

Sri Lanka Accounting and Auditing Standards Monitoring Board - 2022

1. Financial Statements

1.1 Opinion

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 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 Board as at 31 December 2022, 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.

1.3 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 Board'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 Board'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 Board 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 Statement

According to the Financial Statement Presented, the Government grants was the main income source of the Board and it had increased by Rs.5,778,569 or 08 per cent during the year under review as compared with the preceding year. As the same, the total expenditure of the Board for the year under review had increased by Rs.5,778,569 or 08 per cent. The staff cost and the building rent totaling Rs.52,907,286 represent the 69 per cent of the total expenditure for the year under review had increased as compared with the 68 per cent of the total expenditure of the preceding year. Details are as follows.

Item	For the Year		Increase / (Decrease)	
	2022	2021	Rs.	%
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	Rs.	Rs.		
Total Expenditure	77,015,260	71,236,691	5,778,569	08
- Staff cost	52,907,286	48,358,393		
- Building Rent				
Percentage of the Total expenditure (%)	69	68		

3. Operational Review

3.1 Performance of the Reviewing Financial Statements

Audit Issue	Management Comment	Recommendation
As per the Act No 15 of 1995, 1,671 entities were identified as Specified Business Enterprises (SBEs). However, the Board had completed the reviews of 552 and 541 sets of financial statements against the planned reviews of 550 financial statements during the year 2021 and 2022 respectively. It was observed	These targets are set based on an optimal level with the available resources. SLAASMB has also been informing the Ministry over the years that the performance is declining due to the salary issue not being resolved. However, there is no progress on the salary matter to-date.	Need to improve the no of reviews of financial statements.

that the reason for the deterioration of planned and the actual reviews of financial statements were the continuous decrease of the availability of the technical staff of the board.

3.2 Delays in Projects

Audit Issue	Management Comment	Recommendation
<p>(a) The Board had made an agreement with State Engineering Corporation of Sri Lanka on 30 January 2019 at a cost of 7 per cent of the total construction cost for the consultancy services for design and supervision of interior works of the office premises of the board. The construction development phase was completed and charged 65 per cent from the consultancy bill on 27 October 2021. However, the balance work phase of the consultancy or the proposed improvements of the premises were not completed even up to the date of audit of 25 May 2023.</p>	<p>Consequent to the signing of the Memorandum of Understanding with SEC, the Bids were called in 2019. However, due to documentation deficiencies in the submitted bids, the bids received were rejected and the progress of the interior construction process was further delayed due to the curtailment of capital expenditure by the Ministry in 2019 by National Budget Circular 5/2019. During the latter part 2020, the interior designing work recommenced with SEC being re-appointed as the consultants. Consequent to the finalization of the detailed floor plan and analysis of construction cost of the partitioning work, and securing the continuity of the lease during the year, SLAASMB called for Bids for the partitioning work during the year as well. However, when the bids received were being evaluated, the Governments' curtailment of Capital expenditure in 2021 by National Budget Circular 2/2021 and 3/2021 and in 2022 by Public Enterprise Circulars 4/2022, made SLAASMB to halt the interior construction work for the second time since procuring the premises.</p>	<p>Necessary action should be taken to complete the task with in the scheduled period.</p>

- (b) The Boards had commenced the designing and implementation of the Management Information System (MIS) in the year 2021 and Rs.20,158,000 was incurred up to 31 December 2022. It 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 offs in relation to the non-core modules of the MIS etc. However, due to the delay in implementation process of the system, it could not be used for the intended purpose of reviewing function even up to end of May 2023.
- Information and Communication Technology Agency (ICTA), the consultants, had agreed to host the system in their Lanka Government Cloud (LGC 2.0) free of charge. They subsequently informed of their inability to provide the facility for the purpose of hosting the ongoing MIS due to the LGC 2.0 resource utilization being used to its maximum level and as they were not in a position to expand their resources. However, after a lapse of 3 months, ICTA consented to provide the requested LGC 2.0 platform. Accordingly, during the said 3 months period, the software developer deployed the staff who were allocated to SLAASMB project to some other projects and after receiving LGC facility from ICTA, such staff were redeployed back to the SLAASMB MIS project with such staff now working simultaneously on both projects.
- In addition, as per the explanations provided by the developer, due to the uniqueness and the complexity involved in the MIS of SLAASMB, the time schedule has exceeded the time initially projected during the RFP, which is also a reason for the project duration to exceed the originally planned timeline.
- Necessary action should be taken to complete the task with in the scheduled period.

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) There had been 17 vacancies in the Board as at 31 December 2022. Out of that, 15 vacancies were existed in executive level which affect to the major functions of the Board.	SLAASMB had failed to retain competent staff due to the low salaries offered under the Government's salary scales for Chartered Accountants. The Cabinet of Ministers on 21 June 2021, had approved a salary scale to enable SLAASMB to attract and retain technically competent Chartered	Action need to be taken to recruit suitable staff immediately with the approvals.

Accountants to fill the vacancies. However, the said Cabinet Decision required the Schemes of Recruitment (SoR) to be adopted with the concurrence of the Department of Management Services (MSD), and MSD was not in favour of the salaries approved in the said Cabinet decision and currently the salaries are in the process of being revised downwards to align with the Government salaries.

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| (b) The post of Director General was in contract basis. Therefore, the absence of a permanent Director General would impede the continuous operations of the Board. | At the time of recruiting the DG, in 2020, the revision of the salary scale was in the process of being discussed with the Secretary to the Treasury and was expected to be finalized shortly afterwards. Accordingly, the Board had decided to appoint the DG on contract basis for a temporary period until the finalization of the revised salary scale. This matter is expected to be resolved with the finalization of the cabinet approved salary scale, which is at present being discussed with the Officials of the Ministry of Finance. | Necessary action should be taken to fill the vacancies. |
| (c) Though, there is a position of Deputy/Assistant Director (Legal) in the approved cadre, it was remained vacant from the initiation of the Board. | Assistant Directors SoRs need to be approved by Department of Management Services to proceed with recruiting the positions. | Necessary action should be taken to fill the vacancies. |
| (d) The concurrence of the Department of Management Services for the revised Scheme of Recruitment (SoR) for Assistant Director Technical was not received even up the end of May 2023. | Department of Management Services had not approved the SoR despite SLAASMB's close follow-up. | Necessary action need to be taken the speed up the process. |