

## **Shipping and Aviation Information and Research (Private) Limited – 2016/ 2017**

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The audit of financial statements of the Shipping and Aviation Information and Research (Private) Limited for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity 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.

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

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Management is responsible for the preparation and fair presentation of the 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 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 The going concern of the Company**

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The going concern of the company had ended with the decision of the Cabinet of Ministers to liquidate the company on 23 August 2016, considering a Cabinet Memorandum presented by the Minister of Port and Shipping which points out the continuous losses of the company incurred from the year 2012, its failure to meet the purpose of establishing, staying inactive and lack of contribution to the national economy. It had been disclosed by the Note 2.2 of the Financial Statements.

## **1.5 Basis for qualified opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **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 2.2 of this report, the financial statements give a true and fair view of the financial position of Shipping and Aviation Information and Research (Private) Limited as at 31 March 2017, and its, financial performance for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Sri Lanka Accounting Standards**

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The financial statements should contain a cash flow statement in accordance with paragraph 10 of Sri Lanka Accounting Standard, No. 01, though the Company did not submit a cash flow statement with financial statements.

#### **2.2.2 Accounting Deficiencies**

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Even though the value of fixed deposits amounted to Rs.26,000,000 as at the end of the year under review, it had been shown as Rs. 25,852,754 in the financial statements. Hence the value of fixed deposits had been understated by Rs .147,246.

#### **2.2.3 Unexplained Changes**

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In comparing the balances of Investment & Deposit account in the financial statements and the Accumulated Fund account with relevant schedules, differences of Rs.312,000 had existed.

### **2.3 Accounts Receivable**

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Even though the withholding tax balance amounting to Rs.930,355 which had been shown as receivable in the accounts over a period of 04 years, had been write off during the year under review, a proper approval had not been presented to the audit.

### **2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions.**

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Instances of non-compliance with the following laws, rules, and regulations etc. were observed.

Reference to Laws, Rules, Regulations -----	Non- compliance -----
(a) Public Enterprises Circular No. PED/12 dated 02 June 2003.	Even though the financial statements together with the draft annual report should be presented to the auditor general within 60 days after the end of the financial year, financial statements for the year under review had been presented on 14 September 2017. However draft annual report had not been presented even up to 15 November 2017.
(b) Section XII of Companies Act No.07 of 2007.	The following requirements had not been fulfilled other than notifying the Registrar of Companies that the company was liquidated according to the Cabinet decision of 23 August 2016 and that the liquidation process was on the final stage.
(i) Clause 319 (1) (a) of the Companies Act.	Passing a resolution requiring the company to be wound up voluntarily.
(ii) Clause 330 (1) of the Companies Act.	Giving a notice to the special resolution by publishing in the Gazette.
(iii) Clause 346 (1) of the Companies Act.	Publishing a gazette notification regarding the appointing of the liquidator and handing over to Company Registrar for registration.
(iv) Clause 330 (1) and 331 of the Companies Act.	Calling the General Meeting and the Final Meeting, presenting a description of the winding up and informing within one week to the registrar as per the sub section (3)(1).

### **3. Financial Review** -----

#### **3.1 Financial Result** -----

According to the Financial Statements presented, the loss of the Company for the year under review amounted to Rs.505,475 and the corresponding loss for the preceding year amounted to Rs. 1,439,557 thus the financial result had deteriorated to Rs.934,082 or 65 per cent for the year under review. Due to no operation of the Company the administration and establishment cost had decreased and it was mainly affected for this deterioration of loss.

In analyzing the financial results of the year under review and the 4 preceding years, the Company had incurred continues losses from 2012/2013 up to the year under review. Due to

the decision taken to winding up the company, in august 2016 the administration expenses except employees' remuneration had limited. And it had been observed that the negative contribution of the year 2015/2016 had increased up to Rs.1, 055,951 in the year of accounts 2016/2017.

### **3.2 Analytical Financial Review**

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At the end of the year under review, the accumulative loss had amounted to Rs 6.68 million. After being adjusted the accumulative loss, the stated capital Rs. 30 million had eroded up to Rs 23.32 million or 22 per cent.

## **4. Operational Review**

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### **4.1 Performance**

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The following observations are made.

- (a) Collecting information relating to sea and air transportation and export and import, analyzing and doing researches on the same, ding the businesses of promoting such activities, providing consultancy services etc. had stated as the prime objectives of the Company. However, the company had not carried out any operations relating to performing of the above objectives over a period of several years.
- (b) The Company had not been carried out any operational activity after the year 2014 while it had remained inactive without a specific future plan. Although a new board of directors was appointed on 15 October 2015, it was not reported that the board had met once in the year under review. Nevertheless, the Company had been incurred Rs.1,549,949 during the year, as salaries and allowances of 04 members of idle staff. The Company had utilized a bank overdraft for incurring administrative and establishment expenses including salary payments, while the bank overdraft was Rs.2,371,079 at the end of the year under review. Accordingly the Company had not gained any performance except incurring of uneconomical transactions.

### **4.2 Personnel Administration**

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The following observation is made.

When there already had been an excess staff without having a specific role, a new officer had recruited by the Company to the Service of Management Assistant on 03 March 2016 and had paid Rs.422,066 as salaries and allowances up to 31 March 2017. The details of the duties assigned to this officer or the role played by her were not presented to the audit and what whether the necessity to make new appointments further, was questionable to the audit.