

Trincomalee Power Company Limited -2019/ 2020

1.1 Opinion

The audit of the financial statements of Trincomalee Power Company Limited (“Company”) for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of 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 report 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 2020, 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 Material Uncertainty Related to Going Concern

Without qualifying my opinion, I draw attention to the Note No.2.1.5 of the financial statements which describes an uncertainty that may cast doubt about the Company’s ability to continue as a going concern.

1.4 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.

1.5 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.

1.6 Financial Statements

1.6.1 Non-Compliance with Sri Lanka Accounting Standards

Audit Issue	Management Comment	Recommendation
We observed that the Company has signed a land lease agreement with the government of Sri Lanka for the purpose of development of a 2x250 MW coal power plant and associated ancillary facilities for a term of 40 years to lease, approximately 505 acre land in Sampur. As per land lease agreement, a sum of Rs. 504,982/= is payable by the Company per annum and the Company has not recognized "Right of Use Asset" as per SLFRS 16 - Leases for the first time.	Agree with your recommendation. However 50 MV solar project is not yet started we will consider this in next financial year.	Provisions in the accounting standards should be applied when preparing and presenting the financial statements and also due care should be taken by the management to ensure the fair presentation of the Company's financial position & performance for the given period.

1.6.2 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(a) Land and development assets written off	2,985,550	Contractor acknowledgement and board resolution	This write off is due to reduction of contract value paid to Ruhunu Developers. Since board of directors decided to conclude the chain link fencing contract by paying less value than agreed we have reversed the amount deducted from the original contract value.	Appropriate audit evidences should be provided in order to establish an assurance over the aforesaid financial statement assertions and also due care should be taken by the management to ensure the proper execution of the implemented controls over the processes.

(b) Advance receivable from NTPC consultancy assignment	Rs.3,241,657	Original supporting document or confirmation	Confirmation was not received from NTPC due to COVID 19 lockdown in India. However we have received this money to TPCL ac by now.	The management must take actions to review these advance payments and their recoverability.
(c) Bank Deposits	10,000,000	Renewal notices of short term bank deposits	Generally renewal notices are received by post where as we did not receive the same due to some postal issue.	Steps should be taken to maintain supporting documents related to short-term bank deposits in an organized manner and should be provided for audit perusal.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a pre-tax net loss of Rs. 13,475,234 and the corresponding pre-tax net loss in the preceding year amounted to Rs. 14,839,412. Therefore, a decrease of loss amounting to Rs. 1,364,178 of the financial result was observed. Decreased administrative expenses by Rs. 2,362,474 was the main reason for this result.

3. Operational Review

3.1 Delays in Projects or Capital Work

Audit Issue

Although the cabinet approval had been received to set up a 50 MW solar power plant by TPCL in Sampur, JVSHA and project agreements have not been signed and any development activities of the above power plant had not been carried out even at the date of the report.

Management Comment

Management comment had not been received.

Recommendations

Responsible parties should be take actions to implement the cabinet decision.

3.2 Human Resources Management

The Company had not recruited staff internally as there were no any operations by the end of the year too.

4. Accountability and Good Governance

4.1 Tabling the Annual Report

Audit Issue	Management Comment	Recommendation
Annual report had not been tabled in the parliament for the year 2016/2017, 2017/2018 and 2018/2019 and 2019/2020 as per the Public Enterprise Circular No. PED/12 dated 02 June 2003.	Management comment had not been received.	Actions should be taken to table the annual reports in the parliament as required by the circular.

4.2 Corporate Plan and Annual Action Plan

Audit Issue	Management Comment	Recommendation
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.	Management comment had not been received.	The management of the Company should take immediate actions to process project activities and prepare corporate plan and annual action plan as required by the circular.

4.3 Budgetary Control

Audit Issue	Management Comment	Recommendation
Annual budget had not been prepared for the year under review.	Management comment had not been received.	The management of the Company should take action to prepare annual budget for the Company in future.