

Sri Lanka Energies HR (Private) Limited - 2019

1.1 Opinion

The audit of the financial statements of the Sri Lanka Energies HR (Private) Limited (“Company”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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 report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 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 intend 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.

1.5 Non-compliance with Tax Regulations

----- Audit Issue -----	Management Comment -----	Recommendation -----
(a) According to Inland Revenue Act, No. 24 of 2017, The Company had not been submitted any Income tax return to the Department of Inland Revenue since the date of incorporation of the Company. However, income tax provision was Rs.13,029,227 up to 31 December 2019 and it had not been paid until now.	Management Comment had not been provided	Should be complied with the provisions in Inland Revenue Act, No. 24 of 2017.
(b) As per the Value Added Tax Act, No. 14 of 2002 , (i) Every service provider should pay VAT every two weeks times. However, the Company had made the payments with 55 to 149 days delay. (ii) VAT returns should be submitted on or before the last day of the month after the each quarter. However, VAT returns had been submitted with 127 to 134 days delay.	Management Comment had not been provided	Should be complied with the provisions in Value Added Tax Act, No. 14 of 2002.
(c) According to Nation Building Tax Act, No 9 of 2009 (duly amended), (i) NBT returns should be submitted on or before the last day of the month after the each quarter. However, NBT returns had been submitted with 53 to 137 days delay (ii) NBT should be paid on or before 20 th day of the subsequent month. However, NBT payment had been made with 50 days delay.	Management Comment had not been provided	Should be complied with the provisions in Nation Building Tax Act, No 9 of 2009 (duly amended).

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| <p>(d) According to Stamp Duty Act, No. 43 of 1982 (as amended),</p> <p>(i) Statement of stamp duty compounded should be furnished on or before fifteenth day of the following month after ending quarter. However, statement of stamp duty compounded had been made with 46 to 72 days delay.</p> <p>(ii) The company had failed to pay the stamp duty payments on or before 15th of following month.</p> | <p>Management Comment had not been provided</p> | <p>Should be complied with the provisions in Stamp Duty Act, No. 43 of 1982 (as amended).</p> |
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2. Financial Review

2.1 Financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 December 2019 had resulted in a pre-tax net profit of Rs. 2,157,474 as compared with the corresponding pre-tax net profit of Rs. 113,900 in the preceding year, thus indicating an improvement of Rs.2,043,574 in the financial results for the year under review. Man Power Rendering service income was increased by Rs. 1,887,262 due to the recruitment of 76 numbers of employees to the Company was the main reasons for this improvement.

3. Operational Review

3.1 Human Resources Management

Audit Issue

Staff recruitments of Company had been done without having formally approved Scheme of Recruitment (SOR).

Management Comment

Management Comment had not been provided.

Recommendation

Should be prepared Scheme of Recruitment (SOR) as per Public Enterprises Circular No. PED/12 dated 02 June 2003.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue

- (a) Approved financial statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and further it should

Management Comment

Management Comment had not been provided.

Recommendation

Should be complied with the provisions in the Circular.

be in accordance with the Public Enterprises Circular No. PED/45 dated 02 October 2007. However, the financial statements for the year 2019 had been submitted to the Auditor General on 13 July 2020.

(b) Annual Reports had not been prepared and tabled in the parliament since 2016.	Management Comment had not been provided.	Should be complied with the provisions in the Circular.
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4.2 Corporate Plan

Audit Issue

A Corporate Plan had not been prepared by the Company according to Public Enterprise Circular No.PED/12 dated 02 June 2003.

Management Comment

Management Comment had not been provided.

Recommendation

Should be complied with the provisions in the Circular.

4.3 Annual Action Plan

Audit Issue

The Company had not prepared Annual Action Plan according to Public Enterprise Circular No.PED/12 dated 02 June 2003.

Management Comment

Management Comment had not been provided.

Recommendation

Should be complied with the provisions in the Circular.

4.4 Internal Audit

Audit Issue

An internal audit division had not been established and Internal Audit Divisions of Ministry of Power and Renewable Energy and Ceylon Electricity Board also had not carried out any audit in 2019.

Management Comment

Management Comment had not been provided.

Recommendation

Internal audit should be carried out to have a proper internal control.

4.5 Budgetary Control

Audit Issue

The Company had not an approved budget for the year 2019. Therefore, actual performance and unusual variances could not be reviewed.

Management Comment

Management Comment had not been provided.

Recommendation

Budget should be prepared and get approval as per the Public Enterprises Circular No. PED/12 dated 02 June 2003.