

Sri Lanka Accreditation Board - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Accreditation Board for (“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, 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 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 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 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'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 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.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
In relation to 05 fixed deposits, the interest income for the year under review was accounted as Rs. 817,375 less than expected.	Since the interest related to these fixed deposits is calculated on a monthly basis, this discrepancy represents the interest for only a few days less than a full month. I have noted down that this will be rectified in the accounts of the year 2023..	All income related to the period should be accounted for.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) In 2020 and 2021, a total of Rs. 1,288,324 in invoices related to 16 institutions were written off without formal approval.	According to accounting standards, revenue should be recognized when it becomes identifiable. Therefore, these revenues were recognized in the year 2021. However, due to subsequent events, it became necessary to accurately reflect the status of these receivables when preparing the final accounts for the year 2022. Consequently, invoices lacking sufficient evidence of revenue generation were written off against the accumulated fund. I have taken note that future write-offs will require approval from the Governing Council.	Formal approval should be sought when removing accounting entries, including those from previous years, even if they are found to be incorrect.

- | | | | |
|-----|---|--|---|
| (b) | Revenues amounting to Rs.966,420 due from 16 invoices issued for the year 2020 and 2021 had not been recovered. | I have taken necessary actions to prevent this mistake in the future. | Actions should be taken to collect the receivable dues. |
| © | The Commission has been unable to collect Value Added Tax (VAT) totaling Rs. 175,959 and Nation Building Tax (NBT) totaling Rs. 32,558 for over four years. | No response has been received for the requests made concerning these balances yet. I have noted to write off as per the Circular PED/01/2021(I) and recommend the action to the audit committee, pending approval by the governing body. | Actions should be taken to collect the receivable dues. |

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Paragraph 6.6 of the Public Enterprises Circular No.2021/01 dated 16 November 2021	A copy of the draft annual report related to the reviewed year should be submitted to the Auditor General within 60 days, but the report had not been submitted by the date of the audit.	I have noted to submit the draft annual report with the financial statements.	As per the circular provisions, annual report of the year under review should be submitted to the Auditor General along with the financial statements.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.41,895,359 and the corresponding surplus in the preceding year amounted to Rs.14,524,699. Therefore an improvement amounting to Rs.27,370,660 of the financial result was observed. The reason for the improvement was, the personnel emolument had increased by Rs.3,459,575 and the expenses for contractual services had increased by Rs.4,958,810 during the year under review, but the income of the year had increased by Rs.33,355,969.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
During the review period from 2020 to 2022, the Board received a total	Accreditation cannot be granted solely upon receiving an	Appropriate control methods should be used to carry out

of 74 accreditation certificate applications. Out of these, certificates were issued for 16 applications, with processing times ranging from 14 to 34 months. By the end of the review year, 13 applications were still pending without certificates issued.

application. The accreditation process involves multiple stages, including the need for the applying institutions to make necessary corrections and provide required documentation to our institution. Delays in this process have resulted in the delayed issuance of accreditations. Furthermore, the severity of the Covid-19 epidemic during a certain period also contributed to these delays.

operational activities efficiently.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue

The Annual Action Plan prepared by the Board for the year 2022 included a total of 167 activities. Among these, financial targets were specified for only 30 activities. The expected progress was not achieved in 10 activities with a total value of Rs. 823,000, for which financial targets were set, as well as in 45 activities for which no financial values were presented.

Management Comment

When preparing the 2024 annual plan, I have noted to include a financial value for each possible activity. However, it is not always practical to provide financial targets for some activities.

Recommendation

The action plan should be developed with specific goals and expected costs so that progress can be measured.