

1.1 Opinion

The audit of the financial statements of West Coast Power (Private) Limited (“Company”) for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with 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 my 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 Company’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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

1.4 Audit Scope

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 Company'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 Company'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 Company 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.

The scope of the audit 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 March 2019 had resulted in a pre-tax net profit of Rs. 12,103,450,642 as compared with the corresponding pre-tax net profit of Rs. 11,073,254,824 in the preceding year, thus indicating an increase of Rs. 1,030,195,818 in the financial results for the year under review. Decreased Cost of Sales by Rs. 1,245,840,000 was the main reason for above improvement.

3. Operational Review

3.1 Management Activities

The following observations are made.

| Audit Issue | Management Comment | Recommendation |
|--|---|---|
| ----- | ----- | ----- |
| (a) Monthly invoices issued by the Company regarding power generations were reviewed by the CEB and in most instances the amount accepted by the CEB is lower than the amount invoiced. It is varied from 1 per cent to 13 per cent in the year under review. CEB confirms the amount agreed and does not give the reasons affected to the difference. Further, the Company had not reconciled the differences and held documentation process of | Reconciliation has been prepared and submitted to the CEB. Amounts accepted by CEB were in complete violation of the provisions of CEB. But CEB has failed to respond them. | Formal monthly Reconciliation should be prepared to determine the accuracy of the amount accepted by the CEB. |

finalizing the invoices since it happened.

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| <p>(b) The Company had not paid the tax assessments under the Inland Revenue Act No. 10 of 2006 regarding the assessment years 2012/13 and 2013/14 amounting to (including penalties) Rs. 133,500,000 and Rs. 97,500,000 respectively.</p> | <p>The relevant appeals are hearing before the Tax appeals Commission. Our Tax Consultants are in the opinion that the Honorable Tax Appeal Commission may determine the appeals in favor to the Company.</p> | <p>Company should carry out appropriate tax planning in future to avoid circumstances as described above.</p> |
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3.2 Human Resources Management

| Audit Issue | Management Comment | Recommendation |
|--|---|--|
| ----- | ----- | ----- |
| <p>The company had three staff officers as Chief Executive Officer, Assistant Finance Manager and Assistant Accountant. But the Company had not been prepared the Scheme of Recruitment (SOR).</p> | <p>The Company has only CEO, Assistant Finance Manager and Assistant Accountant. There are no plans to recruit any more employees. Therefore, a need for a Scheme of Recruitment(SOR) does not arise.</p> | <p>Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003.</p> |

4. Accountability & Good Governance

4.1 Corporate Plan and Annual Action Plan

| Audit Issue | Management Comment | Recommendation |
|---|---|--|
| ----- | ----- | ----- |
| <p>A Corporate Plan and Annual Action Plan had not been prepared by the Company as per the Public Enterprise Circular No.PED/12 dated 02 June 2003.</p> | <p>The Company owns and operates 300 MW Kerawalapitiya Power Plant. Its transactions are limited to payments made to CPC for fuel purchased, procurement of Chemicals and O&M contract approved by the Board.</p> | <p>Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003.</p> |

There are procedures approved by the Board.

4.2 Internal Audit

| Audit Issue | Management Comment | Recommendation |
|--|---|---|
| Internal audit division had not been established by the Company. | The statutory audit covers the auditing of the compliance with these procedures and budgets. Therefore, board of directors have not recommended an internal audit function. | Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003. |

4.3 Audit Committee

| Audit Issue | Management Comment | Recommendation |
|---|--|---|
| Audit Committees had not been conducted by the Company for the year under review. | Activities are carried out as per procedures approved by the Board of Directors. These are audited by the statutory auditor which Auditor General. There is no Adequate scope for an internal auditor function in WCPL's operations. | Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003. |

4.4 Budgetary Control

| Audit Issue | Management Comment | Recommendation |
|---|--|---|
| Annual Budget had not been prepared by the Company as per the public Enterprises Circular No.PED/12 dated 02 June 2003. | Company prepares annual budget which is approved by the board and expenses are ported to the board. WCPL does have budgetary controls. | Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003. |

5. Sustainable Development

Audit Issue

Management Comment

Recommendation

In accordance with the “2030 Agenda” of the United Nations on the Sustainable Development Goals (SDG) all state institutions should contribute in implementation of goals and functions under its scope. But the Company was not aware of SDG and had not identified the targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.

We have not been informed about 2030 Agenda by any body.

Company should be adhered to the provisions of the “2030 Agenda” of the United Nations on the SustainableDevelopment Goals.

6. Systems and Controls

Procedural Manual

Audit Issue

Management Comment

Recommendation

Monthly report regarding journal vouchers raised had not been submitted to CEO according to the procedural manual and should be implemented a procedure for all significant journal vouchers to authorize when it is raised.

These have been submitted to CEO and proper approvals have been obtained.

Company should be adhered to the provisions of the procedural manual.