

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, 1386 (March 19, 2008) 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 accompanying financial statements for the year ended Hoot 29, 1386 (March 19, 2008), 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) Fixed assets appearing on the face of accompanying balance sheet were amounting to Afghani 829,437,905/- while in the consolidated ledgers and in the detailed schedule provided by the management of FLGE, it was amounting to Afghani 834,218,618/- and Afghani 732,883,538/- respectively. No explanation was provided for the said differences. Details are given below:

Sr. #	Name of FLGE Office	Fixed Assets Balance as per Ledger (Afghani)	Fixed Assets Balance as per Schedule Provided (Afghani)	Difference (Afghani)
1	Paktia	6,538,967	6,520,030	18,937
2	Takhar	1,785,110	36,208,601	(34,423,491)
3	Balkh	1,844,991	1,397,267	447,724
4	Herat	129,532,962	124,691,955	4,841,007
5	Heiratan	215,666,148	212,697,208	2,968,940
6	Parwan	5,085,132	4,688,830	396,302
7	Sher Khan Bander	31,560,628	3,657,662	27,902,966
8	Pul-e-Khumre	3,570,867	3,059,524	511,343
9	Liquid Gas H.O. Office	75,990,568	47,077,305	28,913,263
10	Nangarhar	53,302,760	50,556,305	2,746,455
11	Khost	1,329,643	1,163,793	165,850
12	Paktika	2,087,094	1,907,975	179,119

Sr. #	Name of FLGE Office	Fixed Assets Balance as per Ledger (Afghanis)	Fixed Assets Balance as per Schedule Provided (Afghanis)	Difference (Afghanis)
13	Kandahar	53,431,066	28,903,782	24,527,284
14	Ghazni	2,746,729	2,414,829	331,900
15	Bandar Akeena	21,723,182	22,304,684	(581,502)
16	Farah	3,290,971	2,528,914	762,057
17	Badakhshan	400,000	400,000	-
18	Head Office	210,627,232	172,780,125	37,847,107
19	Kabul Branch	13,704,568	9,924,749	3,779,819
Total		834,218,618	732,883,538	101,335,080

- (7) Deletion from fixed assets appearing in the consolidated ledger was amounting to Afghanis 206,708/- while in the detailed schedule provided by the management of FLGE, it was amounting to Afghanis 27,923,446/-. 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.
- (8) Addition to fixed assets calculated from the consolidated trial balance was amounting to Afghanis 101,504,427/- while in the consolidated ledger and in the detailed schedule provided by the management of FLGE, it was amounting to Afghanis 106,491,848/- and Afghanis. 34,880,591/- respectively. No explanation was provided for the said differences.
- (9) We were not provided with any reasonable explanations or justification for the differences between closing balances of fixed assets as per schedule provided by management for the year 1385 and opening balance of fixed assets as per schedule provided by management for the year 1386. Office wise details are given below:

Sr. #	Name of FLGE Office	Closing Balance of Fixed Assets as per Schedule provided for 1385 (Afghanis)	Opening Balance of Fixed Assets as per Schedule provided for 1386 (Afghanis)	Difference (Afghanis)
1	Herat	124,849,881	124,775,221	74,660
2	Heiratan	212,697,208	185,967,783	26,729,425
3	Pul-e-Khumre	3,059,524	3,046,906	12,618
4	Liquid Gas H.O. Office	73,677,076	75,055,872	(1,378,796)
5	Kandahar	28,903,782	28,904,782	(1,000)
6	Head Office	172,780,125	200,517,450	(27,737,325)

- (10) 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
Office Equipments	01-1-12	793

- (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 120,179,487/-, depreciation expense for the year amounting to Afghanis 16,876,907/- and closing balance of Accumulated depreciation Amounting to Afghanis 159,712,087/-. 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 16,876,907/-, while in the consolidated ledger it was amounting to Afghanis 38,514,789/-. No explanation was provided for the said difference.
- (13) Opening balance of Accumulated depreciation for the year 1386, which is closing balance for the year 1385, is amounting to Afghanis 120,179,487/- while by subtracting depreciation expense for the year from closing balance of accumulated depreciation for the year 1386 we arrived at opening balance for the current year at Afghanis 142,835,180/-. 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 Paktia
 - (c). FLGE Badakhshan

Furthermore, depreciation expense for the year 1386 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 Takhar
- (d). FLGE Khost
- (e). FLGE Nangarhar
- (f). FLGE Herat
- (g). FLGE Paktia
- (h). FLGE Ghazni
- (i). FLGE Heiratan
- (j). FLGE H.O. Liquid Gas

(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 FLGE branch office Nangarhar, accumulated depreciation shown in the trial balance for the year 1385 was Afghanis 5,451,806/- and that in the trial for the year 1386 was Afghanis 486,151/- giving a decrease of Afghanis 4,965,655/- while there was no deletion in fixed assets in the year 1386 so as to justify decrease in balance of accumulated depreciation. Furthermore, Depreciation expense on the following assets was not provided:

Sr. #	Particulars
1	Petrol Pumps
2	Inland Tanks
3	Office Equipments

(17) We were not provided with the stock register. Furthermore, we were not provided with physical stock take report as at Hoot 29, 1386. In the absence of stock register showing balances as at Hamal 01, 1386, stock received and issued during the year and balance as at Hoot 29, 1386, we were unable to verify stock balance amounting to Afghanis. 407,378,375/- appearing in the accompanying financial statements.

(18) In the accompanying balance sheet, balance for Stock is amounting to Afghanis. 407,378,375/- while in the ledger it is Afghanis. 376,331,630/-. We were not provided with any explanation for this difference.

We were not provided with any reasonable explanation or justification for the difference in closing stock balance as per schedule provided by management and as per ledgers. Details are given below:

Sr. #	Name of FLGE Office	Closing Balance of Stock as per Schedule provided (Afghanis) (1)	Closing Balance of Stock as per Ledger (Afghanis) (2)	Difference (Afghanis) (2)-(1)
1	Balkh	8,555	13,695	5,140
2	Heiratan	20,928,681	10,657,535	(10,271,146)
3	Parwan	-	17	17
4	Pul-e-Khumre	5,140	-	(5,140)
5	Head Office	22,168,362	1,392,763	(20,775,599)
6	Kabul Branch	308,953,359	308,953,042	(317)

In the financial statements for the year 1385 balance for stock in trade was amounting to Afghanis 623,377,410/- while as per schedule provided for the year 1386, opening balance was amounting to Afghanis 622,264,710/-. We were not provided with any explanation for these differences.

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 1,247,834,031/- while in the consolidated ledger it was amounting to Afghanis 1,172,166,661/-. 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 1,462,720,066/- while in the consolidated ledger it was amounting to Afghanis 1,419,212,441/-. We were not provided with any explanation for these differences.

In FLGE branch office Kabul, 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 on next page:

Sr. #	Particulars	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	11,639,943	11,423,885	410,164	(194,106)
2	Diesel	14,984,181	14,916,622	101,538	(33,979)
3	Kerosene Oil	533,078	521,400	7,190	4,488
4	TC-1	2,692,769	2,684,995	5,239	2,535

Financial impact of differences in stock issued is as under:

Sr. #	Particulars	Difference in Stock (Liters)	Average Rate Per liter (Afghanis)	Amount (Afghanis)
1	Petrol	(194,106)	34	(6,599,604)
2	Diesel	(33,979)	29.25	(993,886)
3	Kerosene Oil	4,488	28	125,664
4	Tc-1	2,535	36	91,260

- (19) In FLGE branch office Herat, for differences between stocks balances as per stock list 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 List (Afghanis) (1)	As per Trial Balance (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Petrol	4,716,160	1,108,760	3,607,400
2	Diesel	27,774,457	26,709,819	1,064,638
3	Furnace Oil	12,082,200	12,629,970	(547,770)
4	Liquid Gas	-	16,485	(16,485)
5	Kerosene	2,972,268	3,037,606	(65,338)
Total		47,545,085	43,502,640	4,042,445

- (20) For differences between stock balances as appearing in the trial balance and as per stock report provided by the management of FLGE's Kabul branch we were not provided with any reasonable explanation. Details are as under:

Sr. #	Particulars	Account code	Balance as per Trial Balance (Afghanis) (1)	Balance as per Stock Report (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Petrol	310	101,001,400	101,034,472	33,072
2	Diesel	315	57,682,708	57,682,708	5,700
3	Lubricants	318	4,319,680	5,110,599	790,919
4	Super Benzene	323	143,496,661	152,607,560	9,110,899
Total			306,500,449	316,435,339	9,940,590

(21) In FLGE branch office Nangarhar, as per schedule provided by management, quantity sold by private petrol pumps was different from that of actual calculations. Instances are given below:

Sr. #	Month	Quantity Sold		Difference
		As per Schedule Provided	As per actual calculation	
1	Asad	6,521,710 liters	6,505,509 liters	16,201 liters
2	Qaws	4,930,295 liters	4,784,701 liters	145,594 liters
Total				161,795 liters

(22) Bank balance appearing in the accompanying financial statements is amounting to Afghanis 350,703,119/- while in the consolidated ledger and in the individual trial balances it was amounting to Afghanis 351,927,685/- and Afghanis 217,914,390/- 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	971,672	971,672
2	Takhar	359,092	359,092
3	Balkh	5,053,953	5,054,871
4	Herat	82,947,316	81,736,703
5	Heiratan	1,979,248	1,979,248
6	Parwan	42,512	42,512
7	Sher Khan Bander	1,383,707	1,383,707
8	Pul-e-Khumre	599,717	599,717
9	Liquid Gas H.O. Office	35,628,929	35,628,929
10	Nangarhar	19,304,851	19,304,851

Sr. #	Name of FLGE Office	Bank Balance as per Consolidated Ledger (Afghanis)	Bank Balance as per Trial Balances (Afghanis)
11	Khost	398,999	398,999
12	Paktika	6,536	6,536
13	Kandahar	27,100,053	27,100,053
14	Ghazni	63,207	63,207
15	Farah	642,542	648,542
16	Badakhshan	312,473	312,473
17	Head Office	172,197,620	39,388,020
18	Kabul Branch	2,935,258	2,935,258
Total		351,927,685	217,914,390

(23) We were not provided with any reasonable explanations or justification for the differences between closing bank balance as per schedule provided by management for the year 1385 and opening bank balance as per schedule provided by management for the year 1386. Office wise details are given below:

Sr. #	Name of FLGE Office	Closing Bank Balance as per Schedule provided for 1385 (Afghanis)	Opening Bank Balance as per Schedule provided for 1386 (Afghanis)	Difference (Afghanis)
1	Herat	93,970,973	99,476,717	(5,505,744)
2	Head Office	293,171,729	168,131,629	125,040,100
3	Kabul Branch	148,258,424	267,792,780	(119,534,356)

(24) 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)	Bank Balance as per Trial Balances (Afghanis)	Difference (Afghanis) (2) – (1)
1	Balkh	5,053,953	5,054,871	918
2	Herat	82,947,316	81,736,703	(1,210,613)
3	Farah	642,542	648,542	6,000
4	Head Office	172,197,620	39,388,020	(132,809,600)

- (25) 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	Balkh	5,053,953	5,050,153	3,800
2	Herat	82,947,316	81,736,703	1,210,613
3	Heiratan	1,979,248	1,979,245	3
4	Kabul Branch	2,935,258	2,925,108	10,150

- (26) Bank balances as per schedule provided were different from bank balances as per individual trial balances for which no reasonable justification or explanation was provided. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Schedule Provided (Afghanis) (1)	Bank Balance as per Trial Balances (Afghanis) (2)	Difference (Afghanis) (1) – (2)
1	Balkh	5,050,153	5,054,871	(4,718)
2	Heiratan	1,979,245	1,979,248	(3)
3	Farah	642,542	648,542	(6,000)
4	Head Office	172,197,620	39,388,020	132,809,600
5	Kabul Branch	2,925,108	2,935,258	(10,105)

- (27) In FLGE branch office Herat, we were not provided with bank statements for the following bank accounts. Furthermore, the balances of these bank accounts were not confirmed by the banks. Relevant details are given below:

Sr. #	Particulars	Account #	As per Trial Balance (Afghanis)
1	Da Afghanistan Bank	200072	19,889,965
2	Tankers account	200078	493,436
3	Ghor Bank account	-	51,235
4	Shindon Bank account	-	72,780
Total			20,507,416

(28) In FLGE branch office Kabul, we were not provided with 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	48156/4	239,050	238,054	996
2	Bank Milie Afghanistan USD Account	48147	5,266,694	5,244,754	21,940
3	Da Afghanistan Bank	172144	2,848,748	1,081,564	1,767,184
4	Da Afghanistan Bank	31882	57,690	7,491	50,199

(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 289,220,394/- which is 82.5% of total bank balance of Afghanis 350,703,119/-.

(30) In the trial balance of FLGE Head Office, there was a balance amounting to Afghanis 123,543,633/- with account head "Open US Dollar-Afghani Account " under account code 44-1-01 for which no details/documents were provided for verification purposes.

(31) 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. 1,703,119,035/- appearing on the face of the accompanying balance sheet.

(32) 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.

(33) 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. 339,397,767/- 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.

(34) 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 on next page:

Particulars	FLGE Head Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Head office and Ministry of Liquid Gas	54,323,459	6,237,225	3,974,331	37,230,240
Balance of Head office and Paktika branch office	3,261,104	1,336,217	850,000	2,008,425
Balance of Head office and Pul-e-khumri branch office	16,113,689	26,104,954	-	-
Balance of Head office and Heiratan branch office	846,828,726	1,321,121,638	1,697,652,799	1,223,359,887
Balance of Head office and Kabul branch office	1,923,370,182	1,050,649,877	1,821,362,901	2,533,825,846
Balance of Head office and Kandahar branch office	135,255,763	13,326,887	74,135,152	31,500
Balance of Head office and Mazar-e-Sharif	54,042,331	15,806,743	19,356,473	17,093,674
Balance of Head office and Herat branch office	160,393,347	325,350,975	190,650,339	-
Balance of Head office and Sher khan Bander	40,967,725	9,152,357	5,775,727	32,301,052
Balance of Head office and Parwan branch office	11,530,311	7,805,348	5,363,597	8,286,177
Balance of Head office and Paktia branch office	4,568,733	2,756,369	800,000	2,141,382
Balance of Head office and Nangarhar branch office	44,302,051	20,073,999	16,667,714	22,065,625
Balance of Head office and Ghazni branch office	5,404,316	11,086,935	5,459,404	29,900
Balance of Head office and Heiratan Dollars account	-	3,187,500	204,603,200	182,093,900
Balance of Head office and Badakhsan branch office	1,314,533	1,031,434	-	502,471
Balance of Head office and Farah branch office	3,552,487	2,608,397	1,000,000	789,248
Balance of Head office and Khost branch office	3,601,657	3,062,927	2,100,000	2,022,863
Balance of Head office and Nimroz branch office	-	1,455,194	-	-
Balance of Head office and Akeena branch office	21,006,317	14,579,159	8,514,782	6,168,448
Balance of Head office and Takhar Branch office	4,800,875	3,200,033	899,500	261,987
Balance of Head office and Tankers account	-	166,437,417	-	-
Balance of Head office and Heiratan receivable account	-	-	59,890	-

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	39,426,427	86,740,000	160,393,347	325,350,975
Balance of Herat office and Kandahar branch office	-	-	-	193,028,801
Balance of Herat office and Farah branch office	375,000	376,870	-	1,870
Balance of Head office and Herat branch office	-	-	190,650,339	-

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

Particulars	Nangarhar Branch Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Branch Office Nangarhar and Head Office Kabul	-	22,494,945	44,302,051	20,073,999

- (35) As per ledger, Head Office Current Account in the books of FLGE branch office Nangarhar was amounting to Afghanis 22,494,945/- while as per trial balance it was Afghanis 5,397,911/- giving a difference of Afghanis 17,097,034/- for which we were not provided any reasonable explanation or justification.
- (36) We were not provided with the basis on which provision for Obsolete assets amounting to Afghanis. 37,805,080/- has been created.
- (37) We were not provided with the nature, breakup, calculation and other details of Accumulated Loss amounting to Afghanis. 350,911,637/- appearing in the accompanying balance sheet.
- (38) Capital Fund amounting to Afghanis. 669,995,208/- is net effect of fixed assets amounting to Afghanis 829,437,905/- and accumulated depreciation amounting to Afghanis 159,712,087/-. 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) We were not provided with any explanation for the difference between Capital Fund amounting to Afghanis. 669,995,208/- as appearing on the face of the accompanying balance sheet and as per consolidated ledger amounting to Afghanis 579,181,919/- under account code 70-1.
- (40) As per management's assertion Capital account appearing in the trial balance of FLGE branch office Herat, amounting to Afghanis 82,806,483/- 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/-.
- (41) 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 its valuation including engineer report and other documentary evidences. Furthermore the Working Capital as appearing on the face of the accompanying balance sheet is amounting to Afghanis. 7,898,144/- while in the consolidated ledger it is amounting to Afghanis 716,440/- under account code 70-2. We were not provided any reasonable explanation or justification for this difference.
- (42) 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 audit and closing balances amounting to Afghanis. 47,305,740/- appearing on the face of the accompanying balance sheet.
- (43) 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.
- (44) We were unable to verify Afghanis. 68,757,349/- appearing on the face of the accompanying balance sheet on account of Accounts/Amounts in Transit as no details were provided to us with respect to calculation of opening balance, activity during the year under audit and closing balance.
- (45) 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.
- (46) 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 amounting to Afghanis 1,663,300/-.
- (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 closing balances to verify payables amounting to Afghanis.1,071,490,484/- appearing on the face of the accompanying balance sheet.

- (48) 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.
- (49) As per consolidated ledger, doubtful payables is amounting to Afghanis 94,464,155/- while in the consolidated trial balance there is no specific mention of this balance for which we were not provided any explanation or justification.
- (50) 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.365,817,291/-.
- (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.733,828,177/-.
- (52) Revenues appearing on the face of the accompanying Profit and Loss Account was amounting to Afghanis. 671,041,993/- while sum of the individual trial balances on account of revenue was amounting to Afghanis 1,140,958,961/- and revenue as per consolidated ledgers was amounting to Afghanis 944,169,140/-. 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	-	2,788,296	2,788,296
2	Balkh	-	6,211,826	6,211,826
3	Herat	5,730,818	350,165,291	344,434,473
4	Heiratan	295,068,630	754,259,995	459,191,365
5	Parwan	-	3,242,634	3,242,634
6	Sher Khan Bander	-	8,666,673	8,666,673
7	Pul-e-Khumre	59,000	9,051,044	8,992,044
8	Liquid Gas H.O.	-	38,018,706	38,018,706
9	Nangarhar	-	20,503,319	20,503,319
10	Khost	-	1,796,690	1,796,690
11	Paktika	-	1,372,442	1,372,442
12	Kandahar	-	9,868,538	9,868,538
13	Ghazni	-	5,374,416	5,374,416
14	Paktia	-	2,233,671	2,233,671
15	Akeena	-	13,271,397	13,271,397

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)
16	Farah	-	2,955,529	2,955,529
17	Badakhshan	-	1,141,436	1,141,436
18	Kabul Branch	-	205,753,219	205,753,219
19	Head Office	-	5,142,287	5,142,287
Total		300,858,448	1,441,817,409	1,140,958,961

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	-	2,788,296	2,788,296
2	Balkh	-	15,203,870	15,203,870
3	Heart	-	159,998,450	159,998,450
4	Heiratan	295,032,813	777,838,997	482,806,184
5	Parwan	-	3,242,634	3,242,634
6	Sher Khan Bander	-	8,666,673	8,666,673
7	Pul-e-Khumre	-	-	-
8	Liquid Gas H.O.	-	2,050,089	2,050,089
9	Nangarhar	-	20,503,319	20,503,319
10	Khost	-	1,796,690	1,796,690
11	Paktika	-	1,372,442	1,372,442
12	Kandahar	-	9,868,538	9,868,538
13	Ghazni	-	5,374,416	5,374,416
14	Paktia	-	2,233,671	2,233,671
15	Akeena	211,376	13,482,773	13,271,397
16	Farah	-	2,955,529	2,955,529
17	Badakhshan	-	1,141,436	1,141,436
18	Kabul Branch	-	5,142,287	5,142,287
19	Head Office	-	205,753,219	205,753,219
Total		295,244,189	1,239,413,329	944,169,140

We were not provided with any explanation or justification for these differences.

(53) We were not provided with the detailed calculation of revenue amounting to Afghanis. 5,142,287/-, as shown in the list provided by management at FLGE Head Office.

(54) In FLGE branch office Herat, for the following component of "Income" we were not provided with any calculations and/or the party wise details for verification purposes. Details are as under:

Particulars	Account Code	Amount (Afghanis)
Commission Income	14131	59,936,870

Furthermore, we were not provided any reasonable explanation or justification for presenting in the trial balance of FLGE branch office Herat, "Commission Income" amounting to Afghanis 59,936,870/-, under account code 14131, as payables, with opening and closing balance, instead of income. Moreover except mixed ledgers, no agreement, office order, commission rate, stocks sold and calculation of total income were there to support this balance.

(55) 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 Deptt.		Rate List		Difference (Afghanis) (1)-(2)
			Av. Rate	Sales (Afghanis) (1)	Av. Rate	Sales (Afghanis) (2)	
1	Petrol	1,424,173	31.354	44,653,520	37	52,694,401	(8,040,881)
2	Diesel	1,757,214	32.954	57,907,230	32.6	57,285,176	622,054
3	Kerosene Oil	626,850	30.345	19,021,763	33.33	20,892,911	(1,871,148)
4	Liquid gas	158,078	29.748	4,702,504	39.66	6,269,373	(1,566,868)
Total		3,966,315		126,285,017		137,141,861	(10,856,843)

(56) 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	11,423,885	34.55	394,695,226	33.83	386,470,030	8,225,196

Particulars	Stock (Liters)	Sales Department		Rate List		Difference (Afghanis) (1)-(2)
		Av. Rate	Sales (Afghanis) (1)	Av. Rate	Sales (Afghanis) (2)	
Diesel	14,916,622	32.61	486,431,043	32.49	484,641,049	1,789,994
Super Benzene	108,000	40.94	4,421,520	40.83	4,409,640	11,880

- (57) As per trial balance of FLGE branch office Kabul, sales figure for TC-1 was amounting to Afghanis 99,672,065/- while in the schedule provided by management it was amounting to Afghanis 86,442,565/- causing a difference of Afghanis 13,229,500/- for which we were not provided with any reasonable explanation or justification.
- (58) In FLGE branch office Herat, for the following items, 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	1,799,395
2	Lubricants	29,484
3	TC-1	56,319,024
Total		58,147,903

- (59) Salaries and related expenses as appearing on the accompanying profit and loss account is amounting to Afghanis 91,137,637/- while as per consolidated ledger it is amounting to Afghanis 61,057,077/-. We were not provided any reasonable explanation for this difference. Relevant details as per ledger are as under:

Sr. #	Particulars	Account Code	Amount (Afghanis)
1	Salaries	32-1-007	9,946,645
2	Wages	32-1-007/1	6,935,564
3	Overtime	32-1-008	16,349,047
4	Experience allowance	32-1-9	5,414,022
5	Other salaries	32-1-9/1	210,840
6	Food expenses	32-1-011	12,763,233
7	Other allowances	32-1-015	9,437,726
Total			61,057,077

(60) Reduction in sale price of stock as appearing on the face of accompanying profit and loss account is Afghanis 18,007,112/- while in the consolidated ledger it is amounting to Afghanis 19,047,016/- for which we were not provided any explanation or justification.

(61) In FLGE Head Office, we were not provided with vouchers, original bills or other supporting documents for verification of following additions/(deletions) to fixed assets.

Sr. #	Particulars	A/C Code	Voucher #	Amount (Afghanis)
1	Office Machinery	1-1-23	1344	(135,000)
2	Office Equipment	01-1-24	2096	3,113,227
3	Furniture	01-1-25	554	(36,700)
4	Wells	01-1-5	157	679,000
5	Tankers	01-1-19-1	2436	(750,000)
6	Boundary Wall	01-1-8-1-1	2446	(18,797,500)

(62) 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	Postage, telegram and telephone	32-1-026	812	409,664
2	Advertisement expense	32-1-025	1256	75,750
3	Well digging expense	32-1-36	2408	210,000
4	Fire brigade 2% charges	32-1	2444	15,321,581
Total				16,016,995

(63) 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	9,396,570	9,253,370	143,200
2	Overtime	12,014,979	555,080	11,459,899
3	Wages	4,816,621	4,750,566	66,055
4	Employee salaries	4,067,433	3,955,029	112,404
Total		30,295,603	18,514,045	11,781,558

- (64) In FLGE branch office Kabul, balance for 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 Trial Balance (Afghanis) (1)	As per Schedule Provided (Afghanis) (2)	Difference (Afghanis) (2)-(1)
9,804,949	21,216,833	11,411,884

- (65) 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) (1)-(2)
13,310,457	15,503,330	(2,192,873)

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

Sr. #	Account head	Documents required	Amount (Afghanis)
1	Payables	Party wise details	126,632,798
2	Security deposits	Party wise details	5,141,810
3	Payable to government	Complete breakup and other details	168,322,285
4	Doubtful payables	Complete details including opening and closing balances	75,979,528
5	Debtors	Party wise details	80,892,658
6	Receivables from commission agents	Party wise details	10,111,094
7	Advances to employees	Employee wise details	89,571,156
8	Sales	Party wise / person wise breakup	184,436,023
9	Special allowance	Employee wise details	1,746,163

- (67) 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	Amount (Afghanis)
1	Petrol stock ledgers	310	1,108,760
2	Diesel stock ledger	315	26,709,819
3	Pashtany Tejarati Bank	110/1	72,892
4	Pashtany Tejarati Bank	110	19,296,053
5	Da Afghanistan Bank	110/2	19,889,965

(68) In FLGE branch office Kabul, in some cases date of transactions mentioned on vouchers were different from those mentioned in the ledger. Moreover dates mentioned on ledger were that of later financial years. Instances are given below:

Sr. #	Particulars	Account Code	Voucher #	Voucher Date	Ledger Date	Amount (Afghanis)
1	Electricity expenses	32-1-005	1308	12-08-85	11-03-88	158,400
2	Electricity expenses	32-1-005	1305	20-06-86	11-03-88	982,220
3	Lubricant expenses	32-1-001	1265	17-09-86	22-07-87	10,857
4	Wages	32-1-007-1	840	28-08-86	27-07-87	90,074
5	Wages	32-1-007-1	1024	21-11-86	01-08-87	87,546
6	Overtime	32-1-008	695	02-11-86	01-08-87	229,769
7	Building Rent	32-1-014	299	25-07-86	22-07-87	36,000
8	Bonus	32-1-015	944	14-06-86	14-02-87	627,177
9	Bonus	32-1-015	841	24-09-86	22-02-87	419,987
10	Water expenses	32-1-036	1345	06-03-86	28-05-88	210,000
11	Traveling expenses	32-1-026	1121	30-10-86	28-01-87	84,750
12	Traveling expenses	32-1-026	1204	31-02-86	29-07-87	22,500
13	Pipe expenses	32-1-031	1387	20-04-86	27-05-88	12,320
14	Petrol expenses	4210	677	04-09-86	20-07-87	17,500
15	Diesel expenses	4211	916	16-09-86	08-04-87	465,500
16	Diesel expenses	4211	920	10-08-86	18-02-87	402,500

(69) In FLGE branch office Nangarhar, we were not provided with following documents/ details.

- 1) Details of Capital account amounting to Afghanis 49,615,634/-.
- 2) Employee wise List/ Details of pension payable having opening balances, activity during the year amounting to Afghanis 34,062/- and closing balances.
- 3) Party wise list of security payable amounting to Afghanis 3,552,770/-.

- 4) Party wise list of receivables having opening balances, activity during the year and closing balances amounting to Afghanis 3,923,601/-.
- 5) Details of rent income amounting to Afghanis 50,863/- and rent agreement of agricultural land rented out.
- 6) Details of income from port services at Torkham amounting to Afghanis 3,939,333/- and agreement with parties/ companies.

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, 1386 (March 19, 2008).

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