

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 29, 1385 (March 20, 2007) 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) As per general practice in Afghanistan, all government entities are required to get their financial statements certified from Ministry of Finance. The financial statements, for the year ended Hoot 29, 1385 (March 20, 2007), provided to us were not certified from Ministry of Finance.

- (3) 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.
- (4) 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.
- (5) Fixed assets register has not been provided to enable us to ascertain the ownership, custody and control, and existence of the assets appearing in the accompanying financial statements.
- (6) Deletion from fixed assets appearing in the consolidated trial balance was amounting to Afghani 6,048,516/- while in the consolidated ledger and in the detailed schedule provided by the management of FLGE, it was amounting to Afghani 6,968,260/- and Afghani 1,502,633/- respectively. Moreover, on the summarized page of schedule, provided by management, no amount was mentioned on account of deletion from fixed assets. No explanation was provided for the said differences.
- (7) Addition to fixed assets calculated from the consolidated trial balance was amounting to Afghani 78,129,824/- while in the consolidated ledger and in the detailed schedule provided by the management of FLGE, it was amounting to Afghani 78,510,153/- and Afghani 75,241,939/- respectively. Moreover, on the summarized page of schedule, provided by management, amount mentioned on account of addition to fixed assets was Afghani 72,081,308/-. No explanation was provided for the said differences.
- (8) In the trial balance of FLGE Head Office some fixed assets were having credit opening balances which were debited with the same amounts during the year as to arrive at nil closing balances. Details are given below:

Particulars	Account Code	Amount (Afghani)
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 and the accounting treatment for making them nil.

- (9) 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)
Workshop	01-1-4	532
Machinery	01-1-11	2,874
Machinery	01-1-12	793

- (10) As per management assertion at FLGE branch office Nangarhar, deletion from vehicle component of fixed assets amounting to Afghanis 5,359,803/- was on account of two trucks destroyed on the way from Kabul to Nangarhar. We were not provided with documentary evidence, except a letter from head of finance at FLGE Head Office, as to the occurrence of incident, legal steps taken and approval from competent authorities as to their elimination from fixed assets. Moreover, capital account was debited with the same amount for which no relevant documentary evidence was provided.
- (11) 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. 88,735,160/-, depreciation expense for the year amounting to Afghanis 28,009,370/- and closing balance of Accumulated depreciation Amounting to Afghanis 120,179,487/-. Moreover, in the consolidated ledger, schedule provided by management and in other documents, no adjustment has been made to Accumulated depreciation on account of deletion in fixed assets
- (12) In the accompanying Profit and Loss account, depreciation expense is amounting to Afghanis 28,009,370/-, while in the consolidated ledger and in the schedule provided by management it was amounting to Afghanis 31,217,037/- and Afghanis 41,444,327/- respectively. No explanation was provided for the said differences.
- (13) Opening balance of accumulated depreciation for the year 1385, which is closing balance for the year 1384, is amounting to Afghanis 88,735,160/- while by subtracting depreciation expense for the year from closing balance of accumulated depreciation for the year 1385 we arrived at opening balance for the current year at Afghanis 92,170,117/-. We were not provided with any explanation or details for these differences.
- (14) In the consolidated ledger, for the following provincial offices of FLGE, 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 Farah

- b) FLGE Liquid Gas Head Office
- c) FLGE Khost
- d) FLGE Badakhshan

Furthermore, depreciation expense for the year 1385 was available only for the following provinces while in the schedule for fixed assets provided by management there are Nineteen (19) provincial and other offices having movement and balances for fixed assets:

- (a). FLGE Parwan
- (b). FLGE Sher Khan Bandar
- (c). FLGE Bandar Akeena
- (d). FLGE Paktika
- (e). FLGE Kandahar
- (f). FLGE Herat
- (g). FLGE Paktia
- (h). FLGE Kabul Branch
- (i). FLGE Heiratan
- (j). FLGE Balkh
- (k). FLGE Pul-e-Khumri

(15) In FLGE Head Office, as per schedule provided by management, no depreciation expense has been provided on fixed assets for the year while there were balances for fixed assets in the financial statements relating to head office.

(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) In FLGE branch office Herat, depreciation was charged only on the additions of fixed assets during the year while no depreciation has been charged on the opening balances of fixed assets. Relevant details are given below:

Sr. #	Particulars	Account Code	Depreciation Charged (Afghanis) (1)	Accurate Depreciation (Afghanis) (2)	Difference (Afghanis) (2)-(1)
1	Water pump	020	4,247	12,517	8,270
2	Warehouse generators	022	236,833	904,852	668,019

Sr. #	Particulars	Account Code	Depreciation Charged (Afghanis) (1)	Accurate Depreciation (Afghanis) (2)	Difference (Afghanis) (2)-(1)
3	Storage tanks	027	261,765	10,322,918	10,061,153
4	Vehicles	030	41,715,690	48,454,268	6,738,578
5	Furniture	037	1,052,595	1,044,880	(7,715)
Total			43,271,130	60,739,435	17,468,305

(18) In FLGE branch office Herat, as per schedule provided, no depreciation has been charged on following fixed assets. Details are as under:

Sr. #	Particulars	Account Code	Fixed Assets' Values as per Trial Balance (Afghanis)
1	Building	002	116,950
2	Warehouse building	007	3,013,411
3	Petrol pump	008	2,670,458
4	Boundary wall	009	3,218,596
5	Technical tools and machinery	024	165,876
6	Office furniture	025	15,000
7	Other machinery	026	37,520
8	Dispensers	028	5,839,928
9	Vehicle	030/1	573,000
10	Other transportation	031	2,583,920
11	Scrap	032	798,665
12	Furniture and fixtures	039	5,513,555
Total			24,546,879

(19) In FLGE branch office Nangarhar, depreciation for the current year amounting to Afghanis 92,003/- was not posted from ledger to Trial balance. Furthermore, Depreciation expense on the following assets was not provided:

Sr. #	Name of Assets
1	Building Club
2	Building Store

Sr. #	Name of Assets
3	Building Branch
4	Petrol Pumps
5	Office Equipments

(20) We were not provided with the stock register. Furthermore, we were not provided with physical stock take report as at Hoot 29, 1385. In the absence of stock register showing balances as at Hamal 01, 1385, stock received and issued during the year and balance as at Hoot 29, 1385, we were unable to verify stock balance amounting to Afghanis. 623,377,410/- appearing in the accompanying financial statements.

(21) In the accompanying balances sheet, balance for Stock is amounting to Afghanis. 623,377,410/- while in the ledger it is Afghanis. 630,294,413/-. We were not provided with any explanation for this difference.

As per stock schedule provided by management at FLGE Head Office, total stock received or addition in stocks during the year was amounting to Afghanis 1,908,557,291/- while in the consolidated trial balance it was amounting to Afghanis 2,885,014,393/-. We were not provided with any explanation for these differences.

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 1,520,857,430/- while in the consolidated trial balance it was amounting to Afghanis 2,528,604,102/-. We were not provided with any explanation for these differences.

As per stock schedule provided by management, for FLGE Head Office no activity and closing balance was shown while there was opening stock balance amounting to Afghanis 24,372,567/- appearing in the same schedule. We were not provided with any reasonable explanation or justification for nil activity and not taking into account opening balance in closing balance of stock for the year. Moreover, in FLGE branch office Kandahar, by adding addition in stocks amounting to Afghanis 653,000/- with opening balance of Afghanis 653,000/- should have closing balance of Afghanis 1,236,750/-, while in the schedule it is given as Afghanis 123,750/-. We were not provided with any explanation for this difference.

(22) In FLGE branch office Herat, for differences between stocks balances as per stock report and as per trial balance, we were not provided with any reasonable justification or explanations. Details of the differences are given below:

Sr. #	Particulars	As per Stock Report (Afghanis) (1)	As per Trial Balance (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Petrol	26,256,152	23,542,974	2,713,178
2	Diesel	8,321,567	8,261,820	59,747

Sr. #	Particulars	As per Stock Report (Afghanis) (1)	As per Trial Balance (Afghanis) (2)	Difference (Afghanis) (1)-(2)
3	Furnace Oil	13,751,445	8,079,723	5,671,722
4	TC-1	39,961,110	39,841,860	119,250
5	Liquid Gas	3,027,075	2,393,983	633,092
6	Mobil oil	-	2,781,816	(2,781,816)
Total		91,317,349	84,902,176	6,415,173

Furthermore, we were not provided with stock reports of stores at Islam Qillah and Targhondi. Relevant details are given below:

Sr. #	Particulars	Amount (Afghanis)
1	Petrol	13,441,298
2	TC-1	2,591,640
3	Kerosene	83,608
Total		16,116,546

(23) In FLGE branch office Nangarhar, as per schedule provided by management, quantity sold by private petrol pumps was different from that of actual calculations for which we were not provided any reasonable explanation or justification. Instances are given below:

Sr. #	Month	Quantity Sold		Difference
		As per Schedule	As per actual calculation	
1	Jawza	4,184,320 liters	4,389,932 liters	205,612 liters
2	Dalwa	3,540,690 liters	4,011,000 liters	470,310 liters
Total				675,922 liters

(24) Bank balance appearing in the accompanying financial statements is amounting to Afghanis 591,489,675/- while in the consolidated ledger and in the individual trial balances it was amounting to Afghanis 565,371,755/- and Afghanis 451,937,096/- respectively for which we have not been provided any explanation. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Consolidated Ledger (Afghanis)	Bank Balance as per Trial Balances (Afghanis)
1	Paktia	1,085,379	1,085,379
2	Takhar	171,285	171,285

Sr. #	Name of FLGE Office	Bank Balance as per Consolidated Ledger (Afghanis)	Bank Balance as per Trial Balances (Afghanis)
3	Balkh	3,564,151	3,564,151
4	Herat	85,970,973	93,970,973
5	Heiratan	6,912,948	6,912,948
6	Parwan	392,687	392,687
7	Sher Khan Bander	1,956,361	1,956,361
8	Pul-e-Khumre	926,653	926,653
9	Liquid Gas H.O. Office	1,808,805	1,808,805
10	Nangarhar	69,381	17,095,292
11	Khost	1,586,004	1,586,004
12	Ghazni	323,544	323,544
13	Farah	860,467	860,467
14	Badakhshan	132,471	132,471
15	Kandahar	17,728,395	19,060,454
16	Kabul Branch	148,498,474	148,258,424
17	Bandar Akeena	169,289	169,289
18	Paktika	42,759	42,759
19	Head Office	293,171,729	153,619,150
Total		565,371,755	451,937,096

(25) Bank balances as per consolidated ledger were different from that of balances as per individual trial balances for which we were not provided any reasonable justification. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Consolidated Ledger (Afghanis) (1)	Bank Balance as per Trial Balances (Afghanis) (2)	Difference (Afghanis) (1) – (2)
1	Heart	85,970,973	93,970,973	(8,000,000)
2	Nangarhar	69,381	17,095,292	(17,025,911)
3	Kandahar	17,728,395	19,060,454	(1,332,059)
4	Kabul Branch	148,498,474	148,258,424	240,050
5	Head Office	293,171,729	153,619,150	139,552,579

(26) Bank balances as per consolidated ledger were different from that of balances as per schedule provided for which no reasonable justification was provided. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Consolidated Ledger (Afghanis) (1)	Bank Balance as per Schedule Provided (Afghanis) (2)	Difference (Afghanis) (1) – (2)
1	Heart	85,970,973	93,970,973	(8,000,000)
2	Nangarhar	69,381	17,095,292	(17,025,911)
3	Kandahar	17,728,395	19,060,454	(1,332,059)
4	Kabul Branch	148,498,474	148,258,424	240,050

(27) We were not provided with any reasonable explanation or justification for the difference between bank balance as per schedule provided and as per individual trial balances. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Schedule Provided Ledger (Afghanis) (1)	Bank Balance as per Trial Balances (Afghanis) (2)	Difference (Afghanis) (1) – (2)
1	Head Office	293,171,729	153,619,150	139,552,579

(28) In FLGE branch office Kabul, we were not provided with any bank reconciliation statements for the following bank accounts to justify differences between balances as per bank statements and as per bank ledgers. Relevant details are given below:

Sr. #	Particulars	Account Number	Balance as per Ledger (Afghanis) (1)	Balance as per Bank Statement (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Bank Milie Afghanistan USD Account	48156	239,050	238,054	996
2	Bank Milie Afghanistan USD Account	48147	5,266,694	5,244,754	21,940
3	Bank Milie Afghanistan Pak Rupees Account	42018	531,950	530,855	1,095
4	Da Afghanistan Bank	172144	6,751,667	2,462,314	4,289,353
5	Bank Millie Afghanistan	31882/5	135,619,864	135,469,063	(150,801)

(29) Confirmation letters were circulated to all banks as per list provided by management at FLGE Head Office. We have received response from some banks amounting to Afghanis 422,639,697/- which is 71% of total bank balance of Afghanis 591,489,675/-.

- (30) In the trial balance of FLGE Head Office, there was a balance amounting to Afghanis 82,853,942/- with account head "Open Dollar Rate" under account code 44-1-01 for which no details/documents were provided for verification purposes.
- (31) We were not provided with bank ledgers and bank statements for the following bank accounts at FLGE branch office Herat. Furthermore, the balances of these accounts were not confirmed by the banks. Relevant details are given below:

Sr. #	Bank	Account Number	Balance as per Trial Balance (Afghanis)
1	Da Afghanistan Bank	200072	18,091,898
2	Tankers Account	200078	493,436
3	Ghorat Bank account	-	51,235
4	Shindon Bank account	-	72,780
Total			18,709,349

- (32) We were not provided with the detailed calculation of balance amounting to Afghanis. 82,853,942/- appearing in the accompanying financial statements on account of exchange differences.
- (33) We were not provided with the list of debtors along with opening balances, activities during the year under audit and the closing balances to verify receivables amounting to Afghanis. 889,801,034/- appearing on the face of the accompanying balance sheet.
- (34) Confirmation letters were circulated to some randomly selected parties/persons against receivables as given in the trial balance. None of them responded to the confirmation letters due to which we were unable to verify receivables appearing on the face of the accompanying balance sheet.
- (35) 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 Afghanis. 412,978,865/- 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.
- (36) In the inter office balances, debit balance of one office should be equal to credit balance of other office. In case of FLGE Head Office, in the following instances there were differences in the inter office balances and no inter office reconciliation was prepared and provided. Details are given below:

Particulars	FLGE Head Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Head office and Ministry of Liquid Gas	12,342,442	-	-	12,610,764
Balance of Head office and Paktika branch office	1,888,662	-	-	922,394
Balance of Head office and Pul-e-khumri branch office	4,504,346	-	-	882,355
Balance of Head office and Heiratan branch office	-	3,187,500	284,800,806	-
Balance of Head office and Kabul branch office	912,072,151	-	-	765,574,226

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 office and Head Office Kabul	270,629,198	127,292,432	200,201,756	359,831,816
Balance of Herat office and Kandahar Branch office	23,795,508	23,795,508	23,828,312	216,857,113

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	Credit	Debit	Credit
Balance of Kabul branch and Head Office	487,112,640	1,252,686,866	4,354,840,528	3,442,768,377
Balance of Kabul branch and Kandahar	-	-	14,692,056	-
Balance of Kabul branch and Heiratan (USD)	60,000	60,000	Not Provided	Not Provided

(37) As per ledger, Head Office Current Account in the books of FLGE branch office Nangarhar was amounting to Afghanis 22,035,722/- while as per trial balance it was Afghanis 1,736,136/-

giving a difference of Afghanis 20,299,586/- for which we were not provided with any reasonable explanation or justification.

- (38)** We were not provided with the basis on which provision for Obsolete assets amounting to Afghanis. 37,810,439/- has been created.
- (39)** We were not provided with the nature, breakup, calculation and other details of Accumulated Loss amounting to Afghanis. 199,118,616/- appearing in the accompanying balance sheet.
- (40)** Capital Fund amounting to Afghanis. 607,753,991/- is net effect of fixed assets amounting to Afghanis 727,933,478/- and accumulated depreciation amounting to Afghanis 120,179,487/-. 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.
- (41)** As per management's assertion Capital account appearing in the trial balance of FLGE branch office Herat, amounting to Afghanis 135,962,662/- was on the basis of fixed assets valuation but we were not provided with a copy of the said report and details of the movement during the year amounting to Afghanis 53,156,179/- accounted for through voucher # 3678, dated nil.
- (42)** We were not provided with the details in respect of Working Capital amounting to Afghanis. 7,898,144/- with respect to its opening balance, addition/deletion during the year under audit and closing balance and basis used in valuation including engineer report and other documentary evidences.
- (43)** We have not been provided with the list of persons/parties from whom securities have been kept along with opening balances, activities during the year under review and closing balances amounting to Afghanis. 22,840,231/- appearing on the face of the accompanying balance sheet.
- (44)** 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.
- (45)** We were unable to verify Afghanis. 41,517,856/- appearing on the face of the accompanying balance sheet on account of Accounts/Amounts in Transit as no details were provided with respect to calculation of opening balance, activity during the year under audit and closing balance.
- (46)** No details regarding imposition of income and other taxes on periodical basis, their payment to government treasury and balances payable (if any) are provided. Similarly No details in respect of deduction of withholding taxes from salaries, contractors etc, payment into government treasury and balances payable (if any) are provided.

- (47) We were not provided with employee wise details of total deduction of Pension for the year, amount transferred to Pension fund, payments to employees and balance payable at the end of the year.
- (48) 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 closing balances to verify payables amounting to Afghanis.767,313,287/- appearing on the face of the accompanying balance sheet.
- (49) Confirmation letters were circulated to some randomly selected parties/persons against payables as given in the trial balance. None of them responded to the confirmation letters due to which we were unable to verify payables appearing on the face of the accompanying balance sheet.
- (50) We were unable to verify Afghanis. 2,304,550/- appearing on the face of the accompanying balance sheet on account of Dollar exchange with other currencies account as no details were provided with respect to nature, calculation of opening balance, activity during the year under audit and closing balance.
- (51) We were not provided with the details, breakup, calculation, rates and basis of provision for Fund payable along with their opening balances, activities during the year under audit and closing balances amounting to Afghanis.296,512,243/-.
- (52) 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.755,677,108/-.
- (53) Revenues appearing on the face of the accompanying Profit and Loss Account was amounting to Afghanis. 570,231,031/- while sum of the individual trial balances on account of revenue was amounting to Afghanis 937,092,161/- and revenue as per consolidated ledgers was amounting to Afghanis 662,088,537/-. 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	-	909,875	909,875
2	Balkh	-	7,114,426	7,114,426
3	Heart	26,173,145	496,072,498	469,899,353
4	Heiratan	2,403,975	193,305,289	190,901,314
5	Parwan	-	2,885,065	2,885,065
6	Sher Khan Bander	-	7,272,165	7,272,165
7	Pul-e-Khumre	10,200	7,961,516	7,951,316
8	Liquid Gas H.O.	771,580	9,153,208	8,381,628

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)
9	Nangarhar	-	17,282,679	17,282,679
10	Khost	-	2,219,691	2,219,691
11	Paktika	-	1,745,369	1,745,369
12	Kandahar	-	13,775,308	13,775,308
	Ghazni	-	4,286,220	4,286,220
13	Paktia	-	2,461,348	2,461,348
	Aqina	-	10,124,455	10,124,455
14	Farah	-	3,085,815	3,085,815
15	Badakhshan	-	560,029	560,029
16	Kabul Branch	8,261,810	192,486,284	184,224,474
17	Head Office	-	2,011,631	2,011,631
	Total	37,620,710	974,712,871	937,092,161

Sr. #	Particulars	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	Sales of Petrol	-	77,268,693	77,268,693
2	Sales of Diesel	660,671	228,788,653	228,127,982
3	Sales of T-1	-	48,663,470	48,663,470
4	Sales of Kerosene Oil	-	8,839,600	8,839,600
5	Commission	4,852,509	128,047,214	123,194,705
6	Port Charges	-	38,420,281	38,420,281
7	Private Companies Income	-	4,550,435	4,550,435
8	Vehicle Rent Income	479,300	6,724,426	6,245,126
9	Sales of Liquid Gas	-	7,656,432	7,656,432
10	Sales of Lubricants	-	468,187	468,187
11	Sales of Packing Materials	-	450	450
12	Other Income	354,037	17,177,134	16,823,097
13	Miscellaneous Income	2,572,675	104,402,754	101,830,079
	Total	8,919,192	671,007,729	662,088,537

We were not provided with any explanation for these differences.

- (54) We were not provided with the detailed calculation of revenue amounting to Afghanis. 2,011,631/-, as shown in the list provided by management at FLGE Head Office.
- (55) In FLGE branch office Herat, for the following components of “Commission Income” we were not provided with any calculations and/or the party wise details for verification purposes. Details are as under:

Sr. #	Particulars	Account Code	Amount (Afghanis)
1	Petrol	14114	31,268,546
2	Diesel	14117	58,575,051
3	Kerosene	14119	1,025,107
4	TC-1	141	1,435,214
5	Liquid Gas	14116	30,072,671
Total			122,376,589

- (56) We were not provided with any reasonable explanation or justification for the receivable balance from Ministry of Defense (MoD) being debited to Commission Income in the trial balance of FLGE branch office Herat. Details are as follows:

Sr. #	Voucher #	Account Code	Amount (Afghanis)
1	3678	14100	19,505,093

- (57) 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) (1)	Stock issued as per Sales Deptt. (Liters) (2)	Wastage (Liters) (3)	Difference (Liters) (1)-(2)-(3)
1	Petrol	3,071,527	2,708,291	169,680	193,556
2	Diesel	7,864,205	7,609,510	69,168	185,527
3	Kerosene Oil	334,847	315,200	15,307	4,340
4	T-1 Oil	1,441,745	1,266,000	10,629	165,116

Financial impact of differences in stock issued is as under:

Sr. #	Stock	Difference in Stock (Liters)	Average Rate Per liter (Afghanis)	Amount (Afghanis)
1	Petrol	193,556	28	5,419,568
2	Diesel	185,527	29	5,380,283
3	Kerosene Oil	4,340	28	121,520
4	T-1 Oil	165,116	38	6,274,408
Total				17,195,779

- (58) Sales figures arrived at by using average rates provided by management at FLGE branch office Herat 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 Dept		Rate List		Difference (Afghanis) (1)-(2)
			Av. Rate	Sales (Afghanis) (1)	Av. Rate	Sales (Afghanis) (2)	
1	Petrol	3,022,219	26.77	80,904,803	27.79	83,987,466	(3,082,663)
2	Diesel	5,360,169	27	144,724,563	28.12	150,727,952	(6,003,389)
3	Kerosene Oil	791,301	26.83	21,230,606	27.07	21,420,518	(189,912)
4	TC-1 Oil	2,592,927	28	72,601,956	26.55	68,842,212	3,759,744

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

Particulars	Stock (Liters)	Sales Department		Rate List		Difference (Afghanis) (1)-(2)
		Av. Rate	Sales (Afghanis) (1)	Av. Rate	Sales (Afghanis) (2)	
Petrol	2,708,291	28.170	76,292,557	29.5	79,894,585	(3,602,028)
Diesel	7,609,510	29.228	222,410,758	29.42	223,871,784	(1,461,026)
Kerosene Oil	315,200	28.044	8,839,469	28	8,825,600	134,869

- (60) In FLGE branch office Herat, we were not provided any rate list whether approved or otherwise so as to verify their sale against respective sale rates.

Sr. #	Particulars	Sales as per Trial Balance (Afghanis)
1	Furnace oil	1,878,900
2	Lubricants	109,040

Sr. #	Particulars	Sales as per Trial Balance (Afghanis)
3	Liquid Gas	32,188,565
4	T-1	68,838,212
Total		103,014,717

- (61) In FLGE branch office Herat, account head "Income from Price Variations" was being credited with the following account heads and amounts without any reasonable justification. Details are as under:

Sr. #	Date	Voucher #	Amount (Afghanis)	Account Heads Debited
1	1385	12318	11,513,664	Receivables
2	1385	12935	6,967,000	Receivables
3	1385	3680	25,833,392	Dollar Exchange Account
4	1385	3687	4,541,744	Receivables
5	1385	3683	251,000	Securities Payable
6	1385	3685	246,400	Payables
Total			49,353,200	

Moreover, the same account head "Income from Price Variations" was debited and account head "DAB Bank account # 20072" was credited, through voucher # 12909, dated 1385, with Afghanis 13,793,277/- for which we were not provided any reasonable explanation.

- (62) In FLGE branch office Nangarhar, 1% revenue from port services at Torkham, as per schedule provided by Torkham port office was amounting to Afghanis 1,104,386/- while as per ledger it was amounting to Afghanis 2,340,135/- giving a difference of Afghanis 1,235,749/- for which we were not provided with any reasonable explanation or justification.
- (63) 20 Poal Commission Income on sales of private petrol pumps, as per ledger was amounting to Afghanis 11,353,346/- while as per schedule provided by management at FLGE branch office Nangarhar, it was amounting to Afghanis 9,982,242/- resulting in a difference of Afghanis 1,371,104/-.
- (64) In FLGE branch office Nangarhar, rent income from government petrol pump and port services related to the year 1384 was included in current year income. Instances are as under:

Sr. #	Particulars	Related to	Voucher #	Amount (Afghanis)
1	Rent Income	Shesham bagh	28	378,000
2	Rent Income	Shesham bagh	28	55,000

Sr. #	Particulars	Related to	Voucher #	Amount (Afghanis)
3	1% port service income	Torkham port	28	1,227,051
Total				1,660,051

(65) In FLGE Head Office, we were not provided with supporting documents i.e. invoices, purchase requisitions and quotations etc. for vouchers relating to various financial activities. Instances are given below:

Sr. #	Particulars	Account Code	Voucher #	Amount (Afghanis)
1	Independence day expense	32-1-017	1872	26,837
2	Municipality expenses	32-1-019	1815	824,506
3	Vehicles expenses	32-1-023-1	1674	1,571,367
4	Vehicles expenses	32-1-023-1	1815	27,766,062
5	Invitation expenses	32-1-030	1854	60,589
6	Miscellaneous expense	32-1-032	1838	356,519
7	Office building repairs and maintenance	32-1-033	1553	177,613
8	HTV- vehicles	32-1-003	1857	13,127,533
9	Electricity expenses	32-1-005	1506	634,317
10	Electricity expenses	32-1-005	1854	4,128,265
11	Stationery expense	32-1-006	1854	1,047,098
12	Security expense	32-1-020	1854	142,150
13	Gumruk custom charges	32-1-022	1854	65,052,946
14	Telephone and telegraph expense	32-1-026	1442	252,422
Total				115,168,224

(66) In FLGE Head Office, Salaries as per summarized salary sheet provided by management were different from the salary expense balance as per ledgers. Relevant details are given below:

Sr. #	Particulars	As per ledgers (Afghanis) (1)	As per management's summary Provided (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Food allowance	9,095,570	8,968,140	127,430
2	Overtime	9,023,895	-	9,023,895
3	Wages	3,539,776	3,486,907	52,869
4	Employee salaries	3,267,044	3,186,029	81,015
Total		24,926,285	15,641,076	9,285,209

- (67) In FLGE branch office Herat, balance of account head “Evaporation Loss” under account code 491 was different in the trial balance than as per schedule provided by the management. Relevant particulars are given below:

As per Schedule Provided (Afghanis) (1)	As per Trial Balance (Afghanis) (2)	Difference (Afghanis) (2)-(1)
5,977,209	9,411,855	3,434,646

- (68) We were not provided with breakup of the following balances appearing in the trial balance of FLGE branch office Herat. Details are:

Sr. #	Account Head	Documents required	Amount (Afghanis)
1	Payables	Party wise details	127,355,095
2	Security deposits	Party wise details	3,153,810
3	Payable to government	Complete breakup and other details	197,220,385
4	Doubtful payables	Complete details including opening and closing balances	64,172,848
5	Debtors	Party wise details	75,613,137
6	Receivables from commission agents	Party wise details	9,726,424
7	Advances to employees	Employee wise details	523,186
8	Sales	Party wise / person wise breakup	325,028,193
Total			802,793,078

- (69) In FLGE branch office Herat, in some cases date of transactions were not mentioned on the ledger and only months' name were mentioned. Relevant instances and particulars are given below:

Sr. #	Particulars	Account code	Amounts (Afghanis)
1	Petrol stock ledgers	310	23,542,974
2	Diesel stock ledger	315	8,261,820
3	TC-1 stock ledgers	312	39,841,860
4	Pashtany Tejarati Bank	110/1	455,862
5	Pashtany Tejarati Bank	110	355,223,210
6	Da Afghanistan Bank	110/2	18,091,989

(70) In FLGE branch office Nangarhar, in some cases date mentioned on vouchers were different from those mentioned in ledgers. Moreover dates mentioned on vouchers were that of later periods. Instances are given below:

Sr. #	Account Code	Voucher #	Amounts	Voucher Date	Ledger Date
1	32-1-002	6	14,960	20/03/1387	Sumbla 1385
2	32-1-002	4	14,520	20/03/1387	Sartan 1385
3	32-1-002	9	14,080	20/03/1387	Mezan 1385
4	32-1-015	1	52,500	20/03/1387	Hamal 1385

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 29, 1385 (March 20, 2007).

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