

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the C.W.E. Construction & Engineering (Private) Limited (Company) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in paragraph 1.5 on this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I do not express an opinion on the significance of the matters described in paragraph 1.5 of this report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the paragraph 1.5 of this report, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

1.5 Audit observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) An unreconciled difference of bank balance as at 01 April 2016 amounting to Rs. 278,519 had been shown under trade creditors of the financial statements of the year under review.	Issue referred will be checked and corrected in the preparation of accounts for the next year.	Unreconciled differences should be cleared
(b) Trade creditors had been understated by Rs.1, 036,479 due to minus balances included in the trade creditors balance as at 31 December 2020.	Issue referred will be checked and corrected in the preparation of accounts for the next year.	Creditor balances shown as negative balances should be analyzed and the accurate balances should be shown in the financial statements

1.5.2 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(i). Revenue	59,183,024	Invoices , construction register, Bills of Quantities, contract agreements, work done reports and fixed deposit certificates	Issue referred will be checked and corrected in the preparation of accounts for the next year.	Written evidence to confirm the value should be maintained.
(ii). Expenditure	23,418,395	Payment vouchers, invoices, and goods received notes	-do-	-do-
(iii). Payable	223,057,870	Invoices, contract agreements	-do-	-do-
(iv). Assets	181,899,900	Payment vouchers and invoices	-do-	-do-

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
Actions had not been taken to recover four receivable balances aggregating to Rs. 5,218,061 carried forward from the year 2016.	Issue referred will be checked and corrected in the preparation of accounts for the next year.	Actions should be taken to recover receivable balances.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
An unidentified deposit amounting to Rs. 27,750 carried forward from the year 2016, salary payable to chairman amounting to Rs. 14,250 and consultancy fee amounting to Rs. 1,542,115 carried forward from the year 2019 included in accrued expenses had not been reconciled and settled even as at 31 December 2020.	Issue referred will be checked and corrected in the preparation of accounts for the next year.	Actions should be taken to reconcile and settle the balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) The Public Enterprises Circular No. PED/12 dated 02 June 2003.			
(i)Section 5.1	The Corporate Plan had not been prepared by the Company since year 2012	Issue referred will be checked and corrected in the preparation of accounts for the next year.	Actions should be taken as per provisions of the Circular
(ii)Section 5.2.5	The annual budget had not been prepared and forwarded to the Department of Public Enterprises, General Treasury and Auditor General.	-do-	-do-
(iii)Section 7.4.1	An Audit Committee had not been established by the Company.	-do-	-do-

(iv)Section 9.2	Cadre for the Company had not been prepared and approved.	-do-	-do-
(b) Public Finance Circular No. 01/2014 dated 17 February 2014	An Action Plan had not been prepared by the Company for the year under review.	-do-	-do-

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 3,860,219 and the corresponding profit in the preceding year amounted to Rs. 570,924. Therefore a deterioration amounting to Rs 4,431,143 of the financial result was observed. The reasons for the deterioration are decrease of net revenue and net finance income by Rs. 14,171,553 against the decrease of administrative and establishment expenses by Rs. 9,717,297.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The Company had been located in a building owned to the Co – Operative Wholesale Establishment. However, a rent agreement for the building had not been entered into.	Issue referred will be checked and corrected in the preparation of accounts for the next year.	A rent agreement for the building which the Company is located should be entered into.

4. Accountability and Good Governance

4.1 Presentation of financial statements

Audit Issue	Management Comment	Recommendation
According to the Section 6.5.1 of the Public Enterprises Circular PED/12 dated 02 June 2003, financial statements of the Company should be submitted to audit within 60 days after the close of the accounting year. However, financial statements of the Company for the year under review had been presented to the audit on 21 June 2023 after a delay of 27 months and the draft annual report had not been presented.	Issue referred will be checked and corrected in the preparation of accounts for the next year.	The financial statements should be submitted to the audit within 60 days after the close of the accounting year as per the provisions of the circular.