

1.1 Qualified Opinion

The audit of the financial statements of the Natural Resources Management Service (Pvt) Ltd “Company” for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flow 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, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium – sized Entities (SLFRS for SMEs).

1.2 Basis for Qualified Opinion

According to the Sri Lanka Accounting standards for small and Medium – sized Enterprises (SLFRS for SMEs) section 3.8, 3.9 and 4.4 current gain value of all assets of a liquidated company to be covered should be stated in the financial statements as movable assets but the written down value of the assets had been staffed in the financial statements under non – movable assets.

I conducted my audit 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 this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Management and Those Charged with Governance for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium – sized Entities (SLFRS for SMEs) 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 operation, or has no realistic alternative but to do so.

Those charges with governance are responsible for overseeing the Company's financial reporting process.

As per the 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 Auditor's Responsibility for the Audit of the 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 misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that it 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 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,
- 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 Financial Statements

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

Reference to the Laws, Rules and Regulations etc.	Non – compliance	Management Comment	Recommendation
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(a) Section 39(1) of the Mahaweli Authority of Sri Lanka Act No.23 of 1979.	Eventhough the Board of Directors should consist of 7 members consisting of the Directors appointed by the line Ministry and the Shareholding Directors appointed by the shareholders, two numbers of present Board of Directors had been appointed by the Director General of the Mahaweli Authority of Sri Lanka.	The General meeting of the company has attended only by representative from the Mahaweli Authority of Sri Lanka as participates and the Mahaweli Authority had to appointed Directors as the other two shareholders did not participate and the proposals were not submitted .	Action should be taken in terms of the provisions of the Mahaweli Authority of Sri Lanka Act No.23 of 1979.

The Public Enterprises

(b) Circular No.12 dated 02 June 2013.

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| (i) | Paragraph 5.1.3 | The Corporate plan had not been incorporated for relation to achieving the objectives of establishing the company. | As the Company decided to liquidate in the year 2019, it did not undertake to perform any work and the corporate plan had not been prepared. into 2019. | Action should be taken in terms of the Circular since winding up. |
| (ii) | Paragraph 6.5.1 | The draft annual report had not been presented to audit along with the financial statements of the year 2019. | The draft annual report along with the financial statement for the year 2019, has been prepared and submitted to the General Meeting. | Action should be taken in terms of the Circular. |
| (c) | Section 2.2 of the Public Enterprises Circular No.03 dated 17 June 2015. | The approval of the board of directors should be obtained with the concurrence of the Minister of Finance and the recommendation of the secretary to the line Ministry to pay monthly allowances of the chairman of the Government owned companies coming under the purview of the category "F" of the categorization of companies.
Nevertheless, the relevant approval had not been obtained for the allowances paid to the chairman for 2016 to 2019 amounting to Rs.1,087,500. | A letter had been sent the Additional Director General of the Treasury by the Secretary of the line Ministry in the form of a Circular requesting the relevant approval. | Action should be taken in terms of the Circular. |

02 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.1,589,042 and the corresponding loss in the preceding year amounted to Rs.1,267,070. Therefore, a deterioration amounting to Rs.321,972 of the financial result was observed. The main reasons for the deterioration is the Company's suspension of business.

03 Operating Review

3.1 Human Resources Management

Audit Issue

The company consisted of 03 staff members, no specific staff for the company and no approved recruitment procedures.

Management Comment

A staff recruitment procedure has been prepared and the approval of the Board of Directors has been obtained

Recommendation

Action should be taken to complete the liquidation process expeditiously.