the purpose, action is being taken to purchase new equipment instead of such old

items. Certain equipment has been calibrated by Sri Lanka Standards Institution (SLSI) and the accuracy of such equipment were certified by SLSI.

2. Defective equipment was identified in 2017 and necessary arrangements were made for the procurement. However, due to the delay in the procurement, it was not possible to do in 2017 arrangements have been made to purchase defective equipment in 2018.
3. This equipment is used because energy efficiency service supplying companies (ESCO), energy management companies, industries, government organizations and university students are provided such equipment at a fair price. ESCO companies are carrying out a big task for energy audit sector while such companies are providing this service as a non-profitable business. Therefore, with the objective of encouraging and promoting such companies and improving energy efficiency, the Sri Lanka Sustainable Energy Authority is in the line taking action to improve the country's energy efficiency by expanding this service. Based on the above facts, no change from 2010 was brought to the amount charged for renting these equipment.
4. With the revised scheme of recruitment of the institution, the recruitment is to be made to provide necessary service, data collection and maintenance in future, and thereby necessary arrangement has been made to avoid the deficiencies indicated.

(b) Progress of project implementation

i. RE/03/01 - Study on a Smart Grid

To introduce a smart grid system, a basic discussion was held with relevant institutions and accordingly a preliminary study on establishment of such a system and how the function being operated with a smart grid system has been carried. In providing smart grid facilities to an already existing system, repair should be carried out suiting to the existing technology. In considering the aspects like practical issue in developing new system, it is easy to introduce this system for new construction than for the existing system. In practical situation, its adoption to a system with smart grid is very difficult and therefore this was identified as a task that should be carried out systematically.

ii. **RE/08 - IFC Solar Project**

Although funds have been allocated for the commencement of large scale renewable projects, a project in Pooneryn and a project in Monaragala were launched. Implementation of these projects will incur high cost. Our Authority associated with IFC as a step taken to invite the investors internationally for this investment. Accordingly, these project activities were carried out for a short-term. The particular organization stopped its aid suddenly. Therefore we were unable to disburse the fund allocated by us within the particular period.

iii. **RE/10 - Hambantota Solar Park**

Funds were allocated for the establishment of a renewable energy park in Hambantota and accordingly a land was declared as an energy development area. However, due to a new development plan introduced for Hambantota, we could not work on our project.

iv. **EM/05 - Sector Specific Programs**

EM/05/02 - Improvement of Energy Utilization Efficiency in Hotel Sector

The program had been planned to be conducted in one province selecting from Central, Southern and Uva Provinces. As per our plan, this was to be selected under procurement method of (LNB)/ Consultancy Services (QCBS) from the institutions which has been registered with the Sri Lanka Sustainable Energy Authority and conducting training programs and the expenditure for this was more than 2 million rupees according to the estimate prepared by us. However, the fund received (2017 Budget) to Sri Lanka Sustainable Authority from the General Treasury under the deduction is Rs.1.5 million.

This program had been planned to implement as a residential program. Nevertheless, it was clear that the expenditure for this could not be settled if it is made under normal tender procedure. So, there is a difficulty in conducting this program with an outside institution under tender procedure. Therefore, the Sri Lanka Sustainable Energy Authority decided to conduct it through its Energy Management Division.

Further, as a limited number of engineers and other employees are working in the Energy Management Division, and also due to other duties like audit, consultancy service, awareness activities, etc., this program could not be conducted in 2017.

v. **EM - 06 Development of Standard Withering Trough**

Funds were allocated in 2016 for the above project. However, preliminary tasks like obtaining approval from the Director General, preparing board paper for the approval of the Board of Directors and designing relevant memorandum of understanding etc. were carried out in 2017. This is a task which stands in a research level. Therefore, several technical level negotiations were held on the relevant project and a substantial time had been spent to assess relevant expenditure, etc. more accurately. Approval of the Board of Directors for this project was obtained in February 2018, and the relevant MoU with regard to that was signed in May 2018. Necessary action will be taken in future to complete this task rapidly.

vi **ST- 02 Island Petrol Shed Survey**

In designing this survey, there had been a need to select a sample duly representing more than 1500 fuel stations operated in Sri Lanka. In order to determine this sample, it had necessitated us to analyze around 186,000 data of the sample survey completed in 2016. Our Authority was able to complete this analysis in 2017 with the assistance of the Department of Census and Statistics. Therefore, the survey could not be carried out in that year. As this report has been prepared by the Authority, it is kindly informed that this survey would be implemented in future.

3.2 Management activities

- (a) According to section 1.8 of the agreement entered between the Urban Development Authority and the Sustainable Energy Authority, it has been mentioned that if the Authority fails to complete the development activities within two years from 22nd of June 2015, such agreement will get terminated and the leased property automatically become owned by the lessor. However, around two years have gone to get the approvals required to be obtained from them. Even though the case had been so, the foundation stone was ceremonially laid down in March of 2018 to mark the opening

of construction work of this with the patronage of the Hon. Minister, the Hon. Deputy Minister and the Secretary.

- (b) With the calculation of the number of employees in permanent service, the annual gratuity is calculated by the Authority. It is done so because the service period of the officers on contract basis is made creating lapses group from time to time. However, our Authority was bound to pay the gratuity to this officer considering his 5 years of continuous services based on the necessity of service.
- (c) The Board of Directors has decided not to accept the inquiry report on the errors in salary conversion of the employees of the Sustainable Authority at its inception. Audit and Management Committee of the Authority decided to appoint a new inquiring committee and take further action based on its report.
- (d) The outside parties associated with this project are continuously diverting from this task. Therefore, legal action has been taken against those parties. It is kindly informed that necessary arrangements have been made to obtain the service of an arbitrator according to the instructions given by the Attorney General's Department.
- (e) It is necessary to follow some steps given below for preparation of wind resource map under wind resource survey program.
 - Collecting data first
 - Data analyzing
 - Preparing sequential order according to data volume
 - Designing data identical to relevant software for map preparation

Adequate time is needed for this. Now this order is systematically being arranged. After a sufficient period, it is expected to prepare wind resource potential map, and it will require 08-10 month period.

- (f) Payment made accordingly to the cost based tariff and the difference in 90% avoided cost in ordinary energy mix paid to the renewable energy power plants are meant by this amount. Financial provision has been requested to cover this shortage in preparing tariffs by utilities in 2010. The Public Utility Commission has agreed in

2010 to recover this money from consumers. Our Authority is of the opinion that further action does not need for it.

3.3 Inactive and Underutilized assets

- (a) The remaining fund under the Switch Asia Program has not yet been used for any investment purposes because the COPE is currently carrying out an inquiry on this fund matter.
- (b) As indicated in your 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 the repairing of it has no economic benefit. Therefore the said vehicle has been referred to the Procurement Division of the Authority on 27.02.2018 in order to dispose the same after having discussion with the Board of Management of the Authority. A committee comprising of three persons has been appointed and therefore further arrangements will be made after receipt of its report.
- (c) As the Sri Lanka Sustainable Energy Authority is situated in the BMICH, no storage facilities are available. Moreover, high cost will incur to transport the removed accessory items to Hambantota. Therefore, such accessories in the service provider's premises are securely kept under our supervision. No payment will be made for them. Most of such removed items are not in reusable conditions, but they are still in the custody of our Authority.
- (d) As these equipment had to be purchased from foreign countries it has taken time. Moreover, the necessary equipment was purchased as a lot and such equipment cost Rs.1,775,025. However, the equipment worth of Rs. 915,625 has been installed in Nadukkuda Wind Mast. Other equipment is available in our Authority for installation when they are needed.

3.4 Staff administration

- (a) The scheme of recruitment has been sent to the Department of Management Services. It is currently being edited.

- (b) A new cadre (170) has already been approved on 06.06.2018 by the Department of Management Service for the Sri Lanka Sustainable Authority. Since there is no an approved scheme of recruitment, recruitment matters related to the institution have been temporarily stopped. The new scheme of recruitment will be submitted in the Board of Director's meeting which is scheduled to be held on 19.09.2018. After obtaining the approved of BoD, it will be submitted to DMS for their approval.
- (c) These appointments on acting basis were made with a view to improve the performance of the Authority based on the institutional needs and to avoid the leaving trend by the experienced officers from the institution. Further, these appointments have been made by the Chairman who is the Head of the Board of Directors under the recommendations of Head of support service, Deputy Director General (in-charge for Administrative Division) (this can be verified by examining the relevant files). As yet the scheme of recruitment has not been approved; the difficulty in granting permanent appointments to these officers has been brought into your kind attention in the discussion held in our Authority under your chairmanship. These particular appointments on acting basis were made as it was unable to grant permanent appointments since a formal scheme of recruitment was not approved. It has been mentioned in the letters of extending the period of appointments issued on 10.11.2014 to each officer reads as 'you are further informed that your appointments will be made permanent as mentioned in the scheme of recruitment, after the restructured program is over. Accordingly, yet the scheme of recruitment of the organization has not been approved, and therefore no possibility stands to make such appointments on acting basis permanent. The Trade Union of the Sustainable Energy Authority is also saying that such appointments should not be made permanent until the scheme of recruitment is approved.
- (d) A proper scheme of recruitment had not been approved for the Authority. Due to this fact a trend of leaving human resources from the institution was observed. Therefore, it was compelled to make appointments on acting basis. Accordingly, it has happened to pay due acting allowances to the relevant posts. 14 posts coming under HM-1-1 salary group have already been approved for Sri Lanka Sustainable Energy Authority. The officers given appointments on acting basis according to the guidelines given by the Department of Management Services have completed their required qualifications

and therefore the necessary action will be taken to cancel the acting allowances paid, by granting them with permanent appointments soon after approval is granted to the scheme of recruitment. Further three officers out of them who were appointed on acting basis are coming under HM-1-1 salary group. They have been allowed to enjoy official vehicles and relevant fuel allowances from 25/05/2015 according to the Circular No. PED/1/2015. Accordingly, such vehicles on acting basis have been allocated only for two officers (Acting Head support service has already resigned from the service).

- (e) Sufficient time is needed to prepare a data ratio of 2017. The adequate number of staff is not available to carry out this task. Preparation of the scheme of recruitment of this Authority has been taking place since 2016 and therefore it is unable to obtain human resources to do this process.

4. Sustainable development

4.1 Achieving sustainable development goals

Both the energy conservation and the renewable energy development are important to achieve the sustainable development goals of the United Nation. Overall projects and programs implemented by the Sri Lanka Sustainable Authority are undertaken covering these two areas. Therefore, all the programs carried out by the Authority have contributed to achieve those sustainable development goals.

5. Accountability and good governance

5.1 Procurement and contract procedure

- (a) Procurement plan was prepared according to the action plan of the Authority. There had been certain shortcomings in other necessary factors to implement such plan and it was unable to implement the said plan completely. Therefore this deficiency has occurred. It is kindly informed that action will be taken in future to prepare this plan taking this situation into consideration.
- (b) It has been unable to recruit the number of required staff to cover full capacity of the Authority. Therefore, a severe problem has arisen in implementing the said plan in time.

It is kindly informed that this situation could be improved after increasing the number of staff to the required extent after receiving the approval for the scheme of recruitment.

- (c) This Authority is providing services in various fields. Therefore, the Authority has happened to involve several institutions, ministries and other parties. These tasks are to be included into an annual plan or procurement plan prepared before next year. It is kindly informed that action will be taken in future to control these outside activities.

6. Systems and control

- (a) Necessary arrangements have already been made to introduce a computerized ledger system and this software is to be introduced for our Authority by them within next two weeks.

(b)

- (i) Arrangements are being made to invest such funds in future having discussion with the General Treasury.
- (ii) Pay roll is prepared by the Finance Division based on the data given for example initial salary, salary increment, information regarding the employees on no-pay leave, allowances, etc. provided by the Administration Division.

Junior Professional (Finance) prepares the schedule in respect of the salary and examines such schedules. The service of a Management Assistant is obtained in examining such things. Therefore, it is hereby notified that necessary action will be taken to follow a method in future to place even her signature in such schedules.

Placing of signature on the cheques for salary is done at every time by an officer having authority to sign other cheques along with the Head of Finance Division. This is never carried out by the Junior Professional (Finance).

Further, these two officers have been compelled to carry out all these work until approval is received from the Department of Management Services for the scheme of recruitment. After receiving the said approval, this can be brought back to normal with the recruitment of new officers to the vacant posts.

- (iii) A method of signing cheques based on the financial value has not been followed since 2007 when this Authority was started. Action will be taken in 2019 to rectify this in preparation of the list of Delegation of Authority.
- (iv) Junior Professional (Finance) has been compelled to do all the work related to checking payment vouchers, signing cheques, preparing payroll, bank reconciliation statements, etc. because currently only one post of executive grade exists. The scheme of recruitment is being prepared now under the guidance of the Department of Management Services. After approving such scheme of recruitment and consequently filling the existing vacancies, it is expected that this delegation of work could be done properly.
- (v) All the journals indicated by you are the vouchers which had to be signed by Mr. Dasanayake during his period as the Sectional Head. However, when they were taken to account, he refused to place his signature. Hence, after correcting them, they have been recorded at the time of preparation of the financial statements. Instructions have been given to obtain necessary approval in future on the day itself when the journals were prepared.
- (c) Ceylon Electricity Board is the only debtor liable to our Authority. Action has been taken to recover other receivable amounts by sending letters to such institutions.
- (d) Arrangements will be made to prepare a training plan including a human resource development plan based on performance after finalizing scheme of recruitment of the organization.
- (e) Within the relevant year, post of the Director General of the Authority has been changed in several occasions. As a result, it is difficult to implement the programs continuously and this situation has made an adverse impact on efficient undertaking of project activities as they were planned.

- (f) Attention will be paid on the observations made by the Auditor General on management of the assets and action is being taken to carry out such matter efficiently as far as possible.
- (g) A separate Information Technology Division is included in the new scheme of recruitment of the organization. Suitable action will be taken in this regard after establishing such division.
- (h) Reconciliation report on fuel for the year 2018 has been prepared submitted to the Internal Audit Division of the Authority. Necessary arrangements will be taken in future to carry out relevant reconciliation process yearly.

Report of the Auditor General on the Financial Statements of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2017 in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971

The audit of the balance sheet and of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2017 comprising with the Statement of Income, Declaration of ownership change and Cash Flow and the financial statements comprising with significant accounting policies and a summary of 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 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 Responsibility for the Financial Statements

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

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 1000-181). These 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 judgment, including the assessment of the risks of material misstatements of the financial statements caused by fraud or error. In making those risk 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 included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of 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.

The original copy of the Auditor General's Report is the Sinhala copy. Refer the original copy In case of translation problems.

1.4 Basis 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 effects 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 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Administration circular No. PED/12 dated 02nd June 2005, even though Financial Statements and draft annual reports should be submitted to the Auditor General within 60 days from the end of accounting year it was rejected twice on the 27th April, 201 and 14th September, 2018 due to submitting draft financial reports by the Authority without approval of the Board of Directors. Subsequently, the financial reports were duly presented after a delay of 11 months on the 17th January, 2019.

2.2.2 Sri Lanka Public Sector Accounting Standards

In terms of the Sri Lanka Public Sector Accounting Standards No. 07, the properties, plant and equipment that can be further used should be disclosed but action had not been taken by the Authority to disclose properties, plant and equipment valued at Rs. 382,274,438 fully depreciated by the end of the year 2017. In the same way, if there is any error, action had not been taken to rectify the error and revalue in terms of Sri Lanka Public Accounting Standard No. 03.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) It was observed that the following deficiencies shown by the Auditor General's Report for the year 2016 had not been rectified even by 31 December, 2017.
 - (i) A land had been purchased in 2015 under the long term leasing basis spending Rs. 45,856,451 for construction of an office building by the Sustainable Energy Authority and the amount of Rs. 47,000,000 that was withdrawn from the Energy Fund to take the land on lease had been identified as a receipt of income and not as a receipt of capital and had been accounted under other income in the Financial Performance Statement of 2015. Due to this reason the surplus of that year had been over estimated by Rs. 47,000,000.
 - (ii) The balance after deducting capital expenditure of Rs. 60,000,000 received from the Treasury for Capital Expenditure for the Authority, is credited to Financial Performance Statement as a revenue income and Rs. 9,242,483 had been reduced incorrectly instead of Rs. 8,345,683 incurred on behalf of purchase of intangible assets and the rest of Rs. 41,287,949 had been credited to the Financial Performance Report with a shortage of Rs.

896,800. Therefore, the surplus of 2016 had been less accounted but action had not been taken in the year under review to rectify the error.

- (d) The loan amounted to Rs. 51,800,357 issued under the Sustainable Energy Section phase 2 project and Pure Energy and Network Efficiency Improvement project, under the ADB loan had been indicated in the Financial Position Statement under Non-Current Liabilities as a loan obtained by the Authority.
- (e) Even though separate accounts were prepared for the Sustainable Energy Section phase 2 project and Pure Energy and Network Efficiency Improvement project implemented under the ADB loan an income of Rs. 135,957,929 and an expenditure of Rs. 136,200,932 had been accounted as Non-operational income and expenditure in the income statement of the Authority for the year 2017.
- (f) When provisions were made for depreciation for the year under review action had been taken deviating from the depreciation policy included in the Financial Statement of the Authority.
- (g) The surplus of the year had been over stated by Rs. 37,504,984 due to including in the Financial Performance report the income of Rs. 29,541,196 that should be credited to the Energy Fund and income of interest of Rs. 7,963,788 that should be credited to the Guarantee Fund in the year under review.

2.3 Unexplained variations

Unexplained variation of Rs. 372,333 was observed between the balance of Guarantee Fund and investment balance as at 31 December 2017.

2.4 Receivable and payable accounts

The following observations were made.

- (a) An advance amount of Rs. 13,348,087 had been provided under the knowledge Management project for Education zone program for the 09 provinces in 2016 and action had not been taken up to 31 December, 2017 to settle the advance of Rs. 6,882,412.
- (b) Rs. 3,052,237 out of Rs. 7,280,210 shown in accounts at the end of the year under review as other payments was brought forward for more than 05 years and cheques valued at 173,696 that were not submitted in payments of Rs. 4,227,973 to be paid were brought forward from 01 to 04 years the Authority had not taken measures up to the end of the year to settle the amount.

Even though Rs. 7,322,281 out of Rs. 11,842,517, shown as accrued expenses in accounts was brought forward for more than 5 years action had not been taken by the Authority to settle the amount or credit it to the income.

2.5 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non –compliance with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules,
Regulations and Management Decisions

Non - compliance

-

(a) **Treasury circulars**

- (i) Circular No. 842 dated
December, 1978

Register for Fixed Assets of total
amount of Rs. 1,929,329,521
had not been regularly maintained
and updated

- (ii) Circular No. IAI/2002/02
computers,

Dated 28 November, 2002

A Fixed Assets register for

Accessories and software valued at
Rs.
6,631,346 had not been maintained.

- (b) Public Enterprise Circulars
Circular No. PED/12 dated
financial
02nd June, 2003

The draft annual report with

statements had not been submitted to
the Auditor General.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Authority for the year under review had resulted in a surplus of Rs. 51,702,295 and correspondingly the surplus of the previous year was Rs. 6,463,693 and an increase of Rs. 45,238,602 was observed in the financial result of the year under review. The incorrect accounting of the total of Rs. 37,504,984 shown in 2.1.3 (g) of this report had mainly caused such a growth of financial result.

3.2 Contribution

When financial results of the year under review and previous 4years are analyzed, even though it had got continuous surplus it declined by 68 percent between 2013 and 2014. However, remuneration, tax paid to the government and depreciation were considered the decrease of contribution of the Authority during the year 2014 was 5% compared to 2013. In 2015 it had increased by 18% compared to 2014. In 2016, a deficit of 22% was observed compared to 2015. Incorrect accounting in the financial statement in 2015 had mainly caused this as mentioned in the paragraph 2.1.3 (a) (i). Due to decreasing of depreciation by Rs. 32 million and increasing the surplus by Rs. 45 million due to the incorrect accounting mentioned in 2.1.3 (i) had caused the increase of contribution by 5% in the year

under review compared to the previous year. However, when it was calculated by removing incorrect accounting value the contribution of 2017 had been decreased by 11 % when compared to 2016.

4. Operating Review

4.1 Management Activities

It was observed in the audit that out of 10 activities mentioned under the ongoing work 8 activities value at Rs. 25,948,876 were not in operation for several years and any expenses had not been incurred for that purpose in 2017 also. Action had not been taken by the Authority to complete the work or take suitable measures.

5. Budgetary Control

The following observations were made.

- (a) Provisions of Rs.13, 000,000 had been allocated for Capital Expenditure by the budget and out of that Rs. 5,674,522 had been spent. Accordingly, Rs. 7,325,478 i.e. 56% out of capital allocations had not been utilized for relevant purposes. Although provisions were not allocated by the budget an expenditure of Rs. 3,701,140 had been incurred to acquire buildings and lands.
- (b) As the budgetary expenditure relevant to the 04 main projects was Rs. 381,762,347 and the actual value was Rs.133, 204,383 it was observed that Rs. 248,557,858 i.e. 65% was remaining and it was observed that the budget had not been utilized as a Management Control instrument.

6. Systems and Controls

The deficiencies in systems and controls observed in the audit were informed of the Chairman of the Authority from time to time. Special attention should be paid on the following Systems and Controls.

Accounting

- (a) A record on amortization of intangible assets had not been submitted.
- (b) Instances were observed where the ledger had not been balanced and the balance as at the end of the year had not been shown.
- (c) Accounting notes made in the ledger had been written off on many occasions and they had not been initialed or rectified in accounts.
- (d) Many instances were observed where the journal vouchers were not checked or approved with initials and the documents to confirm journal notes had not been attached to the journal voucher.

Answers to the Auditor General's Report in terms of Section 14 (2) (c) of the Finance Act No. 38 of 1971 regarding the financial statements for the year ended December 31, 2017.

.2Financial statements

2.1Submission of financial statements

Although accounts were finalized, delays in submitting financial statements, which have been identified as a weakness in the internal control of the institution, was caused by lack of employees and also non availability of a head in the Financial Division.

Although Financial Statements were submitted on two occasions in 2018 it was quoted that the Board of Directors had not sufficiently completed the approval, so it took considerable time for the proper approvals to be submitted and the institute has taken steps to rectify the above errors and omissions by referring them to the Auditor General with the correct approvals on 17 January 2019.

2.2.2

The amortization value of the further usable property plant equipment even though they were fully depreciated is being calculated in accordance with the Sri Lanka Public Sector Accounting Standards No. 07 and action is being taken to present in the Financial Statements for 2018.

2.2.3 Accounting Deficiencies

A land has been obtained on lease basis for the establishment of an office for the company based on the amount of Rs. 47,000,000 obtained from the Energy Fund in 2015 and as that amount has been accounted as a receipt of revenue, financial income of the year has been overestimated by Rs. 47,000,000.

Action will be taken to make adjustments in the forthcoming financial performance statement for the over estimated value of Rs. 47,000,000 in 2015 as mentioned in the audit, with the value mentioned in financial performance of the year 2015 through the statement of Changes in Equity.

Journal Notes on Corrective Energy Authority Accounts

Retention pools - (Net surplus)	Dr	- Rs47,000,000 .
Account payable -(Energy Fund)	Cr	- Rs47,000,000 .

- ii) As reported in the Auditor General's Report, due to a calculation error in the identification of Treasury cash receipts included in the final financial statements of 2016 as income, on the over calculation of acquisition of capital assets by Rs. 896,800 financial performance of 2016 financial year was underestimated by Rs. 896,800 and that underestimated value has not been adjusted in the financial statements of 2017. Therefore, it is expected to rectify that error for 2018 final accounts.

Corrective Journal Entries

- Differed Grant 2016	Dr	Rs.896,800
- Net surplus	Cr	Rs.896,800

- d). Sustainable energy division phase 2 project operating under Asian Development Bank Loans and a project implemented by the Credit Authority under the Clean Energy and Network Efficiency Improvement Project and action has been taken to remove from financial statements of 2018 as indicated by the Auditor General in the financial statement under Non-current liabilities.
- e) Actions have been taken to remove income and expenses related to projects from income statement as shown by the Auditor General.
- f) The depreciation policy as same in the previous years was followed in the year 2017 also, and a depreciation calculation based on the depreciation provisions identified in the previous year's financial statements was done due to the difficulty in obtaining information on the assets to be depreciated during the full year of the institution. This will be regular by 2019 as the asset register of the institution is updated.
- g) An amount of Rs. 37,504,984 has been included in the financial performance statement as income of interest for financial statements of the year under review and the amount was correctly credited to the Energy Conservation Fund and the Guarantee Fund through the statement of Change in Equity. Correct interest income should be obtained to the income statement / financial statement of the institution under other income. As this is the interest

income that the company has to receive through the money of the institution during the year. Since it was generated through the use of the Energy Fund and the Guarantee Fund, it is our view that correct entry has been done in the Financial Statements by crediting the total income to the respective Fund Accounts through the statement of change in Equity.

Furthermore, interest income recognized as the renewable energy earnings / energy management earnings and other income of the institution is the revenue generated from the firm's own cash flows. In the previous fiscal years, that cash was not included in the financial statements, resulting in a under calculated revenue / financial result.

Total income for the year 2017 has been recognized in the financial statements and has been properly credited to the Guarantee Fund and the Energy Authority's Fund through the Change in Equity in income statement.

2.3 Actions have been taken to rectify in 2018 financial statements the difference of Rs. 372,333 between the Balance of the Guarantee Fund and the Investment Balance as set out in the Audit Report as undefined adjustments.

2.4. Receivable and payable accounts

- (a) Since the task of settling the advance payment made for education a zonal program is done slowly, actions are being taken to streamline it and the institutions who already failed to settle are being informed via mails and the advance payment was settled based on the responses of the majority and it is expected to inform again for the advance payments which are yet to be settled and if it's not done, steps will be taken to get advice through institution's AMC for further action.
- (b) Verification letters have been sent to suppliers for other payments and accrued expenses for more than 5 years and necessary action is being taken to clear the money.

2.5 Non-compliance with rules, regulations and management decisions

- (a) Treasury Circulars
 - (i) Fixed asset register is being updated as per the treasury circulars.
 - (ii) Fixed asset register is being maintained with respect to computer accessories and software.

3.1 Financial results

An amount of Rs. 37,504,984 has been included in the financial performance statement as interest income for financial statements of the year under review and the interest income is stated accurately in the financial statement under other income. Because it is the interest income that the institution should receive through its activities. As it was generated through the use of energy fund and guarantee fund, our opinion is that correct entry has been done in the financial statements by crediting the relevant funds to the accounts through the statement of Change in Equity in income.

Moreover, Renewable Energy Earnings / Energy Management Earnings of the Institute and the interest income recognized as other income are the incomes generating through activities of the institute. That money was not included in the financial performance statements in the previous accounting years, and as a result, the income / financial results have been underestimated. Total income for the year 2017 has been recognized for the financial statements. Therefore, incorrect accounting has not taken place here and the overall result is presented in a more accurate manner.

4. Operational Review

4.1 Management Activities

Activities related to the above matters and the actions taken on such activities and their current status are given below.

Number	Activity	Action/Current Status
1	Renewable Energy Source Survey Project	Construction work of Bagawantalawa Power Measuring Mask got delayed due to a land issue. After finding a solution for such issue, the said construction work was completed. Relevant project has already been completed.
2	ADB Quantum Leap Project	Project has been completed.

3	Micro Power System for Efficient Solar Power	Draft final report has been provided. The said report is to be submitted to the Board of Directors based on the observations made through an institution.
4	Efficient Electrical Vehicle Development Project	The delay regarding this project has been referred to the Mediation Board.
5	Shampooor Wind Measuring Mask	Project has been completed.
6	Nadukkuda Wind Measuring Mask	Project has been completed.
7	Green Energy System Improvement Project	Project has been completed.
8	Review on Consultation Service for Energy Efficient Buildings	Project has been completed.

5. Management of budgetary documents

As indicated by the Auditor General, action will be taken from 2019 onwards to prepare a necessary mechanism to implement a budgetary document based financial control.

6. Systems and Controls

Steps will be taken to focus on the areas pointed out by the Auditor General, focusing on the objectives and identifying and correcting the weaknesses. The computer ledger system mentioned here has been introduced and it will be launched from 2019.