

## INDEPENDENT AUDITOR'S REPORT

TO:

### **Fuel and Liquid Gas Enterprise (FLGE)**

We were engaged to audit the accompanying financial statements of **Fuel and Liquid Gas Enterprise** (here-in-after referred to as "**FLGE**"), which comprise the balance sheet as at Hoot 30, 1383 (March 19, 2005) and the related income statement for the year then ended.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. Because of the matters described in the Basis for Disclaimer of Opinion Paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### ***Basis for Disclaimer of Opinion:***

- (1) The accompanying financial statements do not include these components: (a). cash flow statement, (b) statement of changes in equity and (c). Notes, comprising a summary of significant accounting policies and other explanatory information. These components are required by the International Accounting Standard 1 *Presentation of Financial Statements* to enable the readers of the financial statements to understand the cash flows, investment introduced by the owners and its utilization by FLGE and the impact of different financial transactions on the financial statements. Moreover comparative figures for the previous year are not presented in the accompanying financial statements.
- (2) In the consolidated and individual trial balances and in the consolidated ledgers, opening balances for each head of account were not presented separately but were included in the

activity balances for the year. From the trial balances and ledgers we were unable to ascertain opening balances and verify the amount of activity under each head of account during the year under audit.

- (3) According to the management of FLGE, all fixed assets have been included in the accompanying financial statements on the basis of valuation of fixed assets carried out in the year 1376. We have not been provided with a copy of the Valuation Report to ascertain the validity of the balances appearing in the accompanying balance sheet on account of fixed assets.
- (4) Fixed assets register has not been maintained to enable us to ascertain the ownership, custody and control, and existence of the assets appearing in the accompanying financial statements.
- (5) In the balance sheet for the year 1382, fixed assets were amounting to Afghanis 292,437,073/- while in the schedule provided for the year 1383, opening balances of fixed assets were amounting to Afghanis 294,210,073/-.
- (6) Deletion from fixed assets appearing in the schedule provided by the management of FLGE is Afghanis. 30,443,959/- while in the ledger it is Afghanis. 2,742,676/-. No explanation was provided for the said difference.
- (7) Addition in fixed assets appearing in the schedule provided by the management of FLGE is Afghanis. 34,599,400/- while in the ledger it is Afghanis. 6,898,217/-. No explanation was provided for the said difference.
- (8) Additions during the year in machinery component of fixed assets as per individual trial balance of FLGE branch office Heiratan were different from that of the schedule provided by management at FLGE Head Office. Relevant details are given below:

Sr. #	Name of Asset	Addition as per Schedule provided (Afghanis) (1)	Addition as per trial balance (Afghanis) (2)	Difference (Afghanis) (1) - (2)
1	Machinery	1,000,000	-	1,000,000

- (9) As per management's assertion and financial statements, fixed assets were recorded at historical cost with accumulated depreciation for those assets. While in the trial balance of FLGE Head Office, there was no accumulated depreciation balance while there were balances for fixed assets in the same trial balance.
- (10) In the trial balance of FLGE Head Office some fixed assets were having credit opening balances without any addition or deletion during the year and the same closing balances. Details are given below:

Particulars	Account Code	Amount (Afghanis)
Building	01-1-1	(95,624)
Fixed & Moveable Tanks	01-1-16	(170,000)

We were not provided with any reasonable justification or explanation for the said negative balances in fixed assets.

- (11) As per management assertion, all fixed assets are accounted for on historical cost basis rather than Written Down Value (WDV) but in the trial balance of FLGE Head Office there were some fixed assets with unusually low balances. We were not provided with any explanation regarding nature of such fixed assets. Details of such assets are given below:

Particulars	Account Code	Amount (Afghanis)
Residential Building	01-1-2	345
Workshop	01-1-4	532
Machinery	01-1-11	2,874

- (12) According to general rules for all government entities in Afghanistan, an item costing Afghanis. 3,000/- or more and having useful life one year or more should be capitalized. In the following instances at FLGE branch office Herat some capital nature expenditures have been charged out as revenue expenses.

Sr. #	Account Code	Voucher #	Charged to	Relating to	Amount (Afghanis)
1	486	11025	Building Repair	Construction of wall	1,378,807
2	486	11497	Building Repair	Reconstruction of Store	1,156,800
3	486	10212	Building Repair	Construction of Gas Store	517,448

- (13) As per the requirements of International Accounting Standard (IAS) 16 (Property, Plant and Equipment), depreciation should be provided on consistent basis from year to year so as to spread the cost of assets over its useful life and the benefits derived. We were not provided with the policy and the working of opening balance of Accumulated depreciation amounting to Afghanis. 28,210,286/-.
- (14) Opening balance of accumulated depreciation for the year 1383, which is closing balance for the year 1382, is presented differently in the consolidated ledger for 1383 and balance sheet of 1382 provided by management at FLGE Head Office. Closing balance for the year 1382 in the

accompanying balance sheet is 34,672,286/- while opening accumulated depreciation for the year 1383 in the consolidated ledger is Afghanis 28,210,286/-

**(15)** In the consolidated ledger, for the following provincial offices, Accumulated depreciation was not available while in the schedules provided by the management of FLGE, there were balances for fixed assets in these provinces.

- (a). FLGE Bandar Akeena
- (b). FLGE Ghazni
- (c). FLGE Paktia
- (d). FLGE Paktika
- (e). FLGE Head Office Gas
- (f). FLGE Nangarhar
- (g). FLGE Khost
- (h). FLGE Badakhshan

Furthermore, depreciation expense for the year 1383 was available only for the following provinces while in the schedule for fixed assets provided by management there are sixteen (16) provincial and other offices having movement and balances for fixed assets:

- (a). FLGE Head Office
- (b). FLGE Sher Khan Bander
- (c). FLGE Pul-e-Khumri
- (d). FLGE Parwan
- (e). FLGE Takhar
- (f). FLGE Kandahar
- (g). FLGE Herat
- (h). FLGE Kabul Branch

Moreover, depreciation expense appearing in the accompanying profit and loss account and schedule provided by management is amounting to Afghanis 22,173,336/- while in the consolidated ledger it is amounting to Afghanis 12,222,505/-. Details are given below:

Sr. #	Name of Province	Depreciation Expense (Afghanis)
1	FLGE Head Office	402,298

Sr. #	Name of Province	Depreciation Expense (Afghanis)
2	FLGE Sher Khan Bander	264,846
3	FLGE Pul-e-Khumri	167,753
4	FLGE Parwan	103,116
5	FLGE Takhar	134,950
6	FLGE Kandahar	610,309
7	FLGE Herat	10,141,040
8	FLGE Kabul Branch	398,193
<b>Total</b>		<b>12,222,505/-</b>

- (16) In the trial balance of FLGE Kabul branch office, depreciation amounting to Afghanis 29/- has been charged on freehold land, the cost of which is amounting to Afghanis 1,459/-
- (17) As per general practice at FLGE, management assertion and from the inclusion of accumulated depreciation in the consolidated balance sheet it was evident that fixed assets were valued at historical cost, while in the trial balance of FLGE Head Office and branch office Kabul, no accumulated depreciation was appearing and in the trial balance of FLGE branch office Kabul, only depreciation for the current year amounting to Afghanis 398,193/- was shown.
- (18) In the ledger of FLGE branch office Heiratan, balance for accumulated depreciation amounting to Afghanis 27,818,565/- also included an amount of Afghanis 5,596,448/- with narration of "Old Depreciation" for which we were not provided any reasonable explanation or justification.
- (19) We were not provided with the stock register. Furthermore, we were not provided with physical stock take report as at Hoot 30, 1383. In the absence of stock register showing balances as at Hamal 01, 1383, stock received and issued during the year and balance as at Hoot 30, 1383, we were unable to verify stock balance amounting to Afghanis. 129,364,721/- appearing in the accompanying financial statements.

Moreover, as per stock schedule provided by management at FLGE Head Office total stock issued or reduction in stocks during the year was amounting to Afghanis 135,119,567/- while in the consolidated ledger it was amounting to Afghanis 974,916,584/-. We were not provided with any explanation for these differences.

- (20) In case of FLGE Heiratan, stock appearing in the trial balance is held for third parties and FLGE has no ownership of that stock. This stock is valued at Afghani 1/kg and a liability has been created equal to the stock held. This practice has inflated assets and liabilities. Furthermore, the liability created against this stock is not equal to the stock held by FLGE Heiratan. Detail is given below:

Stock Balance as per Trial Balance (Afghanis)	Liability Against This Stock as per Trial Balance (Afghanis)	Difference (Afghanis)
12,815,897	50,187,390	37,371,493

Moreover we were not provided with any documentary evidence to support the basis for valuation of stock at Afghani 1/Kg.

- (21) Bank balance as per accompanying balance sheet is Afghanis 980,069,998/- while as per schedule provided by management it is Afghanis 902,515,673/- for which we were not provided any explanation. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Schedule provided (Afghanis)
1	Paktia	660,624
2	Takhar	107,355
3	Balkh	12,462,483
5	Heiratan	2,726,773
6	Parwan	451,188
7	Sher Khan Bander	202,561
8	Pul-e-Khumri	388,753
9	Liquid Gas Head Office	6,033,321
10	Nangarhar	21,636,364
11	Ghazni	615,409
12	Badakhshan	245,630
13	Khost	972,101
15	Kandahar	103,368,234
16	Kabul Branch	274,565,398
17	Head Office	478,079,479
<b>Total</b>		<b>902,515,673</b>

- (22) Bank balance appearing in the accompanying financial statements is amounting to Afghanis 980,069,998/- while sum of the bank balances in individual trial balance is amounting to Afghanis 868,554,462/- for which we have not been provided any explanation.

- (23) Bank balance as per schedule provided by management is different from that of balances as per individual trial balances. Details are given below:

Sr. #	Name of FLGE Office	Bank Balance as per Schedule provided (Afghanis) (1)	Bank Balance as per Trial Balance (Afghanis) (2)	Difference (Afghanis) (2) – (1)
1	Balkh	12,462,483	12,447,983	(14,500)
2	Sher Khan Bander	202,561	-	(202,561)
3	Pul-e-Khumri	388,753	523,203	134,450

(24) Confirmation letters were circulated to all banks as per list provided by management at FLGE Head Office. We have received response for bank balances amounting to Afghanis 20,042,452/- which is 2.05% of total bank balance of Afghanis 980,069,998/-.

(25) In the trial of FLGE Head Office, We were not provided with any details of balance amounting to Afghanis.90,394,432/- under account head “Exchange Dollar with Afghanis” with account code 44-1-0.

(26) In FLGE branch office Heiratan, we were not provided with bank statements for bank account # 177901, Da Afghanistan Bank (DAB), Mazar-e-Sharif, and bank account # 111007, Da Afghanistan Bank (DAB), Samangan so as to verify bank balances appearing in the trial balance. Moreover bank reconciliation statement for bank account # 177901, Da Afghanistan Bank (DAB), Mazar-e-Sharif was also not provided to justify differences between bank balances as per bank books and bank statements. Relevant details of the differences are given below:

Bank Particulars	Bank Balance as per Bank Book (Afghanis) (1)	Bank Balance as per Bank Statement (Afghanis) (2)	Difference (Afghanis) (1)-(2)
Da Afghanistan Bank (DAB) A/C #177901 (Mazar-e-Sharif)	2,689,406	67,651	2,621,755

(27) In FLGE branch office Herat, we were not provided with bank reconciliation statements for the following bank accounts so as to justify differences between bank balances as per bank books and bank statements. Relevant details of the differences are given below:

Sr. #	Bank Particulars	Bank Balance as per Bank Book (Afghanis) (1)	Bank Balance as per Bank Statement (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Da Afghanistan Bank (DAB) A/C # 200072, Herat	(58,925,030)	15,445,595	(74,370,625)

Sr. #	Bank Particulars	Bank Balance as per Bank Book (Afghanis) (1)	Bank Balance as per Bank Statement (Afghanis) (2)	Difference (Afghanis) (1)-(2)
2	Da Afghanistan Bank (DAB) A/C # 200073, Herat	10,982,714	15,187,262	(4,204,548)
3	Da Afghanistan Bank (DAB), Herat, USD A/C # 50004	(13,091)	196,400	209,491
4	Pashtani Bank, Herat, A/C # 20617	796,496	852,173	(55,677)
5	Pashtani Bank, Herat, USD A/C # 300	690,132	690,142	(10)

Moreover, no reasonable explanation was provided for the unusual negative bank balances.

- (28) We were not provided with the detailed calculation of balance amounting to Afghanis. 28,138,648/- appearing in the accompanying financial statements on account of exchange differences.
- (29) We were not provided with the list of debtors along with opening balances, activities during the year under audit and the closing balances amounting to Afghanis. 625,234,582/- and Afghanis 3,676,721/- appearing on the face of the accompanying balance sheet.
- (30) As per general practice at FLGE, loss of stock during carriage should be accounted for as receivable from driver. While loss of stock, with account code 61-1, during carriage amounting to Afghanis 2,309,096/- was shown in the ledger of FLGE Head Office as liability instead of receivables from drivers.
- (31) In the trial balance of FLGE branch office Heiratan, advances to staff amounting to Afghanis 6,224,770/- also included balance of Afghanis 5,795,292/- under account head named "Unascertained Receivables from staff" with account code 50-2-167, for which we were not provided any details or reasonable explanations.
- (32) In FLGE branch office Heiratan, as per monthly salary sheets, total deductions for the year from employees on account of "Advances against salaries" were amounting to Afghanis 309,164/- while as per schedule provided by management this was Afghanis 2,926,120/- giving a difference of Afghanis 2,616,956/- between the two financial records for which we were not provided any reasonable explanation or justification.
- (33) We were not provided with the details of doubtful receivables amounting to Afghanis 190,932/- appearing in the trial balance of FLGE Head Office and Afghanis. 398,177/- appearing in the trial balance of FLGE branch office Kabul. Moreover in the consolidated financial statements there is no specific mention of doubtful receivables.

- (34) After consolidation, inter-office balances should be netted off and the resultant balance should be Nil, while in the accompanying balance sheet there is a balance of Afghani. 64,796,968/- under the head of inter office accounts. We were not provided with any explanation by the management to justify this inter-office balance. Furthermore, we were not provided with any calculation or other details regarding opening balances and activities during the year under audit.
- (35) In the inter office balances, debit balance of one office should be equal to credit balance of other office. In case of FLGE Kabul branch office, in the following instances there were differences in the inter office balances and no inter office reconciliation was prepared and provided. Details are:

Particulars	Kabul Branch Office		Other Offices	
	Debit (Afghani)	Credit (Afghani)	Debit (Afghani)	Credit (Afghani)
Balance of Kabul branch and Head Office	373,001,994	759,596,262	1,092,753,075	587,605,319
Balance of Kabul branch and Nangarhar	572,794	572,794	572,794	572,794
Balance of Kabul branch and Herat	14,380,696	14,380,696	25,121,666	25,121,666
Balance of Kabul branch and Heiratan	148,562,808	148,562,808	162,067,443	162,067,443
Balance of Kabul branch and Parwan	23,480	23,480	23,480	23,480
Balance of Kabul branch and Tankari	165,853,375	165,853,375	Not Provided	Not Provided
Balance of Kabul branch and Liquid Gas Head Office	19,400	19,400	194,400	194,400

In case of FLGE branch office Heiratan, in the following instances there were differences in the inter office balances and no inter office reconciliation was prepared and provided. Details are:

Particulars	Heiratan Branch Office		Other Offices	
	Debit (Afghani)	Credit (Afghani)	Debit (Afghani)	Credit (Afghani)
Balance of Heiratan branch and Head Office	246,100,828	5,229,007	66,230,603	246,822,627
Balance of Heiratan branch and Kabul Branch Office	162,067,443	162,067,443	148,562,808	148,562,808
Balance of Heiratan branch and Pul-e-Khumri	8,000	8,000	8,000	8,000
Balance of Heiratan branch	522,921	522,921	Not	Not

Particulars	Heiratan Branch Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
and Mazar-e-Sharif			provided	provided
Balance of Heiratan branch and Tankari	Nil	176,958,758	Not provided	Not provided
Balance of Heiratan branch and Liquid Gas H.O	675,693,936	675,693,936	Not provided	Not provided

Moreover, in the schedule of inter office balances provided by management at FLGE Head Office there were only two offices with which FLGE branch office Heiratan had inter office transactions and there were differences in the balances of the said two branch offices as per management's schedule and as per trial balance of FLGE branch office Heiratan, for which we were not provided with any reasonable explanation. Details are as follows.

Particulars	Heiratan Branch Office as per Trial balance		Heiratan Branch Office as per List provided by management	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Heiratan branch and Head Office	246,100,828	5,229,007	245,321,741	181,408,678
Balance of Heiratan branch and Tankari	-	176,958,758	-	-

In case of FLGE branch office Herat, in the following instances there were differences in the inter office balances and no inter office reconciliation was prepared and provided. Details are:

Particulars	Herat Branch Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Herat branch and Head Office	129,913,260	-	118,911,246	293,471,988
Balance of Herat branch and Kabul Branch Office	25,121,666	25,121,666	14,380,696	14,380,696
Balance of Herat branch and Qandahar	1,284,000	1,284,000	-	19,177,116
Balance of Herat branch and Qandahar-USD	191,189	-	Not Provided	Not Provided
Balance of Herat branch and Mazar (Bulkh)	Not Provided	Not Provided	3,459,594	3,459,594

(36) We were not provided with the basis on which provision for Obsolete assets amounting to Afghanis. 44,499,813/- has been created.

- (37)** We were not provided with the nature, breakup, calculation and other details of Accumulated Loss amounting to Afghanis. 194,888,035/- appearing in the accompanying balance sheet.
- (38)** Capital Fund amounting to Afghanis. 247,981,992/- is net effect of fixed assets amounting to Afghanis 298,365,614/- and accumulated depreciation amounting to Afghanis 50,383,622/-. In the absence of fixed assets valuation report, we were unable to verify amounts for fixed assets, accumulated depreciation and the resulting capital fund. Moreover accumulated depreciation and depreciation expense for the year have not been calculated on the basis of uniform rates and for all the provinces.
- (39)** As per management's assertion Capital account appearing in the trial balance of FLGE branch office Heiratan, amounting to Afghanis 153,315,222/- was on the basis of fixed assets valuation carried out in the year 1381 but we were not provided with a copy of the said report.
- (40)** We were not provided with the details in respect of Working Capital amounting to Afghanis. 7,880,791/- with respect to its opening balance, addition/deletion during the year under audit and its closing balance and basis used in its valuation and other documentary evidences.
- (41)** We were not provided with the list of persons/parties from whom securities have been kept along with Opening balances, activities during the year under audit and closing balances amounting to Afghanis. 10,883,810/- appearing on the face of the accompanying balance sheet.
- (42)** In FLGE branch office Kabul, containers rented out were of varying capacities and of different nature but we were not provided with the basis on which securities against different containers were kept. Moreover, we were not provided with list of containers rented out and the copies of rent agreements.
- (43)** In FLGE branch office Heiratan, petrol pumps rented out were on different locations and of different nature but we were not provided with the basis on which securities against different petrol pumps were kept. Moreover, we were not provided with list of petrol pumps rented out and the copies of rent agreements.
- (44)** We were unable to verify Afghanis. 503,012/- appearing on the face of the accompanying balance sheet on account of Accounts in Transit as no details were provided.
- (45)** No detail (except mixed ledger) regarding imposition of income and other taxes on periodical basis, their payment to government treasury and their closing balances payable are provided. Similarly No detail (except mixed ledger) in respect of deduction of withholding taxes from salaries, contractors etc, their payment into government treasury and their closing balances payable are provided.
- (46)** We were not provided with employee wise details (except mixed ledger) of total deduction of Pension for the year, amount transferred to Pension fund, their payments to employees and their balance payable at the end of the year.

- (47) We were not provided with the list of contractors, creditors and other third parties along with opening balances, activities during the year under audit and their closing balances amounting to Afghanis. 704,168,548/- appearing on the face of the accompanying balance sheet.
- (48) We were not been provided with detailed working including opening balances, movement during the year and balances at the end of the year, of doubtful payables amounting to Afghanis 11,935,467/- appearing in the trial balance of FLGE branch office Herat. Moreover in the consolidated financial statements there is no specific mention of doubtful receivables.
- (49) In trial balance of FLGE branch office Heiratan, there was a credit balance amounting to Afghanis 1,820,880/- under account head “Unascertained Liabilities” for which we were not provided with reasonable explanations and justification.
- (50) We were not provided with the details and breakup of Fund payable along with their opening balances, activities during the year under audit and closing balances amounting to Afghanis.152,042,098/-.
- (51) We were not provided with rate, nature, calculation, breakup, details along with opening balances, activities during the year and closing balances of Payable to Government amounting to Afghanis.636,465,276/-.
- (52) Revenues appearing on the face of the accompanying Profit and Loss Account was amounting to Afghanis. 555,004,222/- while sum of the individual trial balances on account of revenue was amounting to Afghanis 658,140,295/- and in the consolidated ledgers revenue was amounting to Afghanis 180,796,655/-, Details are given below:

Sr. #	Name of FLGE Office	Debit Balance as per Trial Balances (Afghanis) (1)	Credit Balance as per Trial Balances (Afghanis) (2)	Net Balance as per Trial Balances (Afghanis) (2)– (1)
1	Takhar	-	1,015,096	1,015,096
2	Balkh	126,406	3,205,666	3,079,260
3	Herat	32,296,917	532,969,312	500,672,395
4	Heiratan	211,708,784	271,988,581	60,279,797
5	Parwan	1,800	1,785,834	1,784,034
6	Sher Khan Bander	17,357	3,809,282	3,791,925
7	Pul-e-Khumri	54,044	5,143,259	5,089,215
8	Liquid Gas H.O.	3,792,134	12,424,468	8,632,334
9	Nangarhar	-	11,551,102	11,551,102
10	Khost	4,050	3,129,870	3,125,820
11	Paktika		1,137,018	1,137,018

Sr. #	Name of FLGE Office	Debit Balance as per Trial Balances (Afghanis) (1)	Credit Balance as per Trial Balances (Afghanis) (2)	Net Balance as per Trial Balances (Afghanis) (2)– (1)
12	Paktia		1,981,204	1,981,204
13	Ghazni		4,430,883	4,430,883
14	Badakhshan		565,633	565,633
15	Kandahar		49,635,033	49,635,033
16	Head Office	-	1,369,546	1,369,546
<b>Total</b>		<b>248,001,492</b>	<b>906,141,787</b>	<b>658,140,295</b>

No explanation regarding debit balance amounting to Afghanis 248,001,492/- which is 27.37% of credit balance was provided.

Sr. #	Name of FLGE Office	Debit Balance as per Consolidated Ledger (Afghanis) (1)	Credit Balance as per Consolidated Ledger (Afghanis) (2)	Net Balance as per Consolidated Ledger (Afghanis) (2)– (1)
1	Takhar	-	1,008,996	1,008,996
2	Heiratan	172,000,847	232,280,644	60,279,797
3	Sher Khan Bander	17,357	3,735,582	3,718,225
4	Pul-e-Khumri	53,144	4,542,962	4,489,818
5	Paktia	900	2,505,604	2,504,704
6	Liquid Gas H.O.	3,824,892	13,982,285	10,157,393
7	Nangarhar	-	11,551,102	11,551,102
8	Khost	4,050	3,129,870	3,125,820
9	Paktika	-	1,137,018	1,137,018
10	Kandahar	-	48,644,566	48,644,566
11	Kabul Branch	348,658	29,531,358	29,182,700
12	Badkhshan	-	565,633	565,633
13	Ghazni	-	4,430,883	4,430,883
<b>Total</b>		<b>176,249,848</b>	<b>357,046,503</b>	<b>180,796,655</b>

No explanation regarding debit balance amounting to Afghanis 176,249,848/- which is 49.36% of credit balance was provided.

- (53) We were not provided with the detailed calculation of revenue amounting to Afghanis. 1,369,546/- related to FLGE Head Office appearing in the trial balance.

- (54) As per management assertion, FLGE Heiratan has charged 18% commission on all stock held for third parties. We found that during the year 1383 total stocks received were 409,996,549 Kgs giving a commission income amounting to Afghanis 73,799,378/- while commission income from stock appearing in the trial balance is amounting to Afghanis 58,743,509/- showing unfavorable difference of Afghanis 15,055,870/-.
- (55) In FLGE Kabul branch office, stocks issued from stores as per details given by stores department were different from those of details given by sales department after considering wastage/ evaporation loss. Quantitative details and financial impact of this practice are given below.

Sr. #	Stock	Stock issued as per Store Deptt. (Liters)	Stock issued as per Sales Deptt. (Liters)	Wastage (Liters)	Difference (Liters)
1	Petrol	2,915,366	2,330,882	152,731	431,753
2	Diesel	19,015,085	18,549,663	54,082	411,340
3	Kerosene Oil	1,763,497	1,684,400	11,889	67,208
4	Super Benzene	24,239	18,800	5,059	380
<b>Total</b>					<b>910,681</b>

Financial impact:

Sr. #	Stock	Difference in Stock (Liters)	Average Rate Per liter (Afghanis)	Amount (Afghanis)
1	Petrol	431,753	16.94	7,313,896
2	Diesel	411,340	17.77	7,309,512
3	Kerosene Oil	67,208	16.25	1,092,130
<b>Total</b>		<b>910,681</b>		<b>15,715,538</b>

- (56) Sales figures provided by sales department at, FLGE branch office Kabul, were different from those arrived at by using average sale rates [calculated by approved rate list (except rates of Super Benzene Oil and Lubricants) given by management]. Details are given below.

Particulars	Stock (Liters)	Sales Deptt.		Rate List		Difference (Afghanis) (2)-(1)
		Av. Rate	Sales (Afghanis) (1)	Av. Rate	Sales (Afghanis) (2)	
Petrol	2,330,882	18.905	44,065,324	16.94	39,485,141	(4,580,183)
Diesel	18,549,663	17.224	319,499,396	17.77	329,627,512	10,128,116
Kerosene Oil	1,684,400	14.07	23,699,508	16.25	27,371,500	3,671,992

In case of FLGE branch office Herat, sales figures arrived at by using average rates provided by management were different from those arrived at by using average rates calculated by auditors from unapproved rates list. Relevant details are given below:

Sr. #	Particulars	Stock (Liters)	Sales Deptt.		Rate List		Difference (Afghanis) (1)-(2)
			Av. Rate	Sales (Afghanis) (1)	Av. Rate	Sales (Afghanis) (2)	
1	Petrol	3,116,539	16.923	52,741,189	16.43	51,204,736	1,536,453
2	Diesel	10,840,939	17.981	194,930,924	17.22	186,680,969	8,249,955
3	Kerosene Oil	2,510,891	15.763	39,579,174	15	37,663,365	1,915,809
<b>Total</b>		<b>16,468,369</b>		<b>287,251,287</b>		<b>275,549,070</b>	<b>11,702,217</b>

Moreover for the following items we were not provided any rate list whether approved or otherwise so as to verify their sale against respective stocks.

Sr. #	Particulars	Sales as per Trial Balance (Afghanis)
1	Lubricants	173,327
2	T1 Oil	55,252,772
3	Liquid Gas	59,153,834
4	Furnace Oil	6,452,786
<b>Total</b>		<b>121,032,719</b>

- (57) In the trial balance of FLGE branch office Heiratan, an amount of Afghanis 546,390/- under account head "Payable to Drivers" included an amount of Afghanis 500,000/-, which was in fact revenue against sales of diesel.
- (58) In the ledger of FLGE branch office Heiratan, for transaction with an amount of Afghanis 6,081,986/-, no voucher number and date were mentioned so as to trace and verify the same.
- (59) In the trial balance of Head Office no depreciation expense was provided while there are balances for fixed assets in the same trial balance.
- (60) Salaries, wages, conveyance and food expenses calculated from monthly salary sheets were different from balances appearing in the ledgers. Relevant details of such differences are as under:

Sr. #	Expense Head	Account Code	Balance as per Ledger (Afghanis)	Balance as per Salary Sheet (Afghanis)	Difference (Afghanis)
1.	Salaries	32-1-007	7,042,309	1,772,882	5,269,427
2.	Wages	32-1-007-1	4,513,820	1,915,939	2,597,881

3.	Conveyance	32-1-008	Ledger not available	691,235	(691,235)
4.	Food	32-1-011	23,935,437	9,275,511	14,659,926
<b>Total</b>			<b>35,491,566</b>	<b>13,655,567</b>	<b>21,835,999</b>

(61) In FLGE branch office Heiratan, the following vouchers required by us were not provided. Details of those vouchers are given below:

Sr. #	Voucher #	Head of Account	Amount (Afghanis)
1	160370	Sale of diesel	208,594
2	160364	Petrol pump commission	3,366,295
3	160371	Sale of kerosene oil	1,141,530
4	160380	Sale of kerosene oil	4,774,945
5	160387	Sale of gas	595,956
6	160391	Sale of gas	47,873,716
7	160395	Sale of liquid gas	5,000,000
8	160337	Normal Loss of Petrol	1,705,284
9	160019	Food Allowance for Security Guards	30,194
10	160337	Normal Loss of Diesel	1,779,860
11	160351	Salaries	134,266
12	160343	Salaries	82,975
13	160001	Guest House Expenses	394,800
14	160047	Traveling Expense	39,800
15	160033	Repair of Vehicles	76,493
16	160337	Normal Loss of Kerosene Oil	260,053
17	160003	Hamayun – Driver	600
18	160003	Hamayun – Driver	600
19	160007	Stationary Expense	177,000
20	160020	Stationary Expense	308,500
21	160047	Traffic Expenses	14,377

(62) During our audit it was observed that in current year's ledger some vouchers were posted with dates of later years. An instance in the ledger of FLGE head office are as under:

Voucher Number	Account Code	Amount (Afghanis)	Date As per Ledger
697	32-1-027	23,480	11/10/1387

Some of the instances in the ledger of FLGE Kabul branch office are as under:

<b>Sr. #</b>	<b>Particulars</b>	<b>Voucher #</b>	<b>Voucher Date</b>	<b>Amount (Afghanis)</b>
1	Warehouse Building	234	03-05-1384	62,000
2	Warehouse Building	231	03-05-1384	48,000
3	Petrol Pumps Building	1151	19-01-1384	262,122

***Disclaimer of Opinion***

Because of the significance of matters described in Basis for Disclaimer of Opinion Paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the year ended Hoot 30, 1383 (March 20, 2005).

**KABUL**

**AVAIS HYDER LIAQUAT NAUMAN**

**DATE:**

**CHARTERED ACCOUNTANTS**

**ENGAGEMENT PARTNER:**

**AMJAD JAVED TAJIK, FCA**

Please refer Balance Sheet as a separate file

Please refer Income Statement as a separate file