

Ante Leco Metering Company (Private) Limited - 2019

1.1 Opinion

The audit of the financial statements of Ante Leco Metering Company (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 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 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 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 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.

1.5 Financial Statements

1.5.1 Cash Management

Audit Issue	Management Comment	Recommendation
The Company's current account balance as at 31 st December 2019 contained a positive balance of Rs. 11,794,411. However, management has not taken any action to invest such funds in an interest earning source for a short term period.	When we have excess funds they are transferred to a fixed deposit account or invested in repurchase agreements (REPO's) with the People's Bank. On 03 rd January 2020 after receipt of further funds we invested Rs. 35,000,000.00 in a REPO for 10 days.	Excess money should be invested effectively.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 71,966,012 and the corresponding loss in the preceding year amounted to Rs. 40,009,623. Therefore an improvement amounting to Rs. 111,975,635 of the financial result was observed. Increase of revenue from meters sale by Rs. 367,342,546 was the main reason attributed for this improvement in the financial results.

2.2 Trend Analysis of major Income and Expenditure item

Major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are as follows.

Income/ Expenditure	2019	2018	Increase/ Decrease	Percentage %
Revenue	1,250,543,858	883,201,312	367,342,546	41.59
Cost of Sales	1,137,339,207	890,783,351	246,555,856	27.68
Administration Cost	23,023,217	34,640,526	(11,617,309)	33.54

Revenue had been increased by Rs. 367,342,546 and Cost of sales also had been increased by Rs. 246,555,856 for the year under review compared with the preceding year. Further administrative cost had been decreased by Rs. 11,617,309 comparing preceding year, due to incurring cost of Rs. 10,394,730 for quality certification of new smart meter in previous year.

2.3 Ratio Analysis

According to the information made available, some important ratios of the Company for the year under review and the preceding year are as follows.

	2019	2018
	-----	-----
Gross Profit Ratio (Percentage)	9.05	-0.86
Current Ratio (Number of Times)	1 : 1.73	1 : 1.65

Gross Profit Ratio had been increased by 9.91 per cent as compared with the preceding year, mainly due to increase of meters sales by Rs. 367,342,546.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
-----	-----	-----
(a) No formal rent agreement with Lanka Electricity Company (Private) Limited to occupy its business premises located in Bandaragama in the year under review. However, Company has fully established its operations in the said premises, even though there is no any legal right over use of property.	Ante Leco metering company and Lanka Electricity Company (Private) Limited entered into a formal agreement on 25 th August 2020.	Action should be taken to enter in to a rent agreement without delay.
(b) The management has not properly estimated the useful life of the assets in use. Therefore, the Company has fully depreciated assets, which is still in use amounting to Rs. 60,439,266 as at 31 st December 2019.	Steps will be taken to revalue the fully depreciated assets which are in use during 2021.	Action should be taken to revalue the fully depreciated assets and account accordingly without delay.

3.2 Procurement Management

Audit Issue	Management Comment	Recommendation
-----	-----	-----
The Company had not prepared a Procurement Plan.	Procurement plans were prepared for each semester from year 2020 onwards.	Action should be taken to prepare a procurement plan.

3.3 Human Resources Management

Following observations are made.

Audit Issue	Management Comment	Recommendation
(a) A Scheme of Recruitment and Promotion (SORP) approved by the Department of Management Services was not with the Company as per Public Enterprise Circular No.PED/12 dated 02 June 2003.	The Company has sent out to design a SORP and this plan will be completed during the beginning of year 2021	Should be complied with the provisions in the circular.
(b) There is no comprehensive control and administrative procedures manual available with the Company.	Administrative procedure manual will be made available within the year 2021.	Actions should be taken to prepare administration procedures manual and to get approval from the Department of Management Services.

4. Accountability and Good Governance

4.1 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 specified by the Public Enterprise Circular No.PED/12 dated 02 June 2003.	The Company has prepared a corporate plan for 05 years commencing from year 2021, as well as an Annual Action plan.	Should be complied with the provisions in the circular.

4.2 Annual Report

Audit Issue	Management Comment	Recommendation
The Company had not tabled the Annual Reports in the parliament as per Public Enterprise Circular No.PED/12 dated 02 June 2003.	Management Comment had not been provided.	Should be complied with the provisions in the circular.

4.3 Internal Audit

Audit Issue	Management Comment	Recommendation
An Internal Audit Division had not been established.	The Company has outsourced the internal audit function in year 2020 and this function is presently carried out based on annual audit plan.	Action should be taken to implement an Internal Audit Division.

4.4 Audit Committee

Audit Issue	Management Comment	Recommendation
The Company had not formed an Audit Committee according to the Public Enterprise Circular No.PED/12 dated 02 June 2003.	Audit committee will be setup during the year 2021	Should be complied with the provisions in the circular.

4.5 Budgetary Control

Audit Issue	Management Comment	Recommendation
According to the Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Budget should include a budgeted income and expenditure statement, a cash flow statement for the year, a balance sheet at the end of the year under review, and a budgeted capital expenditure statement together with an Annual Action Plan. However, the Company had not complied with that requirement.	The company has prepared capital expenditure statement, budgeted income and expenditure statements and budgeted cash flows for year 2020 which were approved by the board of directors.	Should be complied with the provisions in the circular.

4.6 Sustainable Development Goals

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.	Suitable Sustainable development Goals will be identified for Ante Leco Metering Company and implemented during year 2021.	Company should comply with “2020 Agenda” of the United Nations on the Sustainable Development Goals.