

Sri Lanka Poultry Development Company (Private) Limited – 2015

The audit of the financial statements of the Sri Lanka Poultry Development Company (Private) Limited (“the Company”) for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory 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. This report is issued in terms of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka. In carrying out this audit I was assisted by a firm of Chartered Accountants in public practice.

1.2 Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

- (a) It was unable to verify the accuracy of valuation of inventory balance amounting to Rs.4,445,013 due to lack of valuation report.

- (b) Other receivable balance amounting to Rs.8,969,395 could not also be verified due to lack of detailed schedules, age analysis, debtors confirmations, invoices and other source documents.
- (c) It was unable to verify the accuracy of gratuity payable balance, amounting to Rs.949,399 due to lack of information such as appointment letters and personal files of respective employees.
- (d) Trade and other payable amounting to Rs.6,810,914 which could not be verified due to lack of detailed schedules, age analysis, creditors confirmations, invoices and other source documents.
- (e) It was observed in audit, that the fixed assets of the Company were not coded and Fixed Assets Register was not made available to facilitate the physical assets verification.
- (f) The Department of Inland Revenue had confirmed to audit that, there will be a tax liability with regard to the payments of Nation Building Tax of the Company. However, a provision in this connection had not been made in the financial statements for the year under review by the Company.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in the paragraph 1.4 of this report, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1.1 Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
 - Except for the matters described in the paragraph 1.4 of this report, I have obtained all the information and explanations that were required for the audit and as far as appears from my examinations, proper accounting record have been kept by the company.
 - These financial statements of the Company comply with the requirements of Section 151 of the Companies Act.No.07 of 2007.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Company for the year under review had resulted in a pretax net loss of Rs.13,944,614 as against the pretax net profit of Rs.9,635,596 in the preceding year, thus indicating a deterioration of Rs.23,580,210 in the financial results for the year under review. The decrease in disposal profit by Rs.54,033,000 in the year under review when compared to preceding year was the main reason for the deterioration in the financial results.

4. Operating Review

4.1 Performance

4.1.1 Planning

The Company had not prepared the Annual Action Plan and the Performance Report for the year under review as per the Public Finance Circular No.01/2014 dated 17 February 2014.

4.1.2 Operating and Review

The physical inventory balance had not been matched with the ledger account at the end of the each month.

4.2 Underutilized Assets

During the physical observation, it was observed that, a Setter Machine which can be set 57,200 eggs at one time and a Feed Grinding Machine were idling without being used.

4.3 Human Recourses Management

The following observations are made,

- (a) In terms of Management Services circular No. 30/2006 dated 22 September 2006, the staff had not been reorganized and Company had not prepared the Scheme of Recruitment.
- (b) As per the Management Services Circular No. 02/2016 dated 16 June 2016, there were inconsistencies between the salaries paid by the Company.

5. Accountability and Good Governance

Procurement and contract process

The Procurement Plan had not been prepared for the year under review as per the Procurement Guideline 4.2.1(a) of the Procurement Guidelines – 2006.

6. Systems and Control

Weaknesses observed in systems and controls in audit were brought to the notice of the Chairman of the Company in time to time. Special attention is needed in respect of the following areas of control.

Area of control -----	Observation -----
(a) Procurement Management	Non compliance with Procurement Guidelines.
(b) Accounting	Failures in the internal control of the accounting system.
(c) Inventory Management	Dispatch Notes were not reconciled with Goods Issuing Notes.