

Transactions report of the National Wealth Corporation Limited - 2024

The audit of the operational activities of the National Wealth Corporation Limited for the year ended 31 December 2024 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 presented to the 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 those entities within such period 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 Submission of Financial Statements

As per section 6.6 of the Operational Manual for Public Enterprises introduced by the Circular No 01/2021 dated 16 November 2021, although the financial statements and draft annual report should be presented to the Auditor General within 60 days of the end of the accounting year, financial statements for the years 2023 and 2024 approved by the governing board, had not been presented to the audit even by the date of this report.

2.2 Assets, liabilities, revenue and expenditure

Particulars are shown below on the assets, liabilities, revenue and expenditure appeared in financial statements for the year ended 31 December 2022 prepared last by the Company.

Financial Statement Item	Value Rs.
Assets	
Non Current Assets	159,335
Current Assets	<u>1,270,963,958</u>
Total assets	<u><u>1,271,123,293</u></u>

Equity and Liabilities

Equity	1,269,478,244
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Liabilities

Total liabilities	1,645,050
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Total Equity and Liabilities	<u>1,271,123,293</u>
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Total revenue	1,947,462
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Total expenditure	<u>14,409,181</u>
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Deficit	<u>(12,461,719)</u>
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3 Liquidation of the Company**Audit Observation**

Approval had been given by the Board of Trustees of the Fund on 5 February 2003 to establish a company called National Wealth Corporation Limited with an initial investment of Rs. 200 million (20,000,007 ordinary shares) and a loan of Rs. 10 million for the purpose of managing the investments of the Lalith Athulathmudali Mahapola Higher Education Scholarship Fund and accordingly, National Wealth Corporation Limited, a subsidiary of the Fund, had been registered as a public limited company on 23 June 2003. According to the agreement entered into by the Fund with this company on 18 November 2003, this company had been entrusted with the management of the investment portfolio of Rs. 3,160.7 million held by the Fund. An amount of Rs. 985,500,070 had been invested in 98,550,007 shares of the company by the Fund as at 31

Comments of the Management

Since 2 cases related to a financial fraud had been submitted by the Nat wealth Security Company to the Criminal Investigation Department, the liquidation of the companies is delayed until the completion of those cases. Furthermore, the fund of Nat wealth Security Company Rs. 850 million had been transferred to the Mahapola Fund through an agreement in the year 2022. The final balance of these transactions had not been confirmed by the Mahapola Fund and accordingly, the preparation of the final accounts for 2023 and 2024 has been delayed. It has proposed to reduce the company's share capital by the Board of Directors and it's the final decision has been submitted to the approval of the Mahapola Fund. Steps will be taken by the company to reduce the share capital and appoint a liquidator or transfer the shares to a suitable investor once that

Recommendation

Action should be taken in accordance with the decision of the Cabinet of Ministers.

December 2024. Adequate profits approval is received. had not been made by the company from securities transactions during the period 2012 – 2017 and considerable losses had been incurred. Due to this, it had been decided at the Cabinet meeting held on 28 August 2018 that the liquidation of the company should be carried out subject to the approval of the Central Bank and this had been confirmed by Cabinet Decision No. CP/21/0269/313/012 dated 02 March 2021. However no liquidator has been appointed or no liquidation activities started even by the 31 October 2025.

04 Non-submission of Accounting Books and Documents

Audit Observation	Comments of the Management	Recommendation
Cash Book, Ledger Accounts, Bank Reconciliation Statements, Bank balance confirmation letters and detailed schedules of the company relate to the year 2024 had not been submitted for the audit.	The cash book and general ledger have not been finalized since the accounts for the year 2024 had not been started. The accounting firm balances the cash book and prepares bank reconciliation statements, which are then submitted for audit upon completion.	Management is responsible for preparing and presenting financial reports. Steps should be taken by the management to prepare the relevant financial reports properly and submit them promptly.