

Sri Lanka Accounting and Auditing Standards Monitoring Board -2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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 decreased by Rs.5,470,285 or 07 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 decreased by Rs.5,470,285 or 07 per cent. The staff cost and building rent totaling Rs.49,014,373 represent the 68.5 per cent of the total expenditure for the year under review had slightly decreased as compared with the 69 per cent of the total expenditure of the preceding year. Details are as follows.

Item	For the Year		Increase/Decrease	
	2023 Rs.	2022 Rs.	Rs.	%
Total Expenditure	71,544,975	77,015,260	5,470,285	07
- Staff cost	49,014,373	52,907,286		
- Building Rent				
Total expenditure (%)	68.5	69		

3. Operational Review

3.1 Performance of the Reviewing Financial Statements

Audit Issue	Management Comment	Recommendation
The Board had planned to review 252 sets of financial statements related to 261 SBEs during the year 2023. Accordingly, it was observed that the plan of the review of financial statements during the year under review had been reduced by 51 per cent compared to the previous year.	Considering the low number of staff available to directly engage in the reviews at the time of planning, the work plan was revised.	Need to improve the no of reviews of financial statements.

3.2 Delays in Projects

Audit Issue	Management Comment	Recommendation
<p>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 consultant or the proposed improvements of the premises were not completed even up to the date of 31 May 2024.</p>	<p>Due to Government restrictions in effect at that time the design and interior works of the Office premises was temporarily halted in 2019. Further, in 2021 due to the said restrictions, re-commencement of this project could not be completed. In 2024, SLAASMB was unable to recommence the work, considering the tight budgetary allocation.</p>	<p>Necessary action should be taken to complete the task with in the scheduled period.</p>

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>(a) There had been 23 vacancies in the Board as at 31 December 2023. Out of that, 20 vacancies were existed in executive level which affect to the major functions of the Board. Further, Out of 20 vacant positions, the position of Deputy/Assistant Director (Legal) had remained vacant from the inception of the Board and also 6 positions of Deputy Director Supervision and Assistant Director Supervision had not been recruited. Further, Heads of the Finance, Administration and Information Technology divisions had also remained vacant as at 31 December 2023.</p>	<p>Despite adopting revised salary structure of 2021 in 2023, wherein SLAASMB was unable to recruit suitable candidates even after advertising the vacancy in several instances in 2023 and subsequently. Therefore, due to the necessity of recruiting new staff to enhance the review coverage as required, the Board decided to reduce the required years of experience for both Director Supervision and Assistant Director Supervision. After that revision, SLAASMB recruited one Director Supervision in March 2024 and three Assistant Director Supervision - Grade 2 in April 2024. SLAASMB outsourced the IT functions temporarily to an external consultancy firm from November 2023 based on the urgency of the services as the MIS was being finalized. Due to difficulties in filling the position, and based on the IT</p>	<p>Action need to be taken to recruit suitable staff immediately with the approaches.</p>

Steering Committee's recommendation, the Board approved the recruitment of an IT Administrator (designated as ICT Officer) on a contract basis at a higher salary. As a result of the attractive salary SLAASMB was able to recruit a qualified ICT Officer effective from April 2024.