

Accounting and Auditing Standards Monitoring Board - 2013

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board comprising the Statement of Financial Position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year 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 read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 33(2) of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management 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 consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board'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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

2. Financial statements

2.1 Opinion

In my opinion, the financial statements give a true and faire view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

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

Even though all Public Enterprises should have their own Systems and Manuals covering all major operations, in terms of Section 7.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 the Board had not prepared such a Systems and Manuals.

3. Financial Review

Financial Performance

According to the financial statements presented, particulars of Government grants (Adjusted) received and recurrent expenditure incurred in the year under review and the preceding year and the increase of the grant as a percentage of the preceding year are given below.

Item	Year 2013	Year 2012	Increase as compared with previous year	Increase as a Percentage of previous year
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	Rs.	Rs.	Rs.	
Government grants	55,215,000	37,409,000	17,806,000	47
Total recurrent expenditure	56,365,201	41,914,896	14,450,305	34

4. Operating Review

4.1 Performance

Sri Lanka Accounting and Auditing Standards Monitoring Board had been established for the review of financial statements of the Specific Business Enterprises. According to the progress reports furnished to audit, the Board had achieved the following progress of performance during the year under review and the two preceding years.

	2013	2012	2011
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Number of Annual Reports received during the year	1,322	1,443	1,716
Number of Annual Reports reviewed	751	302	213
Number of Annual Reports reviewed as a percentage of number of Annual Reports to be reviewed	57	21	12
Technical staff participated in the review	14	6	6
Number of financial statements reviewed by one technical officer during the year	58	50	35.5

Assistance of external parties (Reviewers) for the purpose of reviewing the financial statements in the years 2011, 2012 and 2013 had been obtained. The number of financial statements reviewed in those years had been 213, 302 and 751 respectively. The Board had paid Rs.1,970,000 and Rs.2,490,000 for the above services in the year under review and the preceding year respectively. The average cost of reviewing a report in the year under review and the preceding year were Rs.2,623 and Rs.8,425 respectively. The favorable variance in the year under review was due to the recruitment of internal reviewers.

4.2 Management Inefficiencies

Even though provisions of Rs.1,250,000 and Rs.850,000 had been made in the budget for the year under review and the preceding year for upgrading the website, the Board had not able to achieve the target.

4.3 Amendment of the Act

The Board had been directed by the Committee of Public Enterprises to amend the Act of the Board to make provision to charge penalties from the institution who do not submit their annual financial statements to the Board, but the Board had not taken any appropriate action to amend the Act up to 30 June 2014.

5. Accountability and Good Governance

5.1 Corporate Plan

The following observations are made.

- a) In terms of paragraph 5.1.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a copy of the updated Corporate Plan approved by the Board of Directors should be submitted to the Auditor General at least 15 days before the beginning of the year. However, it had been presented on 21 March 2013, after a delay of 3 months.
- b) The following information had not been disclosed in the Corporate Plan in terms of paragraph 5.1.2 of the above circular.
 - (i) Information on human resources and management skills under the current resources of the Board.
 - (ii) Information relating the year 2012 and operating results of 03 preceding years .

5.2 Budgetary Control

The following observations are made.

- a) Even though the annual budget should be approved by the Board of Directors and presented to the Auditor General 15 days before the commencement of the financial year in terms of paragraph 5.1.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, it had been presented after a delay of 3 months on 08 April 2013.
- b) The budget for the year 2013 did not include the following information as specified in Section 5.2.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.
 - (i) Budgeted income for the year
 - (ii) Budgeted balance sheet as at the end of the year
 - (iii) Cash flow statement for the year
- c) Significant variances were observed between the budgeted expenditure and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Control

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

- a) Personnel Administration
- b) Budgetary Control
- c) Petty Cash Management