

## **CWE Economic Centers Services (Pvt) Limited -2017/2018**

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The audit of the financial statements of the CWE Economic Centers Services (Pvt) Limited (“the Company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 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.

### **1.2 Board’s Responsibility for the Financial Statements**

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The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) and for 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**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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- (a) According to the Note No. 2.2.1.2, it was stated that interest income was recognized on cash basis. However, interest income had been recognized on the financial statements on accrual basis.
- (b) Contrary to Section 10. 21 of Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs), the provision for gratuity related to the previous year amounting to Rs. 4,569,340 and interest income of fixed deposits amounting to Rs. 221, 918 related to the financial year 2015/2016 had been adjusted in the financial statements of the year under review .As a result, the administrative expenses and loss of the year under review had been

overstated by Rs. 4,569,340 and the interest income of the year under review had been understated by Rs. 221,918.

- (c) Provision for gratuity of the year under review had been overstated by Rs.1,734,017 due to rounding up the number of years of service of employees.
- (d) Current liabilities amounting to Rs. 26,123,934 could not be verified in the audit due to unavailability of schedules, invoices and receipts.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs).

### **2.2 Report on the Legal and Regulatory Requirements**

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

- (a) The basis for qualified opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
  - Except for the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanations that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company
  - The financial statements of the Company comply with the requirement of Section 151 of the Companies Act No. 07 of 2007.

### **2.3 Incorporation of the Company**

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

### **2.4 Non- compliance with Laws, Rules ,Regulations and Management Decisions**

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Contrary to the Section 9.2 (d) of Public enterprises circular No. PED/12 of 02 June 2003, the approved cadre had not been registered with the Department of Public Enterprises.

### **2.4 Receivables and Payables**

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An outstanding receivable balance aggregating Rs. 4,919,594 as at 31 March 2018 had not been recovered over 5 years.

### **3. Financial Review**

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#### **3.1 Financial Result**

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According to the financial statements presented, the operation of the Company for year under review had resulted after tax net loss of Rs. 5,613, 608 as compared with corresponding after tax net profit of Rs. 4,981,312 for the preceding year, thus indicating a deterioration of Rs. 10,594,920 in the financial results. Increase of total expenses by Rs. 50,011,394 as against the increase of total income by 39,245,934 had been main reason for the deterioration in the financial result.

### **4- Accountability and Good Governance**

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#### **4.1 Internal Audit**

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In terms of Audit and Management Circular DMA/2009(1) dated 09 June 2009, the Company had not established an Internal Audit Unit.