

## **Lanka Leyland (Pvt) Limited – 2017/2018**

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The audit of the financial statements of the Lanka Leyland (Pvt) Limited for the year ended 31 March 2018 comprising of the statement of financial position as at 31 March 2018 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. 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 appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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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**

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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.

## **1.4 Basis for Qualified Opinion**

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The accuracy of the general reserve amounting to Rs. 9,800,924 stated in the Financial Statements as at 31 March 2018 could not be confirmed since decisions of the Board of Directors or the other relevant audit evidences were not available.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in 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 March 2018, 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**

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I draw attention to Note No. 05 to the financial statements which describes the freehold land recorded under Property, Plant and Equipment and which is presently not in the possession of the company.

#### **2.1.2 Report on the Other Legal and Regulatory Requirements**

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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 effects of the matters described in paragraph of basis for qualified opinion,
  - I have obtained all the information and explanations that were 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 Matters**

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Even though the Company possessed the lands valued at Rs. 623,473 stated under Property, Plant and Equipment in the financial statements of the Company for the period ended 31 March 2018, the Company had not utilized the lands.

## **2.2 Non - compliance with Laws, Rules, Regulations and Management Decision, etc**

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Even though the draft annual report and financial statements should be presented to the Auditor General within 60 days after the financial year is ended in terms of Section 6.5.1 of the Public Enterprises Circular No. PED 12 of 02 June 2003, financial statements had been

presented to the Auditor General after a delay of 4 months and the draft annual report had not been presented along with the financial statements.

### **3. Financial Review**

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#### **3.1 Financial Result**

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The result of the operations of the year under review was a deficit of Rs. 68,086,266 and the corresponding deficit for the previous year was Rs. 647,811,976 Accordingly an improvement of Rs.579,743,710 was observed in the financial result.Loss an investment in Associate company by Rs. 574,598,750 had mainly affected to this improvement.

### **4. Operational Review**

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#### **4.1. Performance**

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The Company had not engaged in active operational activities for a longer period of time and a total of Rs. 4,339,798 had been paid during the year under review comprised of Rs. 3,852,367 as allowances for the Chairman and for the Board of Directors and Rs.487,431 as fuel expenses.

### **5. Systems and Controls**

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Weakness observed in the audit was brought to the attention of the chairman of the Company from time to time .special attention should the paid in the following areas of control.

<b>Area of Control</b>	<b>Observation</b>
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(a) Accounting	The Financial Controller had included Journal entries by adopting a process, for which the due approval had not been obtained and a register on journal entries had not been maintained.
(b) Development of Human Resources	Not having an approved Organizational Structure and a Staff.