Ceylon Electricity Board Pension Fund - 2025
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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ceylon Electricity Board Pension Fund for the year ended 31 December 2025 comprising the Statement of Net Assets Available for Benefits as at 31 December 2025 and the Statement of Changes in Net Assets Available for Benefits, Statement of Cash Flows for the year then ended and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and the Section 14(1) of the extraordinary Gazette No. 1321/18 read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Audit scope also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;

- Whether the Fund has performed according to its powers, functions and duties; and

- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
	Pension Fund Regulations published in Extraordinary Gazette Notification No. 1321/18 dated 31 December 2003			
(a)	Rule 18	Contrary to the provision, the Fund had implemented several benefit enhancements based on Board decisions, including pension increases of 15 per cent and 12.5 per cent in 2015 and 2021 respectively, an increase in the minimum monthly pension from Rs. 10,000 to Rs. 15,000 with effect from 01 January 2021 for pensioners who retired on or before 31 December 2020 and a further 10 per cent increase for the same category of pensioners. Moreover, the medical benefit payments amounting to	The relevant approvals obtained and documentation required for publication of the amendments has been forwarded to the Ministry from time to time. In addition, the documents have been resubmitted to the Ministry of Energy for publication. The said salary increases and medical payments have been made as per the amended rules 23.2, 23.3 &23.4 of the pension fund	The Fund should ensure compliance with the Pension Fund Regulations and obtain all required approvals before implementing benefit enhancements or other payments.

		Rs.1,205.84 million had been made during the period 2018–2025 based on the Board decision dated 23 October 2013.	regulation. At the meeting held on April 29, 2025, with the Secretary, Ministry of Energy, it was advised to incorporate such amendments to new regulations coming under restructuring process. Accordingly, the amendments will be incorporated in the proposed new regulation of the Fund which is being drafted by CEB Employees Funds (Pvt) Ltd.	
(b)	Rule 6.2	Even though the Committee of Management shall meet at least once in 03 months times, only 03 meetings had been held during the year under review.	Affirmative	The Committee of Management should hold meetings in accordance with the requirements of the Pension Fund Regulations.
(c)	Rule 22.1	Contrary to the provision, a decision had been taken by Management Committee on 13 February 2024 to pay the pension to an officer who had completed only 18 years 5 months and 19 days service at CEB. The committee had taken this decision based on a letter of Secretary of Ministry of Power and Energy no විබ/පා/6/දේ.ප.ගැ.dated 27 March 2017 backdating the appointment date of 12 July 2004 as 10 November 1995 without the payment of salary arrears. to that employee. Accordingly, pension payments amounting to Rs.1,074,067 had been made to the officer from 2023 up to the end of the year under review	Pension has been already awarded to by the relevant HR Division and has been paid from January 2023 to June 2023. However, due to an issue regarding the service period which occurred later, the pension was withheld by the Pension Unit. The pensioner filed a case in the HRC. This matter was tabled at the committee meeting, and the committee approved to release the stopped payment as the pension has already been awarded and paid. In addition, the committee considered the documents provided along with his pension award.	Pension benefits should be granted only to eligible members in compliance with the Pension Fund Regulations.

(d)	Rule 24.2	Due to the lack of proper mechanism to verify the living condition of a particular pensioner in reasonable time intervals, pension payments of Rs.10.5 million had been credited to bank accounts of deceased employees from the year 2019 to 2025 and which could not been recovered even at the end of the year under review. Further, this over payment had not been recognized as receivable in the financial statements even at the end of the year under review.	This matter has been informed and discussed at the Management Committee meetings of the Pension fund continuously. Due to the practical difficulty in verifying living conditions several times a year, a life certificate is sent once a year at the beginning of the year. Upon identifying that an overpayment has been made, letters are sent to the banks and legal beneficiaries to recover the overpayment. A receivable has not been created at the year-end as the amounts will have to be written off annually due to difficulties in recovering such long outstanding payments. At present, such payments are already expensed during the year. A register is maintained for overpayments and actions have been taken to recover overpayments with full potential.	Controls should be strengthened to prevent pension overpayments and to ensure their timely recovery and proper accounting.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the net assets available for benefits as at 31 December 2025 was Rs.62,094 million as compared with the preceding year amount of Rs.60,215 million, thus indicating an increase of Rs.1,879 million. Further, based on the actuarial valuation report of the fund a sum of Rs.23,007.9 million had been identified as receivable from the Ceylon Electricity Board, while that amount had been identified as liability in the Financial Statements of Ceylon Electricity Board (CEB).

A deficit of Rs.820.8 million in 2025 and Rs.886.64 million in 2024 was observed between the annual contributions received from the CEB and the actual pension payments made by the Fund, indicating that the annual contributions were insufficient to meet the pension obligations during those years. These matters had been considered even at the Management Committee meeting held on 18 September 2024, during which the General Manager and the Vice Chairman of the CEB emphasized the need of finding a way to bridge the funding gap, warning that the continued deterioration of the Fund could adversely affect its ability to meet pension obligations to contributors in the long term.

Further, at the end of the year under review, total investment value of the Pension Fund was Rs.38,881.82 million. Out of this amount, 97.78 per cent (Rs.38, 015.81 million) had been invested in fixed deposits, while only 2.28 per cent (Rs.866.01 million) had been invested in debentures, indicating a lack of diversification in the investment portfolio. Further, analysis shows that a significant portion of the fixed deposits was placed with government commercial banks, with 66.47 per cent invested in a single bank. Such concentration exposes the Fund to increased counterparty risk and may adversely affect the security and stability of its investments in the event of financial or operational difficulties of that institution.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase are as follows.

Income/Expenditure	2025 Rs.million	2024 Rs.million	Increase/ (Decrease) Rs.million	Percentage %
Investment Income	5,032	4,980	52	1
Benefits Paid to pensioners	3,779	3,677	102	2.8

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
A sum of Rs.400.4 million had been invested in Treasury Bonds through Entrust Securities PLC in the 2014 and it was observed that the company had withdrawn the investment without approval of the Fund. Further, in an investigation carried out by the Internal Audit Division of the Ceylon Electricity Board in 2015, it was revealed that no Treasury Bonds were in existence under the name of the Pension Fund as per the confirmation	Ceylon Electricity Board has appointed an independent committee of Judges to investigate the aforesaid fraud by responsible officers serving in the fund at the time, and the final committee report has been submitted to the Chairman, CEBEF (Pvt.) Ltd. on 2026.05.11. Accordingly, the committee's recommendations will be acted upon immediately,	Internal controls over investment activities should be strengthened, recovery actions should be expedited, and appropriate action should be taken against officers responsible for negligence.

(Lanka Secure System) received by the Central Bank of Sri Lanka. However, the Board initiated legal action against Entrust Securities PLC to recover the investment together with the accrued coupon interest at the date of maturity only in 2018 after more than two years delay from the date of maturity. However, no action had been taken against the responsible officers who were serving the fund at that time, for their negligence and they were allowed to retire from Ceylon Electricity Board.

and legal action is being taken as per the report's recommendations.