CWE Economic Centers Services (Private) Limited – 2016/2017

The audit of the financial statements of the CWE Economic Centers Services (Private) Limited ("the Company") for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my directions in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

My comments and observations on the perform which I consider should be furnished to the parliament in terms of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards.

1.4 Basis for Disclaimer of Opinion

(a) The total value of Payables, receivables and expenses accounts amounting to Rs. 206,361,134 could not be satisfactorily vouched or accepted in audit due to non-submission of required evidence.

(b) Provisions for gratuity had not been made in the financial statements for the year under review.

(c) A difference of Rs. 56,417 was observed between the cash balance at bank shown in the cash book as at 31 March 2017 and in the statement of financial position as at that date. However, the reasons for the difference had not been explained to audit.

(d) Contribution to the Employee Provident Fund (EPF) of the Company, budgetary allowance, cost of living allowance and monthly allowance had been overstated by Rs.2, 613,391 while understanding the Contribution to the Employees Trust Fund (ETF) and salary of head office staff and security staff by Rs. 917,583. Hence, the staff cost and profit for the year under review had been overstated by Rs. 1,695,808.

(e) The recoverability of debtor balances aggregating Rs.4,548,227 was doubt in audit as this balance had not been recovered for over 05 years as at 31 March 2017.

(f) According to LKAS 01 - Presentation of Financial Statements, the assets and liabilities should be reported separately in the financial statements without offsetting them. However, Janitorial Receivable balances aggregating Rs.912,041 had been offset against the Janitorial creditor balances aggregating Rs.71, 225 and recorded the net amount of Rs.840,816 in the financial statements as receivable.

2. Financial statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.1.1 Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

(a) The basis of opinion and scope and limitations of the audit are as stated above.

(b) In my opinion :
I have not obtained all the information and explanations that were required for the audit as stated above and hence, I do not express an opinion on these financial statements..

2.2 Incorporation of the Company

Cabinet approval relating to establishment of the company was not made available to audit.

2.3 Non – compliance with Laws, Rules, Regulations and Management Decisions

Contrary to the Section 9.3.1 of the Public Enterprises Circular No: PED/12 of 02 June 2003, the Scheme of Recruitment and Promotions of the Company had not been approved by the Ministry concerned with the concurrence of the General Treasury

2.4 Going Concern

As per the financial statements, out of the revenue of the Company 85.33 per cent had been generated from Lanka Sathosa Ltd and also there was no any service agreement between the company and Lanka Sathosa Ltd. It may affect to going concern of the company.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Company for the year under review had resulted after tax net profit of Rs.4,981,312 as compared with the corresponding after tax net profit of Rs.2, 676,179 for the preceding year, thus indicating an improvement of Rs.2,305,133 in the financial results. Increase of revenue by Rs. 26,592,020 had mainly affected to this improvement.

4. Operational Review

4.1 Performance

4.1.1 Planning

(a) Corporate Plan

As per the Section 5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a corporate plan had not been prepared by the company since the year 2011.

(b) Action Plan

As per the Section 3 of the Public Finance Circular No. 01/2014 dated 17 February 2014, an action plan had not been prepared by the company.

5. Accountability and Good Governance

5.1 Internal Audit

As per the Management Circular No.DMA/2009(1) dated 09 June 2009 an Internal Audit Unit, had not been established by the Company.

5.2 Audit Committee

As per the Section 7.4.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003 an audit committee had not been appointed and an Audit Committee meetings had not been conducted by the company.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observations
(a) Assets Management	Failure to perform the Boards of Survey / Verification of assets.
(b) Accounting	Accounts balance of ledger could not be justified with the supporting documents.
(c) Human Resource Management	(i) Failure to get approvals for the Cadre

from the Treasury.

(ii) Absence of the Scheme of the Recruitment and Promotion of Staff.