

Lanka Electricity Company (Private) Limited – 2017

The audit of the financial statements of the Lanka Electricity Company (Private) Limited (“the Company”) and the consolidated financial statements of the Company and its Subsidiaries (“Group”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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. To carry out this audit, I was assisted by a firm of Chartered Accountants in public practice. My comments and observations which I consider should be furnished to the parliament in terms of 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka on the operations of the company for the year under review appear in this report.

1.2 Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1.1 Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
 - I have obtained all the information and explanation that required for the audit and, as far as appears from my examination, proper accounting records have been kept by the Company.
 - the financial statements of the Company give a true and fair view of the financial position as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - the financial statements of the Company, and the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

3 Financial Review

3.1 Financial Result

According to the consolidated financial statements presented, the operations of the Group for the year ended 31 December 2017 had resulted in a pre-tax net profit of Rs.2,281,690,000 as compared with the corresponding pre-tax net profit of Rs. 2,266,799,000 in the preceding year, indicating an increase of Rs. 14,891,000 represents 0.6 per cent compared which the preceding year.

4 Operating Review

4.1 Human Resources Management

The Board approved and actual cadre of the Company as at 31 December 2017 were 1,649 and 1,575 respectively. Hence, there were vacancies in 74 posts. However, a formally approved Scheme of Recruitment had not been prepared by the company covering the entire staff as per the section 9.3.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

4.2 Management Activities

The following observations are made.

- (a) Lanka Electricity Company had not entered in to a proper agreement with the Ceylon Electricity Board for purchasing power.
- (b) Actions had not been taken to update the Accounting and Operating Procedure Manuals since 2002.
- (c) Although dividends had been received to the investment valued at Rs 47.1 million made in Ante LECO (Pvt) Ltd in 3 years ago, share allotment had not been made and share certificates had not been received up to the end of the year under review.
- (d) Although the Company had invested a sum of Rs. 20 million in shares of Lanka Broadband (Private) Limited, share certificates relating to ordinary shares valued at Rs.5 million had not been made available to audit. Further total investment of Rs.20 million had been fully impaired in the financial statements as at 31 December 2017.
- (e) The Company had recognized an amount of Rs. 5,457,292 as rental income receivable from Ante LECO Metering Company (Private) limited, relating to a property belonging to the Company being occupied by Ante LECO Metering Company (Private) limited. However, The Company had not entered into an agreement with the Ante LECO Metering Company (Private) Limited in the regard.

5. Sustainable Development

In accordance with the “2030 Agenda” for Sustainable Development Goals adopted by the United Nations 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 suitable indicators for measuring the progress as well.