

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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income statement, statement of changes in equity and cash flow statement for the year then 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 *Finance Act No. 38 of 1971*. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institute as at 31 **December 2021** and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium – sized Entities.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

1.3 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 determine 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 institute’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 intend to liquidate the institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the institute financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the institute 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 of the institute.

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

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 judgment and maintain professional scepticism 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 obtain audit evidence that is sufficient and appropriate to 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 Company'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 the 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 Institute'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 Company 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards for Small and Medium Enterprises

Non Compliance with the reference to particular Standard	Comments of the management.	Recommendation.
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(a) Even though the property, plant and equipment other than land should be depreciated in line to an appropriate depreciation method according to No. 17.6 of Sri Lanka Accounting Standards for Small and Medium Enterprises, the depreciation had not been calculated in relation to the property, plant and equipment at the amount of Rs. 541,363 which had been included in the financial statements of the year under review.	Necessary action will be taken to calculate the depreciation related to the property, Plant and equipment in the future.	Action should be taken to calculate the depreciation in suitable manner.

1.5.2. Accounting Deficiencies

Audit observation	Comments of the management	Recommendation
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(a) Although the value of accumulated fund and payables included in the audited financial statements of the year 2020 were Rs.1,257,197 and Rs.77,446 respectively but those were stated as Rs.4,295,088 and Rs.171,843 respectively when accounting those as the opening balance of the ledger in the year under review.	Action will be taken to correct the bookkeeping and submitted the financial statement in the future.	Action should be taken to make correction.

- (b) The bank direct deposit amounting of Rs.48,700 in the year 2020 without recognized and adjusting to the accounts, had been credited to the Accumulated Fund in the year under review. Furthermore, although there was not tax liability of the institution for the year of 2020, the amount of Rs.63,536 had been adjusted to the opening balance of the accumulated fund as income tax. Therefore, the accumulated fund could not be confirmed as accurate
- Action will be taken to record correctly in the future.
- Action should be taken to record correctly.

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per Financial Statements.	Value as per corresponding Records.	Difference	Comments of the management.	Recommendation
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Receipts of membership fee.	1,558,201	1,536,831	21,370	Action will be taken to settle the discrepancy in that amount	The difference between the accounts should be corrected.

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

Reference to Laws, Rules Regulations etc.	Non-compliance.	Comments of the Management.	Recommendation
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(a) Section 14(2)(a) of Inland Revenue Act No. 24 of 2017.	Action had not been taken to calculate and paid the related Tax liability of the institute.	The necessary action will be taken to make the payments and account of those, if necessary, after consult the Department of Inland Revenue	The Inland Revenue Department should be consulted and action should be taken accordingly.

- (b) Section 7(3) and Section 7(1) of the Sri Lanka Institute of Environmental Professionals (Incorporation) Act No. 01 of 2020. Although the rules on the Board of Incorporation should be gazetted with in 03 months, the institute which was established in 2020 had not been acted accordingly. Although the rules on the Board of Incorporation were forwarded to the Government Press in 2020 to be published in the Gazette, the printing of the Gazette was delayed due to the ongoing Corona pandemic. Action should be taken to gazette the rules of the institution.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.1,942,889 and the corresponding surplus in the preceding year amounted to Rs. 89,743 Therefore, an improvement amounting to Rs. 1,853,146 of the financial result was observed. The main reason for the improvement was due to increase the total income by Rs.2,294,842.