

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Rakna Project Management Ltd (“Company”) for the year ended 31 March 2023 comprising the statement of financial position as at 31 March 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity statement of cash flow, for the year then ended, and notes to the financial statements, including material accounting policy 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 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, because of the significance of the matters discussed in the paragraph 1.5 of this report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at 31 March 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 Adverse Opinion

Matters have described in paragraph 1.5 of this report for my adverse 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 Adverse 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 Authority ,etc.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 Responsibilities 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 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal Control Over the Preparation of Financial Statements.

	Audit Issue	Management Comment	Recommendation
a.	Although the company's payment control system and internal control procedures require that the name, signature, and date of the recipient be duly recorded on the voucher for all cheque or cash payments, this requirement was not followed to when preparing vouchers valued at Rs. 250,087.	Instructions have been issued to the relevant staff to ensure that remittance notes are issued in accordance with the proper procedure, so as to prevent such observations from arising in the future.	Steps must be taken to properly follow to the internal control procedures regarding payments.
b.	In accordance with the company's payment control procedures and internal control measures, it is mandatory for authorized officers to sign to approve and certify all payments. However, this procedure was not followed when preparing vouchers valued at Rs. 283,065	All company payments are made subject to the due approval and certification of the relevant authorized officers; the payment vouchers highlighted in the observations were processed due to an oversight on the part of the relevant authorized officers. Measures will be taken to ensure that such issues do not arise in the future.	Steps should be taken to place greater emphasis on verification and approval when making payments.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
a. Vehicle rental, maintenance, land rental, and transportation expenses amounting to Rs. 334,098, which pertained to the previous period, had been accounted for as expenses of the current year.	Bills pertaining to the 2021/2022 financial year were received by the Finance Division during the 2022/2023 financial year and were consequently recorded as an expense for the 2022/2023 financial year.	Steps must be taken to properly identify and account for expenses related to the period.
b. Although the parent company incurred a total expenditure of Rs. 527,595 which is comprising Rs. 497,595 in worker wages and Rs. 30,000 in festival allowances for workers and Rs. 457,650 in office staff salaries and allowances for the period from April 1, 2022, to June 30, 2022, these amounts specifically the Rs. 332,779 in worker wages and festival allowances and the Rs. 457,650 in staff salaries and allowances were not included in the financial statements prepared for the period under review, nor was any disclosure made regarding them.	Out of the total labour wage expenditure of Rs. 497,595 for the period, an amount of Rs. 302,779 was erroneously recorded as wages for the Land Operations Division due to a clerical error. As personnel from Rakna Arakshaka Lanka Limited (RALL) were deployed as staff for the company (RPML), their wages were recorded as wages of Rakna Arakshaka Lanka Limited. Furthermore, while this resulted in an impact on the 2022/2023 financial statements of Rakna Arakshaka Lanka Limited and Rakna Project Management Company, it did not affect the 2022/2023 financial statements of the Rakna Group.	Steps must be taken to accurately identify and account for operation-related expenses.
c. Although the cash flow statement included in the financial statements for the year under review indicated that profit before tax was used as the basis for calculating the net cash flow generated from operating activities, the calculation was actually based on profit after tax.	It is stated that the cash flow statement included in the financial statements for the 2023/2024 financial year will be prepared based on profit before tax.	Financial statements must present accurate information. They must be prepared in accordance with standards.

1.5.3 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
An assessment has been conducted confirming the company's inability to continue as a going concern following the suspension of operations a move initiated by management effective July 7, 2022, and reflected in Note 2.8 of the financial statements, which indicates that the statements were prepared on a non-going concern basis. Furthermore, pursuant to a decision made at the Board of Directors meeting held on June 20, 2023, the Board resolved to commence the winding-up of the company upon the completion of the statutory audit for the 2022/2023 financial year. Consequently, the financial statements have been prepared on a winding-up basis in accordance with the applicable financial reporting standards.	By the time steps were taken to prepare and submit the financial statements for the 2022/2023 financial year for audit, the necessary Board of Directors' approval for the winding up of Rakna Project Management Limited (RPML) had already been obtained; consequently, the financial statements were prepared on a winding-up basis.	Action must be taken in accordance with the disclosures made in the financial statements.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Companies Act No. 7 of 2007			
i. Section 150(1)	Although management is required to prepare the company's financial statements within six months of the balance sheet date or within any	Due to the failure to prepare and submit the financial statements for the 2021/22 financial year for audit within the stipulated timeframes which resulted in unavoidable	Arrangements must be made to prepare and submit the financial statements by the due date, in accordance with the provisions of the

	extended period determined by the Registrar of Companies the financial statements for the period ending 31 March 2023 were not prepared within that six-month timeframe or within any extended period determined by the Registrar of Companies.	delays to all subsequent processes it has not been possible to submit the 2022/23 financial statements for audit by the expected date; furthermore, although approval should have been obtained from the Registrar of Companies to extend this deadline, the company failed to take the necessary action in this regard.	Act.
ii. Section 220	In a circumstance that the net assets of a company are seemed to be less than half of the declared assets of the said company the nature and extent of the losses experienced by the company the reason or reason of the losses in cared by the company, and if any action have been taken by the Board of Directors to prevent the futher occurrence of such losses or to make shift with the losses incurred the Board of Directors should prepare a report informing the shareholders about those action and special general meeting of the shareholders of that company should be called along with that report by the Bord of Directors. However the company had not taken action to prepare such a report or to convene a meeting as per the said regulations even by 31 March 2023 while the Net Book value of Rs	As the parent company (RALL) holds 100% ownership of the company and both entities share the same Board of Directors, this situation is regularly discussed at Board meetings; furthermore, the audited accounts for 2022/2023 are required to proceed with the winding up of RPML in accordance with the provisions of the Companies Act, and once these accounts are received, the necessary steps for closure are to be taken without delay, in line with the directives issued by the Board of Directors of RALL (the shareholder of RPML).	Steps must be taken to prepare a report and convene a meeting in accordance with the provisions of the Companies Act.

2.51 Million had been negative value during the year under review

Sections 16(1) and 16(2) of the Audit Act No. 19 of 2018

Although it is required to maintain accounting records and books in a manner that enables the proper preparation of annual financial statements, and to submit said statements to the Auditor General for auditing within the timeframes stipulated by relevant legal requirements, the financial statements for the year under review were submitted for audit only on October 22, 2025 after a lapse of two years and six months.

It is noted that the financial statements for the 2021/2022 financial year were not prepared and submitted for audit within the stipulated timeframes as required by Sections 16(1) and 16(2) of the Audit Act No. 19 of 2018 and because the resulting delays in subsequent processes could not be averted, it has also become impossible to submit the financial statements for the 2022/2023 financial year for audit by the expected date.

Action must be taken to submit financial statements for audit by the due date, in accordance with the provisions of the National Audit Act.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a profit after tax of Rs. 131,910, whereas the corresponding figure for the previous year was a loss of Rs. 2,650,628; this represents an improvement of Rs. 2,782,538 in the financial result. This improvement was driven by a Rs. 848,573 (419%) increase in revenue compared to the previous year and the generation of 'other income' amounting to Rs. 776,200.

2.2 Trend Analysis of Major Income and Expenditure Items

During the period under review, the company's revenue increased by 419 rising from Rs. 202,161 in the previous period to Rs. 1,050,734 while other income of Rs. 776,200 was generated. Administrative expenses decreased by 43.8%, falling from Rs. 2,029,365 in the previous period to Rs. 1,138,982.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
It was reported that the Presidential Task Force had directed the immediate commencement of an organic fertilizer production project to	Although the company was established to produce organic fertilizer, it is currently unable to provide clarifications regarding the failure to follow the required initial	Immediate steps must be taken to initiate legal action regarding the establishment of the

address the organic fertilizer shortage prevailing in the country at the time, in accordance with Paragraph 1.10 of the resolution approved by the Board of Directors of Rakna Arakshaka Lanka Limited on June 15, 2021. Subsequently, Rakna Project Management Limited (RPML) was established for the organic fertilizer production process; although the company's Articles of Association did not specify any objectives, the project was initiated based solely on a resolution signed by the Board of Directors, pending Cabinet approval for the organic fertilizer production project. Following the organic fertilizer production activities, financial statements as of March 31, 2023, indicated a negative net asset value of Rs. 2.518 million, and all activities related to the company's organic fertilizer production project were halted on July 7, 2022.

operational procedures, as the necessary information are missing from the company's existing files. The company (RPML) was not shut down on July 7, 2022; instead, in compliance with the directives of National Budget Circular 3/2022, only the project's activities were suspended effective from that date. At the 153rd Board of Directors meeting held on June 30, 2023, the Board granted approval to proceed with the formal winding-up of the company (RPML). Further steps regarding the company's closure are scheduled to be taken once the audited financial statements for 2022/2023 are received.

RPML Company in deviation from established procedures and its subsequent failure.