

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Institute of Environmental Professionals, Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and the Finance Act, No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Body Corporate as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium –sized Entities.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium –sized Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Body Corporate’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Body Corporate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Body Corporate’s financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No.19 of 2018, the Body Corporate is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared by the Body Corporate.

1.3 Scope of Audit

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance,

but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Body Corporate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Body Corporate's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Body Corporate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary, the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Body Corporate, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Body Corporate has complied with applicable written law, or other general or special directions issued by the governing body of the Body Corporate;

- Whether the Body Corporate has performed according to its powers, functions and duties; and
- Whether the resources of the Body Corporate had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Audit Observations on the Preparation of Financial Statements

1.4.1 Internal Control over the preparation of financial statements

Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
-----	-----	-----	-----
i. Section 7(1) of the Institute of Environmental Professionals, Sri Lanka (Incorporation) Act, No. 01 of 2020	Even though rules should be formulated by the Body Corporate from time to time, it had not been done accordingly.	Has not replied.	Action should be taken to formulate rules from time to time when required.
ii. Sub-section 10(2) of the Employees’ Provident Fund Act, No.15 of 1958	Even though the employer of every employee who is liable to pay contributions to the Employees’ Provident Fund, shall be liable to pay on or before the last day of the succeeding month, it had not been done by the Body Corporate accordingly. As such, a surcharge of Rs.	Has not replied.	Action should be taken to pay relevant contributions on due date.

20,000 had to be paid
from funds of the
Institute.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a surplus of Rs.89,742 as compared with the corresponding surplus of Rs.1,137,454 in the preceding year, thus observing a decline of Rs.1,047,712 in the financial result. The decrease in the income by Rs.279,450 and the income from other operations by Rs.2,048,250 had been the main reason for this decline.