

BOC Management & Support Services (Pvt) Limited - 2016

The audit of the financial statements of the BOC Management & Support Services (Pvt) Limited (“the Company”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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.

This report is issued in terms of Articles 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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 judgement, 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

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 December 2016, 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 Regulating 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:
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No 07 of 2007.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

As per the information made available, the tax liability as at 31 December 2016 was Rs.162,756. However, as per the statement of financial position, the tax liability was Rs.282,555. Hence, the tax payable shown in the financial statements had been overstated by Rs. 119,799.

2.2.2 Lack of Evidence for Audit

The balances of receivable from related parties, incentive receivables and other payables totaling Rs.423,542 shown in the financial statements could not be verified in the audit due to unavailability of direct confirmations.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Company had earned a pre-tax net profit of Rs. 581,271 for the year under review as compared with the corresponding pre-tax net profit of Rs. 487,615 for the preceding year, thus indicating an improvement of Rs.93,656 in the financial results for the year under review. Increase of interest income on new investments in treasury bills and fixed deposits made during the year under review was the main reason attributed for this improvement in the financial results.

Out of total expenses incurred during the year under review, a sum of Rs. 60,000 or 67 per cent had been incurred for registration levy, while a sum of Rs. 20,414 or 23 per cent was incurred for audit fees.

3.2 Analytical Financial Review

3.2.1 Profitability

Without engaging the principal business activities, the Company had earned its entire operating income by investing excess funds in treasury bills and fixed deposits. The details of the operating income and net profit after tax for the year under review and previous 04 years period are given below.

Year	2016	2015	2014	2013	2012
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	Rs.	Rs.	Rs.	Rs.	Rs.
Other Operating Income	670,831	512,825	508,886	678,674	527,517
Profit After Tax	418,515	351,083	341,801	471,437	440,235

3.2.2 Significant Accounting Ratios

According to the financial statements and other information made available for audit, some important accounting ratios for the year under review as compared with the preceding 04 years are given below.

Ratios	2016	2015	2014	2013	2012
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Profitability Ratio (Percentage)					

Return on Total Assets	6	5	5	7	6
Liquidity Ratios – (Number of times)					

Current Ratio	25.6	23.4	23.1	12.7	21.4
Net Current Assets to Total Assets	0.96	0.96	0.96	0.92	0.95

The following observations were made in this regard.

- (a) Profit earned by the Company during last five years was not in a satisfactory level as compared with the capital deployed in the business.
- (b) A sum of Rs.9.3 million or 98 per cent of the fund had been invested by the Company in short term investments such as treasury bills and fixed deposits etc. Hence, there is a high liquidity position in the Company and it is showing the very weak working capital management of the Company.
- (c) Net current assets of the Company were 96 per cent as compared with total assets valued at Rs. 9.9 million.

4. Operating Review

4.1 Performance

The principal 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 principal activity since 2007. The following observations are also made in this connection.

- (a) Even though the Company ceased its principal activity since 2007, it has been reregistered under the Companies Act No. 7 of 2007 on 07 July 2008 without taking action to wind-up. However, the Board of Directors of the Bank of Ceylon at its meeting held on 31 July 2017 approved the decision of wind-up the Company.
- (b) There are no employees in the Company at the end of the year under review other than Chief Executive Officer and Directors who had appointed by the Bank of Ceylon for administrative purposes.
- (c) As per the Government budget proposal 2016, a private company is liable to pay a sum of Rs. 60,000 as an annual registration levy. Accordingly, the Company had paid Rs. 60,000 in June 2016 and it was 9 per cent of the total income of the Company. The continuation of the Company without attending its intended activities since 2007 is open to question.