

Sri Lanka Accreditation Board - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Accreditation Board (“Board”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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 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 2024, 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 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.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	As per paragraph 92(b) of the Sri Lanka Public Sector Accounting Standard 07, the carrying value of fully depreciated still in use assets cost Rs.26,478,212 had not been disclosed in the financial statements.	As recommended by the Audit Committee, steps have been taken to recalculate the useful life before 30 April 2025.	In accordance with the Sri Lanka Public Sector Accounting Standards, the gross carrying amount of fully depreciated assets should be disclosed in the financial statements.
(b)	In accordance with paragraph 76 of Sri Lanka Public Sector Accounting Standard No. 19. Gratuity provision amounted to Rs.6,629,105 and the present value of the post-employment benefit obligation relating to related service cost had not been disclosed in the financial statement.	The Board has a very small workforce of approximately 25 employees, and if this calculation is entrusted to an actuarial firm or individual, it would entail a significant expense. However, a quotation has been obtained from such a firm after requesting the prices for providing this service.	Steps should be taken to identify the post-employment benefit obligation using the actuarial assumption method in accordance with the standard.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 3.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although the distress loan installments should have been calculated at the rate of 10 percent of monthly salary, the Board charged all officers the fixed monthly installment.	The practice has existed since the beginning, and directives have been provided to update and modernize it.	Loan installments should be recovered in accordance with the provisions of the Establishments Code, and any outstanding installments should be recovered without delay.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i	Financial Regulation 395(e)	In the bank reconciliation statement prepared for December of the year under review 33 cheques amounting to Rs.3,118,065 remained as unidentified deposits.	Instructions were given to continue taking the necessary steps to identify unrecognized cheques.	In accordance with Financial Regulations, arrangements should be made to identify unrecognized deposits.
ii	Amended by Public Finance Circular No. 01/2020, dated 28 August 2020.			
(i)	Financial Regulation 371(2) (ආ)	Although a sub-imprest may be granted only to a staff officer up to a maximum of Rs. 100,000 at a time, during the year under review, a sub-imprest amounting to Rs.804,000 in total was issued on three occasions to a non-staff officer for training programmers.	Instructions were given to make the necessary corrections when issuing advances for the year 2025.	Actions should be taken to issue sub-imprest in compliance with the Financial Regulations. Appropriate actions should be taken against officials who do not comply with the provisions of the

Financial Regulations.

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| (ii) Financial Regulation 371(5) | Although an advance was issued with the requirement that it be settled within 10 days of completing the relevant work, the advance amount of Rs. 1,782,468 remained unsettled for periods ranging from 1½ months to over 8 months. | Instructions were given to take the necessary steps to settle advances by their due dates and to continuously monitor the matter. | Steps should be taken to settle advances and provide necessary instructions in accordance with the Financial Regulations. |
| (c) Paragraph 01 of the Public Enterprises Circular No. PED/03/2024 dated 23 December 2024 | Statutory boards that earned a profit during the financial year of 2023 but have not paid at least 30 percent of their after-tax profit to the Consolidated Fund as dividends or taxes will not be entitled to pay bonuses to staff based on profitability. However, without complying with the above requirement, the Board paid Rs. 525,000 to employees as incentives and bonuses. | No responses | Incentives and bonuses should be paid only after settling taxes or other payments due to the government, as per the circular. Otherwise, appropriate action should be taken against the officers who approved the payment of such allowances. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.70,630,871 and the corresponding surplus in the preceding year amounted to Rs. 85,375,506. Therefore, a deterioration amounting to Rs.14,744,635 of the financial result was observed. The deterioration was mainly due to a decrease in product certification income by Rs. 16,315,929 and an increase in testing income by Rs. 7,957,773, while salary expenses increased by Rs.8,046,759 and financial and other expenses increased by Rs. 9,677,978.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
In the purchase of equipment for the training division amounting to Rs.2,190,949, the following shortcomings were observed: failure to prepare bidding documents in accordance with Section 5.2.1(a) of the Government Procurement Guidelines; failure to obtain performance security as required by Sections 5.4.10(b) and (c); opening of bids after a delay of 10 days; signing of the bid opening report on a date subsequent to the bid opening; and a delay of 3 to 4 months by the institution in evaluating the bids.	Instructions were given to take necessary steps to prevent such oversights in the future.	Procurement guidelines should be followed. Accordingly, an internal investigation should be conducted to identify those responsible for the failure to act, and appropriate disciplinary actions should be initiated.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
As of the last day of the year under review, the balance of accrued expenses exceeding one year was Rs.292,093, and the balance of creditors was Rs.15,296,464, totaling Rs.15,588,557, which remained outstanding.	Instructions were given to settle the creditors' payments and to continue the necessary follow-up.	Action should be taken to settle outstanding balances promptly.