

## C.W.E Construction & Engineering (Private) Limited - 2016

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The audit of financial statements of the CWE Construction & Engineering (Pvt) Limited (“the Company”) for the nine months period ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory information, 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.

### 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 Public Sector Accounting Standards (SLPSAS) 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

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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. 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

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- (a.) The following items of accounts to the value of Rs 152,113,025 could not be satisfactorily vouched or accepted due to non-submission of required evidence as indicated against each item.

<b>Items of Account</b>	<b>Value</b>	<b>Evidence not made available</b>
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	<b>Rs.</b>	
(i) Payable to sub-contractors	19,363,597	Invoices
(ii) Retention payable as at 01 April 2016	11,097,065	Invoices, contract agreement and work done reports
(iii) Retention released	5,860,484	Invoices, contract agreement and work done reports
(iv) Value Added Tax refund	26,402,994	Invoices
(v) Nation Building Tax	4,060,326	Invoices
(vi) Registration fees, Tender fees(Nonrefundable) and Late fees (Tender)	657,000	Receipts
(vii) Advance payments	55,509,640	Invoices, and settlement vouchers
(viii) Payable to consultancy fees	4,266,649	Invoices and payment vouchers
(ix) Supply of goods -Creditors	24,895,270	Invoices and goods received notes
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	<b>152,113,025</b>	
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(b.) Interest receivable related to two call deposits amounting to Rs. 1,722,794 had not been recorded in the financial statements.

(c.) A sum of Rs. 68,923,201 received from debtors had been accounted as creditors. Hence the current liabilities had been overstated by the same.

## **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.

### **2.2 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.

### **2.3 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 nine months under review had resulted after tax net profit of Rs. 2,233,083 as compared with corresponding after tax net profit of Rs. 677,266 for the preceding year, thus indicating an improvement of Rs. 1,555,817 in the financial results. Increase of total income by Rs. 8,515,819 as against the increase of total expenses by 7,360,701 had been the main reason for the improvement in the financial result.

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

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

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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**

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

##### **4.3 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.

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

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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**

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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**

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##### **Observation**

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Assets Management

Failure to perform Board of Survey Verification of assets.

Accounting

Accounts balances of ledger could not be justified with the supporting documents.

Human Resources Management

Failure to get approvals for the Cadre from the Treasury