

## **Sri Lanka Accounting and Auditing Standards Monitoring Board - 2021**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Opinion**

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 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 Public Sector Accounting Standards 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

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

## 1.4 Audit Scope

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 Company'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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;

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

## **2. Financial Review**

### **2.1 Financial Result**

The operating functions of the Board totally financed by the Ministry of Finance, Economic Stabilization and National Policies, hence a surplus/ deficit was not generated from the functions of the Board. Sums of Rs. 71,236,691 and Rs. 67,467,943 were received by the Board as Government Grants during the under review and the preceding year respectively indicating increase in expenditure by Rs. 3,768,748. Increase of staff costs and building rent expenditure were mainly attributed for this situation.

## **3. Operational Review**

### **3.1 Delays in Projects or Capital Work**

#### **Audit Issue**

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The Board had commenced designing and implementing of the Management Information System (MIS) incurring a sum of Rs. 5,086,000 up to end of the year under review and had completed only the tasks of Detailed Software Technical Documentation (DSTD), preparation of test plan, preparation of User Acceptance Testing (UAT) criteria document and sign off for Application Prototype etc. However, due to the slow implementation progress of the system, it could not be used for the intended purpose of reviewing function even up to end of August 2022.

#### **Management Comment**

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Considering uniqueness of the SLAASMB's operational process (Unlike a typical business operation familiar to IT developers), the Detailed Software Requirement Specification (DSRS) preparation and submission stages took a longer duration than anticipated to complete. The DSRSs and system prototypes prepared by INOVA were also detailed lengthy reports which had to be carefully reviewed and discussed by all parties involved, and thereafter amended until suitable and acceptable reports were finalized to be signed off.

#### **Recommendation**

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The implementation activities of the MIS should be expedited in order to cover the reviewing functions.

### 3.3 Human Resources Management

#### Audit Issue

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There had been 16 vacancies in the Board as at 31 December 2021. Out of the total vacancies, 12 vacancies were existed in executive level affecting to the major functions of the Board. As well, the concurrence of the Department of Management Services for the revised Scheme of Recruitment (SoR) was not received even up to August 2022.

#### Management Comment

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DDG's position became vacant subsequent to the internal promotion of DDG to Director General in October 2020. It was decided to fill the vacancy once the revised salary proposal has been finalized. Due to the higher number of experience required in the SoR, the Board was not successful in filling the vacancies with suitable candidates for position of DTs. For DDTs and ADTs the SoRs are pending with the MSD. ADT SoR needs to be approved.

To date MSD has not granted the concurrence for the SoRs and the Board is awaiting for the necessary approvals for the technical staff to be paid the Cabinet approved salaries.

#### Recommendation

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The vacancies of the Board should be filled by taking effective actions for the tasks.