

## **Ante LECO Metering Company (Private) Limited - 2020**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Ante LECO Metering Company (Private) Limited for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow 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 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**

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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**

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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

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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 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Internal Control over the preparation of financial statements**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The Company has not properly maintained the journal vouchers in an orderly manner with relevant supporting documents.	We will make arrangement to maintain journal vouchers with relevant supporting documents going forward.	Journal vouchers should be maintained properly.

### **1.5.2 Accounting Deficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The Company has not maintained the fixed asset register properly.	We will mention the location of the assets more accurately in the fixed asset register.	Fixed asset register should be updated correctly.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result of the year under review amounted to a profit of Rs. 33,659,485 and the corresponding profit in the preceding year amounted to Rs. 84,610,176. Therefore a deterioration amounting to Rs. 50,950,691 of the financial result was observed. The main reasons for the deterioration are reduction of meter selling income due to the pandemic situation and increment of administration expenses in respect to the prior year.

### **2.2 Trend Analysis of major Income and Expenditure items**

- The revenue for the year under review had been decreased by 22 per cent compared to the previous year. Simultaneously the cost of sales had been decreased by 20 per cent and the gross profit for the year under review has decreased by 45 per cent.
- Other operating income for the year under review has decreased by 48 per cent compared to the previous year. The main reason for the deterioration is decrease of scrap sales.
- Finance Income of the company had been decreased by 10 per cent and Finance Cost of the Company had been decreased by 52 per cent.

## 2.3 Ratio Analysis

- (a) Gross profit ratio of the Company has been decreased from 9per cent to 6per cent when comparing with its preceding year. Accordingly the net profit margin has been decreased from 4per cent to 2per cent when comparing with the preceding year.
- (b) Return on Equity has been reduced from 11per cent to 5per cent when compared to previous year.

## 3. Operational Review

### 3.1 Human Resources Management

Seq. No.	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.	A Scheme of Recruitment and Promotion (SORP) was prepared towards the latter part of year 2020 and will be presented for discussion and approval at the next board meeting.	The Company Should comply with the provisions of the circular.
(b)	A comprehensive control and administration procedures manual as per Public Enterprise Circular No. PED/12 dated 02 June 2003 was not with the Company.	Management comment had not been received.	The Company Should comply with the provisions of the circular.

## 4. Accountability and Good Governance

### 4.1 Tabling of Annual Report in Parliament

Audit Issue	Management Comment	Recommendation
The Company had not tabled the Annual Reports in the parliament as specified by the Public Enterprise Circular No. PED/12 dated 02 June 2003.	Management comment had not been received.	The Company Should comply with the provisions of the circular.

#### 4.2 Corporate Plan

##### Audit Issue

A corporate plan had not been prepared by the company for the year under review as specified by the Public Enterprise Circular No. PED/12 dated 02 June 2003.

##### Management Comment

Corporate Plan was prepared during the year 2020 and it will be presented at the next Board Meeting of ALMC.

##### Recommendation

The Company Should comply with the provisions of the circular.

#### 4.3 Annual Action Plan

##### Audit Issue

Annual action plan had not been prepared by the company for the year under review as specified by the Public Enterprise Circular No. PED/12 dated 02 June 2003.

##### Management Comment

An Action Plan was prepared during the year 2020 and it will be presented at the next Board Meeting of ALMC.

##### Recommendation

The Company Should comply with the provisions of the circular.

#### 4.4 Internal Audit

##### Audit Issue

The Company had not established an Internal Audit Division.

##### Management Comment

We have out sourced the Internal Audit function during the year 2020. At present the financial audits and ISO Quality Management audits are reviewed by the Management Review Committee bi-annually.

##### Recommendation

Action should be taken to implement an Internal Audit Division.

#### 4.5 Audit Committee

##### Audit Issue

The Company had not formed an Audit Committee according to the Public Enterprises Circular No. PED/12 dated 02 June 2003.

##### Management Comment

At present the financial audits and ISO Quality Management audits are reviewed by the Management Review Committee bi-annually.

##### Recommendation

The Company Should comply with the provisions of the circular.

#### 4.6 Sustainable Development Goals

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**Audit Issue**

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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. However the Company had not implemented the 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**

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Suitable Sustainable Development Goals will be identified for the company.

**Recommendation**

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Company should comply with “2030 Agenda” of the United Nations on the Sustainable Development Goals.