

West Coast Power (Private) Limited – 2019/2020

1.1 Opinion

The audit of the financial statements of West Coast Power (Private) 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 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 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 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.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 11,563,043,364 and the corresponding profit in the preceding year amounted to Rs. 12,103,450,641. Therefore a decrease amounting to Rs. 540,407,277 of the operating result was observed. Increased of finance cost by Rs. 738,832,954 was the main reason attributed for this decrease in the financial results.

3. Operational Review

3.1 Management Activities

The following observations are made.

Audit Issue

Monthly invoices issued by the Company as per power purchase agreement regarding power generations were reviewed by the CEB and in most instances the amount accepted by the CEB is lower than the amount invoiced. CEB confirms the amount agreed and does not give the reasons affected to the difference. However, the Company was unable to get solution for this dispute even as at the date of this report.

Management Comment

We have sent several letters to CEB, requesting them to inform us the differences in writing in compliance with the requirement of the Power Purchase Agreement but CEB has not responded for these letters.

Recommendation

Formal policy should be established in this regard.

3.2 Human Resources Management

Audit Issue

Even though the Company had three staff officers as Chief Executive Officer, Accountant, and Assistant Accountant, no Scheme of Recruitment (SOR) had been prepared for the Company.

Management Comment

Management comments had not been received.

Recommendation

Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003.

4. Accountability & 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 per the Public Enterprise Circular No.PED/12 dated 02 June 2003.	Management comments had not been received.	Company should be adhered to the provisions of the Public Enterprises Department Circular No.PED/12 dated 02 June 2003.

4.2 Internal Audit

Audit Issue	Management Comment	Recommendation
Internal audit division had not been established by the Company.	Management comments had not been received.	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 during the year under review.	Management comments had not been received.	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.	Management comments had not been received	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

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.

Management Comment

Management comments had not been received

Recommendation

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