

## **CWE Construction & Engineering (Pvt) Limited - 2017**

---

The audit of the financial statements of the CWE Construction & Engineering (Pvt) Limited (“the Company”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the period 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. My observations relating to the operations of the Company in the year under review which consider should be furnished to the Parliament in items of 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 (LKAS)) and for such internal control 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 my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

### **1.4 Basis for Disclaimer of Opinion**

---

- (a) Interest income on call deposits amounting to Rs. 1,828,164 and 720,000 for the period from 17 December 2012 to 31 December 2016 and for the year under review respectively had not been accounted. As a result, retained earnings as at 31 December 2016 had been understated by Rs. 1,828,164 and loss of the year under review had been overstated by Rs 720,000.
- (b) An unreconciled difference of bank balance as at 01 April 2016 amounting to Rs. 278,519 which was shown as suspense balance in the trial balance without being cleared had been shown under current liabilities of the financial statements of the year under review.
- (c) Cooling items and racks amounting to Rs.25, 549,090 which were purchased during the year under review and were in transit as at 31 December 2017 had been erroneously credited to sales and debited to a debtor of the Company as sales returns instead of accounting as goods in transit.
- (d) Trade creditors had been understated by Rs.694, 869 due to minus balances included in the creditors balance as at 31 December 2017 .
- (e) Two revenue accounts aggregating Rs. 463,509,438, two expenditure accounts aggregating Rs. 671,718,187 four payable accounts aggregating Rs. 335,368,198 and two receivable

accounts aggregating Rs. 298,912,974 could not be satisfactorily vouched or accepted due to non-availability of invoices, construction register, Bills of Quantities, contract agreements , work done reports, goods received notes and payment vouchers .

## **2. Financial Statements**

-----

### **2.1 Disclaimer of Opinion**

-----

Because of the significance of the matters described in 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 Non- compliance with Laws, Rules, Regulations and Management Decisions**

-----

<b>Reference to law/ direction</b>	<b>Description</b>
-----	-----
(a) The Public Enterprises Circular No. PED/12 dated 02 June 2003.	
I. Section 5.2.5	The annual budget had not been prepared and forwarded to the Department of Public Enterprises, General Treasury and Auditor General.
II. Section 9.2	Cadre for the Company had not been prepared and approved.



## **3. Financial Review**

-----

### **3.1 Financial Result**

-----

According to the financial statements presented, the operation of the Company for the year under review had resulted after tax net loss of Rs. 2,410,504 as compared with corresponding after tax net profit of Rs. 1,390,333 for the preceding year, thus indicating a deterioration of Rs. 3,800,837 in the financial results. Decrease of finance income by Rs. 3,493,771 had been the main reason for the deterioration in the financial result.

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

-----

##### **4.1 Corporate Plan**

-----

In terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, a Corporate Plan had not been prepared by the company since year 2012.

##### **4.2 Action Plan**

-----

In terms of Public Finance Circular No. 01/2014 dated 17 February 2014, the Company had not prepared an Action Plan for the year under review.

##### **4.3 Internal Audit**

-----

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

##### **4.4 Audit Committee**

-----

An Audit Committee had not been established in terms of Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

#### **5. 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**

-----

##### **Observation**

-----

(a) Assets Management	Failure to perform Board of Survey Verification of assets.
(b) Accounting	Accounts balances of ledger could not be justified with the supporting documents.
(C) Human Resources Management	Failure to get approvals for the Cadre from the Treasury