

Sri Lanka Accounting and Auditing Standards Monitoring Board – 2017

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board (“the Board”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance and other comprehensive income, statement of changes in net assets 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 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 Auditing 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 judgement, including the assessment of the risks of material misstatement 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 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 true and fair view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2017 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 Laws, Rules, Regulations and Management Decisions

A Manual of Procedures had not been prepared and obtained the approval of the Board of Directors thereof even as at 31 December 2017 as requested by paragraph 9.14 of the Public Enterprises Circulars No. PED/12 dated 02 June 2003

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Government grants was the main income source of the Board and it had decreased by Rs. 9,698,229 or 10 per cent during the year under review as compared with the preceding year. However, the under mentioned recurrent expenditure incurred in the year under review had significantly increased between the ranging from 59 per cent to 104.3 per cent as compared with previous year.

Expenditure Category	Total Expenditure		Increase	
	2017	2016	Rs.	Percentage
Rental & building service charges	11,191,842	6,234,891	4,956,951	79.5
Professional fees to reviewers	1,920,000	940,000	980,000	104.3
International travel	3,994,965	2,503,394	1,491,571	59.6

In the year 2016 a special budget allocation for capacity building purposes had been provided and a part of professional fees had been paid by utilizing that special budget allocation provided for previous year.

4. Operating Review

4.1 Performance

According to Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the main function of the Board is to monitor the compliance with Sri Lanka Accounting Standards and Auditing Standards by the Specified Business Enterprises (SBEs).

The following observations are made in this regard.

- (a) It was observed that the Board had failed to identify the total number of specified business enterprises in operations within the country even as at 31 March 2018. Further, an appropriate mechanism had not been introduced or implemented by the Board for this purpose.
- (b) According to the information made available to audit, the Board had reviewed only 518 Financial Statements during the year 2017 in order to ensure the compliance with Sri Lanka Accounting Standards and Auditing Standards by the SBEs and it comprised the financial statements received relating to the years 2015 and prior to that, and for the years 2016 and 2017.
- (c) Follow-up actions relating to some SBEs had not been taken by the Board on the finding which already communicated with those SBEs.

4.2 Management Activities

The following observations are made.

- (a) The Board had entered into an agreement with the Ceylon Bible House for obtaining the first floor of the existing building on rental basis for the period of four years with effect from 01 January 2017. However, it was observed that the Board had failed to utilize the entire floor area for the intended purpose, and instead that area had been utilized for some other temporary activities of the Board until 31 March 2018. Therefore, the amount of Rs. 5,695,341 incurred thereon during the year under review had become an uneconomic expenditure.
- (b) The Board had received 15 laptop computers valued at Rs. 1,575,000 from the Information and Communication Technology Agency of Sri Lanka (ICTA) during the year under review for the purpose of study, design, development and implementation of a Management Information System (MIS) for the Board (A Memorandum of Understanding had been signed between the Board and the ICTA). However, according to the explanations provided by the Board, the development and implementation of the system had not been completed due to the budgetary constraints of the ICTA.

4.3 Staff Administration

The following observations are made.

- (a) Recruitments had been made on contract basis for 03 posts of higher management level, a senior level post and 02 posts of tertiary level belonging to the approved cadre of the Board since 2009 and it was observed that the payments are being made more than the approved remunerations with higher benefits for the permanent posts of those 03 higher management level posts.
- (b) The Board had not prepared a Succession Plan in terms of Paragraph 9.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003.

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budgeted and the actual income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.2 Annual Action Plan

An Annual Action Plan by including setout targets expecting to be achieved quarterly basis and the officers responsible for those targets had not been prepared by the Board in terms of Public Finance Circular No. 01/2014 dated 17 February 2014