

Transactions of NatWealth Securities Limited Company - 2022 and 2023

The audit of the operational activities of the NatWealth Securities Limited Company for the years ended 31 December 2022 and 2023 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 the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Each audit entity should maintain proper books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16 (1) of National Audit Act No.19 of 2018. The annual financial statements approved by the governing board for each audit entity should be submitted by the Chief Accounting Officer to the Auditor General along with the annual performance report of such instances as may be specified by the rules in terms of Section 16 (2) of the said Act. It should be ascertained to prepare annual reports and other financial statements within the required time period in terms of Section 38 (1) (d) of the Act and in addition to that the Chief Accounting Officer should be responsible for presenting of the annual reports related to the entity which was being audited to parliament.

02. Financial Statements

2.1 Presentation of the financial statements

As per section 6.6 of the Operational Manual for the public enterprises introduced by Public Enterprises Circular No.01/2021 dated 16 November 2021, even though the financial statements and draft Annual Report should be submitted to the Auditor General within 60 days from the end of the accounting year, the financial statements approved by the governing board for the years 2022 and 2023 had not been presented to the audit even as at the date of this report.

2.2 Assets , Liabilities, Revenue and Expenditure

The details of assets, liabilities, revenue and expenditure shown in the financial statements last prepared for the year ended 31 December 2021 by the company for the last time are given below.

Financial statement item	Value
	Rs.
<u>Assets</u>	
Total Assets	<u>1,286,466,371</u>
<u>Equity and Liabilities</u>	
Equity	811,257,071
Total Liabilities	475,209,300
Total Equity and Liabilities	<u>1,286,466,371</u>
Total Revenue	61,545,048
Total Expenditure	<u>79,490,464</u>
(Deficit)	(17,945,416)

03. Liquidation of the Company

Audit Observation	Comments of the Management	Recommendation
<p>(a) By making an initial investment of Rs.200,000,070 (20,000,070 shares) by National Wealth Corporation Limited which is a subsidiary of Lalith Athulathmudali Mahapola Higher Education Scholarships Trust Fund, NatWealth Securities Limited had been established as a subsidiary of the same company on 23 June 2003. As at 31 December 2021, National Wealth Corporation Company had invested Rs.1,175,000,070 in 117,500,007 shares of NatWealth Securities Company.</p>	<p>Since the Department of Criminal Investigations had filed 02 cases in relation to the financial misuses by the company, it had been delayed the liquidation of the company until such case will be over.</p>	<p>The action should be taken to appoint a liquidator.</p>
<p>The company had not gained adequate profits from securities transactions during the period 2012-2017 and gained considerable losses. Furthermore, the Monetary Board of Central Bank of Sri Lanka had decided to withdraw the permit granted to the company for performing the primary transactions with effect from 01 December 2020. Under these circumstances, it had been decided to liquidate the company as per the cabinet decision CP/21/0269/313/012 dated 02 March 2021. However, no liquidator has been appointed to liquidate the company even up to 31 August 2024.</p>		
<p>(b) 02 private companies had filed cases against the company and as per the judgments of two companies, an amount of Rs. 95 million had been settled on 29 June 2021 and Rs.325 million in October and November 2022 to such 02 companies. Aggregate of Rs. 461.2 million for Income Tax from the year of assessment 2008/2009 to 2015/2016, related penalties and payable Value Added Tax had been paid by the company in 2023. However, no action had been taken as per the Companies Act to liquidate the company.</p>	<p>No answers had been given.</p>	<p>As per the cabinet decision, the liquidation process should be followed.</p>

04. Non-submission of Accounting Books and Documents

Audit observation	Comments of the Management	Recommendation
The board decisions, bank statements, bank reconciliations, cash book, payment vouchers, receipts, details on investments and court proceedings related to 2023 had not been submitted to audit.	The final accounts of 2023 is carried out by an Accountancy firm, Amarasekara and Co. and the all reports are available with that company and the relevant examinations can be performed by visiting such company.	The management has the responsibility of preparation and submission of the financial statements and accounting records. The action should be taken against the management in relation to non-submission of the financial statements as specified.