

Audited Project Financial Statements

Project Number: 49216-002

Grant Number: 9186

Period covered: 1 January 2021 to 31 December 2021

Sri Lanka: Supporting Electricity Supply Reliability Improvement

Prepared by Sri Lanka Sustainable Energy Authority

For the Asian Development Bank

Date accepted by ADB: 25 January 2023

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Democratic Socialist Republic of Sri Lanka



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

ENR/B/SESRIIP/FA/2021

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

27 December 2022

The Chairman

Sri Lanka Sustainable Energy Authority

Report of the Auditor General on the Financial Statements of the Supporting Electricity Supply Reliability Improvement Project for the year ended 31 December 2021

The English version of the above mentioned report along with a copy of the certified financial statements is sent herewith.

W.P.C. Wickramaratne

Auditor General

- Copies to: - 01. The Secretary, Ministry of Finance, Economic Stabilization and National Policies
02. The Project Director, Supporting Electricity Supply Reliability Improvement Project





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27 December 2022

The Chairman

Sri Lanka Sustainable Energy Authority

Report of the Auditor General on the Financial Statements of the Supporting Electricity Supply Reliability Improvement Project for the year ended 31 December 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Supporting Electricity Supply Reliability Improvement Project for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021, statement of project expenditure and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions in the Grant Agreements No. 9186 - SRI(EF) dated 19 December 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2021, statement of project expenditure and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the section Auditor's Responsibilities for the Audit of the Financial Statements appeared in my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Requirements of the Lending Agency

As required by the Asian Development Bank, I state the followings:

- (a) funds provided had been utilized for the purposes for which they were provided,
- (b) Statements of Expenditure (SOE) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Grant Agreement,
- (c) opening and closing balances, withdrawals from and replenishments to the Special (Dollar) Account had been truly and fairly and disclosed in the books and records maintained by the Project and the balances as at 31 December 2021 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date,
- (d) financial covenants laid down in the Grant Agreement had been complied with.


W.P.C. Wickramaratne

Auditor General

Sri Lanka Sustainable Energy Authority

Supporting Electricity Supply Reliability Improvement Project

ADB PROJECT – GRANT NUMBER: JFPR 9186-SRI

Financial Statements

For the year ended 31 December 2021

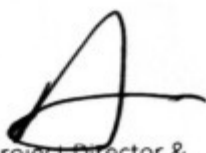


Statement of Project Expenditure
Year Ended 31 December 2021

	Notes	2021	2020
Project Expenditure			
Consultancy Fees	3	20,000,252	38,084,500
Other Charges incurred by SLSEA			
Total Project Expenditure for the period		<u>20,000,252</u>	<u>38,084,500</u>

The accounting policies and notes on Page 4 through 11 form an integral part of the financial statements.

We certify that these financial statements are in compliance with the requirement of the grant agreement signed with Asian Development Bank and the Sri Lanka Sustainable Energy Authority.



Project Director &
Director General

J. M. Athula

Director General

Sri Lanka Sustainable Energy Authority



Director (Finance)

Densi Ratnayake

Director (Finance)

Sri Lanka Sustainable Energy Authority
Block - 05, BMICH, Colombo 07.



Chairman

Eng. Ranjith Sepala
Chairman

Sri Lanka Sustainable Energy Authority
No. 72, Ananda Coomaraswamy Mawatha,
Colombo 07.



Statement of Financial Position
As at 31 December 2021


	Notes	2021	2020
Assets			
Non - Current Assets			
Work in Progress	8	94,700,559	74,700,307
Total Non Current Assets			
Current Assets			
Disbursable Foreign Grant	9	-	3,196,227
Cash At Central Bank	2	14,932,318	13,887,411
Total current assets			
Total Assets		<u>109,632,877</u>	<u>91,783,945</u>
Capital Liabilities			
ADB Contribution	10	108,098,766	84,674,521
Exchange gain		1,534,111	716,963
Total capital Employed		<u>109,632,877</u>	<u>85,391,484</u>
Current Liabilities			
Payable to consultants	3	-	6,392,461
Current Account with SLSEA			
Total Current Liabilities		<u>-</u>	<u>6,392,461</u>
Total Capital & Liabilities		<u>109,632,877</u>	<u>91,783,945</u>


The accounting policies and notes on Page 4 through 11 from an integral part of the financial statements.

We certify that these financial statements are in compliance with the requirement of the grant agreement signed with Asian Development Bank and the Sri Lanka Sustainable Energy Authority.


Project Director &
Director General

J. M. Athula
Director General
Sri Lanka Sustainable Energy Authority


Director (Finance)
Densi Ratnayake
Director (Finance)
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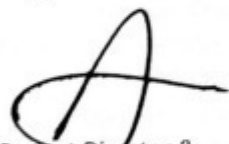


Statement of Cash Flows
Year Ended 31 December 2021

	2021	2020
Cash flow from operating activities		
Total project expenditure for the period	(20,000,252)	(38,084,500)
changes in working capital		
Decrease in receivable	3,196,227	(81,860)
Decrease in payable	(6,392,461)	3,278,094
Net cash generated from operations	(23,196,486)	(34,888,266)
Cash flow from investing activities		
Net acquisition of property plant and equipment		-
Net cash generated from / (used in) investing activities		
Cash flow from financing activities		
Fund received from ADB	23,424,245	34,897,395
Exchange gain	817,148	346,549
Net cash used in financing activities	24,241,393	35,243,944
Net increase/ (decrease) in cash and cash equivalents	1,044,907	355,678
Cash and cash equivalents at the beginning of the year	13,887,411	13,531,733
Cash and cash equivalents at the end of the year	14,932,318	13,887,411

The accounting policies and notes on Page 4 through 11 from an integral part of the financial statements.

We certify that these financial statements are in compliance with the requirement of the grant agreement signed with Asian Development Bank and the Sri Lanka Sustainable Energy Authority.




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J. M. Athula
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Notes to the Financial Statements
 For the year ended 31 December 2021

NOTE 1

Reporting Entity

1.1 Domicile and Legal Form

Sri Lanka Sustainable Energy Authority (SLSEA) was established on 01 October 2007 consequent to the repealing and replacing the Energy Conservative Fund (ECF) Act. No. 02 of 1985 by SLSEA Act. No. 35 of 2007.

1.2 Project

Supporting Electricity Supply Reliability Improvement Project Agreement is signed with SLSEA and Asian Development Bank (ADB) on 19 December 2016, by a Grant Agreement between GOSL (Government of Sri Lanka – the Recipient) and ADB (JFPR Grant Agreement). ADB has agreed to make available a grant to the GOSL from the “Japan Fund for Poverty Reduction” and administered by ADB in the amount of Two Million US Dollars (USD 2,000,000/-) which amount comprise of the Grant amount allocated to SLSEA, Seven Hundred and Forty Five Thousand US Dollars (USD 745,000/-) on the terms and conditions set forth in the JFPR Grant Agreement but only on the condition that the proceeds of the grant be made available to SLSEA and that SLSEA agree to undertake certain obligations towards ADB. The Project became effective on 29 June 2017 and is expected to be completed by 31 March 2022.

The project, a subcomponent of the main project, implemented by SLSEA shall support productive energy use for small isolated Islands and rural communities in three (3) inhabited islands in the Jaffna area of the Northern Province (Nainathivu, Analativu and Delft).

1.3 Objective(s) of the Project

The project aims at improving livelihoods in local communities, including for women through ;

- (i) Training on the safe use of electrical equipment
- (ii) Training on productive use of electricity for income generation opportunities realized after gaining access to electricity

and

Implementation of the Activities Such as,

- (i) Energy based livelihoods with focus on women’s micro enterprises development
- (ii) Consultations for development of Renewable Energy Technology (RET) Based Local Infrastructure
- (iii) End-user education for the safe and efficient use of electricity and electrical equipment
- (iv) Technical training and skills development to avail of employment and livelihood opportunities

1.4 Implementation of the Project

SLSEA has assigned M/S Aryans Consulting Group Singapore PTE Ltd., (Singapore) a joint venture consisting of Aryans Engineering (Private) Ltd., (Sri Lanka) and Atkins International (UK), (hereinafter called and referred to as the “Consultant”) to successfully implement the project objective(s) and the laid out activities based on the service contract SLSEA has entered into with the consultant on 6 December 2018 and that the consultant has agreed to provide the services on the terms and conditions as stated in the consultant’s service contract.



Sri Lanka Sustainable Energy Authority – SLSEA
Supporting Electricity Supply Reliability Improvement Project
Asian Development Bank - ADB Project (Japan Fund for Poverty Reduction - JFPR)
Grant No - JFPR 9186-SRI

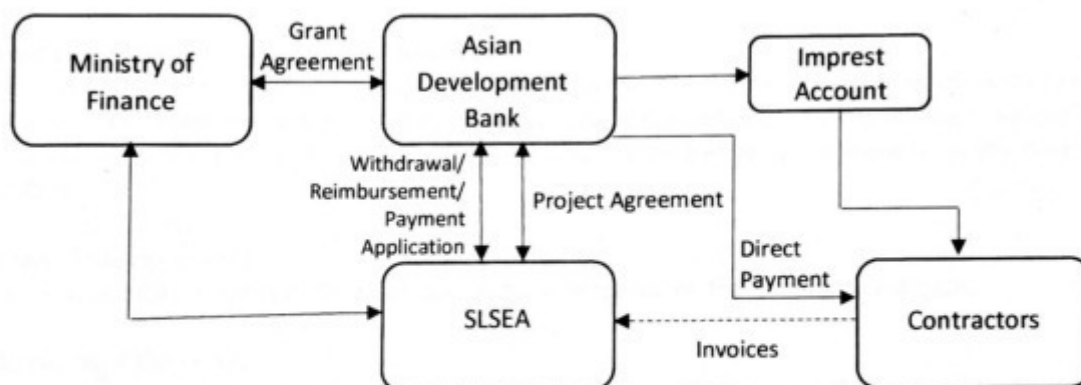
Notes to the Financial Statements
For the year ended 31 December 2021

1.5 Project Funding and Disbursement arrangements for ADB Grant

The entire project activities as defined in the consultant's service contract are funded through the ADB Grant allocated to SLSEA. The proceeds of this grant will be disbursed by the ADB equivalent to the qualified payments submitted by the consultant, requested through SLSEA and upon approval by the ADB.

The total project value funded by the ADB grant amount to Four Hundred Ninety Seven Thousand and Seven Hundred Four US Dollars and Sixty Two cents (USD 497,704.62) and Two Million and Seven Hundred Thousand Sri Lanka Rupees (LKR 2,700,000/-).

Fund Flow Diagram



1.6 Disbursement arrangements for ADB Bank.

Separate Imprest Account is established for funding source and maintained at the Central Bank of Sri Lanka. The currency of the Imprest Account is in USD.

1.7 Basis of Preparation and Statement of Compliance

The Financial Statements comprising of the Statement of Financial Position, Statement of Project Expenditure, Statement of Cash Flows together with Notes thereto have been prepared and presented in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS). Budgeted values are extraction of the Administration Manual.

1.8 Responsibility for Financial Statements

The Board of Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying the most appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.



Notes to the Financial Statements
For the year ended 31 December 2021

1.9 Accounting Period

The Board of Management is of the view that the reason for preparing the Financial Statements for the year ended 31 December 2021.

1.10 Functional and Presentation Currency

The Financial Statements of the project are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which Sri Lanka Sustainable Energy Authority and its projects are operated

1.11 Comparative Information

The Financial Statements are presented as at 31 December 2021 and it is the comparative figures are presented.

1.12 Foreign currency transactions and balances

All foreign currency transactions are translated into the Functional Currency, which is Sri Lanka Rupees (LKR), using the spot exchange rates prevailing at the end of the month in which the invoice was settled, irrespective of the date of invoice and the exchange rate prevalent on the date of invoice.

1.13 Basis of measurement

The Financial Statements of the projects has been prepared on the historical cost basis.

1.14 Approval of the Board

The financial statements for the year ended 31st December 2021 were authorized by the Board of Management of the Authority on 27th October 2022.



Notes to the financial Statements
For the year ended 31 December 2021

NOTE 2

Cash at Central Bank
Balance in imprest account as at 31 December 2021

Date	Total		USD
	LKR		
31st December 2020	13,887,411		74,500
31st December 2021	14,932,318		74,500

NOTE 3

Consultancy Fees

Paid to Aryans Consulting Group Singapore PTE Ltd., (Singapore), the Qualified Consultant, as per the Consultant's Service Agreement

2020	Invoice No	Value		Total Value in LKR
		LKR	USD	
Deliverables 04				
Income Generation Mapping (20% of the Contract Value)	2001	540,000	99,541	19,077,428
Deliverables 05				
Shortlisting, training and Workshop (20% of the Contract Value)	2002	540,000	99,541	19,007,072
Total Invoiced by the Consultant for the year 2020		1,080,000	199,082	38,084,500
Less				
The Amount Paid by ADB		1,080,000	181,936	34,897,394
Payable before ex. Gain loss Adjustment			17,146	3,187,106
Exchange Gain/loss adjustment				90,989
Payable to Consultant and Receivable from ADB as at 31 December 2020			34,292	6,392,461

2021	Invoice No	Value		Total Value in LKR
		LKR	USD	
Deliverables 06				
Gender action plan intergation report (20% milestone payment and inv 2002 Balance Payment)	2003	540,000	99,541	20,000,252
Total Invoiced by the Consultant for the year 2021		540,000	99,541	20,000,252
Less				
The Amount Paid by ADB		540,000	90,968	18,324,189
Payable before ex. Gain loss Adjustment			8,573	1,676,063
Exchange Gain/loss adjustment				491,454
Payable to Consultant and Receivable from ADB			42,865	8,559,978
ADB Paid on Recovery advise 211			42,865	8,559,978
Payable to Consultant and Receivable from ADB as at 31 December 2021				



Notes to the financial Statements
For the year ended 31 December 2021

NOTE 4

Grant from ADB

Application No	Descriptions	Value LKR	USD	Total Value in LKR
<u>2020</u>				
A0010		540,000		540,000
A0011			90,968	16,940,845
A0012			90,968	16,876,550
A0013		540,000		540,000
Total -2020		1,080,000	181,935	34,897,395
<u>2021</u>				
A0014		540,000		540,000
A0015			99,541	19,460,252
A0016			17,146	3,423,992
Total -2020		540,000	116,687	23,424,244
Contribution From ADB		2,700,000	572,205	108,098,765

NOTE 5

Allocation and Disbursement of the Grant Receipts

Receipt	2021 LKR	2020 LKR	2019 LKR
A0001			13,161,319
A0003			2,150,992
WA003			135,000
A0004			6,457,178
A0005			405,000



Notes to the financial Statements
For the year ended 31 December 2020

A0007			540,000
A0008			8,856,273
A0009			15,228,302
A0010		540,000	
A0011		16,940,846	
A0012		16,876,550	
A0013		540,000	
A0014	540,000		
A0015	19,460,252		
A0016	3,423,992		
Exchain Gain	1,044,907	355,678	370,414
Total Receipt	24,469,151	35,253,073	47,304,478

Disbursement	2021 LKR	2020 LKR	2019 LKR
A0003			2,150,992
WA003			135,000
A0004			6,457,178
A0005			405,000
A0007			540,000
A0008			8,856,273
A0009			15,228,302
A0010		540,000	
A0011		16,940,846	
A0012		16,876,550	
A0013		540,000	
A0014	540,000		
A0015	19,460,252		
A0016	3,423,992		
Total Disbursement	23,424,244	34,897,395	33,772,745
	13,887,411	13,531,733	-
Cash at Central Bank at beginning of the year			
	14,932,318	13,887,411	13,531,733
Cash at Central Bank at End of the year			



Notes to the financial Statements
For the year ended 31 December 2021

NOTE 6

Statement of Budget Vs Actual Expenditure
Allocation and withdrawal of Grant Proceeds

Project Activity	Allocation		Withdrawals				Balance	
	Budgeted Amount		Disbursed currency		Total amount translated into			
	USD	LKR	USD	LKR	USD	LKR	USD	LKR
Equipment	75,000	10,800,000	-	-	-	-	75,000	10,800,000
Consultancy Services	620,000	89,280,000	497,706	2,700,000	512,341	92,094,386	107,659	(2,814,386)
Unallocated	50,000	7,200,000	-	-	-	-	50,000	7,200,000
TOTAL	745,000	107,280,000	497,706	2,700,000	512,341	92,094,386	232,659	15,185,614

The budgeted values has been extracted from the a administration manual. The cost of estimate and the key assumptions used to arrive at the value allocation have been outlined in the said manual.

Exchange Rate - -Budgeted value - Estimated at SLR144.00 = USD 1.00 (as of 13 November 2015)
-Actual Disbursed Value - Disbursed in SLR and USD have been translated using the spot exchange rate prevalent at the end of the month.

Exceed Withdrawals Actual withdrawals exceed the estimate LKR value due to the exchange rate differences

Notes to the financial Statements
For the year ended 31 December 2021

NOTE 7
Reconciliation Statement with ADB GFIS

App No.	Method	Name	Per APFS				Per GFIS	
			Date	LKR	Exch. Rate	USD Eqv	Value Date	USD
A0003	Direct	Aryan Consultant	7/5/2019	-	-	12,192.95	07/05/19	12,192.95
A0004	Direct	Aryan Consultant	13/06/2019	-	-	36,575.79	13/06/2019	36,575.79
A0005	Direct	Aryan Consultant	12/6/2019	405,000	176.42	2,295.66	12/06/19	2,295.66
A0007	Direct	Aryan Consultant	16/09/2019	540,000	180.35	2,994.18	16/09/2019	2,994.18
A0008	Direct	Aryan Consultant	3/10/2019	-	-	48,767.73	03/10/19	48,767.73
A0009	Direct	Aryan Consultant	14/11/2019	-	-	84,398.98	14/11/2019	84,398.98
A0009	Direct	Aryan Consultant	10/5/2019	135,000	177.00	762.71	10/05/19	762.71
WA003	Direct	Aryan Consultant	6/16/2020	540,000	185.26	2,914.82	6/16/2020	2,914.82
A0010	Direct	Aryan Consultant	5/5/2020	-	-	90,967.72	5/5/2020	90,967.72
A0011	Direct	Aryan Consultant	9/2/2020	-	-	90,967.72	9/2/2020	90,967.72
A0012	Direct	Aryan Consultant	9/4/2020	540,000	-	2,905.41	9/4/2020	2,905.41
A0013	Direct	Aryan Consultant	3/9/2021	540,000	195.75	2,758.62	3/9/2021	2,758.62
A0014	Direct	Aryan Consultant	3/8/2021	-	-	90,967.72	3/8/2021	90,967.72
A0015	Direct	Aryan Consultant	5/4/2021	-	-	42,866.01	5/4/2021	42,866.01
A0016	Direct	Aryan Consultant						
				2,700,000		512,336.02		512,336.02

Reconciliation Statement

Total amount disbursed as per ADB-APFS/GFIS
total amount disbursed as per the statement of cash receipts & disbursement

USD 512,336
USD 512,336



Notes to the financial Statements
For the year ended 31 December 2021

NOTE 8

Work In Progress

	2021 LKR	2020 LKR	2019 LKR
Balance as at 01st January	74,700,307	36,615,807	-
Add : Amount incurred during the year	20,000,252	38,084,500	36,615,807
Less : Transfers	-	-	-
Balance as at 31st December	94,700,559	74,700,307	36,615,807

NOTE 9

	2021		2020	
	USD	LKR	USD	LKR
<u>Receivable from ADB</u>				
Balance as at 01st January	-	-	17,146.00	3,114,367
Add : Amount increased during the year	-	-	-	-
Less : Transfers	-	-	-	-
Exchange Gain/(Loss)	-	-	-	81,860
Balance as at 31st December	-	-	17,146	3,196,227

NOTE 10

ADB Contribution

	2021 LKR	2020 LKR
Balance as at 01st January	85,391,484	50,147,540
Add : Payment to the consultant through CPD	23,424,244	34,897,395
Exchange Gain /(Loss)	817,148	346,549
Balance as at 31st December	109,632,876	85,391,484

NOTE 11

Imprest Account with Central Bank of Sri Lanka

Reference to the Note 1.5 fund flow diagram and note 1.6 disbursement arrangements for ADB Bank

Imprest Account has been opened with Central Bank. Details are as follows :

Account name : Supporting Electricity Supply Reliability Improvement Project (Externally Funded)
ADB Grant no . 9186 - SRI (EF)
Account No. : 74168 - SL - 210
Beneficiary Bank: Central Bank of Sri Lanka
Amount : USD 74,500

No Transactions have been done with the account during the period

