

Ante LECO Metering Company (Private) Limited - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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.

1.5 Accounts Payable

Audit Issue	Management Comment	Recommendation
In contrary to the section 4 of the Nation Building Tax Act No 2009, It was observed that the long outstanding Nation Building Tax (NBT) Payable (from 2011) amounting to Rs 12.4 million as at 31 December 2023.	The company has provided Rs 12.4 million as NBT payable since there was a dispute with the Inland Revenue Department. After number of discussions and correspondence, Inland Revenue Department (IRD) has removed the NBT due for several periods. I will request the accountant to get a statement from the legacy unit of IRD regarding this matter	Action should be taken to negotiate with IRD and sort out the issue.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 6.7 of the PED Circular No: 01/2021 issued on November 2021, Operational Manual for state owned enterprises(SOEs)	Board of survey had not been carried out for the year under review.	Management comment had not been received	Action should be taken to carry out Board of survey.

1.7 Non-compliance with Tax Regulations.

Audit Issue	Management Comment	Recommendation
<p>per section 90 (1) of Inland Revenue Act, No 24 of 2017. A person who is an “installment payer” shall pay tax by quarterly installments if he derives or expects to derive assessable income during a year of assessment. However, the company had not complied with the requirement in the year under review.</p>	<p>The profit before tax for the year ended 31.12.2023 is Rs 470 million and the amount of Rs 2,750 million mentioned by you is the revenue for the year. The company had unrelieved tax losses brought forward from year of assessment 2022/2023 amounting to Rs 149 million. At the same time the company did not forecast high profits because during the first half of the year we were not able to open import letters of credit due to foreign currency issue in the country. Therefore, for the year of assessment 2023/24 a nil return was furnished. However, since the financial statements reveal a profit, the tax on same will be settled before 30th September 2024.</p>	<p>Should be complied with section 90 (1) of Inland Revenue Act, No 24 of 2017.</p>

2. Financial Review

2.1 Financial Result

The Operating result of the company for the year under review amounted to a profit of Rs.470.1 million and the corresponding loss in the preceding year amounted to Rs.146.8 million. Therefore, a improvement amounting to Rs.616.9 million was observed. The main reason for the improvement was increase in unit price of energy meters.

2.2 Trend Analysis of major Income and Expenditure items

- (a) The revenue for the year under review had increased by 150 per cent and cost of sales increased by 73 per cent compared to the preceding year.
- (b) Other operating income for the year under review has decreased by 9 per cent compared to the preceding year. The main reason for the deterioration was decrease of scrap sales.
- (c) Finance Income of the Company had increased by 11 per cent and Finance Cost of the Company had increased by 22 per cent compared to the preceding year.

2.3 Ratio Analysis

- (a) Net profit / (Loss) ratio of the Company had increased from (9.6) per cent to 11.8 per cent compared to the preceding year. The Current ratio had increased from 1.4 : 1 to 1.7 : 1 when comparing with the preceding year.
- (b) Return on Equity had increased from (25) per cent to 44per cent when compared to preceding year.

3. Accountability and Good Governance

3.1 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. However, the Company had not identified the Sustainable Development Goals and targets to be achieved and the suitable indicators for measuring the progress as well.	Management comment had not been received	Company should comply with “2030 Agenda” of the United Nations on the Sustainable Development Goals.