

Lanka Leyland (Private) Limited - 2019/2020

1.1 Opinion

The audit of the financial statements of the Lanka Leyland (Private) Limited (“Company”) for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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.

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

1.2 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.

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 Standards, 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 scepticism 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 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. Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

02. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs. 115,969,314 and the corresponding loss in the preceding year amounted to Rs. 502,041,856. Therefore an improvement amounting to Rs. 618,011,170 of the financial result was observed.

03. Management Inefficiencies

Audit Issue	Management Comment	Recommendation
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(i) During past few years the Board of Management of the Company had not taken any measures to perform the Company in order to achieve the Company’s objectives. However, the Company had been utilized the interest income received on fixed deposits and the dividend income received on shares to meet the administrative expenses amounting to Rs. 6,165,371 for the year under review and a sum of Rs.5,522,293 for	Directors expenses shown in the accounts as per the treasury guide lines.	If the contribution of the Board of Directors is not made towards the operational functionality of the Company, attention should be paid on the appropriateness of making payments for them

the preceding year though the Company had not perform any activity. Hence, the audit revealed that the purpose of maintaining the Company without any activity is questionable.

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| (ii) There was no proper written business plan/ Corporate plan with the Company. | Since there are no other operations, our business plan is to increase our investment income | Action should be taken to prepare a proper business plan and corporate plan and to take steps accordingly |
| (iii) There was no written human resource plan with company. | Since there was no Permanent employees in the company and only three part time employees. | According to business plan should recruit permanent employees with systematically. |

04. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Issue	Management Comment	Recommendation
<p>In terms of Section 6.5.1 of the Public Enterprise Circular NO.PED/12 dated 02 June 2003, the financial statements for the year under review should be rendered to the Auditor General within 60 days after the close of the financial year. However, the financial statements of the year under review had been presented to the Auditor General on 25 August 2020, after a delay of 116 days.</p>	<p>Reference to the Law/Directions Public enterprises circular No. PED/27 of 27 January 2005 where you have stated as non-compliance, we wish to inform you that the accounts were closed on 31 March 2020 during which period there was curfew due to Covid-19. The bank were not functioning properly and there were delays in getting confirmations.</p>	<p>Action should be taken to rendered the financial statements to the Auditor General as per the provision in the Circular.</p>