

# Audited Project Financial Statements

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Project Number: 47037-004

Loan Numbers: 3146/3147

Period covered: 01 January – 31 December 2015

## Sri Lanka: Green Power Development and Energy Efficiency Improvement Investment Program (Tranche 1)

Prepared by the Auditor General's Department, Sri Lanka

For the Asian Development Bank

Date received by ADB: 05 January 2017

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 Public Communications Policy 2011 and as agreed between ADB and the Ministry of Power and Renewable Energy.



# විගණකාධිපති දෙපාර්තමේන්තුව

## கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்

### AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல.  
My No.

POE/C/GPD&EEIP/FA/2015  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

24 December 2016

The Chairman  
Ceylon Electricity Board

#### Report of the Auditor General on the Financial Statements of the Green Power Development and Energy Efficiency Improvement Investment Program (Project -1) for the year ended 31 December 2015

The audit of financial statements of the Green Power Development and Energy Efficiency Improvement Program (Project – 1) for the year ended 31 December 2015 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 2.09 (a) of Article II of the Project Agreement No. SRI 47037 dated 20 November 2014 entered into between the Asian Development Bank and the Ceylon Electricity Board.

#### 1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Facility Administration Manual of the Program, the Executing Agency of the Program is the Ministry of Power and Renewable Energy and the Implementing Agency is the Ceylon Electricity Board. The objective of the Program is to enhance clean power generation, system efficiency and reliability. As a part of the Investment Program, the Project aims to increase renewable energy generation, enhance transmission infrastructure, improve network efficiency and ensure demand side management.

As per the Facility Administration Manual, the total estimated cost of the Program amounted to US\$ 220 million equivalent to Rs 28,509.80 million and out of that US\$ 180 million equivalent Rs.23,325.50 million was agreed to be financed by the Asian Development Bank under the Project-01 of the Program. The activities of the Program had been commenced on 20 November 2014 and scheduled to be completed by 30 September 2019. A summary of the sources of finance is given below.

Source	US\$ million	Rs. million
Asian Development Bank		
Ordinary Capital Resources Loan	121.00	15,680.40
Asian Development Fund Loan	29.00	3,758.10
Agency Franchise Development		
Loan	30.00	3,887.00
Government of Sri Lanka	40.00	5,184.70
	<u>220.00</u>	<u>28,509.80</u>

### 1.3 Responsibility of the Management 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 free from material misstatements, whether due to fraud or error.

### 1.4 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. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program'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 Program's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Program management and the reliability of books, records, etc. relating to the operations of the Program.
- (b) Whether the expenditure shown in the financial statements of the Program had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Program.
- (c) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Program from the funds of the Government of Sri Lanka and the Lending Agency, the progress of the Program in financial and physical terms, the assets and liabilities arising from the operations of the Program, the identifications of the purchases made out of the Loan etc.
- (d) Whether the withdrawals under the Loan had been made in accordance with the specifications laid down in the Project Agreement.
- (e) Whether the funds, materials and equipment supplied under the Loan had been utilized for the purposes of the Program.
- (f) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Program.
- (g) Whether the financial statements had been prepared on the basis of Sri Lanka Accounting Standards, and
- (h) Whether the financial covenants laid down in the Project Agreement had been complied with.

## 1.5 Basis for Qualified Audit Opinion

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

## 2. Financial Statements

### 2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 2.1 of this report, I am of opinion that,

- (a) the Program had maintained proper accounting records for the year ended 31 December 2015 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2015 in accordance with Sri Lanka Accounting Standards,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the Statements of Expenditure (SOEs) submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Project Agreement, and
- (d) the financial covenants laid down in the Project Agreement had been complied with

## 2.1 Comments on Financial Statements

### 2.1.1 Accounting Deficiencies

The following observations were made.

- (a) The part payments aggregating Rs 6.20 million made to the residents in the areas of Uda Palatha and Ganga Ehala Korale Divisional Secretariats for land acquired for the construction of Moragolla Hydropower Plant had been shown under work-in- progress instead of being accounted as advances.
- (b) A sum of Rs. 1.37 million incurred in 2014 by the other Donor Funded Project called “Sustainable Power Sector Support Project” for detailed designing of Moragolla Hydropower Plant had been transferred to this Program in 2015. Further, depreciation amounting to Rs 2.94 million on plant, property and equipment of the above mentioned Donor Funded Project had also been transferred to this Program during the year under review.

### 2.1.2 Non-Compliance with Laws, Rules and Regulations

According to the Circular No: MOFP/ERD/2007/2 dated 07 August 2007 of the Ministry of Finance and Planning, the financial statements of the Program for the year under review required to be submitted for audit on or before 31 March 2016 had been submitted only on 24 June 2016.

### 3. Financial and Physical Performance

#### 3.1 Utilization of Funds

Significant statistics relating to the financing, budgetary provision for the year under review and the utilization of funds during the year under review and up to 31 December 2015 are shown below.

Source	Amount agreed for financing in the Project Agreement		Allocation made in the Budget Estimate for the year under review	<u>Funds utilized</u>			
				during the year under review		as at 31 December 2015	
	US\$	Rs.	Rs.	US\$	Rs.	US\$	Rs.
	million	million	million	million	million	million	million
ADB	180.00	23,326.20	4,361.00	0.80	110.00	0.80	110.00
GOSL	40.00	5,183.60	-	-	-	-	-
CEB	-	-	541.00	1.40	176.70	1.60	205.00
<b>Total</b>	<b>220.00</b>	<b>28,509.80</b>	<b>4,902.00</b>	<b>2.20</b>	<b>286.70</b>	<b>2.40</b>	<b>315.00</b>

#### 3.2 Physical Progress

- (a) According to the information made available to audit, the civil construction works of the Moragolla Hydropower Plant had not been commenced even after lapse of 13 months from the date of entering into the contract agreement, due to delays in selecting of a Consultant. Further, the physical progress on acquisition of lands for the construction of Hydropower Plant had not been received for audit eventhough a sum of Rs. 6.20 million had been released to the Divisional Secretary, Moragolla in November 2014 for that purpose.
- (b) The contract agreements for the construction of Grid Substation at Kappaiturel and augmentation of Grid Substations Kerawalapitiya, Katunayaka and Trincomalee had been entered in to on 28 December 2015



and other works such as construction works of Grid Substations at Kesbewa and Kalutara and augmentation of old and new Grid Substations in Anuradhapura under the enhancement of capacities of transmission infrastructure had remained at initial stages as at 31 December 2015.

- (c) The other activities of the Program for the purposes of the improvements of efficiency of medium voltage networks and improvement of demand side management for energy efficiency had also remained at the initial stages even after lapse of 01 year of the commencement of the activities of the Program.

### 3.3 Issues on Financial Control

The responsibility on implementation of the activities of the Program had been segregated and assigned to 03 Divisions of the Ceylon Electricity Board instead of assigning such activities to the dedicated Division established for the implementation of the Donor Funded Projects. Therefore, a proper mechanism for the monitoring of the activities of the Program and disseminate information on physical progress of such activities had not been implemented during the year under review.



H.M. Gamini Wijesinhe  
Auditor General

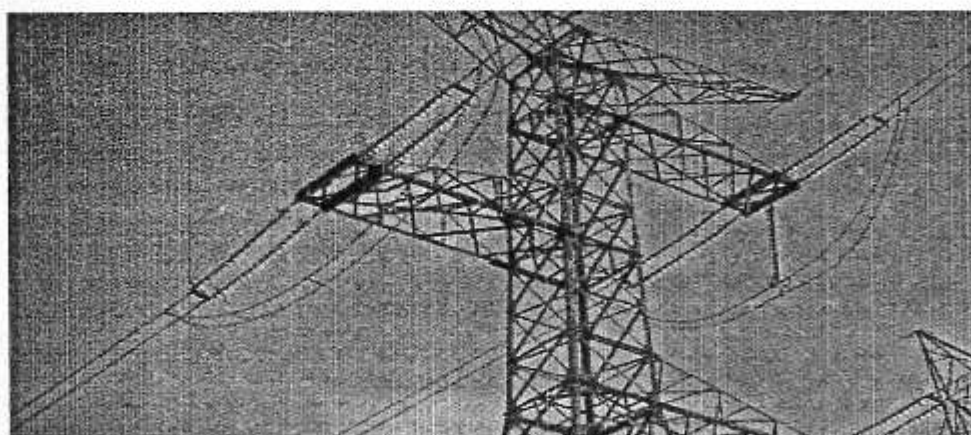




**GREEN POWER DEVELOPMENT & ENERGY  
EFFICIENCY IMPROVEMENT INVESTMENT  
PROGRAMME (PROJECT-I)**

**ADB LOANS: 3146 & 3147 SRI**

**ANNUAL FINANCIAL STATEMENTS  
2015 - 12 - 31**



**FINANCE DIVISION  
CEB HEADQUARTERS  
2<sup>ND</sup> FLOOR, P.O.BOX 540  
COLOMBO-2**

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STATEMENT OF FINANCIAL POSITION

Year Ended 31st December 2015

(All amounts in SriLankan Rupees)

		2015	2014
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Work -In -Progress (Project Development Expenditure)	4	204,276,454	27,536,655
<b>Total Non Current Assets</b>		<b>204,276,454</b>	<b>27,536,655</b>
<b>Current Assets</b>			
Mobilization Advance	5	110,106,080	
Advance & Prepayments	6	49,095	107,434
Other Deposit	7	3,619,000	300,000
<b>Total Current Assets</b>		<b>113,774,175</b>	<b>407,434</b>
<b>Total Assets</b>		<b>318,050,629</b>	<b>27,944,089</b>
<b>Capital &amp; Liabilities</b>			
CEB Capital Contribution	8	205,043,549	27,297,224
<b>Total Capital Employed</b>		<b>205,043,549</b>	<b>27,297,224</b>
<b>Non -Current Liabilities</b>			
Interest Bearing Loan (ADB)	9	110,106,080	
<b>Total Non-Current Liabilities</b>		<b>110,106,080</b>	
<b>Current Liabilities</b>			
Accrued Expenses	10	2,883,500	646,865
Refundable Tender Deposits	11	17,500	
<b>Total Current Liabilities</b>		<b>2,901,000</b>	<b>646,865</b>
<b>Total Capital and Liabilities</b>		<b>318,050,629</b>	<b>27,944,089</b>

The Board of Directors and Management are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by.

  
Chairman

  
General Manager

  
Finance Manager

The accounting policies and notes as set out in pages 04 to 26 form an integral part of the Financial Statements.

.../... /2016  
Colombo

**STATEMENT OF PROJECT EXPENDITURE (WIP)**

Year Ended 31st December 2015

(All amounts in Sri Lanka Rupees)

**Other Income and Gains**

**2015**

**2014**

**Project Development Expenditure**

Part 1: Hydropower Generation Developed and Connected to the Grid  
Moragolla Hydro Power Project

4.1

132,859,813

25,818,516

Part 2: Enhanced Transmission Infrastructure Capacity

4.2

43,772,814

1,718,138

Part 3: Efficiency of Medium Voltage Network Improved

4.3

107,173

**Total Net Expenditure**

176,739,800

27,536,654

Note: The Total amount of work in Progress which has been accumulated under following years, is disclosed in the Balance Sheet of above project

Year

Amount in Rs.

2014

27,536,654

2015

176,739,800

204,276,454

The accounting policies and notes as set out in pages 04. to 26 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

For the Year Ended 31st December 2015

(All amounts in Sri Lanka Rupees)

	2015	2014
<b>Non Cash Item</b>		
Depreciation	9,326,093	3,958,903
<b>Cash Flow from Operating Activities</b>		
(Increase)/Decrease in Advance & Prepayment	58,339	
(Increase)/Decrease in Other Deposits	(3,319,000)	
(Increase)/Decrease in Mobilization Advance	(110,106,080)	
Increase/(Decrease) in Tender Deposits	17,500	
Increase/(Decrease) in Accrual	2,236,635	
<b>Net Cash Flow from Operating Activities</b>	<u>(111,112,606)</u>	<u>-</u>
<b>Cash Flow from Investing Activities</b>		
Payments for Development Expenditure(WIP)	(167,413,706)	(23,338,321)
<b>Net Cash Flow from Investing Activities</b>	<u>(167,413,706)</u>	<u>(23,338,321)</u>
<b>Cash Flow from Financing Activities</b>		
Proceed from Interest Bearing Loan ADB	110,106,080	
Proceed from Capital Contribution by CEB	168,420,232	23,338,321
<b>Net Cash Flow from Financing Activities</b>	<u>278,526,312</u>	<u>23,338,321</u>
<b>Net Cash Balance</b>	-	-
Cash & Cash Equivalents, January 1st 2015	-	-
Cash & Cash Equivalents, December 31st 2015	<u>-</u>	<u>-</u>

The accounting policies and notes as set out in pages 04 to 26 form an integral part of the Financial Statements.

**Notes to the Financial Statements  
as at 31.12.2015**

**1.0 CORPORATE INFORMATION**

**1.1. General**

Ceylon Electricity Board was incorporated under Ceylon Electricity Board Act No.17 of 1969. The Head Office of the Board is situated at No.50, Sir Chittampalam A Gardiner Mawatha, and Colombo 02.

Green Power Development & Energy Efficiency Improvement Investment Program was undertaken by Ceylon Electricity Board in accordance with Project Agreement entered in 20<sup>th</sup> November 2014 with Asian Development Bank.

**1.2 Principal Activities and Nature of Operations**

The objective of the investment program is to enhance clean power generation, system efficiency and reliability. As a part of the investment program, the project will aims to increase renewable energy generation, enhance transmission infrastructure, improve network efficiency, and ensure demand side management. The Project shall comprise of the following;

**Part 1: Hydropower Generation Developed and Connected to the Grid**

- (i) Construction of the Moragolla Hydropower Plant; and
- (ii) Construction and installation of around 0.5 km, 132 kV associated transmission infrastructure to connect the hydropower generation facility to the grid.

**Part 2: Enhanced Transmission Infrastructure Capacity**

- (i) Construction and installation of a 220/33kV grid substation and associated facilities at Kerawalapitiya;
- (ii) Construction and installation of a 220/132/33kV grid substation and associated facilities at Kappalturai;
- (iii) Construction and installation of a 132/33kV grid substation and associated facilities at Kalutara;
- (iv) Construction and installation of a 132/33kV grid substation and associated facilities at Kesbewa;
- (v) Augmentation of a 132/33kV grid substation in Katunayake;
- (vi) Augmentation of a 132/33kV grid substation in Old Anuradhapura;

**Part 3: Efficiency of Medium Voltage Network Improved**

Installation of around 92km of 33kV medium voltage lines and gantries around Vavunativu and Madampe;



**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**Part 4: Demand Side Management for Energy Efficiency improved**

Implementation of energy saving pilot subprojects in Colombo through;

- (i) Use of smart grid and metering technologies;
- (ii) Retrofitting building with smart energy saving technology including building automation; and
- (iii) Installing cold thermal storage in selected buildings.

**Part 5: Capacity Development Support Provided**

Provision of consulting support for (i) institutional capacity for power sector development, system operation and dispatching, and energy efficiency improvement, and (ii) project management including implementation supervision; and preparation of new projects for the second tranche;

**1.3 Implementing Agencies and Time Schedule:**

**a) Executing Agency and Implementing Agency**

ADB has agreed to provide a multi-tranche financing facility to the Borrower for purposes of financing projects under the Green Power Development and Energy Efficiency Improvement Investment Program.

**b) Time Schedule of Implementation**

Project is initially expected to be completed by 30th September 2019.

**1.4 Project Funding & Financing Arrangements**

The investment program is estimated to cost US\$440 million including base cost, contingencies and finance charges during implementation. Taxes & duties, contingencies and incremental cost (land, environmental & social mitigation) will be financed from Government resources.



Notes to the Financial Statements Contd.....  
as at 31.12.2015

a) Project Investment Plan

	(\$ -Million)
<b>A. Base Cost</b>	
1. Construction of Moragolla Hydropower Project	113.18
2. Transmission Infrastructure Development and Medium Voltage Network Efficiency Improvement	242.58
3. Energy Efficiency Pilot Projects	14.04
4. Project Management and Capacity Building	12.31
<b>Subtotal of (A)</b>	<b>382.11</b>
<b>B. Contingencies</b>	<b>44.22</b>
<b>C. Financing Charges During Implementation</b>	<b>13.67</b>
 <b>Total (A+B+C)</b>	 <b>440.00</b>

Notes to the Financial Statements Contd.....  
as at 31.12.2015

b) Detailed Cost Estimates By Financier

Item	Total Cost USD Mn.	ADB				AFD		Counterpart	
		OCR	% of cost category	ADF	% of cost category	AFD	% of cost category	Amount	% of cost category
<b>A. Investment cost</b>									
1 Civil works and erection	129.15	96.43	74.67%	15.30	11.85%	17.42	13.49%		0.00%
2 Equipment	213.32	119.57	56.05%	51.17	23.99%	42.58	19.96%		0.00%
3 Consultancy									
a. Project management, design & supervision	15.60		0.00%	15.60	100.00%		0.00%		0.00%
b. Capacity development	1.93		0.00%	1.93	100.00%		0.00%		0.00%
Sub Total (A)	360.00	216.00	60.00%	84.00	23.33%	60.00	16.67%		0.00%
Base Cost	360.00	216.00	60.00%	84.00	23.33%	60.00	16.67%		0.00%
<b>B. Other cost</b>									
1 Taxes and duties	18.57		0.00%		0.00%		0.00%	18.57	100.00%
2 Consultancy			0.00%		0.00%		0.00%		0.00%
3 Environmental & Social Mitigation	3.54		0.00%		0.00%		0.00%	3.54	100.00%
Sub Total (B)	22.11		0.00%		0.00%		0.00%	22.11	100.00%
Total Base Cost (A+B)	382.11	216.00	56.53%	84.00	21.98%	60.00	15.70%	22.11	5.79%
<b>C. Contingencies</b>									
1 Physical	18.48		0.00%		0.00%		0.00%	18.48	100.00%
2 Price	25.74		0.00%		0.00%		0.00%	25.74	100.00%
Sub Total (C)	44.22		0.00%		0.00%		0.00%	44.22	100.00%
<b>D. Financing Charges During Implementation</b>									
1 Interest during construction	12.75		0.00%		0.00%		0.00%	12.75	100.00%
2 Commitment Charges	0.92		0.00%		0.00%		0.00%	0.92	100.00%
Sub Total (D)	13.67		0.00%		0.00%		0.00%	13.67	100.00%
Total Project Cost (A+B+C+D)	440.00	216.00	49.09%	84.00	19.09%	60.00	13.64%	80.00	18.18%

Notes to the Financial Statements Contd.....  
as at 31.12.2015

(C) Details of Cost Estimates by Expenditure Category

Item	SLR Million			USD Million			% of Total base cost
	FC	LC	Total cost	FC	LC	Total Cost	
<b>A. Investment cost</b>							
1 Civil works and erection	7762.44	8974.10	16736.54	59.90	69.25	129.15	33.80%
2 Equipment	23525.76	4118.12	27643.88	181.54	31.78	213.32	55.83%
3 Consultancy							
a. Project management, design & supervision	1346.44	675.16	2021.60	10.39	5.21	15.60	4.08%
b. Capacity development	250.00		250.11	1.93		1.93	0.51%
Sub Total (A)	32884.75	13767.38	46652.13	253.76	106.24	360.00	94.21%
Base Cost	32884.75	13767.38	46652.13	253.76	103.24	360.00	94.21%
<b>B. Other cost</b>							
1 Taxes and duties		2406.49	2403.49		18.57	18.57	4.86%
2 Consultancy							0.00%
3 Environmental & Social Mitigation		458.75	458.75		3.54	3.54	0.93%
Sub Total (B)		2865.23	2865.23		22.11	22.10	100.00%
Total Base Cost (A+B)	32 884.75	16632.61	49517.36	253. 76	128.35	382.11	100.00%
<b>C. Contingencies</b>							
1 Physical		2394.82	2394.82		18.48	18.48	4.84%
2 Price		3335.64	3335.64		25.74	25.74	6.74%
Sub Total (C)		5730.46	5730.46		44.22	44.22	11.57%
<b>D. Financing Charges During Implementation</b>							
1. Interest during construction		1652.28	1652.28		12.75	12.75	3.34%
2 Commitment Charges		119.22	119.22		0.92	0.92	0.24%
Sub Total (D)		1771.50	1771.50		13.67	13.67	3.58%
Total Project Cost (A+B+C+D)	32884.75	24134.58	57019.33	253.76	186.24	440.00	115.15%

**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**c) Allocation of Loan Proceeds**

The Ministry of Finance and Planning made the loan proceeds available to CEB ~~Subsidiary Financing Agreement acceptable to ADB~~. The initial loan proceeds were allocated in categories as shown below separately for Ordinary Capital Resources (OCR), and Special Funds (SDR).

*Allocation and Withdrawal of Loan Proceeds*

*Ordinary Capital Resources – Loan 3146 SRI*

Category			ADB Financing
Number	Item	Total Amount Allocated for ADB Financing Categories(USD)	Percentage and basis for withdrawal from the Loan Account
		CEB	
1	Works	63,860,000	95.34% of total expenditure claimed*
2	Equipment	57,140,000	82.63% of total expenditure claimed*
<b>Total</b>		<b>121,000,000</b>	

Notes to the Financial Statements Contd.....  
as at 31.12.2015

*Asian Development Fund – Loan 3147*

Category			ADB Financing
Number	Item	Total Amount Allocated for ADB Financing Categories(SDR)	Percentage and basis for withdrawal from the Loan Account
		CEB	
1	Works	2,019,000	4.66% of total expenditure claimed*
2	Equipment	7,773,000	17.37% of total expenditure claimed*
3	Consulting Services	8,976,000	100% of total expenditure claimed*
Total		18,768,000	

\*Exclusive of local taxes and duties imposed within the territory of the Borrower.

*AFD's Loan (Lot B of Package 2)*

CATEGORY			ADB FINANCING
Number	Item	Total amount allocated for AFD Financing Categories (USD)	Percentage and basis for withdrawal from the Loan Account
		CEB	
1.	Works	7,130,000.00	100 percent of total expenditure clamied
2.	Equipment	22,870,000.00	100 percent of total expenditure clamied
	Total	30,000,000.00	

Turnkey contracts including Goods and Works

Excluding local taxes and duties imposed within the territory of the Borrower

**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**2.0 A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements of Green Power Development & Energy Efficiency Improvement Investment Program have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. The Principal accounting Policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1. Basis of Preparation**

The Financial statements of Green Power Development & Energy Efficiency Improvement Investment Program Project have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS)

The Financial statements which are presented in Sri Lankan rupees have been prepared on an accrual basis under the historical cost convention.

The preparation of financial statement in conformity with the SLFRS /LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involving higher degree of judgment / complexity / areas where assumption and estimation, are the significant to the financial statements.

**2.2 Foreign Currency Translation**

**a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in "Sri Lanka Rupees", which is considered the entity's functional and presentation currency.

**b) Transactions and balances**

Foreign currency transactions are initially recorded by the Board at the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies taken to Income Statement.



**Notes to the Financial Statements Contd.....**

as at 31.12.2015

In terms of sub-section 6 of section 42 of the Ceylon Electricity Board Act No.17 of 1969, CEB does not account for any profits or losses arising from foreign exchange fluctuations, in respect of the capital and interest on foreign currency loans, as the exchange rate risk is borne by the Government of Sri Lanka. The outstanding loans repayable are valued at the agreed exchange rate at the time of receipt of the loan by CEB.

**2.3 Inventories**

Inventory which are mostly used and listed in the annual price list are valued at Standard Prices in the Distribution Divisions and others such as consumables and spares at First in First out valuation method.

However, the Board made provision for unrealized profit of the inventory which is valued at Standard Prices to enable to bring down the value to cost.

**2.4 Financial Assets**

**2.4.1 Other Receivables**

Other receivables and dues from Related Parties are recognised at cost less provision for impairment on specific receivables balances.

**2.4.2 Cash and Cash Equivalents**

Cash and Cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

**2.5 Financial liabilities**

The Board's financial liabilities include trade and other payables, bank loans and other borrowings. Financial liabilities are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

**2.5.1 Other Payables**

Accounts payables are classified as current liabilities if payment is due within one year or less. (or in the normal operating cycle, if longer). If not they are presented as non-current liabilities.



**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**2.5.2 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**2.5.3 Borrowing costs**

Borrowing costs consist of interest and other costs that the Board incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such

time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**2.6 Property, Plant and Equipment**

**a) Cost & Valuation**

Property, Plant & Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

The subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board, and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognized. All repairs and maintenance are charged to work-in-progress during the financial period in which they are incurred.

**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**b) De-recognition**

An Item of Property, Plant & Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference) between the net disposal proceeds and the carrying amount of the asset) is included in work-in-progress in the year the asset is de-recognised.

**c) Restoration Cost**

Expenditure incurred on repair on maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

**d) Capital Work in Progress**

Cost of long term capital projects are carried forward in capital work-in-progress until the projects are completed and the related assets are available for use.

Capital work in progress represents all amounts paid on work undertaken and still in an unfinished state as at the end of the year.

**c) Depreciation**

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual values over their estimated useful lives using the straight line method commencing from the month in which the asset is available for use.

On disposal of assets, depreciation is calculated exclusive of the month in which disposal takes place.

**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

The estimated useful lives range of property, plant and equipment is as follows:

Transmission Lines at 220Kv, 132Kv and 66Kv	35 Years
Distribution Lines:	
HT Underground -33	50 Years
HT Underground -132	50 Years
HT Underground -11	40 Years
IIT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
HT Switchgear	35 Years
Primary and Grid Substation	35 Years
SCADA (Central Facilities) and communications equipment	15 Years
Vehicles	07 Years
Machinery and Tools	05 Years
Office Equipment	05 Years
Furniture & Fittings	05 Years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

**3.0 Provisions**

Provisions are recognized when the Board has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the passage of time is recognized as finance cost.

**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**3.1 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Board and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

The following specific criteria are used for the purpose of recognition of revenue.

**3.3 Expenditure Recognition**

Expenses are recognized in the Statement of Project Expenditure on the basis of a direct association between, the costs incurred.

**3.4 Critical accounting Estimate and judgements.**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

Notes to the Financial Statements Contd.....  
as at 31.12.2015

4.1 Statement of Work in Progress

Part 1: Hydropower Generation Developed and Connected to the Grid  
(Moragolla Hydro Power Project)

(All amounts in Sri Lanka Rupees)

LEDGER CODE	DESCRIPTION	2015	2014
	OTHER INCOME		
	INTEREST INCOME		
1420	Interest on Staff Loan Account		
	SUB TOTAL OF INTEREST INCOME		
	OVERHEAD RECOVERIES		
1520	Recoveries on Telephone Account		
	SUB TOTAL OF OVERHEAD RECOVERIES		
	PROFIT / LOSS ON DISPOSAL OF PPE		
	MISCELLANEOUS INCOME		
1300	Miscellaneous Income Account		
1350	Tender Fee/Non Refundable Deposits/ Forfeiture of Guarantees Account		
	SUB TOTAL OF MISCELLANEOUS INCOME		
	TOTAL INCOME		
	PERSONNEL EXPENSES		
2100	Management Staff Salaries Account	19,300,478.43	2,966,643.33
2110	Management Staff Allowances Account	12,702,682.97	2,452,579.82
2200	Other Staff Salaries Account	4,834,378.49	840,449.11
2205	Salary Arrears & Allowance		
2300	Other Staff Overtime Account	2,023,477.81	343,776.15
2310	Other Staff allowance Account	128,393.46	19,778.44
2320	Direct Labor at Normal Rate - Generation Account		
2334	Contract Employee Cost Account	3,150,566.24	
2335	Contract Labour	6,129.68	
2336	Samurdhi Labour		
2350	Holiday Pay - Management Staff Account	33,980.05	28,980.60
2355	Holiday Pay - Other Staff Account	78,321.26	18,157.52
2360	Idle Time Accounts		
2500	Bonus Account	3,769,118.98	932,513.48
2510	Incentive for Meter Readers Account		
2530	Non Sick Leave Incentive Account	2,139,201.84	856,393.00
2540	Allowances to Trainees	83,050.00	
2610	Library Facilities	59,315.00	
2620	Fees to Professional Institutions Account	128,168.10	24,230.50
2632	Staff Welfare - Traveling & Concession Account		
2635	Executive Officers Mobile Allowance	17,781.25	2,332.65
2620	Fees to Professional Institutions Account		
2640	Medical Expenses - Indoor Account	66,216.00	



**Notes to the Financial Statements Contd.....**  
**as at 31.12.2015**

LEDGER CODE	DESCRIPTION	2015	2014
2641	Medical Expenses - Out door Account	379,168.66	26,325.87
2650	Uniforms & Protective Clothing Account	130,583.75	
2660	Reimbursement of loan Interest Account	3,228,818.69	820,351.46
2670	PAYE Tax Account	4,761,253.55	889,665.80
2680	CEB Pension Fund Account	2,062,591.62	342,625.10
2681	Pension to EXDGEU Account		
2700	CEB Employee Trust Fund Account	773,471.90	128,484.41
2710	CEB Provident Fund Account	3,867,359.15	642,422.03
A3960	Capital Expenditure Account	67,460,566.00	6,197,000.00
	<b>PERSONNEL EXPENSES - SUB TOTAL</b>		<b>17,532,709.27</b>
	<b>MATERIAL COST</b>		
3100	Power Station Fuel Account	14,809.02	
3200	Components Time Maintenance		
3210	Component / Routine Maintenance-Transmission		
3230	Consumable	55,671.25	44,966.25
3300	Loose Tools	86,285.60	5,126.00
	<b>MATERIAL COST - SUB TOTAL</b>		<b>50,092.25</b>
	<b>ACCOMMODATION EXPENSES</b>		
4100	Housing Rent and Rates Account	3,313,132.00	586,375.00
4110	Building Maintenance Account	1,582,050.20	37,650.00
4200	Furniture, fittings and Equipment Account	279,878.27	98,090.00
4300	Electricity Consumption Account	408,848.64	24,233.79
4400	Water Supply Charges Account	126,779.29	21,281.00
	<b>ACCOMMODATION EXPENSES - SUB TOTAL</b>		<b>767,629.79</b>
	<b>TRANSPORT &amp; COMMUNICATION EXPENSES</b>		
5100	Traveling and Subsistence (Local) Account	243,337.00	63,727.25
5110	Traveling and Subsistence (Overseas) Account		
5200	Vehicle Maintenance Account	2,259,183.68	774,772.10
5210	Vehicle Fuel, Oil and Licenses Account	3,541,015.37	715,824.94
5220	Vehicle Hire Charges Account	960,607.36	56,525.85
5230	Material Transport Charges Account		
5300	Office Supplies Account	677,342.77	123,268.99
5310	Postage Account	18,535.00	625.00
5320	Telecommunications Account	256,197.81	129,939.90
5322	Expenses on Data Communication Links	150,079.64	
5323	Expenses on Software Licenses	193,125.00	
	<b>TRANSPORT &amp; COMMUNICATION EXP. - SUB TOTAL</b>		<b>1,864,684.03</b>

Notes to the Financial Statements Contd.....  
as at 31.12.2015

LEDGER CODE	DESCRIPTION	2015	2014
	<b>DEPRECIATION</b>		
6000	Depreciation Account	8,016,317.61	3,829,948.46
	<b>DEPRECIATION - SUB TOTAL</b>		<b>3,829,948.46</b>
	<b>OTHER EXPENSES</b>		
7200	Contract Payments		
7210	Payment to Security Staff on Contract	506,992.50	
7211	Payment to Manpower Agencies Account		
7300	Clearance Charges Account		
7400	Legal Fees Account	85,640.00	
7420	Consultancy Fees Account		
7500	Public Relations/ Advertising Account		
7510	Entertainment Account	492,271.40	190,374.90
7540	Donation & Social Cost		
7560	Cleaning Service & Pest Control Services Account	626,443.10	
7600	Insurance Premiums		
7800	Miscellaneous Expense Account	2,206,727.70	212,792.00
7820	Repairs of Plants Machinery & Equipment	9,000.00	
7830	Way Leaves Account		
7840	Shifting of Electricity Lines Accounts		
	<b>OTHER EXPENSES - SUB TOTAL</b>		<b>403,166.90</b>
	<b>FINANCE COST</b>		
8200	Bank Charges Account	12,700.50	
8500	Project Loan Interest	1,370,285.73	1,370,285.73
	<b>FINANCE COST - SUB TOTAL</b>		<b>1,370,285.73</b>
	<b>TOTAL EXPENDITURE</b>		<b>25,818,516.43</b>
	<b>EXPENDITURE OVER INCOME</b>	<b>158,678,329.32</b>	<b>25,818,516.43</b>



Notes to the Financial Statements Contd.....  
as at 31.12.2015

4.2 Statement of Work in Progress

Part 2: Enhanced Transmission Infrastructure Capacity

(All amounts in Sri Lanka Rupees)

LEDGER CODE	DESCRIPTION	2015	2014
	<b>OTHER INCOME</b>		
	<b>INTEREST INCOME</b>		
1420	Interest on Staff Loan Account		
	<b>SUB TOTAL OF INTEREST INCOME</b>		
	<b>OVERHEAD RECOVERIES</b>		
1520	Recoveries on Telephone Account		
	<b>SUB TOTAL OF OVERHEAD RECOVERIES</b>		
	<b>MISCELLANEOUS INCOME</b>		
1300	Miscellaneous Income Account		
1350	Tender Fee/Non Refundable Deposits/Forfeiture of Guarantees Account		
	<b>SUB TOTAL OF MISCELLANEOUS INCOME</b>		
	<b>TOTAL INCOME</b>		
	<b>PERSONNEL EXPENSES</b>		
A3960	Capital Expenditure	1,194,400.00	
2100	Management Staff Salaries Account	8,281,836.04	389,225.33
2110	Management Staff Allowances Account	5,222,349.52	149,433.33
2200	Other Staff Salaries Account	4,664,714.92	
2205	Salary Arrears & Allowance		
2300	Other Staff Overtime Account	554,662.40	
2310	Other Staff Allowances Account	85,200.00	
2320	Direct Labour at Normal Rate - Generation Account		
2334	Contract Employee Cost Account Payments		
2350	Holiday Pay - Management Staff Account	13,314.95	
2355	Holiday Pay - Other Staff Account	3,278.77	
2500	Bonus Account	2,268,610.20	131,572.95
2520	Gratuity Payment		
2530	Non Sick Leave Incentive Account	1,446,936.64	115,329.00
2610	Library Facilities	7,350.00	
2620	Fees to Professional Institutions Account	50,713.36	
2630	Staff Welfare Accounts		
2635	Executive Officers Mobile Allowance	26,046.34	
2640	Medical Expenses - Indoor Account	162,595.94	
2641	Medical Expenses - Out door Account	225,127.80	4,650.00
2650	Uniforms & Protective Clothing Account	97,695.54	
2660	Reimbursement of loan Interest Account	1,440,340.40	42,699.06
2670	PAYE Tax Account	1,861,038.33	81,398.11
2680	CEB Pension Fund Account	1,099,877.21	28,437.92

Notes to the Financial Statements Contd.....  
as at 31.12.2015

LEDGER CODE	DESCRIPTION	2015	2014
2681	Pension to EXDGEU Account		
2700	CEB Employee Trust Fund Account	412,454.10	10,664.22
2710	CEB Provident Fund Account	2,062,269.77	53,321.10
	<b>PERSONNEL EXPENSES - SUB TOTAL</b>	<b>31,180,812.23</b>	<b>1,006,731.02</b>
	<b>MATERIAL COST</b>		
3201	Component / Routine Maintenance-Transmission		
	<b>MATERIAL COST - SUB TOTAL</b>		
	<b>ACCOMMODATION EXPENSES</b>		
4100	Housing Rent and Rates Account	1,237,152.34	
4110	Building Maintenance Account	1,030,375.41	
4200	Furniture, fittings and Equipment Account	302,057.93	
4300	Electricity Consumption Account	446,450.60	
4400	Water Supply Charges Account	59,166.18	
	<b>ACCOMMODATION EXPENSES - SUB TOTAL</b>	<b>3,075,202.46</b>	
	<b>TRANSPORT &amp; COMMUNICATION EXPENSES</b>		
5100	Traveling and Subsistence (Local) Account	148,672.50	
5110	Traveling and Subsistence (OVERSEAS) Account	1,400.00	
5200	Vehicle Maintenance Account	1,444,999.96	18,110.31
5210	Vehicle Fuel, Oil and Licenses Account	1,376,043.28	84,319.00
5300	Office Supplies Account	535,371.70	62,753.03
5310	Postage Account	26,630.00	
5320	Telecommunications Account	941,825.00	
	<b>TRANSPORT &amp; COMMUNICATION EXP. - SUB TOTAL</b>	<b>4,474,942.44</b>	<b>165,182.34</b>
	<b>DEPRECIATION</b>		
6000	Depreciation Account	5,268,678.77	128,954.88
	<b>DEPRECIATION - SUB TOTAL</b>	<b>5,268,678.77</b>	<b>128,954.88</b>
	<b>OTHER EXPENSES</b>		
7100	Hire and Lease Charges Account		
7200	Contract Payments		
7211	Payment to Manpower Agencies Account		
7300	Clearance Charges Account		
7310	Custom Duty Account		
7400	Legal Fees Account		
7450	Tender Board Members and TEC Members	706,500.00	
7500	Public Relation & Advertising		
7510	Entertainment Account	217,595.89	30,351.00
7560	Cleaning Service & Pest Control Services Account	31,100.00	
7600	Insurance Premiums		
7800	Miscellaneous Expense Account	523,220.12	386,919.00

Notes to the Financial Statements Contd.....  
as at 31.12.2015

LEDGER CODE	DESCRIPTION	2015	2014
7820	Repair of Plant Machinery and Equipment	12,900.00	
7830	Way Leaves Account		
7840	Shifting of Electricity Line		
	<b>OTHER EXPENSES - SUB TOTAL</b>	<b>1,491,316.01</b>	<b>417,270.00</b>
	<b>FINANCE COST</b>		
8200	Bank Charges Account		
8500	Project Loan Interest		
	<b>FINANCE COST - SUB TOTAL</b>		
	<b>TOTAL EXPENDITURE</b>	<b>45,490,951.91</b>	<b>1,718,138.24</b>
	<b>EXPENDITURE OVER INCOME</b>	<b>45,490,951.91</b>	<b>1,718,138.24</b>

Notes to the Financial Statements Contd.....  
as at 31.12.2015

4.3 Statement of Work in Progress

Part 3: Efficiency of Medium Voltage Network Improved

(All amounts in Sri Lanka Rupees)

LEDGER CODE	DESCRIPTION	2015	2014
	TOTAL INCOME	-	
	EXPENDITURE		
E 7800	Miscellaneous	21,983.00	
E 7830	Way leaves	38,200.00	
E 7855	Valuation and survey of lands and Building	46,990.00	
	TOTAL EXPENDITURE	107,173.00	

Notes to the Financial Statements Contd.....  
as at 31.12.2015

5.0 Mobilization Advance		(All amounts in Sri Lanka Rupees)	
Description	2015	2014	
Part 3: Efficiency of Medium Voltage Network Improved			
Angelique International Limited	110,106,079.60		
<b>Total</b>	<b>110,106,079.60</b>		

6.0 Advance & Prepayments		(All amounts in Sri Lanka Rupees)	
Description	2015	2014	
Part 2: Enhanced Transmission Infrastructure Capacity			
Toyota Lanka Pvt Ltd	2,001.30		
Part 1: Hydropower Generation Developed and Connected		107,434.40	
Service Agreement (Cannon IR 2520 Photocopy Machine)	21,028.34		
Service Agreement (Toshiba E- Studio 2050 Photocopy Machine)	21,083.33		
Cash advance paid to Mr. Abeyrathna	4,982.00		
<b>Total</b>	<b>49,094.97</b>	<b>107,434.40</b>	

7.0 Other Deposits		(All amounts in Sri Lanka Rupees)	
Description	2015	2014	
Part 2: Enhanced Transmission Infrastructure Capacity		100,000.00	
Fuel Deposit ( C.F.De mel & Sons)	100,000.00		
Part 1: Hydropower Generation Developed and Connected to the Grid Morogolla)		200,000.00	
Fuel Deposit			
Mr. Harsha Gardihewa	50,000.00		
Ms. Samarakoon Filling	100,000.00		
Ms. Kumara Holding	50,000.00		
Sub Total	<b>200,000.00</b>		
Rent Deposit			
Mrs. R.R.RK S Siyabalapitiya	720,000.00		
Mr. N.M. Weerakkodi	1,105,000.00		
Mr. K. Walpitagama	980,000.00		
Mr. T.S.K Dharmathilaka	101,250.00		
Mr. T.M.G.C. Bandara	412,750.00		
Sub Total	<b>3,319,000.00</b>		
<b>Total</b>	<b>3,619,000.00</b>	<b>300,000.00</b>	

Notes to the Financial Statements Contd.....  
as at 31.12.2015

8.0 Capital Employed By CEB

(All amounts in Sri Lanka Rupees)

Description	2015	2014	2013
<b>Part -I &amp; 2 (AGM Projects)</b>			
WIP	204,169,281.23	27,536,654.67	
Deposits	3,619,000.00	300,000.00	
Advance & Prepayment	156,267.97		
Accrued Expenses	(2,883,499.96)	(646,865.24)	
Tender Deposit	(17,500.00)		
<b>Part -3 (DD2)</b>			
Advance and Prepayment		107,434.40	
	<b>205,043,549.24</b>	<b>27,297,223.83</b>	

9.0 Capital Employed By ADB Loans 3146 & 3147

(All amounts in Sri Lanka Rupees)

Description	Local / Foreign	2015		2014	
		US\$	Rs.	US\$	Rs.
<b>Part 3: Efficiency of Medium Voltage Network Improved</b>					
Angeliqur International Limited	Foreign	755,175.71	108,398,374.52		
		12,015.51	1,707,705.08		
			<b>110,106,079.60</b>		

10.0 Accrued Expenditure

(All amounts in Sri Lanka Rupees)

Description	2015	2014
Part 2: Enhanced Transmission Infrastructure Capacity	858,776.01	287,237.00
Part 1: Hydropower Generation Developed and Connected to the Grid (Morogolla)	2,024,723.95	359,628.24
<b>Total</b>	<b>2,883,499.96</b>	<b>646,865.24</b>



**Notes to the Financial Statements Contd.....**  
as at 31.12.2015

**11.0 Refundable Tender Deposit** (All amounts in Srilanka Rupees)

Description	2015	2014
<b>Part 2: Enhanced Transmission Infrastructure Capacity</b>		
Roshan Aluminium Fabrication and Civil Engineering	7,500.00	
<b>Part 1: Hydropower Generation Developed and Connected to the Grid (Morogolla)</b>		
A.G Janaka Bandara	10,000.00	
<b>Total</b>	<b>17,500.00</b>	





Your ref: My Ref: CEB/FM/AFM (HQ)/AP/GPDEIIP/2016

Date: October 31, 2016

Auditor General  
Auditor General's Department  
No. 306/72, Polduwa Road  
Battaramulla

**Report of the Auditor General on the Financial Statement of the Green Power Development and Energy Efficiency Improvement Investment Program (Project-1) for the year ended 31 December 2015**

This is with reference to your letter No. POE/C/GPD & EEIIP/FA/2015 dated 4<sup>th</sup> October 2016 addressed to Chairman, CEB under the above caption.

Please find herewith our replies to your audit observations of the Green Power Development and Energy Efficiency Improvement Program (Project-1) for the year ended 31 December 2015.

1.2 *Implementation, Objectives, Funding and Duration of the Project*  
Informative

1.3 *Responsibility of the Management for the Financial Statements*  
Informative

1.4 *Auditor's Responsibilities*  
Informative

1.5 *Opinion*  
Informative

2.0 *Financial Statements*  
Informative

2.1 *Comments on Financial Statements*

2.1.1 *Accounting Deficiencies*

Replics to observation:

- a) The action has been taken to transfer a sum of Rs. 6,197,000 deposited for the acquisition of Land to Advance Account from the Work-in-Progress Account in year 2016
- b) As per LKAS 23, The Interest during the Construction (IDC) could be recognized and capitalized to the asset in par with clause No. 08 of the Standard. Accordingly IDC which was incurred for a loan (No.2733) granted for detail design of Moragolla Hydro Power Project (MHPP) accounted under the Work -In- Progress of MHPP is in order.
- c) The action has been taken to correct the presentation in the Financial Statements of year 2016.

**2.1.2 Non-Compliance with laws, Rules and Regulations**  
Noted

**2.1.3 Project Monitoring and Performance Review**

Additional General Manager (Projects) is not responsible for all foreign funded projects handled By CEB. As per the Board decision on 25<sup>th</sup> August 2010, Additional General Manager (projects) is responsible to execute only transmission and generation projects except the Rehabilitation Projects. Accordingly part 1 & 2 of project I of the loan are under purview of Additional General Manager (Projects).

**3.0 Financial & Physical Performance.**

**3.1 Utilization of Funds**  
Noted

**3.2 Physical Progress**

**Part-I** The Lot 01 civil works tender documents were reviewed by the PMU and ADB has approved for bidding. But tender calling is delayed due to non-appointment of the consultants for project supervision who should review the documents before calling for bids.

The PMU has been appointed on January 2014 and the Project Director and Project Managers were appointed by June 2014.

CACPC for the procurement of consultancy Supervision work was appointed on end August 2014. RFP proposals were invited by mid-January 2015 and approval for technical evaluation was obtained in end April 2014. But when the final evaluation being prepared CACPC decision was taken to obtain CEB own experts for Electrical and Mechanical part of Consultancy Supervision Work.

This decision leads to a considerable delay in procurement of Consultancy work, since it was the major deviation from the ADB loan agreement and RFP already requested several discussions with ADB and other stake holders in implementation this work lead to a delay which could not finalize the consultancy supervision procurement work by December 2015.

**OFFICE OF THE GENERAL MANAGER**

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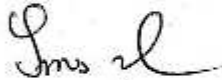
**Part-2** Construction and Installation of around 0.5 km, 132 kv associated transmission infrastructure to connect the hydropower generation facility to the grid work was scope out from the Morogolla Hydropower project and it is included under the National Transmission and Distribution Network Development (Package 3) project.

A sum of Rs. 6,197,000 had been paid to divisional secretary of Udapalatha and Ganga Ihala Korale as an advance payment for proposed lands to be as acquired for project purpose, and has to relation to transmission line construction work.

**Part-3** The site work has been started on 2016-03-28 after fulfilling all the contract Conditions for contract effectiveness.

#### 4.0 *Systems & Control*

- a) Noted for information
- b) Noted for information
- c) Noted for information
- d) Noted for information



Eng. (Mrs.) Y.M. Samarasinghe  
**General Manager**  
**Ceylon Electricity Board**