

## **Deduru Oya Mini Hydro (Private) Limited - 2020**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Deduru Oya Mini Hydro (Private) Limited (“Company”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity 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 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 December 2020, 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 (Auditor's Responsibilities for the Audit of Financial Statements)**

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 Non-compliance with Tax Regulations.

Audit Issue	Management Comment	Recommendation
According to the Section 126, of the Inland Revenue Act, No. 24 of 2017, the duly completed return along with the schedules and any other required documents should be submitted to the Department of Inland Revenue on or before the 30 November subsequent to the end of the year of assessment. However the Company had not submitted Income Tax return for the year of assessment 2019/2020 to the Department of Inland Revenue at the end of the year 2020.	Management comment had not been provided.	Should be complied with the Inland Revenue Act.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.3,435,873 and the corresponding loss in the preceding year amounted to Rs 3,327,306. Therefore a deterioration amounting to Rs 108,567 of the financial result was observed. The main reason for the deterioration is decrease in financial income by Rs. 334,046.

## 3. Operational Review

### 3.1 Management inefficiencies

Audit Issue	Management Comment	Recommendation
Physical verifications of fixed assets had not been carried out by the Company for the year under review.	Management comment had not been provided.	Physical Verifications of assets should be carried out and report should be submitted to the Auditor General.

### 3.2 Human Resources Management

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
A Scheme of Recruitment (SOR) had not been prepared by the Company for staff recruitments and promotions.	Management comment had not been provided.	Scheme of Recruitment (SOR) should be prepared and get approved as per the Public Enterprises Circular No.PED/12 dated 02 June 2003.

## 4. Accountability and Good Governance

### 4.1 Submission of Financial Statements

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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.However, the financial statements for the year 2020 had been submitted to the Auditor General on 28April 2021.	Management comment had not been provided.	Should be complied with the provisions in the circular.

### 4.2 Tabling of Annual Report in Parliament

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Annual reports had not been prepared and tabled in the Parliament since 2016.	Management comment had not been provided.	Should be complied with the provisions in the Public Enterprises Circular No.PED/12 dated 02 June 2003.

### 4.3 Corporate Plan

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
A Corporate Plan had not been prepared by the Company according to Public Enterprises Circular No.PED/12 dated 02 June 2003.	Management comment had not been provided.	Should be complied with the provisions in the circular.

#### 4.4 Annual Action Plan

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The Company had not prepared Annual Action Plan according to Public Enterprises Circular No.PED/12 dated 02 June 2003 since inception of the company.	Management comments had not been provided.	Should be complied with provisions in the circular.

#### 4.5 Internal Audit

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
An internal audit division had not been established and Internal Audit Divisions of Ministry of Power and Ceylon Electricity Board also had not carried out any audit in 2020.	Management comment had not been provided.	Internal audit should be carried out to ensure a proper Internal control system.

#### 4.6 Budgetary Control

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The Company had not an approved budget for the year 2020. Therefore, actual performance could not be reviewed against the budget.	Management comment had not been provided.	Budget should be prepared and approved as per the Public Enterprises circular No.PED/12 dated 02 June 2003.

#### 4.7 Sustainable Development Goals

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
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 had not identified the relevant goals and the targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.	Management comment had not been provided.	Company should comply with “2030 Agenda” of the United Nations on the Sustainable Development Goals.