

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the the Institute of the Environmental Professionals Sri Lanka for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, 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. 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 2022, 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’s 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

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 Institute'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 Institute 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 observation on the preparation of financial statements**

### **1.5.1 Internal Control over the preparation of financial statements**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Accounts were not maintained in the ledger for the income and expenditure subjects of course income, course expenditure, professional fees, and accounting expenses.	Professional fees and accounting fees will be added to the ledger in 2023.	Separate accounts should be maintained in the ledger for all line items.

### **1.5.2 Non – Compliance with Sri Lanka Accounting Standards for Small and Medium sized Entities**

<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
In accordance with 17.18 and 17.20 of Sri Lanka Accounting Standards for Small and Medium Enterprises No. 17, once the asset is ready for use, property, plant, and equipment must be depreciated on a straight-line basis during its useful life. But a depreciation policy was identified in the reviewed year without proceeding to depreciate the company's assets until the end of the previous year and in that the assets purchased in the previous years were allocated for the full year in the year of purchase regardless of the ready-to-use date. Therefore, it was observed that accumulated depreciation and accumulated fund are overstated in the financial statements of the year under review.	All assets purchased during the year 2023 will be depreciated based on the date of acquisition and since the dates of purchases made beyond 2019 are not recorded, no depreciation changes can be made.	Action should be taken in accordance with Accounting Standards.

### **1.5.3 Documentary Evidences not made available for Audit**

<b>Item available</b>	<b>Amount</b>	<b>Evidence not received</b>	<b>Management Comment</b>	<b>Recommendation</b>
	<b>Rs.</b>			
(a) Cost of property, plant, and	541,363	Fixed Register	Asset and register will be	The basic documents, books

equipment		Asset Report	Survey	maintained from 2022 onwards and purchases of assets before 2022 will have the year mentioned instead of the date of purchase.	and records required to verify the values should be maintained properly.
(b) Sponsorships	525,000	Receipts		No official receipt was issued for all receipts in the year 2022 and e-receipts were issued for all membership income and sponsorships in the year 2023.	
(c) Membership Fee	801,675	Membership Register, Relevant Receipts			
(d) Course Fee	600,500	Course files, Fee register			
(e) Payments (by Cheque)	7,620	Payment vouchers with supporting documents		No answers provided.	
(f) Payments (by Cheque)	262,123	Supporting documents such as invoices, quotations, confirmations etc		No answers provided.	

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

Reference to Laws, Rules Regulations etc.	Non - compliance	Management Comment	Recommendation
(a) Section 41 (1) of the National Audit Act No. 19 of 2018	Although Audit and Management Committees should be formed as appropriate for each entity being audited, this institution has not established an Audit and Management Committee.	The Audit and Management Committee will be set up and implemented in 2024.	Action should be made to establish the Audit and Management Committee.
(b) Section 5 of the Stamp Duties (Special Provisions) Act No. 12 of 2006 and Extraordinary Gazette No. 1530/13 dated 01 January 2008	A stamp duty of Rs.25 should be charged for payments worth more than Rs.25,000, but not all payments were processed accordingly.	Stamp duty of Rs.25 on all payments for payments worth more than Rs.25,000 will collect from the year 2023.	Action should be made to collect stamp duty as applicable.

## **2. Financial Review**

### **2.1 Financial Results**

The operating results of the year under review amounted to a surplus of Rs.352,822 and the corresponding surplus in the preceding year amounted to Rs.1,868,944. Therefore an deterioration amounting to Rs.1,516,122 of the financial result was observed. The main reason for the deterioration was due to decrease of income and other operating income by Rs.1,108,826.

## **3. Operational Review**

### **3.1 Operational Inefficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Because there was no maximum limit of payments to be made from petty cash advance of the institution, which is worth Rs.15,000, it was observed that the payments with the value ranging from Rs.1,000 to Rs.10,400 have been made in the year 2022.	A maximum limit of payments to be made through petty cash advance which is Rs.15,000 of the institution will be set.	Appropriate limits should be maintained for petty cash payments.

## **4. Accountability and Good Governance**

### **4.1 Submission of Financial Statements**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Although the annual financial statements of statutory bodies must be submitted to the Auditor General within 60 days of the end of the financial year as per section 6.6 of the operational manual introduced by PE/COP/POLI/Circular and Public Enterprise Circular No. 01/2021 dated 16 November 2021, the institution's financial statements for the year 2022 were submitted to the Auditor General on February 12, 2024 after a delay of 11 months.	The institute will pay attention to this delay and financial statements for the year 2023 will submit to the Auditor General within 60 days after the end of the financial year.	Action should be taken to submit the financial statements to the Auditor General before the due date.

## 4.2 Tabling of Annual Report in Parliament

Audit Issue	Management Comment	Recommendation
Although the annual report must be tabled in the Parliament within 05 months after the end of the financial year according to section 6.6 of the operational manual introduced by PE/COP/POLI/Circular and Public Enterprise Circular No. 01/2021 dated November 16, 2021, the reports were not tabled in the Parliament in the year 2021 and the previous years.	The institute will pay attention to this matter and take relevant measures.	Action should be made to table the annual report in the Parliament on the due date.