Trincomalee Power Company Limited - 2024/2025

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Trincomalee Power Company Limited ("Company") for the year ended 31 March 2025 comprising the statement of financial position at 31 March 2025 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 material accounting policy information, 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 March 2025, 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 scepticism 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 Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Guidelines on Corporate Governance for State owned Enterprises dated 16 November 2021 Section 2.3	The finalized strategic plan together with the action plan and annual budget should be submitted through the secretary of Line Ministry to the Director General, Department of Public Enterprises or the Director General, Department of National Budget as applicable. However, it was observed that the Company had not comply with said requirement.	Management Comment had not been received.	Should strictly comply the provisions in with said PED Circular
(b)	Public Enterprises Circular No: 01/2021 dated 16 November 2021, issued the Operational Manual for state owned enterprises(SOEs)	Board of survey to verify the existence of the Property, Plant and Equipment amounting to Rs. 44,858,373 (Carrying value) as at 31 March 2025 was not carried out by the company.	Management Comment had Not been received.	Should strictly comply with the provisions in with said PED Circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 9,379,822 and the corresponding loss in the preceding year amounted to Rs. 11,017,710 Therefore an improvement amounting to Rs.1,637,888 of the financial result was observed. The reasons for the improvement are absence of vehicle hiring expenses during the year under review.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The company had paid a sum of Rs. 57,500,000 to obtain Permit for Engaging in and carrying on of an on-grid renewable energy project (Project in Sampur) on 17 July 2023. According to the terms and conditions of the permit, the project should commence its commercial operations within one year from the date of the issue of above Permit (18 July 2023) and if failure to commence commercial operations within such period, the Director General of the Sri Lanka Sustainable Energy Authority shall have the power to cancel the Permit. However, the commercial operation of the project had not been commenced yet. Moreover, contrary to the terms and conditions of the permit, a progress report indicating the achievement of project milestones at the end of each quarter had not submitted to the Sri Lanka Sustainable Energy Authority.	TPCL has received a further extension of one year till end of May 2026 for the energy permit from SLSEA for its 50MW Solar power project.	Action Should be taken to commence commercial operations without further delay.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
The Company had prematurely withdrawn a fixed deposit amounting to Rs. 5,000,000 on 01 April 2025, which was originally scheduled to mature on 11 April 2025. Due to this premature withdrawal, the Company incurred a loss of interest income amounting to Rs.74,141. However, the valid reasons for withdrawing the deposit prior to its maturity were not made available to the audit	The FDs are created by the company for temporarily parking the surplus funds of the company till these funds are required for operational purposes of the company. The FD interest receivable as at 31.03.2025 was calculated by applying the agreed FD interest rate for the deposit at that time. However, as the liquid funds available in the CA and SB accounts as on 31.03.25 were inadequate to meet the bills presented to the company for payment, the FD had to be redeemed prematurely which resulted in receipt of lower amount than earlier anticipated. Bank Balances as at 31.03.2025: Current Account balance People's Bank Rs. 100,000.00	Need to improve the Cash Management System

Saving Account balance - People's Bank	Rs, 143,370.91
Total Bank Balance as of 31.03.2025	Rs. 243,370.91
Outstanding Invoices (Expenses Payables) as at 31.03.2025:	Rs.517,900

3.3 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
Although Cabinet approval was granted in 2018 for a 50 MW solar power project in Sampur, operations had not commenced as at 31 March 2025. The Company incurred administrative expenses of Rs. 9.98 million during the year without any revenue generation. The accumulated retained loss remained at Rs. 644.67 million, including Rs. 433.88 million from the discontinued Sampur Coal Power Project.	The accumulated losses primarily result from the discontinuation of the coal power project in 2016. TPCL was originally established as a Government-to-Government initiative between the Governments of Sri Lanka and India for a coal power project in Trincomalee. Subsequently, a new Letter of Intent (LOI) was issued to the Government of India for the development of a solar power project at the same site.	Necessary action should be taken to implement the project without further delay.