

Lake House Property Development Private Limited - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Lake House Property Development 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 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 for Small and Medium-sized Entities.

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 for Small and Medium-sized Entities, 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 and the Group.

1.4 Audit Scope (Auditor's responsibility regarding 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 scepticism 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 and Group'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 the Group, 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 comply with the applicable laws.

1.5 Non- compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non - compliance	Comments of the Management	Recommendation
Section 131 (1) of the Companies Act No. 07 of 2007	Although the Annual Report should be submitted to the Registrar General of Companies within 30 working days after holding the Annual General Meeting, the Annual Reports for the years 2020, 2021 and 2022 had not been submitted.	The Department of Registrar of Companies has taken actions to accept all documents to be filed with the Department through online mode only after the year 2017. Accordingly, the need has arisen to make revisions if any, for previous years when filing documents through online mode for new year and at present, necessary arrangements are being made for that.	Actions should be taken in terms of the Companies Act.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a loss of Rs.48,920 and the profit of the preceding year as against to that was Rs.800. Accordingly, a deterioration of Rs.49,720 was observed in the financial result. An income earning has not been happened in the year under review and there was only a sum of Rs .48,920 for audit fee and secretarial fee expenses .

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation

Comments of the Management

Recommendation

(a) This Company had originally been started in 1985 to engage in property development business and its objectives had later been changed for the purchase, sale/lease or hire basis of cars, lorries, buses, vans, taxi cabs, minibuses or any other type of vehicles from 01 August 2007. However, only an expenditure of Rs.48,920 was indicated in the income statement a sum of Rs.33,800 as audit fees and Rs.15,120 as secretarial fees in the year under review and apart from that, any operations had not been done.

Although the business of this Company is not being done, as it intends to enable the activities of this Company in future, it is continued without being liquidated.

The Management should take actions to activate operations to be able to achieve the objectives of the Company.

(b) As a result of the Hokandara land with 8 acres in extent owned by this Company was acquired for Rs.3,801,363 in the year 2014 and the balance of Rs. 13,958,641 in current account No. 3068095 was transferred to current account of United Newspaper Company Ltd. in the year 2015, it had been impossible to meet the objectives of the Company .

It has been noted.

The Management should take actions to activate operations to be able to achieve the objectives of the Company.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation

Comments of the Management

Recommendation

The activities of this Company were carried out with only audit fees and secretarial fees since the year 2017 and although the Company had expected to enable it in the future, the Management had not had a respective plan for it.

An Action Plan is expected to be prepared and submitted at the time of activating of this Company.

A proper plan should be prepared and actions should be taken to activate.