

Sri Lanka Accounting and Auditing Standards Monitoring Board - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and other comprehensive income, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2020, 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 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 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 Company'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 Company'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 Company 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.

2. Financial Review

2.1 Financial Result

The operating functions of the Board totally financed by the Ministry of Finance, hence a surplus/ deficit was not generated from the functions of the Board. Sums of Rs. 69,159,150 and Rs. 82,511,881 were received by the Board as Government Grants during the under review and the preceding year respectively indicating decrease in expenditure by Rs. 13,352,731. Decrease of staff costs and International travel expenditure were mainly attributed for this situation.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
A Management Information System (MIS) scheduled to be implemented by the Board since the year 2015, in order to conduct the monitoring functions of the Board effective manner. However, the system had not been implemented even up to 2021.	As per the Circular PS/GPA/Circular/01/2020 issued by the Presidential Secretariat had directed all digital solutions to be implemented through the ICTA, SLAASMB recommenced the activities required to secure a MIS with ICTA as the consultants. Presently, the Ministry Procurement Committee (CPCM) is in the process of evaluating the three Proposals	A formal Management Information System, should be implemented according to the plans.

submitted by bidders in response to the Request for Proposals (RFP) advertised in the Newspapers and in the SLAASMB website. The estimated duration of this project is 43 months (7 months to develop and 36 months for support and maintenance).

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) The total identified SBEs as at 31 December 2020 were 1,657. However, the Board had received 1,232 financial statements, including 394 financial statements relating to the preceding years during the year 2020.</p>	<p>Act No 15 of 1995 does not specify a time period during which the SBEs should submit financial statements to SLAASMB. Thereby SLAASMB follows the requirement in the Companies Act of 2007.</p> <p>SLAASMB adopts a process of close follow up on entities which do not submit financial statements. The series of reminders are sent to such entities and in instances where there has been no response from a SBE, SLAASMB has been sending officers to visit the SBE to find out the reason for not receiving any response for any of the reminders sent.</p> <p>When the respective financial statements are pending finalization, delays in submitting such financial statements to SLAASMB is beyond the control of SLAASMB.</p>	<p>Prompt action should be taken to implement a mechanism to review the financial statements.</p>
<p>(b) Out of the above received financial statements during the year 2020, the Board had reviewed only 732 financial statements, indicating 59 per cent of the progress. Nevertheless, 619 financial statements, out of the reviewed financial</p>	<p>Audited financial statements are submitted to SLAASMB at the time they are sent to the shareholders. As a result, some financial statements are not received by SLAASMB during the same year as of the year end of such SBE. The Act does not specify the basis/year of the financial statements which should be reviewed in any year. Therefore the financial statements available for review during the first few months of the year in</p>	<p>The reviewing process should be updated.</p>

statements were related to the preceding years. 2020, are usually the financial statements for the prior years.

- (c) Only 27 audit inspections had been conducted during the year under review covering total identified SBEs indicating 02 per cent coverage. As compared to 45 inspections carried out in the previous year, a gradual decrease in the inspections was observed. This was due to the lower number of technical staff being involved in the inspections. Due to the resignation of 2 ADTs who were directly involved in carrying out audit inspections in the latter part of 2019, the vacancies remained unfilled throughout 2020. However, in 2020, 732 financial statements were completed. Accordingly on average 74 sets of financial statements were reviewed by the staff during 2020. This resulted in the technical staff members requiring to spend more time for completion of the financial statement reviews and thus limiting the time available for Audit inspections. The number of audit inspections should be increased.
- During the pandemic, audit staff not being able to access the audit offices. This resulted in leaving less time for the staff to conduct audit reviews despite of SLAASMB being successful in initiating the conduct of the regular audit inspections remotely through Microsoft Teams during the 2nd wave of the pandemic.

3.3 Human Resources Management

Audit Issue

Seventeen vacancies were in the Board as at 31 December 2020. Out of these vacancies, 13 vacancies were related to executive level posts.

Management Comment

Due to the higher number of years of experience being required in the Scheme of Recruitment (SoR), SLAASMB was not successful in filling the vacancy with suitable candidates. Further as the present SoR for Deputy Director Technical and Assistant Director Technical remaining as pending approval by the MSD despite of several reminders and follow up action. The Post of Finance and Administration

Recommendation

The vacancies should be filled according to the requirement.

Executive Officer was advertised on 2 May 2021 and the interviews have been concluded and SLAASMB is in the process of finalizing the selection of a suitable candidate for the post.