

BOC Management and Support Services (Private) Limited -2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the BOC Management and Support Services (Private) Limited (“Company”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of profit or loss, 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.1.1 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.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 2.5 to the financial statements which describe the followings;

Although, the Board of Directors of the Company has resolved in 2017 that the company should wind up in the future, the Board of Directors of Bank of Ceylon at its meeting held on 08 February 2021 has approved to;

- Converting BOC Management & Support Services (Private) Ltd to debt recovery service provider in order to manage the Non Performing Advance position of the Bank.
- Obtaining the approval of the Monetary Board of Central Bank of Sri Lanka (CBSL) of the proposal of converting BOC Management & Support Services (Private) Ltd to debt recovering service provider in terms of the Section 17 of the Banking Act No. 30 of 1988.
- Passing a special resolution by BOC Management & Support Services (Private) Ltd to amend the Articles of Association by inserting the following clause.

“To act as debt recovery agent for financial institutions and to provide debt recovery services of every type and description.”

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 Standard, 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.

1.4 Audit Scope

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 Financial Statements

1.5.1 Going Concern of the Organization

Audit Issue

Although, the Board of Directors of the Company has resolved in 2017 that the company should wind up in the future, the Board of Directors of Bank of Ceylon at its meeting held on 08 February 2021 has approved to convert the company in to debt recovery service provider in order to manage the Non Performing Advance position of the Bank subject to the approval of the Monetary Board of Central Bank of Sri Lanka.

Management Comment

No Comment

Recommendation

It is recommended to speed up the conversion process with necessary approvals.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue

The Board of Directors of the Company, at its meeting held on 06 October 2020, passed a resolution to write-off long term receivables amounting to Rs.343,618 from related parties which could not be verified due to lack of documentary evidence.

Management Comment

No Comment

Recommendation

It is recommended to keep necessary documents in safe custody for company's future reference.

1.6.2 Payables

Audit Issue

The Board of Directors of the Company, at its meeting held on 06 October 2020, resolved to pass a reversing journal entry for the long term payable balance of Rs.340,256 which could not be verified due to lack of documentary evidence.

Management Comment

No Comment

Recommendation

It is recommended to keep necessary documents in safe custody for company's future reference.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.47,690 and the corresponding loss in the preceding year amounted to Rs.53,727. Therefore a deterioration amounting to Rs.6,037 of the financial result was observed.

The Company had not earned operating income during the year under review and the only income was dividend income of Rs.2. The company has incurred an expense of Rs.44,330 as administration and establishment expenses during the year under review.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
The principle business activity of the Company is recruitment of employees in order to facilitate manpower requirements of the Bank of Ceylon. However, the Company had not engaged in this principle activity since 2007.	No Comment	It is recommended to ensure that the purpose of creating a particular company is achieved.