

Observer Jobs (Private) Limited - 2017

The audit of the financial statements of the Observer Jobs (Private) Limited (“the Company”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 Article 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 for Small and Medium- sized Entities (SLFRS for SMEs) 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 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 Observer Jobs (Private) Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium- sized Entities (SLFRS for SMEs).

2.1.1 Report on Other Legal and Regulatory 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.

2.1.2 Going Concern of the Organization

The Board of Directors of the Company had taken a decision on 15 February 2018 to cease its operations due to continuous business losses, negative working capital and negative solvency margin. Therefore, the going concern assumption had not been adopted in the preparation of financial statements for the year under review.

2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

A decision had been taken by the Board of Directors to wind-up the Company on 15 February 2018. However, a resolution had not been passed for voluntary winding up even up to 31 August 2018 as per Section 320 (1) of the Companies Act No. 07 of 2007.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 December 2017 had resulted in a pre-tax net loss of Rs.6,008,716 as compared with the corresponding pre-tax net loss of Rs. 4,613,969 for the preceding year, thus indicating a further deterioration of Rs.1,394,747 in the financial results. Decrease in revenue earned during the year under review was the main reason attributed for this deterioration in the financial results.

3.2 Value Addition

In analyzing the financial results of the Company, the value addition of the Company for the year 2016 was Rs. 836,826 and it was a negative value of Rs. 521,998 in the year under review after taking into account the staff salaries, taxes to the government and depreciation made for non-current assets. Hence, the value addition of the Company has been decreased by 162 per cent when compared with the preceding year.

3.3 Analytical Financial Review

Working Capital Management and the Solvency Margin

In analyzing the position of current assets and current liabilities of the Company, the working capital had shown a continuous negative value since 2015 and it was a negative value of Rs.10,622,685 as at the end of the year under review as compared with the negative value of Rs.4,745,481 in the previous year. Hence, it was revealed that, the Working Capital Management of the Company had been at very weak level. Similarly, the negative solvency margin of Rs.7,119,229 in the year 2016 had increased to Rs. 13,122,685 in the year under review.

4. Operating Review

4.1 Operating Inefficiencies

The following observations are made,

- (a) During the year under review the Company had paid a sum of Rs.5,443,883 as salaries and wages even though the Company was able to earn only a revenue of Rs. 65,000.
- (b) Since the Company has not performed any activities in order to achieve its set-out objectives, the Company has to be depended solely on the Parent Company for financing its expenditures. Hence, an amount of Rs. 10,695,637 has to be paid to the Parent Company as at 31 December 2017.
- (c) The present objectives of the Company are to carry out human resource services for organizations and individuals locally and internationally. However, the Board of Directors had decided to wind up the Company due to no operational improvement had been achieved and the revenue of the Company had also been significantly decreased from Rs.1,686,480 in the year 2016 to Rs. 65,000 in the year 2017.

5. Accountability and Good Governance

A Corporate Plan, an Annual Action Plan and a Budget had not been prepared by the Company since its inception in terms of provisions in Public Enterprises Circular No. PED/12 of 02 June 2003.