

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Geological Institute of Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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, and other explanatory information 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 Sub-section 10(3) of the Geological Institute of Sri Lanka (Incorporation) Act No. 03 of 2014 and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and its financial performance and 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 determines 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 intends 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 Sub-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 Auditor'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 audit 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 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 audit 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 audit 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules, Regulations etc	Non-compliance	Comments of the Management	Recommendation
(a)	Section 11(1) of the Sri Lanka Geological Institute Act No. 3 of 2014	Although the annual report should be submitted to the Secretary of the Ministry of Environment and to the Registrar of Voluntary Social Service Organizations appointed under the Voluntary Social Service Organizations (Registration and Supervision) Act No. 31 of 1980, the annual reports for the years 2021 and 2022 had not been submitted until 31 March 2024.	That the annual report of the year 2023 along with the previous annual reports will be submitted to the Secretary of the Ministry of the Environment and to the Registrar of Voluntary Social Service Organizations.	Provisions in the Act should be followed.
(b)	Paragraph 6.6 of the Public Enterprises Circular Operations Manual No. 01/2021 dated 16 November 2021	A copy of the draft annual report relating to the year under review was not furnished with the annual financial statements.	That arrangement will be made to submit the draft annual report with the 2024 financial statements.	The circular should be followed.
(c)	Paragraph 01 of Schedule III of Public Enterprises Circular Guidelines No.	The audited financial statements and the Auditor General's report, which should be mentioned under the main contents of an annual report, were not	Action will be taken to include the audited financial statements of the relevant year and the Auditor General's	The circular should be followed.

01/2021 dated 16 November 2021 included in the annual report prepared for the year 2022. report in the annual report of the year 2023.

- (d) Paragraph 2 of Special Gazette dated 21 March 2016 Although the requirement of establishment of a registered office, control and purpose of maintain of the institute have been mentioned, the Sri Lanka Institute of Geology had not an office with a fixed address from its inception till the year under review. Initial discussions had been conducted in this regard and necessary arrangements will be made in the future. Provisions in the Act should be followed.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.1,327,238 and corresponding surplus amounted to Rs.144,266 in the previous year, thus observing an improvement of Rs.1,182,972 of the financial results. The increase in annual membership income had mainly attributed to this improvement.

2.2 Ratio Analysis

The current ratio and the quick ratio in the year under review were 101 : 1 and 100:1 respectively and those ratios in the previous year were 144 : 1 and 141:1 respectively.

3. Operational Review

3.1 Uneconomical Transactions

Audit Observation	Comments of the Management	Recommendation
135 T-shirts worth Rs.101,000 procured in the year 2019 remained underutilized from the year 2020 to the end of the year under review.	Necessary actions for this will be taken in the future.	The requirement should be properly identified and procurements should be made.