

# Audited Project Financial Statements

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Project Number: 49216-002  
Grant Number: 9186  
Period covered: 29 June 2017 to 31 December 2019

**SRI: Supporting Electricity Supply Reliability  
Improvement**

Prepared by Sri Lanka Sustainable Energy Authority  
For the Asian Development Bank  
Date accepted by ADB: 27 January 2021

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**SRI LANKA SUSTAINABLE ENERGY AUTHORITY -SLSEA**

Financial Statements of the Supporting Electricity Supply  
Reliability Improvement Project  
Grant No. JFPR 9186 –SRI  
For the Period from  
29 June 2017 to 31 December 2019

23 December 2020

## INDEPENDENT AUDITOR'S REPORT

Page 1

To the Board of Management of Sri Lanka Sustainable Energy Authority - SLSEA

Report on the Audit of the Financial Statements of the Supporting Electricity Supply Reliability Improvement Project (Funded by Asian Development Bank, Grant No. JFPR 9186-SRI) for the period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months).

### Opinion

We have audited the Financial Statements of the Supporting Electricity Supply Reliability Improvement Project for the Thirty (30) months period ended 31 December 2019 comprising the Statement of Cash Receipts and Disbursements and Notes to the Financial Statements.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the Financial Position of the Project as at 31 December 2019 and Statement of Cash Receipts and Disbursements together with accompanying Notes therewith, of the project for the Thirty (30) months period then ended in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS).

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of SLSEA in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Basis of Accounting

We draw attention to Note 1.7 and 1.8 to the Financial Statements which described the Basis of Accounting. The Financial Statements are prepared to provide information to specific users. As a result the Financial Statements may not be suitable for another purpose. Our opinion is not modified in this respect.

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

Management is responsible for the preparation and for presentation of the Financial Statements in accordance with SLPSAS and for such internal control as management determines is necessary to enable the preparation of the Financial Statements free from material misstatement whether due to fraud or error. Those charged with governance are responsible for overseeing the SLSEA's financial reporting process.

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

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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 specific users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 internal control.
- Evaluate the appropriateness of accounting methods used and the reasonableness of the application of accounting principles and related disclosures made by 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on Other Requirements of the Donor Agency

As required by the Asian Development Bank we state the following :

(a) The basis of opinion of the audit is as stated above,

(b) In our opinion :

- Funds provided had been used for the purposes for which they were provided
- The Financial Statements comprising of the statement of Cash Receipts and Disbursements together with Notes therewith submitted for the thirty (30) months period ended 31 December 2019 could be fairly relied upon to support the applications for reimbursements in accordance with the requirements specified in the grant agreement and the qualified consultant's service agreement. The movements on transactions, if any, of the imprest account in USD, maintained at the Central Bank of Sri Lanka had been appropriately disclosed in the books of accounts maintained by the project and the balance remaining as at 31 December 2019 had been accurately reconciled with the records of the Central Bank of Sri Lanka as at that date.

and

- The financial covenants laid down in the grant agreement and the qualified consultant's service agreement had been complied with.



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

Statement of Cash Receipts and Disbursements for the period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months)

		Expressed in	
		LKR	USD
<b>Receipts</b>			
<b>Grant Disbursed by ADB</b>			
On qualified consultant's service contract	(Note 2)	<u>33,782,473</u>	<u>187,988</u>
Advance in imprest account at Central Bank	(Note 6)	<u>13,161,319</u>	<u>74,500</u>
Currency fluctuation difference arising on - translating the balance remaining in the - imprest account as of 31 December 2019 (LKR 181.634 = USD 01)		<u>370,414</u>	<u>-</u>
<b>Total Receipts</b>		<u><b>47,314,206</b></u>	<u><b>262,488</b></u>
<b>Disbursements</b>			
Consultancy Fees Paid	(Note 3)	<u>33,782,473</u>	<u>187,988</u>
<b>Cash at Central Bank</b>			
Balance in imprest account as at 31 December 2019	(Note 7)	<u>13,531,733</u>	<u>74,500</u>
<b>Total Disbursements</b>		<u><b>47,314,206</b></u>	<u><b>262,488</b></u>

The Board of Management is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board of Management.



Chairman



Director General



Director Finance

Date : 23 December 2020.

Colombo

Audit Report on Page 1 & 2

Figures in brackets indicate deductions

Notes to the Statement of Cash Receipts and Disbursements on Page 4 to 8 form an integral part of this Statement



**Notes to the Financial Statements**

For the period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months)

**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. No Government funds have been contributed to this project.

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.



### Notes to the Financial Statements

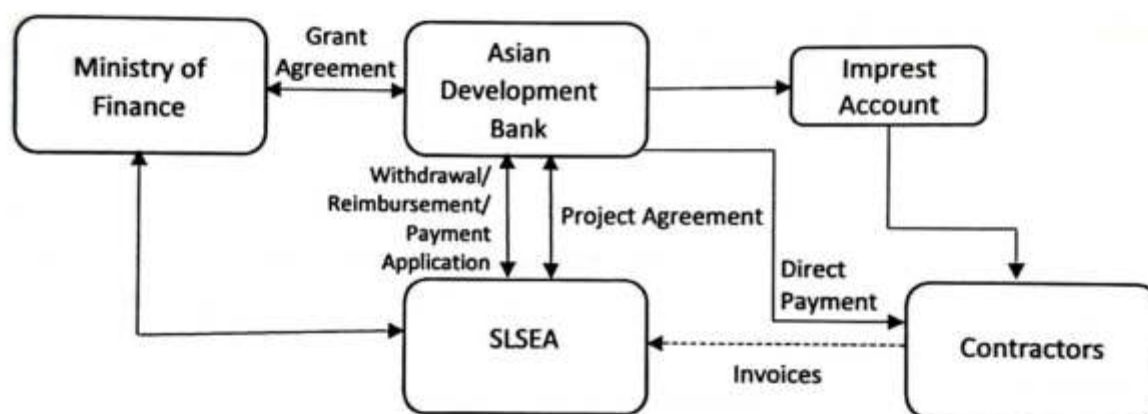
For the period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months)

#### 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 receipts and disbursements together with Notes thereto have been prepared and presented in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS). based on a presentation frame-work designed to meet the financial information needs of general users. Budgeted values are extraction of the Administration Manual.

#### 1.8 Responsibility for Financial Statements

The Board of Management is responsible for the preparation and presentation of the Financial Statements in accordance with SLPSAS. This responsibility includes selecting and applying the most appropriate accounting framework suitable for reporting and presenting the Financial Statements acceptable to the general users.

The responsibility also includes monitoring, inspection, evaluation and verification of the quality resources and cost throughout the project related programme with reference to the contract agreement to ensure that the consultant has fulfill all requirements mentioned in the qualified consultant's service contract. The management too will ensure that the deliverables are successfully completed by the consultant and the reports submitted are acceptable to SLSEA.



**Notes to the Financial Statements**

For the period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months)

**1.9 Accounting Period**

The Board of Management is of the view that the reason for preparing the Financial Statements for the thirty (30) months period ending 31 December 2019 were factually on the premise that, no Financial Transactions were reported in the year 2017 and in the year 2018.

**1.10 Functional and Presentation Currency**

The Financial Statements comprising of the Statement of receipts and disbursements together with Notes therewith of the project are presented in Sri Lanka Rupees (LKR) and in United States Dollars (USD). Since, LKR is the reporting currency in Sri Lanka the amounts stated in USD has been converted using the spot conversion rate prevalent at the time of the transaction.

**1.11 Comparative Information**

The Financial Statements are presented as at 31 December 2019 and it is the first Financial Statements relating to the project hence, no comparative figures are presented.

**NOTE 2**

**ADB Grant Provided as per Qualified Consultant's Service Contract**

**Allocation and Disbursement of Grant Proceeds**

	Consultancy Services			
	Currency Disbursed		Total Currency Disbursed Translated into	
	LKR	USD	LKR	USD
ADB Grant Value	2,700,000	497,705	-	-
Amount disbursed during the year (Note 3)	(1,080,000)	(181,936)	33,782,473	187,988
Grant Remaining, to be Disbursed, as at 31 December 2019	1,620,000	315,769	-	-





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 period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months)

**NOTE 3**

**Consultancy Fees**

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

	Invoice No	Amount Disbursed		Total Currency Disbursed Translated into	
		LKR	USD	LKR	USD
<b>Deliverables 01</b>					
Inception Report (5% of the Contract Value)	1911	135,000	24,885	4,587,695	25,648
<b>Deliverables 02</b>					
Project Implementation Plan (15% of the Contract Value)	1912	405,000	74,656	13,721,933	76,952
<b>Deliverables 03</b>					
Socio Economic Survey (20% of the Contract Value)	1913	540,000	99,541	18,569,927	102,534
<b>Total Invoiced by the Consultant as at 31 December 2019</b>		<b>1,080,000</b>	<b>199,082</b>	<b>36,879,555</b>	<b>205,134</b>
<b>Less</b>					
The Amount rejected by ADB		-	(17,146)	(3,097,082)	(17,146)
<b>Total Amount Disbursed as at 31 December 2019</b>		<b>1,080,000</b>	<b>181,936</b>	<b>33,782,473</b>	<b>187,988</b>

**NOTE 4**

**Statement of Budget vs Actual Expenditure**

**Allocation and withdrawal of Grant Proceeds**

Project Activity	Allocation		Withdrawals				Balance	
	Budgeted Amount		Amount Disbursed		Total amount translated into			
	USD	LKR	USD	LKR	USD	LKR	USD	LKR
Equipment	75,000	10,800,000	-	-	-	-	75,000	-
Consultancy Services	620,000	89,280,000	181,936	1,080,000	187,988	33,782,473	432,012	55,497,827
Unallocated	50,000	7,200,000	-	-	-	-	50,000	-
<b>TOTAL</b>	<b>745,000</b>	<b>107,280,000</b>	<b>181,936</b>	<b>1,080,000</b>	<b>187,988</b>	<b>33,782,473</b>		

The budgeted values have been extracted from the administration manual. The cost 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 SLR 144.00 = 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 date of the payment.



**Notes to the Financial Statements**

For the period from 29 June 2017 to 31 December 2019 (for the period of thirty (30) months)

**NOTE 5**

Direct Payments by ADB on withdrawal applications submitted by the consultant

App No.	Method	Name	Per APFS			Per GFIS		
			Date	LKR	Exch. Rate	USD Eqv	Value Date	USD
A0003	Direct	Aryans Consulting	07/05/2019	-	-	12,192.95	07/05/2019	12,192.95
A0004	Direct	Aryans Consulting	13/06/2019	-	-	36,575.79	13/06/2019	36,575.79
A0005	Direct	Aryans Consulting	12/06/2019	405,000	176.42	2,295.66	12/06/2019	2,295.66
A0007	Direct	Aryans Consulting	16/09/2019	540,000	180.35	2,994.18	16/09/2019	2,994.18
A0008	Direct	Aryans Consulting	03/10/2019	-	-	48,767.73	03/10/2019	48,767.73
A0009	Direct	Aryans Consulting	14/11/2019	-	-	84,398.98	14/11/2019	84,398.98
WA003	Direct	Aryans Consulting	10/05/2019	135,000	177.00	762.71	10/05/2019	762.71
				<u>1,080,000</u>		<u>187,988.00</u>		<u>187,988.00</u>

**Reconciliation Statement**

Total amount disbursed as per ADB - APFS / GFIS	USD	<u>187,988.00</u>
Total amount disbursed as per the statement of cash receipts & disbursement	USD	<u>187,988.00</u>

**NOTE 6**

**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

**Note 07**

**Cash at Central Bank**

Balance in imprest account as at 31 December 2019

Date	Total	
	LKR	USD
31st December 2019	13,531,733	74,500

