

Sri Lanka Accreditation Board for Conformity Assessment - 2013

The audit of financial statements of the Sri Lanka Accreditation Board for Conformity Assessment for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the Statement of income, statement of changes in equity 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 29(3) of Part IV of the Sri Lanka Accreditation Board for Conformity Assessment Act, No. 32 of 2005. My comments and observations which I consider should be published with the Annual Report of the Board in terms 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 Public Sector 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 for the 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. 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 financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Accreditation Board for Conformity Assessment as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Income and expenditure should not be set off against each other in terms of Section 48 of Sri Lanka Public Sector Accounting Standards No 01. However, income received from sponsors of annual commemoration of World Accreditation Day and training programs had been set off against expenses borne without disclosing separately and a net loss of Rs. 750,980 had been stated in the accounts.

2.2.2 Accounting Policies

The Board performs foreign exchange transactions and a foreign exchange loss of Rs. 5,708 had been identified and accounted in 2012. However, the set of financial statements prepared in 2013 stated that the effect of the changes in foreign exchange had not been accounted under accounting policy 1.11 and it would be accounted from 2014. Hence, it was observed that the Board had not adhered to a consistent policy in accounting for foreign exchange

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non compliances were observed in audit.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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| (a) Section 14(1) of the Finance Act, No. 38 of 1971
6:5:3: Paragraph | Draft annual report for the year 2013 had not been presented to the Auditor General within 60 days after the close of accounting year. |
| (b) Section 3.4.3 of Procurement Guidelines 2006 | A sum of Rs.1,007,325 had been paid during the year under review for food obtained from the same institution for training programs without registering the suppliers. |

- (c) Public Enterprises Circular No PED/12 dated 02 June 2003
- (i) Paragraph (c) of Section 8.3.3 Sums of Rs.114,000 and Rs.447,091 had been paid for incentives based on performance and medical leave not availed of respectively during the year under review without obtaining approval of the Treasury.
- (ii) Section 9.14.2 A Manual on Human Resource Management had been issued on 01 July 2013 on the approval of the Board of Management without obtaining the approval of the Secretary to the Treasury.
- (d) Finance and Planning Circular No MOFP 01/2010/01 dated 11 October 2010 Instead of the incidental expenses and combined allowance payable for foreign travel, the Board of Management had, on 16 November 2012, approved travelling expenses amounting to Rs.7,500 and Rs.12,000 and Rs.18,000 for SAARC Countries and other countries respectively as assessed charges per day per officer for each day spent abroad. As such a sum of Rs.363,000 had been overpaid during the year under review for foreign travel contrary to the Circular.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Board for the year ended 31 December 2013 had resulted in a surplus of Rs. 59,633 as compared with the surplus of Rs.1,115,619 for the previous year. Accordingly, a decrease of Rs.1,055,986 as compared with the previous year was observed.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Even though the conduct of two presentations in the electronic media and 02 discussions with the print media for the awareness of the accreditation among the general public for the year under review been included in the Annual Action Plan none of the presentations or discussions had been conducted.
- (b) Although a sum of Rs.350,924 had been spent on the online system for receiving applications for accreditation, the Board had not received at least a single application through the online system as of the date of audit. This had resulted due to

the failure to state clearly in the Web Site the availability of the facility for making applications for accreditation through the Online System.

4.2 Transactions of Contentious Nature

The following observations are made.

- (a) Officers of the Board had been deployed as resource persons for 2 programs to train assessors without the approval of the Secretary to the Ministry and sums of Rs.240,000 and Rs.31,900 had been paid to Lecturers and assisting officers respectively without recovering royalty for the Government.
- (b) Even though the combined allowance payable in terms of the Management Services Circular No 34(1) dated 01 June 2009 and the paragraph 12.5 of the Manual prepared by the Board amounted to Rs.500 an overpayment of Rs. 35,600 had been made during the year under review as 8 officers had been paid at Rs.2,000 each. Even though the Board had made transport arrangements for participation in the Workshops, the Board had spent a sum of Rs.229,952 for motor vehicles procured on hire during the year under review.

4.3 Staff Administration

A post of Internal Auditor had been approved for the Board for the first time through the letter of the Director General of Management Services dated 19 November 2012. Nevertheless, an officer appointed in the covering up duties basis since 30 October 2008, had officiated in that post even by 30 April 2014, the date of audit.

5. Accountability and Good Governance

5.1 Budgetary Control

A reconciliation of the budgeted and the actual income and expenditure for the year under review revealed variances ranging from 2 per cent to 149 per cent, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.2 Tabling of Annual Reports

Even though the Annual Report should be tabled at Parliament within 150 days after the close of financial year in terms of Section 6.5.3 of Public Enterprises Circular No PED/12 dated 02 June 2003, the Annual Report for the year 2012 had not so far been tabled. The Annual Report for the year 2011 had been tabled on 23 July 2013.

6. Systems and Control

Deficiencies observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
- (b) Staff Administration
- (c) Accounting
- (d) Procurement Process