

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ante LECO Metering Company (Private) Limited (“Company”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of profit or loss and other 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 2021, 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 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.

2. Financial Review

2.1 Financial Result

The operating result of the company for the year under review amounted to a profit of Rs.76,087,305 and the corresponding profit in the preceding year amounted to Rs.29,395,843. Therefore, an improvement of the financial result amounting to Rs.46,691,462 was observed. The main reasons for the improvements are increase in the number of units sold and increase in other operating income.

2.2 Trend Analysis of major Income and Expenditure items

- (a) The revenue for the year under review had increased by 49 per cent and cost of sales increased by 48 per cent compared to the preceding year.
- (b) Other operating income for the year under review has increased by 146 per cent compared to the preceding year. The main reason for the improvement is increase of scrap sales.
- (c) Finance Income of the Company had increased by 93 per cent and Finance Cost of the Company had decreased by 42 per cent compared to the preceding year.

2.3 Ratio Analysis

- (a) Gross profit ratio of the Company had increased from 6 per cent to 7 per cent compared to the preceding year. Accordingly, the net profit margin had increased from 2 per cent to 4 per cent when comparing with the preceding year.
- (b) Return on Equity had increased from 5 per cent to 12 per cent when compared to preceding year.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue

The residual value and the useful life of an assets shall be reviewed at least each financial year end and, if expectations differ from previous estimates, the changes shall be accounted. Fully depreciated asset which are being used by the Company amounted to Rs.85,414,488 had not been reviewed accordingly.

Management Comment

Fully depreciated assets amounting to Rs.85,414,488 are included in the assets values mentioned in the balance sheet and there is no W.D.V for them. We want to replace some assets such as test benches during last year but due to foreign currency restrictions it was not possible to import new machinery. Therefore we have decided to revalue plant that are fully depreciated but still in use during year 2022.

Recommendation

Need to comply with LKAS 16.

3.2 Procurement Management

Audit Issue

The Company had not prepared a Master Procurement Plan for a period of 03 years and a detailed Procurement plan for the year under review as per the guideline 4.2 of the Government Procurement Guidelines 2006.

Management Comment

Procurement plan for purchase of raw materials for both semesters of 2021 were prepared, and it was discussed at the Board Meeting held on 18 August 2021.

Recommendation

Should be complied with the provisions of the circular.

3.3 Human Resources Management

Audit Issue

According to the paragraph 7.2 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, a comprehensive control and administrative procedures manual had not been prepared by the Company.

Management Comment

Management comment had not been provided.

Recommendation

Should be complied with the provisions of the circular.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue

Even though the Accounts should be rendered to the Auditor General within 60 days after the close of the financial year as per paragraph 6.5.1 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, the Company was unable to comply with that requirement.

Management Comment

Management comment had not been provided.

Recommendation

Should be complied with the provisions of the circular.

4.2 Audit Committee

Audit Issue

The Company had not formed an Audit Committee according to the paragraph 7.4.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

Management Comment

Management comment had not been provided.

Recommendation

Should be complied with the provisions of the circular.

4.3 Sustainable Development Goals

Audit Issue

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 had not identified the Sustainable Development Goals and targets to be achieved, the gaps in achieving those goals and the suitable indicators for measuring the progress as well.

Management Comment

The Company at present carryout CSR projects in a small scale. We have not set any target for SDGs taking into consideration the situation affecting manufacturing company in general.

Recommendation

Company should comply with “2030 Agenda” of the United Nations on the Sustainable Development Goals.