

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 2024 comprising the statement of financial position as at 31 December 2024 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 2024, 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 Observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observations	Management Comment	Recommendation
(a) According to the cash book, fixed deposits amounting to Rs. 5,500,000 had been made during the year under review; however, it had been overstated by Rs. 450,000 and shown as Rs. 6,000,000 in the cash flow statement.	The cash flow is adjusted to reflect the amount of money deposited in fixed deposit.	The action should be taken to account all the transactions correctly.
(b) According to the financial statements, the profit before tax for the year under review was Rs. 5,989,546; however, it had been shown as Rs. 5,819,000 in the statement of changes in equity.	No comments have been made.	The values in the financial statements and the statement of changes in equity should be equal.

1.5.2 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
Expenses	79,400	Two payment vouchers	In the process of correcting this matter and will submit supporting documents in the future	Every payment should be confirmed by payment vouchers.

1.6 Advances

Audit Observation	Management Comment	Recommendation
Although the maximum limit for providing cash advances is Rs. 100,000, advances of Rs. 200,000 each had been provided for two programs on 14th and 28th August 2024.	Although the advance limit is Rs. 100,000, payments have been made for training programs in local government institutions up to a maximum of Rs. 200,000.	In terms of Financial Regulation 371 (2) (b) as amended by Public Finance Circular No. 01/2020 dated 28 th August 2020. The real-time interim imprest to staff level officers shall not exceed a maximum of Rs.100,000.

1.7 Non -compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
According to the financial statements, although provisions of Rs. 283,573 had been made for income tax up to the end of the year under review, the Institution had not been registered for income tax even by the end of the year under review.	Steps have been taken to obtain a TIN number for tax and to pay the due tax.	Should comply with the tax law.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 5,989,546 and the corresponding surplus in the preceding year amounted to Rs.1,068,921. Therefore an improvement amounting to Rs. 4,920,625 of the financial result was observed. The reason for the improvement is the increase in other operating income by Rs. 22,729,992.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The Institution had issued receipts in both electronic and printed formats, and the	The Institution has started issuing receipts through the QB system, and all receipts	Receipts should be numbered sequentially, and they should not be

electronic receipts had been created using Excel software, which could be amended at any time. Furthermore, the numbers of the receipts issued electronically in the months of June, August, September, October, and November 2024 were not given sequentially.	are sent to e-mails.	subject to false amendment.
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3.2 Transactions of Contentious Nature

Audit Observation	Management Comment	Recommendation
Despite the cancellation of the scheduled environmental protection training camp for April 8, 2024, a sum of Rs. 100,000 had been paid to the lecturer on April 9, 2024.	An irrelevant reply has been submitted stating that it has been refunded to the participants.	The action should be taken to recover the money paid to the lecturer.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
Although the annual financial statements of statutory bodies should be submitted to the Auditor General within 60 days of the end of the financial year in accordance with Section 6.6 of the Operational Manual relating to Public Enterprises Circular No. 1/2021 dated 16 November 2021, the financial statements of the Institute for the year 2024 had been submitted to the Auditor General on 03 July 2025 after a delay of 04 months.	Will take steps to submit the financial statements for the year 2025 before 28 February, 2026.	Should adhere to the rules and regulations.