

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Institute of Environmental Professionals Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy 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 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 2023, 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 Accounting deficiencies

Audit Issue	Management Comment	Recommendation
(a) The accounting policy of the institute is to account for income other than interest income on a cash basis, according to the cash book, when comparing the balance of receipts with the income accounts included in the financial statements, Rs.418,525 received in cash for 04 accounts were not included in the income accounts mentioned in the financial statement and Rs.85,250 belonging to 04 income accounts that were not included in the cash book were included as income.	An incorrect answer is given that there is no understatement of revenue in the financial statements.	Income should be accurately accounted.
(b) The income tax liability for the year 2023 had not been calculated and the tax liability for the year 2021 and 2022 had also not been calculated and paid. Furthermore, the income tax payable amounting to Rs.63,536, which was identified from the year 2020, was not settled until the audit.	Taxes payable are identified in the year 2020. But the company has not obtained a tax registration.	Need to get tax registration and pay income tax annually.

1.5.2 Documentary Evidences not made available for Audit

Item	Amount	Evidence not received	Management Comment	Recommendation
	Rs.			
Cash balance	419,616	Bank Reconciliation Statement	Proper bank reconciliation document is not prepared but monthly reconciliation of inward and outward remittance transactions is done.	As the existing control system does not accurately reconcile the balances, the bank reconciliation should be prepared and the internal control related to cash should be strengthened.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a surplus of Rs.1,068,921 and the corresponding surplus in the preceding year amounted to Rs. 352,822. Accordingly, an increase of Rs.716,099 was observed in the financial result. This growth was mainly due to the increase in income by Rs.1,190,975, that is 124 percent.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
A fixed asset register was not maintained recording information related to fixed assets such as date of purchase, value, amount, depreciation rate etc. and an annual board of survey was not conducted on 31 December 2023.	Fixed asset register is maintained, and the date of acquisition is kept in the fixed asset register.	The fixed asset register, which has been maintained should be maintained in detail including essential information such as date of purchase, value related to the respective assets, being a detail document.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	Management Comment	Recommendation
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 2023 were submitted to the Auditor General on 06 June 2024 after a delay of 03 months.	Answers not submitted.	Financial statements should be submitted to the Auditor General before the due date.