

## **West Coast Power (Private) Limited – 2017/2018**

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The audit of the financial statements of the West Coast Power (Private) Limited (“the company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 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 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. My comments and observations on the performance of the company which I consider should be furnished to the parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report. In carrying out this audit I was assisted by a firm of Chartered Accountants of public practice.

### **1.2 Board’s Responsibility for the Financial Statements**

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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**

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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**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Material uncertainty relating to Going Concern**

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Without qualifying my opinion, I draw attention to Note 2.3 of the financial statements on the going concern assumption in the preparation of the financial statements.

### **2.3 Other Information**

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My opinion on the financial statements does not cover other information and I will not express any form of assurance conclusion thereon. Management is responsible for the other information. These financial statements do not include the any other information.

### **2.4 Report on Other Legal and Regulatory Requirements**

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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 explanations 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 comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

## **3. Financial Review**

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### **3.1 Financial Result**

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According to the financial statements presented, the operations of the Company for the year ended 31 March 2018 had resulted in a pre-tax net profit of Rs. 11,073,254,824 as compared with the corresponding pre-tax net profit of Rs. 9,679,102,580 in the preceding year, thus indicating an increase of Rs. 1,394,152,244 in the financial results for the year under review. Although the cost of sales had increased by Rs.7,298,354,286, increase of Power generation income and other operating income by Rs. 6,905,055,755 and Rs.1,469,625,251 respectively had mainly affected to the above improvement.

#### **4. Operational Review**

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##### **4.1 Performance**

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###### **4.1.1 Planning**

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A corporate plan and annual action plan had not been prepared by the company.

##### **4.2 Management Activities**

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The following observations are made.

- (a) Monthly invoices issued by the Company regarding power generations had been reviewed and an amount lower than the amount invoiced had been paid by the Ceylon Electricity Board. In most instances difference in a range of 2 per cent to 13 per cent were observed between the invoiced amount and the amount paid for the year under review. However the reasons affected to the difference had not been submitted by the CEB and the Company had not reconciled the difference as well since it occurred.
  
- (b) As per the Inland Revenue Act No.10 of 2006, tax assessment and penalties thereon for the year 2012/2013 and 2013/2014 amounting to Rs.133,500,000 and Rs.97,500,000 respectively had not been paid by the company.

##### **4.3 Human Resources Management**

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The Company had not prepared the Scheme of Recruitment (SOR).

#### **5. Accountability & Good Governance**

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##### **5.1 Internal Audit**

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An internal audit division had not been established by the company.

##### **5.2 Audit committees**

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Audit committees had not been conducted by the company for the year under review.

##### **5.3 Annual Budget**

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An annual Budget had not been prepared by the Company according to the Public Enterprises Circular No. PED/12 dated 02 June 2003.

**6. Sustainable Development**  
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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 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.

**7. Systems and Controls**  
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**Procedural Manual**  
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Monthly report regarding journal vouchers raised had not been submitted to CEO according to the procedural manual and a procedure should be implemented for all significant journal vouchers to authorize when it is raised.