

Observations of Hon. Minister of Finance, Economic Stabilization, and National Policies on special audit report on the evaluation of the procurement process of purchasing coal for the Lakvijaya Coal Power Plant in Norochcholai for the period of 2022-2025

	Recommendations submitted by COPE	Actions taken by Ministry of Power & Energy	Observations of Hon. Minister, Ministry of Finance, Economic stabilization and national policies
01	Ensuring proper fulfillment of responsibility of all parties connected with the coal procurement process in accordance with Procurement Guidelines approved by the Government and the necessity of taking appropriate steps against parties deviating from such responsibilities, are emphasized.	The relevant parties have been advised to fulfill their responsibilities correctly in accordance with the procurement guidelines. In special circumstances, Cabinet approval will be obtained only if it is necessary to deviate. After conducting several rounds of discussions with the relevant parties, the relevant circumstances have been identified and necessary instructions have been given to fulfill their responsibilities more accurately in accordance with the procurement guidelines in the future.	It is observed that the instructions have been given by the Secretary, of the Ministry of Power and Energy to the relevant parties including Lanka Coal Company.
02	Without any prejudice to the objectives mentioned in paragraph 1.2 of the Procurement Guidelines, attention should be drawn on maximizing competition by relaxing the process of registering bidders to an acceptable level so as to safeguard basic 107 requirements including financial viability, experience and quality of supply and adequate legal obligations of the suppliers.	Necessary work in this regard has already been done. In order not to prejudice the objectives mentioned in Article 1.2 of the Procurement Guidelines Code and to protect the basic needs of the suppliers, bringing an amendment to remove the GCV limit of 5900 which was related to the registration of suppliers. This has increased the competitiveness by	It is observed that the necessary amendments on registration of suppliers have been already done by the LCC as per the instructions given by the Secretary, of the Ministry of Power and Energy.

		allowing any coal supplier with 03 years of experience to participate and the registration process has been eased to an acceptable level and the conditions have also been taken into consideration not only to Sri Lanka but also to other countries if they have a habit of supplying coal.	
03	In making amendments to the bidding documents, such amendments should be made without prejudice to relevant confirmations and obligations and after confirming the legality thereof. Furthermore, responsibility should be taken to amend other sections and agreements of the bidding documents to adapt to those amendments. After inviting bids, every possibility of making significant amendments for the bidding documents should be avoided. In the amendments made later on to the documents, action should be taken to allow all bidders a reasonable period to adjust to such amendments.	Attention has been drawn to this and accordingly to give reasonable time to all bidders and to avoid making such amendments in procurement as per the provisions of 5.3.15 of the procurement guidelines whenever possible and in case of making such amendments to the tender documents all suppliers to comply with such amendments. Reasonable time will be provided.	It is observed that the Secretary, of the Ministry of Power and Energy stated that attention has been drawn to providing reasonable time in future procurements.
04	In the procurement of coal, action should be taken to prepare and approve the duly completed Procurement Plan in terms of the Procurement Guidelines, adapt accordingly and to draw attention towards the possibility of obtaining prior agreement on financial provisions so as to confirm timely supply of coal.	Clear agreements are reached on the financing of coal supply. But during the period related to this inquiry, due to the covid 19 epidemic situation and the poor financial situation in the country and the insufficient income obtained through the Ceylon Electricity Board's schemes, it was difficult to make an advance agreement regarding the monetary	It is observed that LCC was unable to act as per the procurement plan due to the covid 19 pandemic situation and the poor financial situation in the country. However, it is emphasized that the Secretary, the Ministry of Power and Energy should advise and monitor the process of coal procurement closely.

		situation as in the previous term. This situation was especially affected by the bad liquidity in Sri Lanka and the shortage of foreign exchange in the country, which is an uncontrollable factor. However, as the country's financial situation is improving and revenue collection has been reported through irregular methods, more attention has been paid to the possibility of obtaining a prior agreement on financing arrangements to ensure the timely supply of coal in future tenders.	
05	In case of procurement from a gathering of more suppliers, the legal personality of such a gathering should be confirmed and bidding documents and agreements should be strengthened so as to confirm the capability thereof and confirm timely receipt of quality coal stocks.	The requirement for that part of the bid document related to this point has been amended after obtaining legal advice and the clearance of the Attorney General's Department has also been obtained for the amended bid document for the bids called later. In future tenders, further work will be done only after obtaining clearances from the Attorney General's Department.	It is observed that the instructions have been given by the Secretary, of the Ministry of Power and Energy to the Lanka Coal Company.
06	In determining the composite indexes relating to the procurement of coal, action should be taken for timely re-consideration of regional indexes used for preparation of the said indexes so as to gain maximum economic benefits to the Government.	The relevant departments have been informed to pay attention to this. Furthermore, the Coal Company has taken steps to obtain further observations from the Department of Census and Statistics regarding the use of the most favorable indicators for the country in	It is observed that the instructions have been given by the Secretary, of the Ministry of Power and Energy to the Lanka Coal Company.

		case of uncertainty. Furthermore, the University of Colombo has also been requested to observe this and by making a timely review of all the regional indicators, necessary plans have been prepared to carry out procurement activities based on the most favorable indicators.	
07	Approval had been granted by the Cabinet Decision dated 22 September 2022 to commence procurement activities by providing opportunities as well for suppliers registered already to participate in procurements while adhering to the open international procurement process. In the commencement of open international procurement process, it is recommended that the minimum basic qualifications considered for evaluation of financial and technical potentiality in the present registration of a supplier by the Coal Company, should be included in bidding documents as criteria of evaluating bidders.	After paying attention in this regard, the coal company has now included the minimum basic qualifications in the tender documents that evaluate the financial and technical viability of a supplier in the initiation of an open international tender process. This situation does not affect the receipt of bids from registered suppliers. It has already been included in the Open International Bidding Document as Section 2.8 as Eligibility Criteria in Open Bidding.	It is observed that the instructions have been given by the Secretary, of the Ministry of Power and Energy to the Lanka Coal Company.
08	The relevant officers should be directed to submit accurate information without delay so that the Cabinet has adequate time to carry out necessary studies and to obtain information for granting optimum approval relating to these procurements.	Arrangements are being made to deal accordingly in future procurements.	It is observed that the actions have been taken by the Secretary, of the Ministry of Power and Energy on behalf of the Lanka Coal Company.