

Lanka Leyland (Pvt) Limited – 2016/2017

The audit of the financial statements of the Lanka Leyland (Pvt) Limited for the year ended 31 March 2017 comprising with the statement of financial position as at 31 March 2017 and the statement of 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. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice. My comments and observations which I consider should be furnished to the parliament in terms of 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka on the operations of the company for the year under review appear in this report.

1.2 Management Responsibility for the Financial Statements

Management 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 Company, 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.1.1 Emphasis of Matter

Without qualifying my audit opinion, I draw attention to Note 04 to the financial statements which describes the freehold land recorded under the Property Plant and Equipment presently not in the possession of the company.

2.1.2 Report on the Other Legal and Regulatory Requirement

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 :
 - I have obtained all the information and explanations that required for the audit and as far as appears from my examinations, proper accounting records have been kept by the Company
 - The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No. 07 of 2007.

2.1.3 Other Matter

The financial statements of the Company as at the period ended 31 March 2016 were audited by another auditor who expressed a modified audit opinion on those financial statements on 04 August 2016 due to recognizing of interest income on cash basis.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

It was observed that the interest income on REPO investment amounting to Rs. 48,776 had not been accrued by the company for the year under review.

2.2.2 Lack Of Evidence for Audit

The evidence indicated against the following transaction were not made available to audit.

Item -----	Amount -----	Evidence not made available -----
	Rs.	
(a) Payment of rental for Land	10,000	Rent agreement
(b) Board meeting expenses	130,000	Payment Vouchers
(c) Fuel expenses Reimbursements	-	Running Charts

2.3 Non - compliance with Laws, Rules, Regulations and Management Decision, etc

PAYE Tax relating to the Chairman's allowances had been understated by Rs.34,500 due to the absence of applying rates as per the Section 117 of the PAYE Tax ACT No 10 of 2006 for the period from December 2016 to March 2017.

3. Budgetary Control

The company had not prepared a business plan/budget for the year.

4. Systems and Controls

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

Area of Control -----	Observations -----
(a) Segregation of Duties	<ul style="list-style-type: none"> i. Bank reconciliations and Journal Entries were prepared and posted by the Financial controller without following a proper authorization process. ii. No Register of journal entries maintained and only system generated journal entries were available.
(b) Human Resources Management	There were no documenting Policy on Human Resources and no Personal file documenting system was maintained.