

## Transaction report of the C.W.E. Construction & Engineering (Private) Limited - 2021// 2022 / 2023

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The audit of the operational activities of the C.W.E. Construction & Engineering (Private) Limited for the years ended 31 December 2021, 2022 and 2023 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 observations which I consider should be presented to the parliament appear in this report.

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

Each audit entity should maintain its own books and records of its income, expenditure, assets and liabilities to enable it to prepare annual and periodic financial statements on that entity in terms of Section 16 (1) of National Audit Act No.19 of 2018. The annual financial statements for each audit entity should be submitted to the Auditor General by the Chief Accounting Officer along with the annual performance report of such instances as may be specified by the rules in terms of Section 16 (2) of the Act. It should be ascertained to prepare annual reports and other financial statements within the required time period in terms of Section 38 (1) (d) of the Act and in addition to that the Chief Accounting Officer should be responsible for presenting of the annual reports related to the entity which was being audited to parliament.

## 2. Financial Statements

### 2.1 Presentation of Financial Statements

According to Section 6.6 of the Operational Manual for Public Enterprises published by Public Enterprise Circular No. 01/2021 dated 16 November 2021, the financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the accounting year, but the financial statements for the years of 2021, 2022 and 2023 had not been presented to audit even as at the date of this report.

### 2.2 Assets, Liabilities, Income and Expenditure

The details of assets, liabilities, income and expenses shown in the financial statements for the year ended 31 December 2020 last prepared by the Company are given below.

Item of the financial statement	Value Rs.
<u>Assets</u>	
Non-current Assets	55,572,787
Current Assets	216,482,032
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<b>Total Assets</b>	<b>272,054,819</b>
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Equity and Liabilities

Equity 13,553,260

Liabilities

Non-current Liabilities -

Current Liabilities 258,501,559

**Total Equity and Liabilities 272,054,819**

Total Income 60,302,442

Total expenditure (63,276,790)

**Loss Before Taxation (2,974,348)**

**2.3 Maintenance of Accounts and Books.**

Following observations are made

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
(a)The payment cash books had not been balanced for the years 2023 and 2024, and receipts cash book had not been maintained for such years.	Not Replied	Books and records should be properly maintained.
(b) Bank reconciliation statements for the years 2021, 2022 and 2023 had not been prepared.	Not Replied	Bank Reconciliation Statements should be prepared monthly.
(c) Though the prevailing accounting system had been updated in January 2024, only up to the transactions of May 2023 had been recorded in the system.	Not Replied	Transactions should be recorded and updated in the system.

## 2.4. Information for Audit

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
Cash book, payment vouchers and receipts had not been submitted for audit for years 2021 and 2022.	Not Replied	Books and records should be submitted to the audit.

## 2.5 Non-compliance with Laws, Rules and Regulations

The cases where the rules and regulations were not complied with are stated below.

<b>Reference to laws, Rules &amp; Regulations</b>	<b>Non Compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Guidelines on Corporate Governance for State Owned Enterprises Published by The Public Enterprise Circular No. 01/2021 dated 16 November 2021.			
(i)Section 2.2.2	The chairman should ensure that the Board meetings are held regularly, at least once a month. However only 03, 04 and 04 meetings were held in the years 2021, 2022 and 2023 respectively.	Not Replied	Board meetings should be conducted as per the guideline
(ii) Section 2.3	The Corporate Plan, Action plan and annual budget had not been prepared since year 2012.	Not Replied	Actions should be taken to prepare the action plans, corporate plans and budgets in terms of the guideline.
(iii)Section 4.2	An audit committee had not been established by the company.	Not Replied	An Audit committee should be established as per guideline.

(iv)Section 4.4	An internal auditor had not been appointed	Not Replied	Actions should be taken to appoint an internal auditor.
(b) Operational manual for State Owned Enterprises published by the Public Enterprise circular No. 01/2021 dated 16 November 2021			
(i)Section 3.1 and 3.2	Carder and scheme of recruitment for the Company had not been prepared and get approved.	Not Replied	Actions should be taken to prepare and get approve the carder and scheme of recruitment.
(ii)Section 6.7	Annual assets verification had not been carried out on the fixed assets.	Not Replied	Assets verification should be carried out in terms of the operational manual.
(iii)Section 7.5	Monthly, quarterly, and annual performance reports had not been presented to the Line Ministry and General Treasury	Not Replied	Actions should be taken to present the reports in terms of the operational manual.

### 3. Operational Review

#### 3.1 Management inefficiencies

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
The Company has located in a building owned to the Co-operative Wholesale Establishment. However, a rent agreement on that had not been entered.	Not Replied	Actions should be taken to enter in to a rent agreement for the building.

### 3.2 Procurement Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) According to the paragraph 4.2.1 of the Procurement Guidelines, the company shall prepare the master procurement plan. However, a procurement plan had not been prepared including years 2021, 2022, 2023 and 2024.	Not Replied	Procurement plans should be prepared in terms of the procurement guidelines
(c) Procurement files including procurement committee reports had not been submitted to audit for 9 procurements totaling Rs. 10,511,977.	Not Replied	Procurement files including procurement committee reports should be submitted to the audit.

### 3.3 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The actual carder of the Company as at 31 December 2023 was 07, in which there were 03 acting appointments and 04 casual basis appointments.	Not Replied	Actions should be taken to approve the carder and appoint necessary officials on permanent basis.

### 3.4 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although the United Nations had introduced the Sustainable Development Agenda based on the economic growth and social development and environmental protection plan of all the countries belonging to the organization, the company had not identified the desired objectives, targets and indicators to match it and lacked access to accurate data. Methods of managing physical resources had also not been identified by 2023.	Not Replied	Actions should be taken to identify the objectives, targets and indicators in terms of the Sustainable Development Agenda.