

Annual Report

2014



Sri Lanka Sustainable Energy Authority

Message from the Chairman



As a chairman, it is a great pleasure for me in adding a message to the annual report 2013 of the Sri Lanka Sustainable Energy Authority at the time when it enjoys fruitfulness in its long term journey.

In today's world, the energy resources are rapidly getting extinct. A serious focus is towards on its conservation. Why the reason is everything depends on energy. Therefore, energy becomes an indispensable source. Sri Lanka started its journey in its energy generation with hydro-power. However, the man has brought it up to depending on the sustainability in heat power, in terms of un-limited human needs and as well as technical and industrial sector needs. As we have no fuel or coal by our own, Sri Lanka has to depend on the importation of crude oil in generating energy source for its power generation. This cannot be considered as a mere fact. This would lead for an economic decline in future, because global demand for fuel is rapidly going up.

The responsible parties who realized this sort of adverse impact established Sri Lanka Sustainable Energy Authority by SLSEA Act No.35 of 2007 in order to find a sustainable solution for the existing problematic background with a dream of making Sri Lanka as energy

secured country. Since this Authority has received special power by the said Act, it becomes a focal point to develop and implement the policy for improving renewable energy sector in the Island as well as in conservation of energy.

Authority's main objective is to assist and guide the government towards making energy conservation into a reality through facilitating to renewable energy, energy efficiency and effective power supply. The importance of this national policy concept has been emphasized in the vision of Mahinda Chinthanaya and through which it has been targeted by year 2020 to increase the power contribution from renewable energy by 20% for electricity network, and improve the saving trend by 8.7% to the actual power consumption. If this target is achieved, there will be no doubt that the improvement can be seen in use of sufficient non-conventional energy resource, energy efficiency in power sector and environment-friendliness in the country.

In Sri Lanka, taking the renewable energy sources into account, a special attention has been focused on small hydro power, wind power and biomass. In a country like Sri Lanka, it has taken place because energy can be generated easily from such energy sources.

It is a remarkable fact here that a future generation with a high access to energy depository should be built up. Here, we have kept more faith on the younger generation of our nation. If the children

of our nation who succeed tomorrow's world are aware of knowledge on energy conservation and its importance, it would be easy for us to make our national dream into a reality. That is the reason why all arrangements have been made to include the subject of energy and energy conservation into school curriculum with the collaboration of National Institute of Education. In addition to that, a creative program has been initiated in order to feed the energy concept into the knowledge of our pre-school teachers. To strengthen the effort of moving the next generation of our nation towards energy conservation, a task of inclusion of the

subject of energy conservation into scout proficiency curriculum and introduction of competent scout emblem with the assistance of Sri Lanka Scout Association.

I take this opportunity to extend my sincere thanks to the Board of Directors, Director General and Staff of the Sri Lanka Sustainable Energy Authority who always cooperate and contribute towards our journey of making Sri Lanka to an energy secured country.

Prasad Galhena
Chairman

Message from the Director General



Since its inception in 2007, and subsequent empowerment through policy and regulatory developments, Sri Lanka Sustainable Energy Authority (SLSEA) has been constantly motivated for exertion towards energy secure nation. With this background, 2014 represented yet again an eventful year with significant progression for SLSEA. It give me great pleasure to acknowledge the continued support received from all stakeholder institutes and individuals in implementing the programme of activities and realizing the expected outcomes during the year.

As signify in its objectives, SLSEA is the lead government agency for promoting sustainable energy development through the two key intervention areas of new renewable energy (NER) and energy efficiency improvement & conservation, together with knowledge management across all the sections of the society. The outcomes of the interventions made by SLSEA in these over the years have continued to effect on enhancement of the countries capacity to face the challenges in the energy sector, as well as its impacts on the environment; which have further strengthen through the well-coordinated activities implemented during 2014.

The year 2014 marked a vital turning point in the development of NER sector with the announcement of feeding tariff after two year lapse period, providing momentous boost to the project development. During 2014, thirteen mini hydro plants, two biomass plants and five wind plant were commissioned, with total installed capacities of 24.1 MW, 7.0 MW and 50.0 MW, respectively. This accounted for a total installed capacity of 437.4 MW of NER, with annual energy generation of 1,215.4 GWh or 9.5% of the grid electricity generation. Meanwhile, though there were no capacity additions in SPP solar, net metering continued to grow at a higher rate and reached 13.3 MW of cumulative installed capacity with the addition over 1500 systems of total installed of 10MW in 2014 alone. The annual electricity generation of the solar net metering systems was about 18.6 GWh, which contributed towards achieving the policy target of generating 10% of electricity from NER source well ahead of the time target of 2015.

In 2014, the continuation of national energy management programme in all the end-use energy sectors featured significant impact on the country's economy yet again, yielding total annual energy saving of 23.4 GWh. In particular, the widespread utilization of efficient lighting across all the sector and interventions implemented through energy / energy auditor regulations in commercial and industrial establishments were played a major role. Further, the knowledge management of the society at large, materialized through seminars, training programmes and mass-media

campaigns, contributed to establishing energy conscious society. The other key intervention in the energy management programmes was the two-day seminar and training programme on Energy Efficient & Environmentally Sustainable Transport (E3ST) Systems conducted with the assistance of local and international resource personnel. With this, SLSEA has initiated the development of fuel economy standards for ground vehicles, particularly targeting light duty vehicles.

The 5th Assessment Report of IPCC published in 2014 revealed that despite the variety of existing policy efforts and the existence of the UNFCCC and the Kyoto Protocol, GHG emissions have grown at a higher rate during last decade or so, where the main drivers of GHG emissions have been the growth in economic output and population, outpacing emission reductions from improvement in energy efficiency. Deep cuts in emission will require a diverse portfolio of policies, institutions and technologies, changes in human behavior / consumption patterns. In particular, large-scale utilization of renewable energy resource and final energy demand reductions in the energy end use sectors are highlighted as the key solutions. Thus, the role of SLSEA in the energy sector will become more and more prominent in the years to come.

Dr. Thusitha Sugathapala
Director General

Our Vision

An Energy secure Sri Lanka.

Our Mission

Guiding towards the national efforts for conservation of local energy resources and development of energy source through exploration, research, utility supply, studies and knowledge management, and thereby pave the way to ensure energy in Sri Lanka by developing and protecting natural resources, human resources and economic resources.



Management of the Board of Management - 2014

Chairman

Mr.PrasadGalhena

Members

Ms. DharaWijethilaka
Secretary
Ministry of Science & Technology

Mr. A.W.M. Sarathchandra
Director (Project, Technical)
Ministry of Transport

Mr. A. Abdul Majeed
Addl. Secretary (Development)
Ministry of Local Government & Provincial
council

Mr. DamithaKumarasinghe
Director General
Public Utilities Commission of Sri Lanka

Mr. M.A. Thajudeen
Addl. Secretary
Ministry of Industry & Commerce

Mr. AroshSandeepaWijesinghe
CEO/Chairman
Omnipro Industries (Pvt.) Ltd.,

Ms. ThanujaMurugensan
Addl. Secretary (Admin)
Ministry of Land & Land Development

Mr. RuwanVirajWaidyarathne
Managing Director
HayleysAdvantis Ltd.,

Mr. A.L.A. Asoka Siriwardana
Addl. Secretary (Admin)
Ministry of Agriculture

Mr. Asoka Abeygunawardena
Executive Director
Energy Forum

Ms. KumariSomarathne
Addl. Secretary (Admin)
Ministry of Plantation Industries

Mr. C. Mahesh Edirisinghe
Senior Lecturer
University of Colombo

Mr. GaminiGamage
Addl.Secretary (Environment Policy)
Ministry of Environment & Renewable Energy

Mr. vinodSamarawickrama
Director (Sales)
Ericsson Telecommunication Lanka (Pvt.)
Ltd

Mr. R.M.W. Rathnayake
Addl. Secretary (Technical)
Ministry of Transport

Mr. D.D. AnandaNamal
President
Sri Lanka Energy Managers Association

Mr. J.G.L.S. Jayawardana
Director
Ministry of Power & Energy

Mr. BhathiyaRanathunge
President - Small hydro Power Developers
Association
Eco Power (Pvt.) Ltd

Members of the Audit & Management Committee – 2014

Chairman

Mr. S.S. Mudalige

Director (Department of National Planning)

Ministry of Finance & Planning

Member

Mr. GaminiGamage

Additional Secretary (Environment & Policy)

Ministry of Environment & Renewable Energy

Member

Mr. Ananda Namal

Director General

Natinal Engineering Reasearch & Development Center

Observer

Mr. S. M. J. Priyantha

Audit Superintendent

Auditor General's Department

Observer

Mr. L. N. D. Kumarasiri

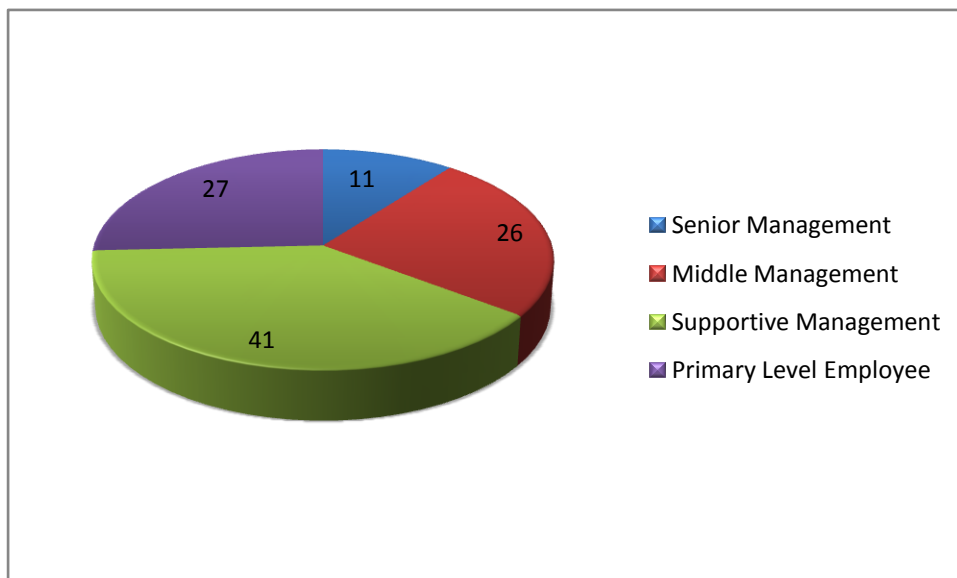
Chief Internal Auditor

Ministry of Environment & Renewable Energy

Our Staff Composition – 2014

We are relatively young organization with a total of 105 persons.

The Composition of our staff is shown below.



Performance Report



Performance of Sri Lanka Sustainable Energy Authority (SLSEA)

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

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

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

The measures taken by SLSEA to achieve these targets in the year 2014-2015 are summarized below.

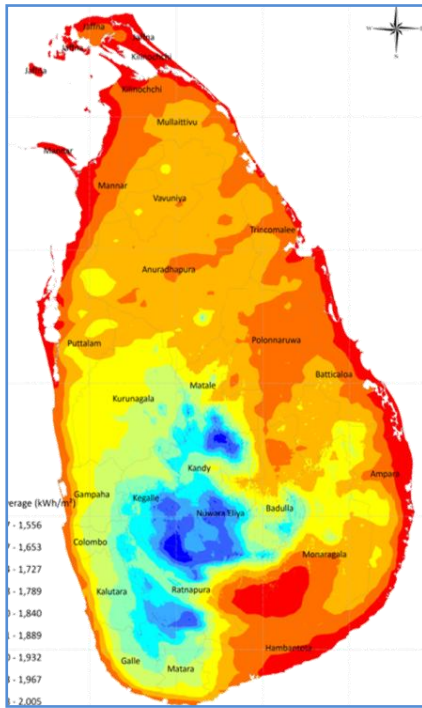
Abstract:

- A number of 91 renewable energy projects have been approved accounting for a total new renewable energy generation capacity of 191.93 MW.
- The policy target of reaching 10% generation from new renewable energy (NRE) sources by 2016 was achieved in 2014, ahead of time.
- A total electricity generation of 1354 MWh (28 LKRM) from the Hambanthota Solar Park and 182 MWh (2.9 LKRM) from the Indurana Small Hydro Power Plant.
- A saving of 97.4 GWh owing to the implementation of energy efficiency activities in the industrial and commercial sectors.
- A saving of 11 Mn. litres of diesel and 8 Mn. litres of furnace oil and 0.2 Mn. Kg of firewood.
- Published new gazette regulation for the declaration of energy development areas. (Extraordinary Gazette No. 1858/2 of 17th April 2014)
- Obtained parliament order for the new renewable energy tariff under the Standardized Power Purchase Agreement. (SPPA)
- Solar resource map (solar atlas) has been completed.
- Assessment of Hydro energy resource potential in Kegalle and Ratnapura districts was completed.
- CFL energy labeling program operates successfully. The benchmarks on star rating are being revised.
- A Refrigerator Test Facility was established at the NERD Centre, and the establishment of a ceiling fan testing laboratory and a lamp testing laboratory was initiated.

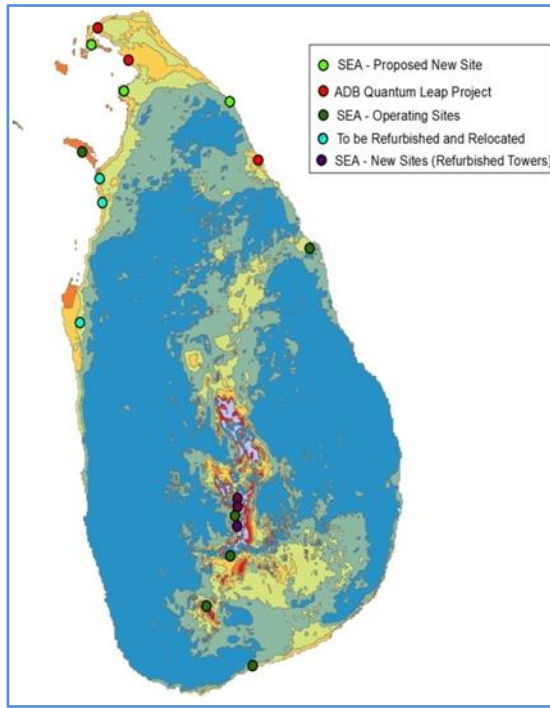
Progress Summary (January 2014- November 2014)

No	Description Of Activity (Major Achievements)
	<i>Renewable Energy Development (under REACT)</i>
1	<p><u>Resource Allocation and Development Activities</u></p> <p>SLSEA undertakes the issuing of Energy Permits (EP) & Provisional Approvals (PA) for on-grid renewable energy projects, to accelerate the development of indigenous RE resources in to commercial scale projects</p> <ul style="list-style-type: none"> ✓ Issued Provisional Approvals (PA) <ul style="list-style-type: none"> Hydro - 42 Nos.(46.44 MW) Biomass - 7 Nos. (41.24 MW) Sea Wave - 1 Nos. (4 MW) ✓ Issued Energy Permits (EP) <ul style="list-style-type: none"> Hydro - 26 Nos.(35.76 MW) Biomass - 3 Nos. (2.79 MW) Solar - 5 Nos. (50 MW) ✓ Commissioned Projects <ul style="list-style-type: none"> Hydro - 6 Nos. (8.7 MW) Biomass - 2 Nos. (7 MW) Wind - 1 Nos. (10 MW) <p>Total electricity generation using renewable energy in 2014 is 4885.8 GWh In addition, 1,354,878 kWh of Solar electricity and 182,548 kWh of Hydro electricity was generated by the operation of SLSEA power plants</p>
2	<p><u>Renewable Energy Resource Assessment</u></p> <p>SLSEA is in the process of preparing a renewable energy resource inventory for Sri Lanka through resource mapping. Priority is given to Solar, Wind, Small Hydro and Biomass at the initial stage.</p> <ul style="list-style-type: none"> ✓ Solar resource atlas covering the entire island was published ✓ Data collection, archiving and analysis of data from Hambantota and Killinochchi solar measuring stations are being continued ✓ Assessment of Hydro energy resource potential in Kegalle and Ratnapura districts was completed ✓ Established a National Wind Reference Network Mast (WRNM), and wind data collection is being continued ✓ Developers can purchase wind/ solar data from SEA at Rs.250,000/- for data per year per location ✓ Assessments had been carried out to find the consumption of biomass in the industrial & domestic sector, and mapping of biomass supply areas of registered projects had been completed ✓ Wind resource assessment is being carried out using 'Wind Atlas Analysis and Application Programme' (WASP) for resource assessment ✓ Data validation, resource statistics of 5 met-mast sites were completed, and 5 informative reports were compiled ✓ Wind potential in the Mannar region has been assessed to be 375 MW by an ADB funded study, and the development of a wind park concept is at the discussion level ✓ 3 new wind met-masts are being installed in the Northern Region under ADB Quantum Leap WRA project, and the project is expected to be installed &

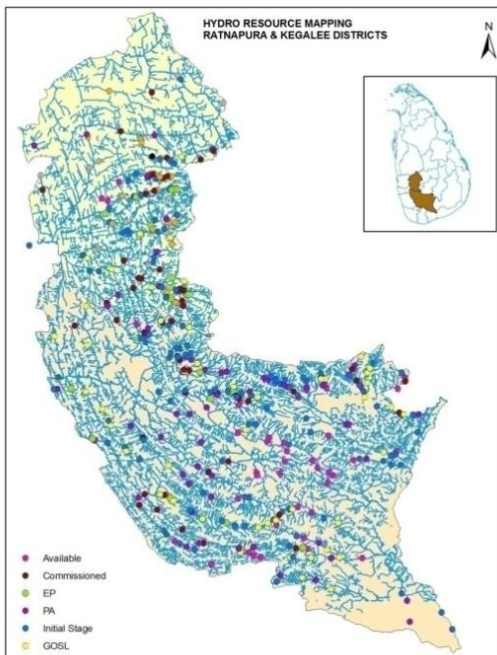
commissioned by January 2015



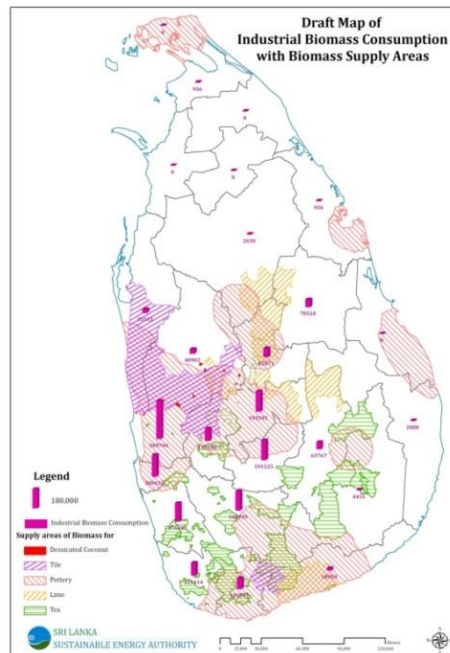
Solar Resource Atlas Sri Lanka



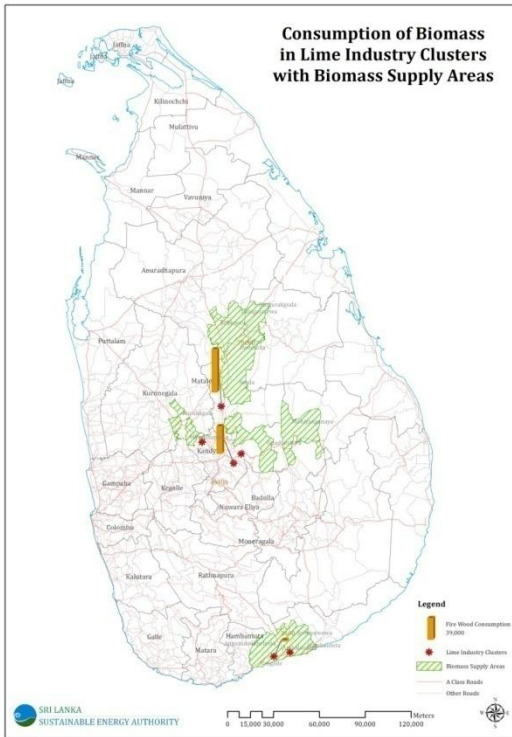
Location of Wind Measuring Masts



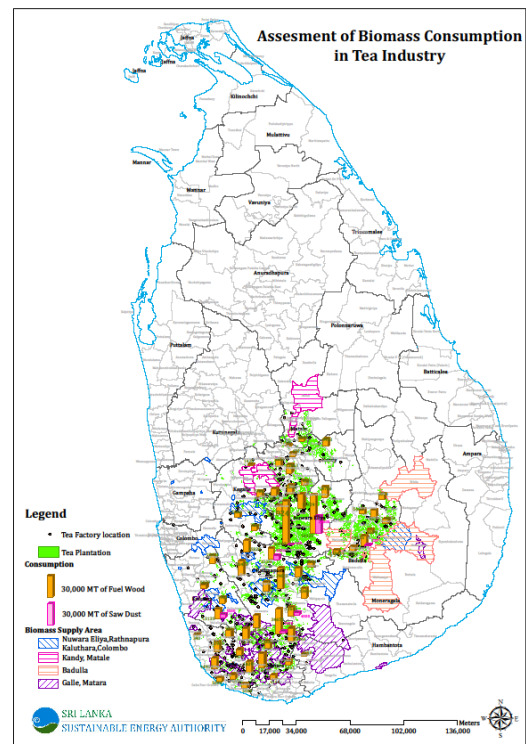
Hydro Resource Map of Sabaragamuwa Province



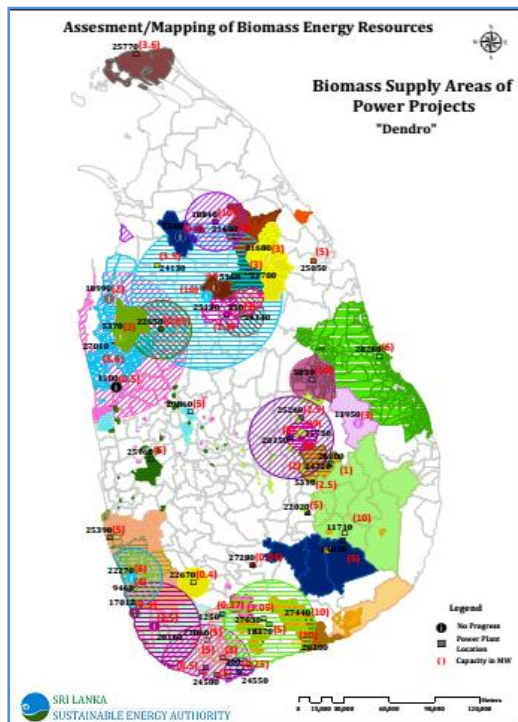
Draft Map of Industrial Biomass Consumption with Biomass Supply Areas



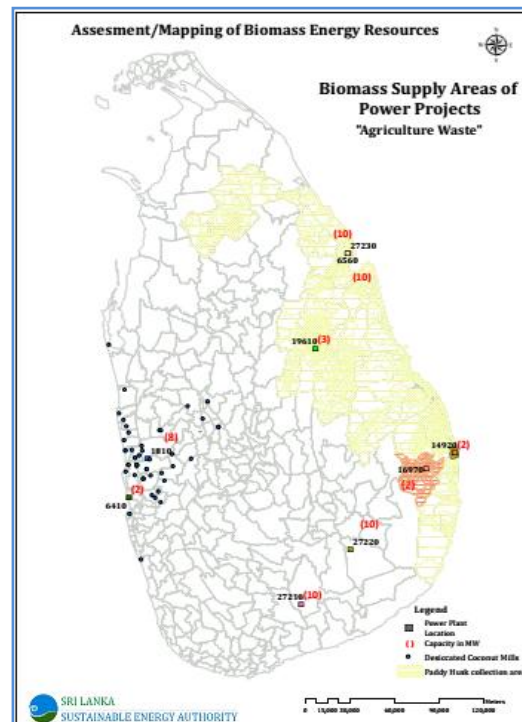
Consumption of Biomass in Lime Industry Clusters with Biomass Supply Areas



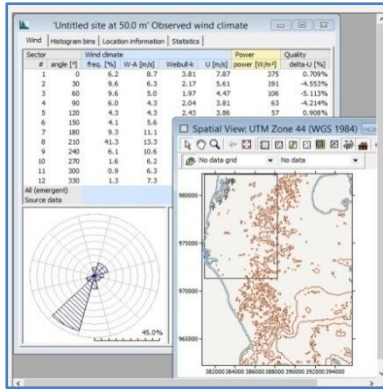
Assessment of Biomass Consumption in Tea Industry



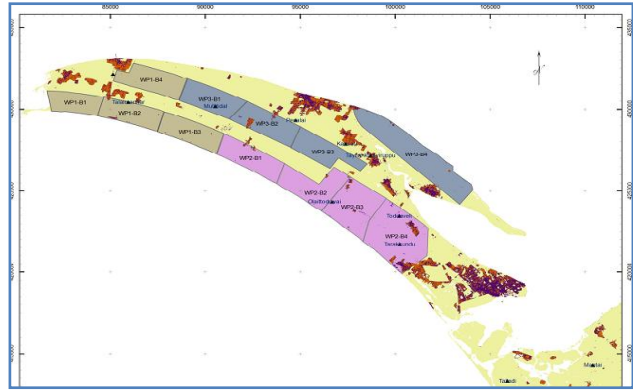
Biomass Supply Areas of Power Projects- 'Dendro'



Biomass Supply Areas of Power Projects- 'Agriculture Waste'



Wind Data Analysis



Wind Resource Map in Mannar Region

3 Renewable Energy Services

SLSEA carries out different renewable energy services such as, introducing RE solutions for electricity, promoting RE energy applications and technology dissemination. These services are extended up to rural communities.

- ✓ 100 solar home units installed in the Uva Province, and installation of 1200 Solar Home units is in progress
- ✓ Provided assistance in renovations and maintenance of 10 village hydro projects
- ✓ Initiated installation of 133 biogas units and completed 60
- ✓ Implemented 6 biomass dryers projects in Mirissa, Gandara, Thalaramba fisheries societies, and installed a solar powered water pump at Nochchiyagama
- ✓ Conducted 38 awareness programmes on Introducing RE, Promoting uses of RE and Biogas technology



Distributing off-grid solar systems- Monaragala



Sunithyaloka Project

4 Donor Funded Projects

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

1. Solar Rooftop Project- Addition of 1000 kW to the National Grid through development of solar roof top subjects
2. Estate Micro Hydro Project- Rehabilitate and connect about 19 abandoned micro-hydro power projects to the grid providing 1.3 MW

Furthermore, UNDP/GEF/FAO funded project titled “Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies” is in implementation, and SLSEA is an implementing partner for the project. Following activities had been completed.

- ✓ Identification of supply chain operators involved in biomass supply business and development of the course module for the comprehensive biomass training

Energy Efficiency Improvement (Under EnMAP)

The following overall energy savings could be achieved in 2014 through implementing energy management activities;

Action	Saving	
	Type	Value
Carrying out energy management activities in 30 tea factories	Electricity	400 MWh
Active Energy Managers in 60 organizations	Electricity	15 GWh
SLNEEA Award Scheme	Electricity	6 GWh
	Diesel	11 Mn. litres
	Furnace Oil	8 Mn. litres
	Firewood	0.2 Mn. kg

Other than this, a total electricity saving of 76 GWh/annum was achieved through implementing sector specific programs in tea, rubber, textile & garment, hotel, hospital sectors and the food industry as indicated in the "Impact Assessment Study" conducted by Business Management Bureau Lanka (Pvt) Ltd in 2013-2014.

Sector	Saving (GWh/annum)
Tea	6
Rubber	13
Textile & Garments	26
Hotels	17
Food Industry	9
Hospitals	5
Total	76

1 Establishment of Energy Management Systems

SLSEA facilitates the energy conservation in commercial, industrial and domestic sectors through introducing the ISO50001 Energy Management Systems to organizations.

- ✓ Appointed 180 Energy Managers and 13 Accredited Energy Auditors
- ✓ Registered 3 Training Institutions for Energy Managers and 1 Training Institution for Energy Auditors
- ✓ Drafted Energy Consumption Baselines for 5 industrial sectors
- ✓ Conducted 10 training programs/lectures for Energy Managers, Energy Management Officers and Vidatha officers
- ✓ Conducted 7 workshops/seminars for pre-school teachers, scouts and general public to introduce energy management concepts
- ✓ Programme series was implemented to improve energy utilization efficiency in tea sector with the participation of 60 tea factories in collaboration with TRI
- ✓ A self driven energy management system is established in these tea factories under the technical guidance of SEA and management of TRI



LED Assembling Workshop on 06th March 2014 at Jayawardena Centre, Colombo



“Energy Efficient Kitchen” workshop on 27th September 2014 at Youth Centre, Maharagama

2 Introducing Standards and Regulations

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

- ✓ CFL energy labeling program operates successfully. The bench marks on star rating is being revised
- ✓ A Refrigerator Test Facility, under the ADB grants, was established at the NERD Centre
- ✓ Establishment of a ceiling fan testing laboratory and a lamp testing laboratory was initiated
- ✓ Regulations for the Tubular Fluorescent Lamps and Fluorescent Lamp Ballasts are being developed
- ✓ Modification of the “Code of Practice for Energy Efficient Buildings in Sri Lanka – 2008” is under process
- ✓ Conducted 12 ISO50001 audits at 11 organizations and awarded ISO 50001 certificates to 2 organizations. Remaining 09 organizations are expected to be awarded with the ISO 50001 certificate by January 2015
- ✓ Conducted 03 surveillance audits for companies which already obtained ISO 50001 certification



Construction of the Refrigerator Testing Laboratory at NERD Centre, Ja-Ela

3 Advisory and Counselling Services

SEA assists industries, commercial and state sector institutes to solve their energy related issues by providing consulting services by answering queries, awareness programs upon request, attending ISO 50001 audits etc

- ✓ Provided 90 consultancies to assist industries, commercial and state sector

- institutes to solve their energy related issues
- ✓ 2 walkthrough energy audits and 3 detailed energy audits were completed for government institutions
- ✓ 28 ESCO companies were registered for 2014, including 6 new companies and the updated ESCO list is published in the web
- ✓ Conducted a training program on good practices in motor rewinding on 27th November 2014 at BMICH



SLSEA officers on tea factory visits



Progress review Program at TRI-Rathnapura

4 Rewarding of Achievements

SLSEA encourages energy management practices in industrial and commercial sector through conducting the Sri Lanka National Energy Efficiency Award (SLNEEA) Scheme

- ✓ SLNEEA Ceremony was held on 25th November 2014 at BMICH, with the participation of Hon. Prime Minister of Sri Lanka as the chief guest. National Energy Efficiency Award (NEEA), Best Energy Services Company (ESCO) Award and Outstanding Energy Manager of the Year Award were presented to the winners for their remarkable achievements in energy saving



SLNEEA Award Winners-2014

Gold flames were awarded to Professional MET Consultancy Services (Pvt.) Ltd, EnergySolve International (Pvt.) Ltd., Overseas Realty (Ceylon) PLC and Comfortwear (Pvt.) Ltd of Brandix Group

5 Carrying out Research and Development

Initiatives are taken for exploring the potential of adopting new and innovative technologies of the world for the development of energy management sector in Sri Lanka. One main focus is development of a driving cycle for the Colombo Area.

- ✓ Conducted an international seminar on E³ST (Energy Efficient & Environmentally Sustainable Transport) on 28th and 29th August 2014 in Colombo and Kandy respectively
- ✓ The Program was expanded to Galle, Jaffna and Kandy regions with the involvement of 04 universities

- ✓ Partnered with the integrated Conference of Better Air Quality (BAQ) 2014 and Intergovernmental 8th Regional EST Forum in Asia, and hosted the pre-event 'Scaling up Sustainable Transport Solutions to improve quality of life in cities' held on 18th November 2014 at BMICH, Colombo



E³ST program in BMICH, Colombo on 28th Aug 2014



E³ST program in Hotel Mahaweli Reach, Kandy on 29th Aug 2014



BAQ 2014 Pre-event - 'Scaling up Sustainable Transport Solutions to improve quality of life in cities' on 18th Nov 2014

Development of Sustainable Energy Policies and Strategies (Under SEEK)

1 Policy Interventions & institutional frameworks

The main focus under this is the development of a Renewable Energy Policy for Sri Lanka and Revision of Sri Lanka Sustainable Energy Authority Act

- ✓ Drafted Renewable Energy Policy of Sri Lanka with the guidance of Ministry of Environment & Renewable Energy and the Board appointed sub-committee
- ✓ Provided inputs to the National Energy Policy & Strategies being developed by Ministry of Power & Energy
- ✓ Initiated introducing improvements/modifications to the SLSEA Act with the Team of Legal Officers appointed by Ministry of Environment & Renewable Energy
- ✓ Conducted seminar on 'Climate Change' focusing the IPCC- 5th Assessment Report



Stakeholder workshop for RE policy development



Climate change seminar on IPCC 5th assessment report

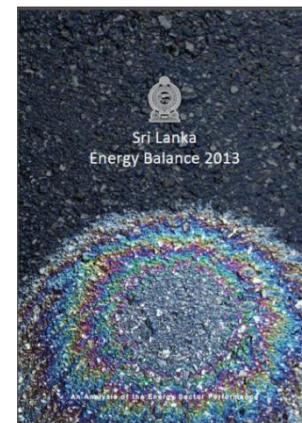
2 Sustainable Energy Technology Archives & Energy Information Analysis

This is an initiative to establish a sound knowledge based on sustainable energy within SLSEA, industry, universities and research institutes

- ✓ Conducted the National Energy Symposium on 21st November 2014 at BMICH, where technical papers on research and new technological inventions were presented to a gathering of researchers, academics and university students
- ✓ Sri Lanka National Balance 2013 was compiled
- ✓ Developed energy-related economic indicators in collaboration with Department of Census & Statistics
- ✓ Developed tools/indicators related to Household Carbon Footprint and Analyzing Net-metering for Households



National Energy Symposium 2014



Energy Balance 2013

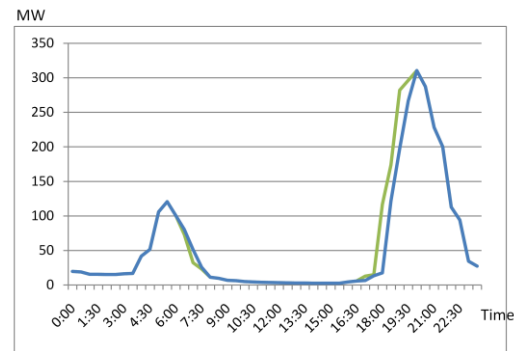
3 Position Papers on Sustainable Energy Interventions

SLSEA is in the process of introducing various concepts in order to formulate novel projects related to the implementation of national programme on sustainable energy development.

- ✓ Position paper on Advancing the Clock as a Measure of Reducing the Electricity Demand was compiled

- ✓ Position papers on Sub-dispatch Centre is being developed
- ✓ Energy and economics related to use of water with special emphasis on seawater desalination being studied

Predicted shift in the load curve as a result of advancing the clock



Knowledge Management (Under SEEK)

1 School Curriculum Development

The key objective of this is to add energy related knowledge and activities to primary and secondary level school syllabus, to create a self-driven system for energy education.

- ✓ Energy related knowledge and activities have been introduced to the science subject module in Grade 11 and Grade 6 and it will be implemented in 2015 under new syllabus
- ✓ Introducing energy activities for other grades is being continued
- ✓ A supportive workshop was conducted for science and environment curriculum development team for clarification of the new syllabus content on the subject of energy



Two day Workshop held on 30th September & 01st October 2014

2 Development of an Energy Education Program

A comprehensive program including school energy clubs, energy day celebration and 'Energy Star' contest is being developed to engage teacher-student community to manage energy and utilization of RE in their day-to-day life.

- ✓ Received 300 applications from 1AB and Mahindodaya schools and 120 Energy Clubs had been established out of this. Further establishments are being carried out
- ✓ Best Energy Clubs had been selected based on 2013 performance and awarded cash prizes
- ✓ Feedback of the Educational Authorities on the Energy Education Programme was gathered through a meeting held on 15th and 16th September 2014, these were utilized in improving the structure of the programme and develop the implementation mechanism

- ✓ A Circular is being developed with the assistance of Ministry of Education



Best Energy Clubs Award 2013



Workshop for Educational Authorities

3 Sustainable Energy Zone (SEZ)- Kotte

A pilot project for SEZs is implemented at the Kotte area to introduce and practice circular economy concepts and create Energy Conscious Community.

- ✓ Entered in to an MoU with Municipal Council of Kotte and facilitated the establishment of SEZ
- ✓ An Energy Awareness Programme was launched in the zone and 10 Energy Clubs were established
- ✓ Awareness Programme was held for Grama Niladari
- ✓ Communication officers for all Gov. institutions have been appointed and selections of ESCOS to carry out energy audits is in the evaluation stage



Energy Awareness Program for schools in Kotte zone

4 Conducting Promotional Programs and Image Building Activities

SLSEA collaborates with other national events to promote the concept of Sustainable Energy.

- ✓ Presented two outdoor and indoor stalls at the 'Deyata Kirula' exhibition for promoting renewable energy and energy management, and distributed 60,000 leaflets among the public who participated for the Mobile services conducted by the Ministry of Economic Affairs
- ✓ Presented an exhibition stall under the Green Zone at 'Edex' exhibition organized by the Old Boys Association of Royal College, Colombo.
- ✓ Coordinated all major events conducted by SLSEA according to the standard event management guideline, as means of image building for the Authority.



'Deyata Kirula' Exhibition 2014

Financial Statement



Sri Lanka Sustainable Energy Authority
Balance Sheet as at 31st of December 2014

		2014		2013	
	Note			Restated	
ASSETS					
Non Current Assets					
Property, plant and equipment	3	1,123,609,447		1,228,166,858	
Work In Progress	4	7,624,591		49,461,726	
Investments	5	71,072,018	1,202,306,056	58,528,095	1,336,156,679
Current Assets					
Receivables	6	9,548,263		11,110,775	
Other current assets	7	34,351,481		15,678,223	
Cash and cash equivalents	8	298,543,573	342,443,317	269,792,827	296,581,825
Total Assets			<u>1,544,749,373</u>		<u>1,632,738,504</u>
EQUITY AND LIABILITIES					
Equity					
Accumulated fund	9	22,100,336		22,100,336	
Net Surplus		27,270,814		15,732,229	
Deferred Grant	10	1,123,633,991		1,269,922,913	
Sri Lanka Sustainable Energy Fund	11	232,345,722		206,561,051	
Sustainable Guarantee fund		73,321,629	1,478,672,492	69,554,046	1,583,870,575
Non current liabilities					
Gratuity		8,247,505	8,247,505	7,298,903	7,298,903
Current liabilities					
Other payables	12	52,663,940		38,395,891	
Short term provisions-audit fees		1,622,636		1,022,636	
Net deposit on land acquisition		3,542,800	57,829,376	2,150,500	41,569,027
Total equity and liabilities			<u>1,544,749,373</u>		<u>1,632,738,504</u>

FOR AND ON BEHALF OF THE SRI LANKA SUSTAINABLE ENERGY AUTHORITY.

Director (Finance)

Director General

Chairman

Sri Lanka Sustainable Energy Authority
Income statement for the year ended 31st December 2014.

Final

	Note	2014 Rs.	2013 Rs. Restated
Revenue			
Capital Grant for activities/project expenses	13	33,592,173	4,008,039
Amortized deferred grant	14	166,776,750	168,606,531
Treasury Recurrent Grant		81,999,500	80,100,000
Ministry of Environment Revenue Grant ADB G0303 Revenue Loan ADB 2733 SRI		1,146,043 4,404,284 786,109	
Other Income less VAT	15	117,590,567 (10,286,572)	106,810,919 (8,255,905)
Total Revenue		396,008,855	351,269,583
Expenditure			
Project/activity Expenses	16	(104,921,382)	(45,268,770)
Salaries and allowances	17	(61,749,916)	(52,373,903)
Travelling and subsistence	18	(1,323,070)	(2,216,937)
Supplies	19	(9,687,374)	(7,804,909)
Maintenance expenses	20	(8,015,311)	(6,454,313)
Contract service	21	(26,994,516)	(23,117,830)
Depreciation expenses	22	(166,776,750)	(168,606,531)
Other recurrent expenses	23	(5,628,271)	(3,669,374)
Expenditure for Period		(385,096,589)	(309,512,567)
Prior year Adjustments		626,320	(190,108)
Surplus /(Deficit)		11,538,586	41,566,908

Sri Lanka Sustainable Energy Authority
Cashflow statement for the year ended 31st December 2014

Final

	2014		2013	
	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities				
Surplus for the period	10,912,266		35,853,079	
Previous year adjustment	626,320		(190,107)	
Transfer to Guranty fund				
Adjustment for:				
Transferred to Gurantee fund			-	
Amortised Grant (for funds recived)	(166,776,750)		(168,836,532)	
Interest Income	(1,829,641)		(3,409,193)	
Service Gratuity Provision	948,602		1,062,527	
Depreciation	<u>166,776,750</u>		<u>168,836,532</u>	
	10,657,546		33,316,306	
(Increase)/decrease in Other current assets	(17,110,745)		9,162,537	
Increase/ (decrease) in current liabilities	<u>16,260,349</u>		<u>(8,621,761)</u>	
Cash generated from operations	9,807,150		33,857,082	
Net cash from operating activities		<u>9,807,150</u>		<u>33,857,082</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(17,822,411)		(33,416,828)	
Work in progress	(2,559,793)		(8,757,199)	
Interest Invested/Investments in FD & TBs	<u>(10,714,282)</u>		<u>388,252</u>	
Net cash used in investing activities		(31,096,486)		(41,785,775)
Cash flows from financing activities				
Deferred Grant	20,487,828	(38,310,239)	41,873,961	
Sri Lanka Sustainable Energy Fund	25,784,671		72,960,122	
Accumulated fund	-		-	
Sustainable Gurantee fund	3,767,583		3,020,941	
Gratuity Payment	<u>-</u>		<u>(92,231)</u>	
Net cash used in financing activities		<u>50,040,081</u>		<u>117,762,794</u>
Net Increase in cash and cash equivalents		28,750,746		109,834,101
Cash and cash equivalents at beginning of period		<u>269,792,827</u>		<u>159,958,726</u>
Cash and cash equivalents at end of period		<u><u>298,543,573</u></u>		<u><u>269,792,827</u></u>

Sri Lanka Sustainable Energy Authority
Statement of changes in Equity for the year ended 31 December 2014

Description	Accumulated fund (Rs.)	Net Surplus / deficit (Rs.)	Deferred Grant (Rs.)	Sri Lanka Sustainable Energy Fund (Rs.)	Sustainable Gurantee Fund (Rs.)	Total (Rs.)
Balance as at 31.12.2013	22,100,336	15,732,229	1,269,922,913	206,561,051	69,554,046	1,583,870,575
Increase/ decrease for the year 2013	-	10,912,266	(146,288,922)	25,784,671	3,767,583	(105,824,403)
Previous year adjustment		626,320				626,320
Balance as at 31.12.2014	22,100,336	27,270,814	1,123,633,991	232,345,722	73,321,629	1,478,672,492

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

Notes to the Financial Statements as at 31.12.2014

1. Corporate Information

1.1 General

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

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

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

1.2 Principal Activities of Authority

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

1.3 No of Employees

Number of employees as at 31.12.2014. - 107

2.1 Summary of Significant Accounting Policies

2.1.1 Basis of Preparation and statement of compliance

The Balance sheet, Income statement, Statement of changes in Equity and Cash flow statement of the Sri Lanka Sustainable Energy Authority (SLSEA) as at 31 December 2014 together with accounting policies and notes have been prepared in compliance with the Sri Lanka Public Sector Accounting Standards.

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

2.1.2 Comparative figures

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year. The comparative figures for Year 2013 have been restated as per note 24.

2.2.1 Accounting for Government Grants and Disclosure of Government Assistance.

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

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

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

2.2. Accounting for long -term Investments.

Investments are made in Govt. Treasury Bills and Fixed Deposits at National Savings Bank and stated at cost.

2.2.3- Revenue recognition

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

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

2.2.4 Contingent Liabilities and Contingent Assets

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

2.3 Property, Plant and Equipment

2.3.1 Cost and valuation

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

2.3.2 Depreciation

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

Depreciation rate for a year is shown below:

<u>Item</u>	<u>Rate of Depreciation</u>
Furniture & Office Equipment	25%
Motor Vehicles	20%
Photocopier	25%
Computers	33.33%
Electrical Goods	25%
Library Book	20%
Energy Instruments	33.33%
Exhibition Equipments	25%
Wind towers	20%
Building& structures	5%
Data & Information	0%
<u>Solar Power Projects:</u>	
A. SolarPanels	5%
B. Steel Structure	10%
C. Building	5%
D. Switch gear	20%
E. Inverters	20%
F. Transformers	5%
G. Power Electronics	33.33%
I. Sanitary& Plumbing	5%
J. Cables	20%
K. Furniture Fittings & Office e	25%
L. Tools	33%
M. Machinery	20%
H. Other	20%

2.4 Liabilities and provisions

2.4.1 Gratuity

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

2.4.2 EPF & ETF

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

2.4.3 Mahaweli Land

The title deed for the 50 acre Mahaveliland acquired for the Hamabanthota solar plant has not been received yet. Hence it has not been valued nor included as an asset in the accounts.

2.4.4 Approval of the board

These financial statements have been approved by the board of management of the Authority in January 2016.

Note 3 :**Property, Plant & Equipment****Fixed Assets**

Description	Balance as at 31.12.2013. Rs.	Acquisition during the period 2014	Balance as at 31.12.2014. Rs.
Building	-	105,624	105,624
Furniture & office equipment	13,861,495	3,204,060	17,065,555
Motor vehicles	46,016,550	1,349,569	47,366,119
Photocopier	2,994,191	-	2,994,191
Computers	29,172,570	3,858,251	33,030,820
Electrical Goods	280,260	148,937	429,197
Library Book	453,352	-	453,352
Energy Instruments	80,069,435	8,467,500	88,536,935
Wind towers and Instruments	45,615,151	117,347	45,732,498
Refrigerator testing laboratory	-	42,165,337	42,165,337
Solar & Mini Hydro projects:			
A. Solar Panels	659,048,348	1,462,000	660,510,348
B. Steel Structure	222,261,738	-	222,261,738
C. Building	127,059,617	352,608	127,412,225
D. Switch gear	13,973,767	-	13,973,767
E. Inverters	78,637,410	-	78,637,410
F. Transformers	45,753,626	-	45,753,626
G. Power Electronics	31,257,940	(0)	31,257,940
I. Sanitary & Plumbing	166,473,900	0	166,473,900
J. Cables	100,224,571	-	100,224,571
K. Furniture Fittings & Office Equip.	3,014,584	-	3,014,584
L. Tools	13,977,290	196,930	14,174,220
M. Machinery	4,001,375	-	4,001,375
H. Other	60,039,664	0	60,039,664
Exhibition Equipments	354,853	-	354,853
Data & Information		896,800	896,800
	1,744,541,687	62,324,962	1,806,866,649

Depreciation Account

Description	Rate of Dep. %	Balance as at 31.12.2013. Rs.	Depreciation for the year 2014 Rs.	Balance as at 31.12.2014. Rs.	Net book Value as at 31.12.2014Rs.
Furniture & office equipment	25	11,432,830	1,978,455	13,411,285	3,654,270
Motor vehicles	20	45,679,344	524,235	46,203,579	1,162,540
Photocopier	25	1,790,387	459,480	2,249,867	744,324
Computers	33.33	21,191,190	4,124,389	25,315,579	7,715,241
Electrical Goods	25	225,541	36,531	262,072	167,125
Library Book	20	412,177	9,801	421,978	31,374
Energy Instruments	33.33	77,471,097	4,731,111	82,202,208	6,334,727
Wind towers and Instruments	20	19,343,581	9,606,811	28,950,392	16,782,106
Refrigerator testing laboratory	20	-	7,855,460	7,855,460	34,309,877
Solar & Mini Hydro projects:					
A. Solar Panels	5	82,755,642	32,952,418	115,708,060	544,802,288
B. Steel Structure	10	54,407,192	22,226,174	76,633,366	145,628,372
C. Building	5	15,619,956	6,379,203	21,999,159	105,413,066
D. Switch gear	20	8,192,838	2,794,753	10,987,591	2,986,176
E. Inverters	20	40,101,334	15,727,482	55,828,816	22,808,594
F. Transformers	5	5,660,777	2,287,681	7,948,458	37,805,168
G. Power Electronics	33.33	19,943,521	10,418,271	30,361,792	896,148
I. Sanitary & Plumbing	5	20,125,251	8,323,695	28,448,946	138,024,954
J. Cables	20	48,669,669	20,044,914	68,714,583	31,509,988
K. Furniture Fittings & Office Equip.	25	1,792,905	753,646	2,546,551	468,033
L. Tools	33.33	11,269,770	2,733,532	14,003,302	170,918
M. Machinery	20	988,980	800,275	1,789,255	2,212,120
H. Other	20	28,947,121	12,007,933	40,955,054	19,084,610
Exhibition Equipments	25	353,725	500	354,225	628
Data & Information	0				896,800
		516,374,829	166,776,749	683,151,578	1,123,609,447

Note 4 : Work In Progress

	31.12.2014 RS	31.12.2013 Rs
Renewable Energy Assessment	2,377,000	2,377,000
Hambantota solar park	4,332,591	4,332,591
Indurana mini hydro project		352,608
Refrigerato testing equipment	-	42,104,027
New Theater production	689,500	295,500
Payroll System	25,500	
Data& Information	200,000	
	<u>7,624,591</u>	<u>49,461,726</u>

Note 5 : Investments

Fixed Deposits (Deposited in National Savings Bank, Borella)

Date of Investment	Date of maturity	Rate of investment	Deposit Reg. No.	Deposit as at 31.12.2014	Deposit as at 31.12.2013.
21.09.2011.	21.09.2014	10.5%	2-0061-05-10416	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10432	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10408	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10343	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10335	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10378	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10386	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10327	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10319	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10297	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10289	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-102262	1,200,000	1,200,000
21.09.2011.	21.09.2014	10.5%	2-0061-05-10254	1,200,000	1,200,000
25.09.2011.	25.09.2014	10.5%	2-0061-04-12376	450,000	450,000
05.10.2011.	05.10.2014	10.0%	2-0061-03-09834	2,800,000	2,800,000
02.05.2014				8,000,000	
20.10.2014				400,000	
				27,250,000	18,850,000

Treasury Bills- Invested in People's Bank, Head Quarters

Date of Investment	Date of maturity	Rate of investment	Deposit Reg. No.	Deposit as at 31.12.2014.	Deposit as at 31.12.2013.
18.01.2011.	17.01.2014	10.85%	LKB00615C156	13,846,931	12,489,626
09.07.2011.	11.07.2014	10.25%	LKB00314J011	29,975,087	27,188,469
				<u>43,822,018</u>	<u>39,678,095</u>
Total Amount				71,072,018	58,528,095

Note 6 - Receivables

Receivable interest on Fixed Deposits

Date of Investment	Date of maturity	Rate of investment	Deposit as at 31.12.2013	Deposit as at 31.12.2014	Receivable for 2014 Rs.
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
21.09.2011.	21.09.2014	10.5%	1,200,000	1,200,000	24,750
25.09.2011.	21.09.2014	10.0%	450,000	450,000	8,906
05.10.2011.	05.10.2014	10.0%	2,800,000	2,800,000	42,972
02.05.2014			-	8,000,000	401,096
20.10.2014			-	400,000	5,129
			18,850,000	27,250,000	779,853

Receivable interest on Treasury Bills

Date of Investment	Date of maturity	Rate of investment	Deposit as at 31.12.2013	Deposit as at 31.12.2014.	Receivable for 2014
18.01.2011.	17.01.2013.	10.85%	12,489,626	13,846,931	928,651
09.07.2011.	11.07.2013	10.25%	27,188,469	29,975,087	914,534
			39,678,095	43,822,018	1,843,185

Receivable Income-Energy Instrument Hiring

	31.12.2014	31.12.2013
	Rs	Rs
Barndes Finishing Ltd. - 2005	4,850	4,850
BMI Holding (Pvt.) Ltd-2005	7,200	7,200
Hayleys Industrial Solutions -2005	500	500
Enerfab (Pvt) Ltd-2006	3,750	3,750
Access Energy Solutions	500	500
Access Energy Solutions	500	500
Brandix	2,650	2,650
DIMO	1,600	1,600
Energy Solve Int.	5,750	5,750
National Cleaner Production center	750	750
MAS Active	2,400	2,400
Engineering Design center	-	
Glide (Pvt) Ltd	150	150
SLEMA	250	250
	<u>30,850</u>	<u>30,850</u>
Recivable -Vidulka income	374,675	374,675
Power generation -Indurana		
Training program		
Power generation -hambanrthota/ Hambanthoa	7,188,425	2,812,500
Prior year adjustment		
Recivable employees	2,138	2,138
VAT Credit from Dept of Inland revenue	(1,096,987)	4,702,660
VAT Income		
Vat Paid		
Peoples Travel Pvt Ltd	8,871	8,871
Local Training program	417,253	
	<u>6,925,225</u>	<u>7,931,694</u>
Total Amount	<u>9,548,263</u>	<u>11,110,775</u>

	31.12.2014	31.12.2013.
	Rs	Rs
Note 7: Other current assets		
Advances/Deposits		
CFL loan		-
Receivable from Energy Fund TO Fund of Authority	20,435,260	
Receivable from Fund of authority to Energy Fund		7,444,270
Borrowed by Ministry of Power & Energy		
Receivable from CEB		
Festival Advance		
Medical Insurance	500	500
Advance A/C		98,500
National Water Resources Board		
Advance Deposit fuel ect	186,500	136,500
Special Advance		
Distress loan		
Hambantota - CEB deposit	52,000	52,000
Indurana- CEB Deposit	62,500	62,500
Telephone Deposit	351,048	8,775
Telephone Deposit - Mobitel	2,000	2,000
Deposit SWRDB National Memorial fund	22,543	38,886
Advance employee training programmes		187,450
Advances for programes	15,881	137,333
Deposit -Hambanthota hostal rent	132,000	132,000
Advance deposit- Spring Water Pvt Ltd.,	3,500	3,500
Ministry of Fisheries -Sothern Provincial Council	1,800,000	
Advance -American Premium Water	18,000	
Refundable Deposit -Paradise College	10,000	
Advance-National Youth	40,000	
Advance -JR Jayawardena Center	5,000	
Advance-District Secretary-Kilinochchi	240,000	
Advance-National Hospital Of Sri Lanka	475,000	
Advance -Dept of Animal Husbandry, Wayamba Province	2,500,000	
	<u>26,351,732</u>	<u>8,304,214</u>
Revolving Fund		
Distress loan	7,870,760	7,288,521
Special Advance	5,000	5,000
Festival Advance	123,989	80,489
	<u>7,999,749</u>	<u>7,374,010</u>
	<u>34,351,481</u>	<u>15,678,223</u>
Note 8: Cash and cash equivalents		
National Savings Bank-Borella	213,443,382	207,151,805
People's Bank-SEA-078-1-001-8-8-503576	5,430,427	12,387,146
People's Bank-SEA-078-1-002-7-8-503576	4,578,684	4,578,684
Bank of Ceylon-Trrington - Revolving fund	1,460,067	1,463,745
Bank of Ceylon-Trrington - fund of authority	33,376,650	44,211,447
Bank of Ceylon-Trrington - Energy Fund	40,254,363	
	<u>298,543,573</u>	<u>269,792,827</u>
Note 9 : Accumulated fund		
Accumulated fund of Energy Conservation Fund (ECF) as at 30 September 2007 transferred to Sri Lanka Sustainable Energy Authority (SLSEA) on 1 October 2007. It consists the following :		
Accumulated fund as at 30 September 2007	7,076,392	7,076,392
Initial Capital	5,000,000	5,000,000
Capital Grant - Ministry of Power And Energy	5,761,145	5,761,145
Capital Grant UNDP	3,612,560	3,612,560
Donor Grant - Food & Agriculture Organisation	650,239	650,239
Sustainable Gurantee Fund		
Total	<u>22,100,336</u>	<u>22,100,336</u>

Note 10: Deferred Grant	2014	2013
	Rs	RS
Capital Grant 2008	33,687,060	33,687,060
Capital Grant 2009	11,705,408	11,705,408
Foreign Grant 2009-Japanese	24,165,380	24,165,380
Capital Grant 2010-Hambantota solar park	46,693,991	46,693,991
-Unamortised capital grant	10,563,444	10,563,444
Foreign Grant 2010-Japanese	11,419,569	11,419,569
Capital Grant 2011-Indurana mini hydro project	15,523,945	15,523,945
-Unamortised capital grant-Indurana MHP	68,548,216	68,548,216
Foreign Grant 2011-Japanese	1,155,016,402	1,155,016,402
- Korean	191,097,075	191,097,075
Deffered grant -Foreign aid -2012 -ADB	15,082,346	15,082,346
Treasury capital grant-2012	23,497,861	23,497,861
Differed Grant -ADB- 2013	40,560,683	40,560,683
Differed Grant -KOIKA- 2013	35,662	35,662
Treasury capital grant/FARDF -2013	41,873,961	41,873,961
Capital Grant 2014	20,487,827	
Less:		
-Depriciation-2014	(166,776,749)	
-Depriciation-2013	(168,606,531)	(168,606,531)
-Depriciation-2012	(161,433,593)	(161,433,593)
-Depriciation-2011	(63,289,946)	(63,289,946)
-Depreciation for previous years	(26,218,020)	(26,218,020)
	1,123,633,991	1,269,922,913

Note 11:

Sri Lanka Sustainable Energy Fund

RE income	222,352,762	188,458,395
Instrument hiring and energy auditing	13,459,090	12,284,781
Interest on Savings A/C - NSB	26,890,749	15,725,222
WHT	(14,772)	
Withdrawal for programes/activites of Energy Fund	(30,342,607)	(9,907,347)
BOC savings A/C oppen	500	
Permitt fees transferred to		
	232,345,722	206,561,051

Note 12: Other Payables

Sustainable Energy Fund	-	7,444,270
Payable to Fund of the Authority	20,435,260	
Sustainable energy gurantee fund		-
Switch Asia control A/C	4,548,176	4,548,176
Ministry of Power and Energy	500	500
Accrued expenses	16,722,218	23,208,177
Unpresented cheques	129,837	
Creditors		
Renewable Energy-E Net Solutions (Private) Ltd.	1,667,500	1,667,500
Acquisition of Energy Instruments		
- E-Net Solutions (Pvt.) Ltd	326,025	326,025
John Keels Office Automation	128,999	
Sri Lanka State Trading Gen Corp.	202,359	
University Of Moratuwa	340,000	
Sybergate Service Pvt Ltd	394,998	
Federation of Electricity consumers	1,662,852	
Uwa ProvincialCouncil Power & Energy	3,990,000	
Retention	549,392	519,392
Narahenpita Jathika Pola	99,405	99,405
Other	827,958	

Sundry creditor

Sri Lanka Custom	310,748	310,748
Welfare Society SEA	442	442
Sundry payable		

Refundable deposits:

E-Net solutions (Pvt) Ltd	10,000	10,000
ENL Consultant	150,000	150,000
E-Net solutions (Pvt) Ltd		
Zigma Technologies	10,000	10,000
Renco Renewable Energy Co. (Pvt.) Ltd	30,000	30,000
Gamini Senannayake		
vidulka exhibition	9,256	9,256
vehicle diposal tender		8,000
Ceylon petrolium Corp	54,000	54,000
Refundable Deposit - Vehicle	14,000	
ATA Intenational	50,000	

52,663,940

38,395,891

	31.12.2014	31.12.2013.
	Rs	Rs
Note 13 : Capital grant for project expenses		
Capital grant received from Treasury	54,080,000	43,600,000
Transfer payments under FR 295 (1)		-
FASRDF -2013		2,282,000
Less:		
Hambantota Solar Park	-	-
Work in progress	2,559,793	8,457,133
Capital assets acquired during the current year	17,928,034	33,416,828
	<u>33,592,173</u>	<u>4,008,039</u>

Note 14 : Amortized deferred grant

Depreciation for current year	166,776,750	168,606,531
Depreciation for previous years		
	<u>166,776,750</u>	<u>168,606,531</u>

Note 15 : Other Income

Energy permit fees	51,125,464	43,790,190
Interest on Fixed deposits and Treasury bills	1,829,641	783,242
SAARC Energy centre		
Distress loan interest	293,874	296,166
Special advance interest	2,201	2,953
Income from power generation-Hambanthota	26,971,206	32,700,680
Income from power generation-Indurana	2,332,224	2,403,238
Energy Managers Training Prog	1,238,086	
Vidulka exhibition (sponsorship)		2,750,000
Vidulka exhibition (stalls)		2,925,801
Switch Asia programme		
accreditation of energy managers		2,509,200
Other Income	2,826,039	2,537,257
Income from energy fund	20,435,260	3,907,347
Regional centre for lighting		16,200
Prior year adjustment		
Transferred from Energy fund for Vat payment		3,932,740
Value added tax on taxable income	10,286,572	8,255,905
Wind Data Income	250,000	
	<u>117,590,567</u>	<u>106,810,919</u>

Note 16 : Project Expenses

Renewable Energy

Hydrogen from surplus wind potential - transport application		
Development of Electric Vehicle Technology		12,990
Biogas generation from market garbage demonstration project		294,899
Preparation of bio-fuel standards		
Promotion of efficient wood stoves		
Develop a small scale WECS suits to complex terrain in Sri Lanka		
Creating a suitable mechanism for data vending		
Assist pvt sector in developing CDM documents		

	31.12.2014. RS	31.12.2013. Rs
Develop a comprehensive wind data base embracing all historical and existing wind measuring stations		
Develop renewable energy resource maps for each resource type & Report on estimated RE potential		402,231
Encourage energy plantations & set up 1 bio mass zone		
Establish 10 long term wind/Solar measuring stations ,establish 3 wind measuring stations in Northern SL, Initiate wave energy resource assessment.		1,437,640
Amendments to the Regulations to fully utilize the potential of a given resource site		
Establish a fully fledged energy park for grid connected solar power generation		8,290,344
Establish a fully fledged energy park for grid connected 100 MW wind farm		900
Ratify the already proposed new methodology for project approval process as depicted in the presidential task force report		126,000
Engage other relevant Institutions to promote the development of NCRE industry as a national priority		243,997
Allocation of renewable energy resources		652,056
Energy sector investment promotion (pvt) sector facilitation		1,268,635
Engage other relevant institutions to promote the development of NCRE industry as a national priority		
Establish a primary contact within the SEA to offer services with regard to land issues		
Resolution of project approval related issues		
Allocation of renewable energy resources		
Dispute resolution		
Energy sector investment promotion of RE projects		
Energy sector investment promotion (pvt sector facilitation) realizing the full economic potential in hydro power in GIS countries		
Identify potential areas for off-grid applications and resource options available for such areas		
Electrify 10 villages using off grid electrification option		1,383,733
Progress monitoring & impact assessment of post installation of RE projects at selected locations		32,256
Sri Lanka Energy balance		1,407,068
Sustainable power sector support projects		270,008
Clean energy & network efficiency improvement project		71,110
Preparation of RE Resource Development	1,260	
Assessment of Wind Resource	541,990	
Assesment of Solar Energy	664,349	
Assessment of Hydro Energy	86,655	
Assesment of bio mass energy Consumption	976,849	
Assement of Geothermal Energy	-	
Assesment of bio mass energy	2,478,466	
Assesment of Energy potential in Agriculture	1,102,094	
Maintenece of Wind & Solar data	2,281,009	
Introduce technology compendium	850	
Workshops training	3,937,856	
Resource allocation	248,364	
Maintain the WEB based updated GIS System	97,715	
Sewnd details to CEB requesting grid availability	450	
Represent is Scoping/TEC meetings	102,567	
Develpoment of new methodology & allaocate	2,057	

	31.12.2014	31.12.2013.
	Rs	Rs
Extrodinary gazzets regulations	610,146	
Maintaing the progress of PA & EP	184,776	
Completion of out standing issues in th project	87,009	
Develop & Impliment a performance testing program	41,035	
Electrification of none accesible areas to the national grid	22,450,677	
RE solutions for SME sector	1,282,438	
Net meetering solutions in collaboration with CEB	447,380	
Assess existing technologies & introduce RE solutions	1,539,438	
Provincial bio gass programs	6,290,312	
Energy sector investment promotion (pvt) sector facilitation	159,832	
Power sector support project	28,385	
Clean energy network improvement project	315,616	
Quantom leap program- Wind energy assessment project	23,407	
UNDP	1,046,043	
Operation of Hambanthota RE sight	12,261,613	
Operation of Indurana RE sight	1,863,758	
Promoting sustainable bio mass energy	59,600.00	
	<hr/> <hr/>	<hr/> <hr/>
	61,214,014	15,893,866

Energy Management

Measures for Systematic Energy Management Approaches in Bulk Energy Consuming Organizations
 Energy Labeling Programme
 Establishment of Laboratory facility (Through ADB Assistance)
 Incorporation of the Code into the UDA building approval process, reference manuals and review of the code
 establishment of motor testing facilities
 Sector specific programmes

Establishment of bench marks
 Study on tri generation thermal storage & establishment of data base on equipment
 Establishment of E2 shop
 Establishment of E2 zone
 Repair & maintenance of wind instruments
 Regional Centre for Lighting

Establishment of energy management cells	7,303,385	1,599,685
Introduction of standards & regulations	3,696,855	2,399,567
providing advisory & counselling services	2,080,604	442,164
Rewarding of achivements	1,392,573	983,021
Promoting ISO 5001	463,683	67,000
Carying out reserch & development	3,036,384	1,392,418
Establishment of pilot project for future replication	72,926	10,575
Introdusing market based instruments	1,200	-
Secure funds	-	-
	<hr/> <hr/>	<hr/> <hr/>
	18,047,610	6,894,429

	31.12.2014	31.12.2013.
	Rs	Rs
Knowledge Management		
Vidulka Energy Exhibition	4,740	6,096,665
Energy symposium	125,000	150,987
Sri Lanka National Energy Efficiency award		4,000,000
Event Branding	150,000	5,227,809
Awareness thru electronic & print media	44,300	1,186,055
Education & awareness for school children		1,663,694
Education & awareness for public & corporate sector	661,920	335,809
Education & awareness for general public		2,542,808
Development of educational & promotional tools		989,267
Biogas Generation		286,691
Other programs		690
Communication Programs	162,626	
	<u>1,148,586</u>	<u>22,480,475</u>
Economic Affairs		
Energy policy interventions	1,519,346	
Energy planning & impact assessment	61,855	
Establishment of energy efficient zones	2,217,025	
School energy club program	4,211,392	
Awareness program through media	4,896,729	
Vidulka 2014	6,182,760	
Project expences ADB grant	4,404,284	
Project expences-Estate micro hydro rehabilitation	786,109	
Formulation & publishing of energy data & information	63,672	
Energy policy research workshop	168,000	
	<u>24,511,172</u>	<u>-</u>
	<u>104,921,382</u>	<u>45,268,770</u>
Recurrent Expenses		
Note 17 : Salaries and allowances		
Salaries for staff	40,090,983	29,666,211
Cost of living allowance	8,682,144	7,183,345
Allowances for staff		4,410,459
E.P.F. 12%	5,329,702	4,631,189
E.T.F. 3 %	1,346,171	1,192,542
Overtime & Holiday Pay	3,852,306	3,188,743
PAYE Tax		
Gratuity	948,602	1,062,527
Compensation payment un utilized leave		1,038,886
Medical Insurance	1,500,008	
	<u>61,749,916</u>	<u>52,373,903</u>

	31.12.2014. Rs	31.12.2013. Rs
Note 18 : Travelling & Subsistence		
Travelling- Local	763,931	765,651
Travelling- Foreign	559,139	1,451,286
	<u>1,323,070</u>	<u>2,216,937</u>
Note 19 : Supplies		
Printing, Stationary & office requisites	3,578,925	2,483,958
Fuel & Lubricants	5,972,476	5,197,124
Others- News Papers & Miscellaneous Service	135,973	123,827
	<u>9,687,374</u>	<u>7,804,909</u>
Note 20 : Maintenance Expenditure		
Maintenance of Vehicles and Insurance & License fees	7,420,108	5,879,835
Maintenance of Office Equipment	595,203	574,478
	<u>8,015,311</u>	<u>6,454,313</u>
Note 21 : Contract Service		
Office Rents and hire charges	23,089,238	19,896,097
Postal and Telecommunication charges	2,479,476	2,402,832
transport	825,802	218,901
Audit fees	600,000	600,000
	<u>26,994,516</u>	<u>23,117,830</u>
Note 22: Depreciation Expenses		
Furniture & office equipment	1,978,455	1,395,683
Motor vehicles	524,235	5,741,771
Photocopier	459,480	419,408
Computers	4,124,389	3,784,272
Electrical Goods	36,531	7,073
Library Book	9,801	24,953
Energy Instruments	4,731,111	11,379,385
Wind towers and Instruments	9,606,811	7,781,052
Refrigerator testing laboratory	7,855,460	
Hambantota Energy park	137,449,977	138,065,434
Exhibition Equipments	500	7,500
	<u>166,776,750</u>	<u>168,606,531</u>
Note 23 : Other Recurrent Expenses		
Office & other miscellaneous Expenses	1,158,584	988,577
Translation Fees	61,061	46,486
Allowances for Board Members	700,000	452,000
Refreshment Charges	1,045,782	886,708
Labour Charges		
Welfare Expenses		
Local Training Program	911,812	514,702
Bank charges	84,095	2,307
Vidulka and public awareness		469,237
National Building tax (NBT)	1,666,937	309,356
Value added Tax (VAT)	-	
	<u>5,628,271</u>	<u>3,669,374</u>

Note 24**Restatement of Prior Years**

	<u>2013</u>	
	Rs	
	<u>(Dr)/Cr</u>	
1 Differed grant	230,001	Cr
Accumulated Depricision	(230,001)	Dr
2 Debtors	91,679	Cr
Income	(91,679)	Dr
3 Gurantee fund	3,025,951	Cr
Net surplus	(3,025,951)	Dr
4 Income -Permit fees	4,714,220	Cr
Energy Fund	(4,714,220)	Dr
5 Income-Reimbursement from EF	3,907,347	Cr
Energy Fund	(3,907,347)	Dr



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கணக்காய்வாளர் தலைமை அறிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

EH/1/SLSEA/FA/2014

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

23 December 2015

The Chairman
Sri Lanka Sustainable Energy Authority

Report of the Auditor General on the Financial Statements of the Sri Lanka Sustainable Energy Authority for the year ended 31 December 2014 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971

The audit of the financial statements of the Sri Lanka Sustainable Energy Authority (SLSEA) for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the statements of income, statements of changes in equity and statements of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 50(3) of the Sri Lanka Sustainable Energy Authority Act, No. 35 of 2007 and Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations, which I consider should be published with the Annual Report of the Authority in terms of Section 14(2) (c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act will be issued to the Chairman of the Authority in due course.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those

අංක 306/72, පොල්ලුව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - - இல. 306/72, பொல்தூவு வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduva Road, Battaramulla, Sri Lanka

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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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Subsections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 **Basis for Qualified Opinion**

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

2. **Financial Statements**

2.1 **Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Sustainable Energy Authority as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 **Comments on Financial Statements**

2.2.1 **Sri Lanka Public Sector Accounting Standards (SLPSAS)**

Sri Lanka Public Sector Accounting Standard 01 - Presentation of Financial Statements: The expenditure amounting to Rs. 796,800 incurred on collection of data and



information for the wind measuring activities had been shown under the fixed asset which not inflow any future economic benefits into the entity in terms of Section 07 of the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A land with an extend of 50 acres acquired from the Mahawali Authority for Hambantota Solar Park Project had not been valued and brought to the financial statements even in the year under review.
- (b) The fully damaged wind tower had not been removed from the fixed assets and as such, the property plant and equipment shown in the financial statements as at 31 December 2014 had been overstated by Rs. 2,377,000.
- (c) The actual expenditure incurred out of the funds withdrawn from the investments of Energy Fund during the year under review was Rs. 18,157,555. However, the corresponding amount transferred from the Energy Fund to the Energy Guarantee Fund was Rs. 20,435,260. Hence, the balance of the Energy Guarantee Fund and the Energy Fund shown in the financial statements as at 31 December 2014 had been overstated and understated by Rs. 2,277,705 respectively.
- (d) The water drainage system and security huts constructed at a cost of Rs. 4,332,591 which completed in 2012 and hand over to the Authority had been shown under the works-in-progress instead of being shown under property, plant and equipment as at 31 December 2014. As such, the depreciation for the year under review on such assets amounting to Rs.433,260 had not been provided in the financial statements during the year under review.
- (e) Retention money amounting to Rs. 750,375 relating to 'wind tower and instrument' had not been taken into account and as a result the property, plant and equipment shown in the financial statements had been understated while omitting of the retention money respectively by that amount. Further, the equity of the Authority had been overstated by Rs. 643,836 due to not adjusting the relevant depreciation portion for the item.
- (f) The balances of office rent payable and penalty thereon amounting to Rs. 8,697,719 and Rs. 81,620,195 respectively as at 31 December 2014 of the 'Regional Centre for Lighting' had



not been brought to the accounts and as a result, the current liabilities and the surplus of the year under review reflecting in the financial statements of the Authority had been understated and overstated respectively by these amounts.

The Chairman of the Authority, states in this regard as follows.

As per the instruction issued by the Secretary to the Ministry of Power & Energy, and the Director General of National Budget, all liabilities including the above Rs.8,697,719 required to be settled by the Ceylon Electrify Board.

2.2.3 Accounts Receivable and Payable

Age analysis had not been prepared in respect of receivable and payable balances aggregating Rs. 31,809,744 and Rs. 48,044,402 respectively. Further, confirmations for those balances as at 31 December 2014 had not been called for. Therefore, the reliability and accuracy of those balances were not ensured in audit.

2.3 Non - compliance with Laws, Rules and Regulations

Instances of non- compliance observed in audit are given below.

Reference to Laws, Rules and Regulations etc.	Non- Compliance
-----	-----
(a) <u>Finance Act, No. 38 of 1971</u>	
(i) Section 8(1)	The budget of the Authority for the year 2014 which was required to be approved by the Board of the Directors before 30 September 2013 had been approved only on 11 February 2014.
(ii) Section 14(1)	A draft of the annual report for the year 2014 had not been submitted to the Auditor General along with the financial statements for the year under review.
(b) <u>Financial Regulations of the Government of the Socialist Republic of Sri Lanka</u>	
(i) Financial Regulation 371(2)(b)	Sub-imprest exceeding the limit of Rs. 20,000 per event had been granted in 15 instances.





- (ii) Financial Regulation Sub-imprests totalling Rs. 320,334 given in 19 instances had not been settled immediately after the completion of the purpose for which they were granted.
371(2)

(c) **Treasury Circulars**

- (i) No. IAI/2002/02 of 28 November 2002 A register for computer hardware and software had not been maintained.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Authority for the year under review had resulted in a surplus of Rs. 11,538,586 as compared with the corresponding surplus of Rs. 41,566,908 for the preceding year, thus indicating a deterioration of Rs. 30,028,322 in the financial results. This was mainly due to increase of project expenditure by Rs. 59,652,612 during the year under review.

3.2 Operating Inefficiencies

The following inefficiencies were observed in audit.

(a) Development of Three Prototype Electric Vehicles

A sum of Rs. 7,888,000 had been paid during the year 2009 to develop three prototype electric vehicles within 18 months from the date of 28 September 2007. Nevertheless, the developer had failed to complete even a single vehicle up to the date of audit inspection on 31 May 2015.

(b) Supply, Fabrication, Installation and Commission of Ten Wind Measuring Masts

The following observations are made in this regard.

- (i) The Authority had incurred a sum of Rs. 23,770,000 for the procurement of this facility. However, the physical performance of wind measuring data collection was remained around 51 per cent level. Therefore, the Authority could not be able to achieve the expected objectives such as identify the sites for establishing the wind



measuring masts, collection of measuring data of wind and reporting those data etc. from the establishment of Wind Measuring Masts.

- (ii) The cost incurred to install the Tower in Nadukuda amounting to Rs. 1,827,125 become fruitless expenditure due to Tower is not in required standard.
- (iii) A sum of Rs. 2,377,000 had been paid in year 2011 as mobilization advance, instrument costs and site inspection fees to install a Tower in Kabaragala. However, no any construction activity had been carried out even as at 31 May 2015.
- (iv) The Authority had not taken proper actions to repair and maintain the following wind measuring masts. Therefore, the data collections from those stations were ceased since the year mentioned against the names of each station.

Measuring Station	The year in which data collected at last
Silawathurai	2012
Nanattan	2012
Yala	2011
Sampoor	2009

(c) **Switch – Asia Programme**

A sum of Rs. 3,135,202 out of Rs. 7,334,354 received under Switch Asia Programme had been paid to all officers of the Authority as professional allowance during the years 2010 and 2011 in contrary to the provisions in the Public Enterprises Circular No. 95 of 04 June 1994 and Public Finance Circular No. PF/PE/5 of 11 January 2000.

The Secretary to the then Ministry of Power and Energy had instructed the Chairman of the Authority by his letter No. PE/1A/22/vol. II dated 03 December 2012 to recover this payment from all officers or from the Chairman of the Authority. However, meaningful actions had not been taken to recover this unauthorized payment even up to the date of audit on 26 May 2015.





3.3 Identified Losses

The then Ministry of Power and Energy had temporarily borrowed a sum of Rs 8,000,000 from the Sustainable Guarantee Fund of the Authority on 17 December 2012 and it had been settled after two years in 2014. The opportunity cost estimated by the audit to the Fund as a result of this transaction was Rs. 1,398,528.

3.4 Transactions of a Contentious Nature

Interest income amounting to Rs. 39,618,010 received during the period from 2008 to 2013 on the investments made from the Sri Lanka Sustainable Energy Fund and Sri Lanka Sustainable Guarantee Fund had been utilized by the Authority without being remitted to the relevant Funds.

4 Budgetary Control

Significant variances were observed between the budgeted and the actual income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of financial management control.

5 Systems and Controls

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

- (a) Budgetary Control
- (b) Assets Management
- (c) Receivables and Payables
- (d) Implementation of Projects
- (e) Human Resources Management
- (f) Payment Procedure

H.M. Gamini Wijesinghe
Auditor General





My No: SEA/IA/CH/14/02
30th July 2015

Mr.R.M.J. Rathnayake
Assistant Auditor General
Auditor General's Department
306/72
Polduwa Road
Baththaramulla

Dear Sir,

Report of the Auditor General on the Financial Statements of the Sri Lanka Sustainable Energy Authority for the year ended 31st December 2014.

Ref No: EH/SLSEA/FA/2014

This is with the reference of above mentioned report and sending the reply herewith.

Director General
Sri Lanka Sustainable Energy Authority

Copy:

01. Mr.S.M.J. Priyantha, Superintend of Audit, Auditor General's Department
02. The Secretary, Ministry of Power & Energy
03. The Secretary, Ministry of Finance

2 FINANCIAL STATEMENTS

2.2 Comments on Financial Statements

2.2.1 **None Compliance with the Sri Lanka Public Sector Accounting Standards (SLPSAS)**

Wind measurement Data, Information and its behavior etc.. are important in relation to promoting and issuing of energy permits to developers. Hence, it is caused to earn revenue from this investment. Therefore, showing the incurred capital cost under the Fixed Assets is not an overstatement.

2.2.2 Accounting Deficiencies

- (a) Having obtained the cabinet approval SLSEA has initiated the acquisition process and now we are waiting for the deed from Mahaweli Authority. At present , deed has sent for the registration to the Mahaweli Authority- Embilipitiya branch. Immediately after receiving the deed action will be taken to obtain valuation and include its correct value in the assets register. This was quoted as a foot note below the 2013/2014 balance sheet and the correct value will be mentioned in the accounts after receiving real amount of the valuation. This situation was already explained in my 2013 reply also.
- (b) According to the instruction given by Audit & Management Committee held on 05th June 2015 FR 104 application and reinvestigated report with relevant documents have been submitted to the Ministry of Power & Energy by reporting this loss and action will be taken to write off after receiving the F.R. 109 approval.
- (c) The amount of expenditure incurred from the Energy Fund is Rs.20, 435,260 is correct. These figures were obtained from the 2014 vote ledger by the respective division and approved by the chairman. Breakup of the figures and the approval is shown in the Annexure A. Further this has been accounted for as receivable to the Fund of the Authority in 2014 accounts. The funds were transferred only in 2015.
- (d) This mistake has been rectified as Rs.1, 146,043 in the final accounts. This includes Rs.100,000 advance paid to a supplier.

- (e) Out of the list of Rs.7,531,110 for accrued expenses only . Rs.4, 619,540.94 has been accounted as accrued expenses in the 2014 final accounts. The balance is as follows;

Voucher Number/s	Remarks
84	Rs. 1, 662,851.60 accounted as payable
64	Rs.1,096,987.00 is shown under vat receivable (credit)
177	Rs.83,270.88 this is OT for January 2015
82/ 130/ 158/ 218/ 222/ 312/ 313/ 314	Rs.33,601.72 this is input vat and is not an expense

- (f) Office rent payable of the RCL is only Rs.8, 697,719 and not Rs.90, 317,915. The SLSEA has not signed any agreement with the BMICH to pay any liquidity damages. The RCL including all Assets liabilities and employees were handed over to the BMICH at the end of 2012. As per the attached letters issued by the Secretary Ministry of Power & Energy, and Director General of National Budget Department all liabilities including the above Rs.8,697.719 has to be settled by the Ceylon Electrify Board. (Refer annex B)
- (g) This cash book balance has been rectified in the final accounts.
- (h) This erroneous computation has been rectified.
- (i) This has been rectified. But the Hambantota solar park WIP has not been confirmed in writing as completed by the respective division. Hence there is no guarantee that it has actually completed. Therefore this amount of Rs, 4,332,591 is still accounted as WIP.
- (j) The construction of the wind towers commenced as early as 2010. Therefore some of the retention may have already been paid. We cannot pass an entry without verifying this.

2.2.3 Unreconciled Differences

- (i) The amount entered in the Fixed Assets Register includes vat. But the amount in the ledger excluded input vat (This is accounted for only later on). Further Fixed Assets rehabilitation expenditures are also shown under Fixed Assets in the statements. But since this rehabilitation occurred not in new items and they do not all appear in the Fixed Assets register. Hence the discrepancy.

- (ii) The amount of Rs.105,624 under the building account is shown under rehabilitation of building in the General Ledger. The others have been rectified. Further other errors / omissions discovered in the process too have been rectified.
- (iii) As per the Treasury documents the recurrent grant is Rs.81,999,500 and not Rs.81,998,000 as give in the audit report. Hence the difference in both grants are Rs.3,840,000. This has been rectified in the final accounts. (Refer annex C)
- (iv) As per the vat return the vat payable as at 31/12/2014 is Rs.1, 096,987 (Refer annex D). This amount relates to December 2014 vat and was paid in January 2015. Hence the different between the vat return an General Ledger was only Rs.1, 941,103. This has been rectified in the final accounts as follows. Vat paid during the year 1,833,058 (included in note 23 under NBT in the draft) and rectification of output vat to Rs.10,286,572 (Refer Annex E)
- (v) The differece in the Guaranty Fund has been rectified in the final account. The difference in the final account Rs.2,249,611 is correct. This difference is due to interest receivable at the end of year. This interest receivable relating to reinvestments has been correctly credited to the Guarantee Fund account. The investment can be debited only after the interest is received. Hence the difference. The balance of interest receivable has been credited to income.

The difference in the Energy Fund and the investment in the 2 savings accounts have been rectified in the final account. The existing difference is due to the amount of Rs.20.4 million transferable from the savings account for energy fund activities carried out in 2014 but payments made from Fund of the Authority only in 2015. (Refer 2.2.2.C). This amount has been correctly accounted under the note 12 payable to fund of Authority in the accounts.

2.2.4 Accounts Receivables and Payables

Action has been taken to prepare an age analysis of receivable and payable balance for year 2014 to be submitted to the auditor.

2.3 None Compliance with Laws Rules & Regulations

- (a) (i) The budget ceiling from the treasury was received only in late November 2013. Hence the delay to prepare and get the approval. However, it has been approved by the Board of Management at their 1st meeting in 2014.
- (ii) Auditor General observation is correct. Preparation activities of the Annual report are on process.
- (b) (i) Fixed assets register is being improved since 2014 and now it is properly maintained. The rectification requirements refer to in sec 2.2.3 (i) in the audit report also have been made.
- (ii) Action has been taken to maintain a register for computer hardware & software from 2014.
- (d) (i) Exceeding the sub imprest of Rs.20, 000 sometimes cannot be avoided due to the nature of the activities conducted by SLSEA. Most of the programs are implementing in outstations. Such programs cannot be completed by Rs.20,000 and therefore in some actions chairman approves up to the limit of Rs.100,000 according to their requirements.
- (ii) Instructions have been issued to the officers to settle the outstanding subimprest promptly after the completion of the activity which advance were obtained.
- (iii) As explained in 2.2.2 (b) relevant documents have been submitted to the ministry requesting write off approval. All these documents are submitted for Auditor General Observation with this answers attached as Annexure F.

3 Financial Review

3.1 Financial Results

Observation of the Auditor general is comprehended. However, noted to make improvements.

3.2 Operating Inefficiencies

Identified Losses

It is not clear, how this loss can be accounted for. Further the method of estimating the loss is not clear. Loss cannot be mentioned as receivable from the ministry because the value cannot be claimed as we are unable to estimate it accurately.

3.2.1 Development of Three Prototype Electric Vehicles

Legal action was initiated under the consultation of Attorney General. Attorney General has introduced an arbitration procedure and some required documents were summoned. This was and was acknowledged to us by the Attorney General on 30 July 2014 by his letter Ref. C/154/14/SLSEA.

3.2.2. Supply, Fabrication, Installation and Commission of Ten Wind Measuring Masts

- a) Even though this statement:"the physical performance of wind measuring data collection was remained around 51% percent level" is correct ONLY when the calculation for data percentage is made for the considered four period (2009-2012) audit period. However, data percentage is much higher when the calculation is made only for the period between actual tower installation and removal (or data collection was stopped). This is because there were some delay in tower installation due to some reason like war situation in the North-west, North-east regions and land matters. Furthermore, some wind measuring towers could not be continued for more than 2 years since the operational life span of wind met-masts and related equipment particularly in coastal environment are expected to be limited or shorter.

However, the Authority had been able to collect satisfactory level of wind data for most of these wind met-masts which is adequate for Wind Resource Assessment purposes.

- b) The tower erected in Nadukuda had been operation approximately 9 months before this tower was removed to facilitate the erection of new 80m wind met-mast for the ADB programme "Master Plan for Wind Power Development in Mannar District". Previous 50m wind met-mast and related equipment (including stay wires) can be produced for Auditor General's department inspection.

During this one year operation of Authority's wind met-mast, it could be identified that this site was an excellent site for wind power project development. Therefore this wind-met mast was removed and the same location was used for establishing this state-of-the-art 80m wind met-mast for more comprehensive wind measuring campaign (above mentioned programme) under the Ministry of Power and Energy.

The 80m wind met-mast's data have been used for the ADB study to identify regional wind patterns. Detailed wind resource map for Mannar Island and surrounding regions has already been developed under the same program. As a result of this study it has been identified that the region's total wind power project development capacity is 375 MW. It is reported that 100 MW of this estimated potential shall initially be developed as a wind park concept. The Sustainable Energy Authority as the implementation authority for above ADB programme has the access to this new wind met-mast's data and its findings. These data will be used for the wind power project development activities in future.

- c) SLSEA had paid only the following amount for the construction and installation of Kabaragala Wind measuring under the Tender Number: SEA/RE/WR/NRS/R8000 signed with E-net Solution;

No.	Description	Amount-LKR
01.	Discussion on details fabrication and final agreement on proposal and signing of agreement-(25% Mobilize advance)	416,875.00
02.	Completion of tower manufacturing an inspection of SEA engineer representative recommendation -50%	833,750.00
03.	Instrument Values	576,500.00
	Total Amount SLSEA paid to the E-net	1,827,125.00

This wind measuring tower and instrument are in the possession of the Authority.

- d) The Authority had successfully completed the maintenance work of 4 wind measuring masts namely; Kalamatiya, Sampoor, Balangoda, and SeethaEliya in 2014. These towers have been operating (data collection process) since these towers' maintenance were completed. Furthermore Silawatura wind measuring station is under major maintenance, and will be added to operation in the near future. As it is discussed in (a) the operational life span of some wind met-masts operated in severe corrosive environment (coastal belt) had come to the end. Thus, Yala and Nannathan towers were terminated from the operation.

The Authority had been able to collect satisfactory level of wind data for most of these wind met-masts which is adequate for Wind Resource Assessment purposes. The Authority is in the making of regional wind atlas based on these data. Mannar wind resource atlas and development plan has already been completed. The Authority is about to complete the Puttalama Resource Atlas and Resouce Optimization study which is based on Udappuwa and Mullipurama wind measuring masts' data.

More importantly, these data have also been used for the development of wind power projects in the country. Many wind power project development activities have been in progress since 2010 where the total installed wind power capacity stands at 125 MW to date. These wind project developers found these wind met-masts data very useful when their projects were developed.

Therefore, the Authority believes that the expenditure on the project has already been paid off.

3.2.3. Switch – Asia Programme

The advice of the Auditor General in this regard was to act according to the instructions given by the Secretary and also to arrive at an amicable solution by discussing the matter with the Treasury and the Secretary. Based on that, activities in relation to the matter were taken, and the details are given below.

The way the matter was processed was informed to the Secretary, Ministry of Power & Energy through a letter dated 05.12.2012, and approval from secretary to the Treasury was requested through a letter dated 24th January 2013. Subsequently, SLSEA became under the preview of Ministry of Environment & Renewable Energy. Accordingly, the letter to the treasury was sent through the Ministry of Environment & Renewable Energy also. Further explaining the situation completely a letter dated 02.12.2014 was sent to the COPE secretary through Ministry with copies to the Treasury and to The Auditor General.

3.3 Human Resources Management (HRM)

Suitable actions have been taken to rectify the trivial issues of the personal management and now the operation in the section is developed to be in order.

3.4 Transactions of a Contentious Nature

While some interest from fixed deposits are invest in the Guarantee Fund. Some portion has been taken to the income of the SLSEA for supplement the expenses the insufficient imprest receiving from the treasury.

3.5 Unauthorized Payments

The payment has been done under the board approval of paper SEA 23 /2013 on the date of 30/07/2013. As per the board direction a request letter was sent to obtain approval from the Department of Management Services and Salaries & Cadre Commission on 29.08.2013. The chairman has given his approval for this payment on the reply letter of DMS received on 30.12.2013. This scheme was introduced mainly with the purpose of motivating the employees.

3.6 Unsettled Foreign Advances

This advances mentioned in the Auditor General Report were settled during the year 2014.

4 **Accountability and Good Governance**

4.1 Budgetary Control

Variances observed by the Auditor General were adjusted and finally amended accounts were submitted after getting the approval from the board was submitted to the Auditor General.

5 **Systems and Controls**

Deficiencies observed by the Auditor General are highly considered and noted to take actions to correct the weaknesses and regularize the situation in the observed areas.

