

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Engineering Council of Sri Lanka 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 Council 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Council 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 Council.

1.4 Audit Scope (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 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 skepticism 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 Council's 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 Council'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 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 Internal Control over the Preparation of Financial Statements

Audit Observation	Comments of the Management	Recommendation
The Council had not maintained a formal Register of Fixed Assets, and only a list exists that includes the date and value of the asset purchased and the depreciation value of its assets for the relevant year and the accumulated depreciation values at the beginning and end of the year had not been stated. As a result, details on whether the each asset was fully depreciated had not been submitted to the audit. Further, a difference of Rs. 224,440 was observed between the values of computers and office equipment in the asset list and those values stated in the financial statement.	Actions will be taken to overcome these deficiencies in the future.	The preparation of an accurate Register of Fixed Assets should be done without delay and asset balances and provisions for depreciations should be corrected accordingly.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Standard	Comments of the Management	Recommendation
(a) Although the financial statements of the previous year had been restated, the required disclosures in accordance with Paragraph 54 of Sri Lanka Public Sector Accounting Standards 03 were not made in the financial statements of the year under review.	Arrangements will be made to overcome this deficiency in the future.	Necessary disclosures should be made according to Paragraph 54 of Sri Lanka Public Sector Accounting Standards 03 .
(b) Although the Engineering Council of Sri Lanka was located on the 4th floor of the main building of the Department of Irrigation and the electricity and water connections of that Department were also used by the Engineering Council, agreement had not been entered into with the Department in this regard. Likewise, since fee is not paid to that Department, disclosures had not been made in the financial statements in accordance with Paragraph 100 of Sri Lanka Public Sector Accounting Standards No. 8 for contingent liabilities which may arise in the future.	It was noted to be recorded in this regard in the financial statements in accordance with Paragraph 100 of Sri Lanka Public Accounting Standards No. 8 .	Contingent liabilities that may arise in accordance with Sri Lanka Public Sector Accounting Standards should be disclosed in the financial statements.

1.5.3. Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The registration fee income of Rs. 795,000 received in the year under review for the previous year had been recognized as	It was expected to be received Rs. 1,000,000 on an accrual basis for the year 2023, in the year 2024 in accordance with	Since the income of the Council should be accounted for

<p>income in the year under review instead of being adjusted against the accumulated surplus. As a result, the income for the year under review had been overstated by Rs. 795,000 .</p>	<p>the revenue reporting standard. However, since the amount collected is Rs. 1,795,000, the excess amount of Rs. 795,000 received has been accounted for as income for the year 2024. Registration and receipt of money will be done at the discretion of the engineering professionals.</p>	<p>on an accrual basis, these corrections should be made in the financial statements of the next year .</p>
<p>(b) Due to the special incentive of Rs. 600,000 paid to an officer of the Council in the year under review in relation to the year 2023 had been accounted for under incentive expenses of the year under review instead of being adjusted against accumulated profit, the expenses for the year had been overstated by that amount.</p>	<p>Since this payment was made in 2024 it had to be accounted for in that year. Steps will be taken to rectify such deficiencies in the future.</p>	<p>Since only expenses related to the period should be included in the statement of financial performance, these corrections should be made in the financial statements of the next year.</p>
<p>(c) Since the total contribution payable to the Treasury for the years 2023 and 2024 amounted to Rs. 2,089,365 had been accounted for as operating expenses in the year under review, the operating expenses for the year had been overstated by that amount. Further, the contribution of Rs. 1,000,000 relating to the year 2023 had not been adjusted to the accumulated profit.</p>	<p>The Department of Public Enterprises has informed us to pay Rs. 1,000,000 in taxes for the year 2023. Since the accounts for the year 2023 had been finalized by then, the required amount had to be paid from the funds related to the year 2024. However, since it is expected to pay the taxes in the accurate manner in the future, it has been planned to account for them accurately.</p>	<p>Actions should be taken to correct the value of contributions paid to the Treasury from the surplus in the financial statements of the next year .</p>

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Engineering Council of Sri Lanka Act No. 04 of 2017			
(i) Section 12 (d)	Although investigations should be conducted on certain matters relating to professional misconduct of engineering professionals, internal procedures had not been introduced to identify and verify whether engineers were conducting their works in accordance with the professional ethics that had been introduced to be followed by professionals engaged in the engineering profession	The necessary rules for taking actions regarding professional misconducts make by engineering professionals have been gazetted under Gazette No. 2298/27 dated 21 September 2022. The necessary internal process has been prepared and is already being implemented.	Necessary actions should be taken to check whether engineers adhere to professional ethics as per the provisions of the Engineering Council of Sri Lanka Act no. 04 of 2017.
(ii) Section 14 .1	No engineering professional shall engage in any activity related to the engineering profession unless he is registered as an engineering professional under Section 15 or 18. Accordingly, it is proposed to register the registered members of the two institutions, the Institution of Engineers of Sri Lanka (IESL) and the Institution of	The following actions have been taken by the Council in this regard. Calling information via email and SMS to IESL and IIESL members whose names were in the Engineering Council of Sri Lanka database but were not registered, publishing public notices to inform the public to confirm the registration of chartered engineers and	An effective methodology should be introduced to register all members registered with the Institute of Engineers of Sri Lanka (IESL) and the Institute of Incorporated Engineers of Sri Lanka (IIESL) in the Council.

	<p>Incorporated Engineers of Sri Lanka (IIESL) as members of the Engineering Council and although 29,891 engineering professionals had obtained membership in the above two institutions in the year 2024, out of these, only 17,072, equivalent 57.11 per cent, had obtained registration with the Engineering Council.</p>	<p>the Director of Engineering Services, Secretary to the Ministry of Public Administration were also informed to verify the registration of engineers employed in government institutions. It has also been proposed that the registration with the Sri Lanka Engineering Council to be made mandatory for Scheme of Recruitment and Promotions.</p>	
<p>(b) Sections 38(1)(c) and 38(2) of the Audit Act, No. 19 of 2018</p>	<p>Although the Chief Accounting Officer should ensure that an effective internal control system is developed and maintained for the financial control of each entity and should conduct a written review of the effectiveness of that system from time to time and accordingly, make the necessary changes to ensure the effectiveness of the system and provide copies thereof to the Auditor General, the Council had not acted accordingly.</p>	<p>Arrangements will be made to overcome this deficiency in the future.</p>	<p>Actions should be taken to establish an effective internal control system and review it periodically and report to the Auditor General in accordance with Sections 38(1) (c) and 38(2) of the Audit Act No. 19 of 2018,.</p>
<p>(c) Section 47 of the Employees' Provident Fund (Amendment) Act No. 01 of 1985</p>	<p>The Council had considered the employees' transportation allowances, fuel</p>	<p>The comments of the Commissioner of Labour (E.P.F.) were sought on this matter. It has been informed that</p>	<p>Contributions should be collected and paid in accordance with the provisions of the</p>

	allowances, telephone allowances, professional allowances and special allowances to calculate the earnings when paying contributions to the Fund. As a result, 15 per cent of the relevant allowances had been overpaid as Council contributions and 10 per cent had been overpaid as employee contributions.	their approval is not required in this regard.	Employees' Provident Fund Act.
(d) Section 44 of the Employees' Trust Fund Act, No. 46 of 1980	When paying contributions to the Fund, since the Council had considered transportation allowances, fuel allowances, telephone allowances, professional allowances and special allowances to calculate the remuneration, an overpayment of 3 per cent of each of those allowances had been made.	The comments of the Commissioner of Labour (E.P.F.) were sought on this matter. It has been informed that their approval is not required in this regard.	Contributions should be paid in accordance with the provisions of the Employees' Trust Fund Act.
(e) Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i) Sub-section 10:1 of Chapter VIII	The Information and Communication Technology Officer had been paid a total of Rs. 269,841 as holiday pay as 1/20 of the	A system has been developed to verify the time worked and the duties done while performing duties from home. The staff has	The provisions of the Establishments Code should be followed in respect of working on holidays and

monthly salary and, a sum of Rs. 48,571 had been paid as Employees' Provident Fund contribution and Employees' Trust Fund contribution for working from home for a period of 96 weekend days and public holidays from January to December 2024. Likewise, the Council had paid Rs. 310,627 for this purpose in the previous year as well. In addition, despite two officers, including this officer, have each performed their duties from home for 64 days, payments of Rs. 57,300 and Rs. 28,510 had been made respectively for the 29 and 30 days of leave saved by the two officers in the year under review.

(ii) Sub-section 1:7 of Chapter XII	Although a register of approved leave should be maintained in accordance with General Format 190, a leave register had not been maintained in accordance with it for the leave of officers of the Council.	It contains every essential detail that should be there according to the General Format 190 of the leave register we used and are currently being used in 2024 .	It should act in respect of leave in accordance with the provisions of the Establishments Code.
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2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 2,541,853 and the corresponding surplus for the preceding year was Rs. 9,319,574. Accordingly, a deterioration of

Rs. 6,777,721 was observed in the financial result. Increase of legal expenses and vehicle operating tax expenses within other operating expenses by Rs. 5,672,360 and inclusion of contributions paid to the Treasury amounting to Rs. 2,089,365 in operating expenses had mainly caused to this deterioration.

2.2 Trend Analysis of Major Income and Expenditure Items

Information on the financial performance of the Council from the year 2023 to the year 2024 is shown below.

Description	2024 Rs.	2023 Rs.	Difference Increase/ (Decrease) Rs.	Percentage of difference in per cent
Revenue from Operating Activities	21,111,994	19,596,000	1,515,994	8
Financial Income	4,920,643	7,744,148	(2,823,505)	36
Administrative Expenses	11,228,697	11,124,414	104,283	1
Contractual Services and Maintenance Expenses	2,217,943	2,165,077	52,866	2
Other Operating Expenses	8,075,058	772,836	7,302,222	945

2.3 Ratio Analysis

The current ratio of the Council was 13:1 in the year under review and the preceding year and the increase in other operating expenses had directly affected the decrease of net profit ratio by 71 per cent in the year under review compared to the previous year.

3. Operational Review

3.1 Transactions in Contentious Nature

Audit Observation	Comments of the Management	Recommendation
(a) An officer had been recruited for the post of Information and Communication Technology Officer of the Council from 09 July 2020 under the Junior Management Level JM 1-1 salary scale and was later appointed to the Middle Management Level MM 1-1 salary scale from 15 October 2021. Later, the Information and	A lengthy discussion on this matter was held with the Salaries and Cadre Commission, the Ministry and the Department of Management Services and as a result, the Salaries and Cadre Commission recommended that the Chief Information Technology Officer post, which was in	Actions should be taken to appoint and make payments to officers in accordance with the qualifications specified in the approved Scheme of

Communication Technology Officer under the salary scale MM 1-1 had been appointed on 28 November 2022 to perform the duties of the post, despite the required qualifications were not fulfilled as per the Scheme of Recruitment for the post of Chief Information Technology Officer under the salary scale HM 1-3 .

the MM 1-1 salary scale, was increased to the HM 1-3 salary scale and accordingly, the Department of Management Services has done so and informed us in a letter.

Recruitment .

- (b) Recruitment for the post of Chief Information Technology Officer at the approved Senior Management level under the salary scale HM 1-3 should be made in accordance with the letter No. DMS/1850 of the Director General of Management Services dated 18 October 2022 after the vacancy of the post of Information Technology Officer, which was approved as personal to the holder under the salary scale MM 1-1 and recruitment should not be made for both positions at the same time. Further, although appointments should be appointed to perform duties only if vacant positions need to be filled immediately in accordance with Sub-section 13.5 of Chapter II of the Establishments Code, there is no vacancy for the post under the scale HM 1-3 accordingly, it was further observed that it was not possible to hold both positions at the same time as they were the same duty. However, the relevant officer was given a posting to perform duties for that purpose and for that, a sum of Rs. 289,320 had

Although the Chief Information Technology Officer position had been converted to the HM 1-3 salary scale, a female officer belonging to the MM 1-1 salary scale is serving there at present. Although that officer had fulfilled all the educational qualifications required for the HM 1-3 salary scale and additionally had professional qualifications, it is also impossible to absorb that officer because the required 15 years of experience has not been completed. However, the officer is performing the duties of the Council relating to the HM 1-3 salary scale very efficiently. The institution is highly dependent on information technology and in view of its sustainable existence, the Council has decided to continue to perform duties until the officer serving in that position completes the 15 years of service experience required for the HM 1-3

Appointments should be made only to officers with the qualifications and experience specified in the Scheme of Recruitment and prior approval should be obtained for necessary amendments.

been paid as allowances for performing duties, contributions to the Employees Provident Fund and contributions to the Employees Trust Fund, which were Rs. 245,187, Rs. 36,778 and Rs. 7,355 respectively. The approval of the Secretary to the Ministry had not been obtained for this, in accordance with Section 12.2.6 of Chapter VII of the Establishments Code. Further, a sum Rs. 600,000 as vehicle allowance and Rs. 477,595 as fuel allowance for HM 1-3 grades had been paid in the year 2024 without obtaining the approval of the Treasury. Likewise, the Council had decided to continue the performing of duties until the completion of 15 years of service experience, which is the required service experience for the HM 1-3 salary scale.

3.2 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(a) Five posts in the Council were vacant and steps had not been taken to recruit staff or revise the number of posts.	The Engineering Council of Sri Lanka was started in August 2018. At that time, there were 9 posts approved by the Department of Management Services. However, since it was not necessary to fill all the vacancies in the initial period, recruitment was not made for them. However, since it may be necessary to fill these vacancies in the future, steps	Actions should be taken to revise the number of positions as per the role or to recruit for essential positions.

have not been taken to revise the number of positions.

4. Accounting and Good Governance
4.1 Annual Report

Audit Observation	Comments of the Management	Recommendation
(a) The Annual Report of the Council for the year 2023 had not been tabled in Parliament by April 2025 in contrary to Paragraph 6.6 of the Operational Manual for State-owned Enterprises introduced by Public Enterprises Circular No. 01/2021 dated 16 November 2021 .	This has not yet been tabled in Parliament due to reasons beyond our control. We have been continuously investigating this and by now, this has been completed through the internal system of the Ministry of Urban Development, Construction and Housing and submitted to the Secretary for approval. Thereafter, actions will be taken to send it to the Cabinet of Ministers.	Since the annual report should be tabled in Parliament within 05 months of the end of the financial year as per the circular, these activities should be carried out without delay.