

DaduruOya Mini Hydro (Private) Limited - 2018

1.1 Opinion

The audit of the financial statements of the DaduruOya Mini Hydro (Private) Limited (“Company”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in reserves and cash flow statement 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 reported 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 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

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 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;
- 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.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 December 2018 had resulted in a pre-tax net Loss of Rs. 216,572 as compared with the corresponding pre-tax net Loss of Rs. 289,528 in the preceding year, thus indicating an improvement of Rs.72,956 in the financial results for the year under review. Decrease of Administration expenses was the main reason attributed for above improvement in the financial results.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue

Even though energy permit had been obtained on 12 January 2016, the Company had failed to start the commercial operations within 02 year period as required by the Sri Lanka Sustainable Energy Authority Act No. 35 of 2007 and the Company had requested another 02 year extension period. Accordingly, it was extended up to 17 May 2019 but construction works had not been commenced even in the year under review.

Management Comment

Management Comment had not been provided

Recommendation

Actions should be taken to construct the construction works as early as possible.

3.2 Human Resources Management

Audit Issue	Management Comment	Recommendation
Staff recruitments had been done without having formally approved Scheme of Recruitment (SOR).	Management Comment had not been provided	Actions should be taken to prepare and approved for Scheme of Recruitment (SOR) as per Public Enterprises Circular No. PED/12 dated 02 June 2003

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
Although the approved Financial Statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year in accordance with the Public Enterprises Circular No. PED/12 of 02 June 2003 and the Public Enterprises Circular No. PED/45 dated 02 October 2007. However, the Company's financial statements for the year 2018 had been submitted to the Auditor General on 07 August 2019.	Group Financial Statements were forwarded earlier than this but due to the changes in Group directors and issues relating to authorized signatures delayed this process.	Should be adhered to the provisions of the Circulars.

4.2 Corporate Plan

Audit Issue	Management Comment	Recommendation
A Corporate Plan had not been prepared by the Company according to Public Enterprise Circular No. PED/12 dated 02 June 2003.	Management Comment had not been provided.	Should be adhered to the provisions of the Circular.

4.3 Annual Action Plan

Audit Issue	Management Comment	Recommendation
The Company had not prepared Annual Action Plan according to Public Enterprise Circular No.PED/12 dated 02 June 2003.	Management Comment had not been provided.	Should be adhered to the provisions of the Circulars.

4.4 Internal Audit

Audit Issue	Management Comment	Recommendation
An internal audit division had not been established and Internal Audit Division of Ceylon Electricity Board had not carried out any audit in 2018.	Management Comment had not been provided.	Internal audit should be carried out as an internal control mechanism.

4.5 Budgetary Control

Audit Issue	Management Comment	Recommendation
The Company had not an approved budget for the year 2018. Therefore, actual performance and unusual variances could not be reviewed.	Management Comment had not been provided.	Actions should be taken to prepare budget in time and get approval as per the Public Enterprises Circular No. PED/12 dated 02 June 2003.

4.6 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
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. But the Company was not aware of SDG and had not identified the	Management Comment had not been provided	Company should adhere to the provisions of the “2030 Agenda” of the United Nations on the Sustainable Development Goals.

targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.