

**1.1 Opinion**

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The audit of the financial statements of Ante Leco Metering Company (Private) Limited for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 2018 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 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**

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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 Financial Statements

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

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<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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The Company had passed some Journal Entries without approval of authorized person.	Noted and agree.	Company should implement sound internal control over the journal entry process.

### 1.5.2 Non Availability of Balance Confirmations.

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<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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The Company had not provided confirmations for the balance payable to Ante Meter Company, China amounting to Rs. 1,769,508.	We will arrange to get confirmations from Ante Meter Company, China.	Company should get confirmations for payables/ receivables from Ante Meter Company, China.

## 2. Financial Review

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### 2.1 Financial Result

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The operating result of the year under review amounted to a loss of Rs. 39,981,333 and the corresponding profit in the preceding year amounted to Rs. 69,231,784. Therefore a deterioration amounting to Rs. 109,213,117 of the financial result was observed. The main reason for this deterioration was the new pricing formula had not been introduced for the new electronic meters manufactured during the year under review.

## 3. Operational Review

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### 3.1 Human Resources Management

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<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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A Scheme of Recruitment and Promotion (SORP) approved by the Department of Management Services was not with the Company.	Ante Leco Metering Company is incorporated under the Companies Act, No.7 of 2007.	The Company should adhere to the Public Enterprises Department Circular No. PED/12 dated 02 June 2003.

### 3.2 Procurement Management

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The following observations are made.

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a) The Company had not prepared a Procurement Plan.	The new electronic meters were introduced for the first time in 2018 and hence the first semester order was given as a trial order by CEB and they mentioned that further orders will be initiated after an evaluation of performance of this trial order. So, the CEB meter order in year 2018 was uncertain and finally the meter supply agreement with CEB was signed in May 2019. Therefore it was not	The Company should plan all procurements prior to commence the financial year considering requirements according to Public Enterprises Department Circular No. PED/12 dated 02 June 2003.

possible to prepare a procurement plan in 2018.

<p>(b)The Company had not called quotations for raw material purchases, and all raw materials have been purchased by the related Company of Ante Meter Company (China).</p>	<p>ANTE LECO Metering Company is formed with a Joint Venture Agreement between Ante Meter Company in China and LECO. ANTE Meter Company in China is the technology provider as well as meter component supplier for this company. Our technical partner sending processed material or semi knock down (SKD) components which are required in order to produce their meter according to specification with quality which can provide 10 year product warranty. The price of the supplied components from ANTE is bound by initially negotiated prices and varying with time according to agreed pricing formula. Those pricing formula are transparent to purchaser CEB and LECO as well.</p>	<p>The Company should be adhered to the Government Procurement Guidelines-2006.</p>
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**3.3 Management inefficiencies**  
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<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
<p>There was no agreement for the land lease rentals paid, amounting to Rs.5,457,292 in between Ante Leco Metering Company (Pvt) Ltd and Lanka Electricity Company (Private) Limited</p>	<p>We agree with your comments and have informed Lanka Electricity Company.</p>	<p>The Company should enter into agreement with respective parties.</p>

**4. Accountability and Good Governance**  
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**4.1 Corporate Plan**  
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<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
<p>A Corporate Plan had not been prepared by the Company for the</p>	<p>We are looking forward to implement your suggestions</p>	<p>The Company should be adhered to the</p>

year under review as specified by the Public Enterprise Circular No.PED/12 dated 02 June 2003. in the near future with a restructuring plan. provisions of the Circular.

#### 4.2 Annual Action Plan

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##### Audit Issue

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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

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We are looking forward to implement your suggestions in the near future with a restructuring plan.

##### Recommendation

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The Company should be adhered to the provisions of the Circular.

#### 4.3 Annual Report

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##### Audit Issue

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The Company had not prepared Annual Reports as per Public Enterprise Circular No. PED/12 dated 02 June 2003.

##### Management Comment

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We are looking forward to implement your suggestions in the near future with a restructuring plan.

##### Recommendation

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The Company should be adhered to the provisions of the Circular.

#### 4.4 Internal Audit

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##### Audit Issue

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An internal audit division had not been established.

##### Management Comment

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We are looking forward to implement your suggestions in the near future with a restructuring plan.

##### Recommendation

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An internal audit division should be established.

#### 4.5 Audit Committee

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##### Audit Issue

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The Company had not formed an Audit Committee.

##### Management Comment

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We are looking forward to implement your suggestions in the near future with a restructuring plan.

##### Recommendation

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An Audit Committee should be established.

#### 4.6 Budgetary Control

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##### Audit Issue

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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, and a budgeted capital expenditure statement together with an Annual Action Plan. However, the Company had not complied with that requirement.

##### Management Comment

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We are looking forward to implement your suggestions in the near future with a restructuring plan.

##### Recommendation

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The Company should adhere to the provisions of the Circular.

#### 4.7 Sustainable Development Goals

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##### Audit Issue

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##### Management Comment

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##### Recommendation

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