

Management Services Rakshana (Private) Limited - 2016

The audit of the financial statements of the Management Services Rakshana (Private) Limited (“Company”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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.

This report is issued in terms of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Board’s Responsibility for the Financial Statements

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

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 judgement, 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 Board, 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

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirement

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 explanation 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 requirement of Section 151 of the Companies Act No. 07 of 2007.

2.2 Comments on Financial Statements

2.2.1 Documentary Evidence not made available for Audit

A confirmation related to the following area was not received to the audit.

- Lawyers confirmation in any case if against company or any case filed by company.

3. Financial Review

3.1 Analytical Financial Review

3.1.1 Summary of the Financial Results

The following table gives a summary of the financial results at various stages for the year under review and the preceding year.

	Year Ended 31 December	
	2016	2015
	Rs.	Rs.
Management Fees	345,013,433	323,109,376
Income	345,013,433	323,109,376
Administration Expenses	337,553,849	320,046,411
Overhead Services	1,881,718	290,194
Other Expenses	4,445,360	704,046
Total Expenses	343,880,927	321,040,651
Profit Before Tax	1,132,506	2,068,725
Income Tax Expense	(1,132,506)	(2,068,725)
Profit/(Loss) After Tax	-	-

4. Operating Review

4.1 Uneconomic Transactions

The only purpose of creating this company is to pay salaries of the management of the Sri Lanka Insurance Corporation Limited through this company. Because of maintaining this separate company additional payments amounting to Rs. 49,368,850 had been incurred during the year 2016. Details of expenses are as follows.

	Amount
	Rs.
VAT	41,060,292
NBT	6,716,949
Audit Fee	117,500
Tax Consultancy Fee	204,032
Company Registration Fee	60,000
Income Tax	903,491
Secretarial Fee	23,536
Membership Fee for Employer	
Federation Ceylon	283,050
Total	49,368,850

4.2 Utilization of Resources of Other Organizations

At present company use Sri Lanka Insurance Corporation's property and staff for the operations of this company and these were not considered as service to the company and value of these services were not considered in the accounts.