

Engineering Council, Sri Lanka - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Engineering Council, Sri Lanka for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 the Financial Act No. 38 of 1971. My comments and observations which I consider should be reported 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 financial statements of the Council give a true and fair view of the financial position of the Council as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basiss for the qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 determines 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 intend 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 Sub-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 Fund.

1.4 Auditor's Responsibility 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 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 the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including 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 the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council 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 Statement

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
Including Rs. 401,257 paid as income tax in the preceding year, a sum of Rs. 1,656,196 of income tax of the year under review had been mentioned in the financial statements as the total tax liability in the year under review.	The total tax liability of the year 2020 amounted to Rs. 1,730,278 and of that amount a sum of Rs. 1,329,020 had been paid and accounted. A sum of Rs. 401,257 which was identified later had been paid and accounted in 2021 due to the accounts being closed in 2021.	The payable income tax should be corerectly identified and mentioned in accounts.

1.5.2 Unauthorised Transactions

Audit Observation	Comments of the Management	Recommendation
Considering that the Technical officer performed overtime work for weekends, a sum of Rs. 290,889 as overtime and wages had been fraudulently	Having considered the work performed by the officer as productive work, the overtime and wages paid to the Technical Officer from	Action should be taken as per provisions in the Establishment Code and chapter 9.7 of the Good Governance

paid to him from January to December 2021 even without reporting to the office.

January to December 2021 had been made under the supervision of the Chairman.

Manual PED 12 when approving salaries and allowances.

1.5.3 Lack of evidence for the Audit

Audit Observation

Comments of the Management

Recommendation

Eventhough a membership fee of Rs..18,127,000 had been mentioned in financial statements as income including a receivable membership fee of Rs.642,000, name list of members upon which such membership fees calculated had not been submitted to the audit. Therefore, the accuracy of membership fee income could not be verified at the audit.

The Institution of Engineers, Sri Lanka and the Institution of Incorporated Engineers, Sri Lanka are not legally bound to provide our institution with complete details of their members. Therefore, details of their members are not available with us.

Membership fee income should be identified based on the accrual basis and the details required to verify this income should be submitted to the audit.

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

Reference to Laws, Rules and Regulations

Comments of the Management

Recommendation

(a) Section 39.2 of the National Audit Act No 19 of 2018.

Although it should have been reported to the Auditor General within 03 months regarding the implementation of recommendations shown in the Detailed Annual Management Audit Report submitted in respect of the year 2020, the Council had not done so.

Not replied.

Action should be taken as per the provision in the National Audit Act.

- (b) Chapter 12 of the Engineers Council Act No 04 of 2017. Although inquiries should have been conducted regarding certain matters related to the instances of Professional misconducts of engineering professionals, no measure had so far been taken for the regulation of wrongs done by the professionals involved with engineering professionals. Procedures required for conducting inquiries on the professional misconduct of engineering professionals are now being concluded. It will be possible in the near future to take necessary action as and when a complaint is received to that effect. It is also expected to build public awareness in this regard. Action should be taken as per the provision in the Engineers Council Act.
- (c) Sections 15 and 18 of chapter 14 of the Engineers Council Act No 04 of 20. An engineering professional should not be engaged in engineering activities provided he has not been registered as an engineering professional. However, at the end of the year under review, the number of professionals of the Institution of Engineers, Sri Lanka and the Institution of Incorporated Engineers, Sri Lanka stood at 20,248 and 8,000 respectively, and only 18,127 professionals had been registered with the Engineers Council and no mechanism had been prepared and implemented to make the affiliated party aware in that regard and identify the persons who are engaged in engineering profession without being registered. A mechanism is being prepared to identify the persons who are engaged in engineering profession without being registered. The society could be adversely affected if this is not done properly. This is due to the reason that the registration being dependant on the granting of membership of the Institution of Engineers (IESL), Sri Lanka and the Institution of Incorporated Engineers (IIESL) Sri Lanka, as per the Engineers council Act. We have been informed that there is a practical difficulty by now for certain engineering professionals to obtain the memberships of those institutions. Discussions are now underway in this regard. Action should be taken as per the provision in the Engineers Council Act.

with the Institution of Engineers (IESL), Sri Lanka and the Institution of Incorporated Engineers (IIESL) Sri Lanka.

- (d) Section (E) of the powers of the Engineers Council Act No 04 of 2017. Although a procedure for conducting disciplinary inquiries on the professional misconduct of engineering professionals should be determined by the Engineers Council, such procedures had not been specified. The procedure for conducting disciplinary inquiries on the professional misconduct of engineering professionals is being completed by now. Disciplinary procedure has been completed in the language of English by the present time and the translation of it into Sinhalese and Tamil languages is currently underway. Action should be taken as per the provision in the Engineers Council Act

2. Financial Review

2.1 Financial Results

The operational result of the year under review was a surplus Rs10,550,000 as compared with the preceding year surplus of Rs. 8,954,000. Accordingly, an improvement of Rs. 1,596,000 was observed in the financial result. This improvement had been mainly caused by the increase in the income of registration fees and the treasury provision as against the increase in the expenditure of the Council.

3. Operational Review

3.1 Uneconomic Transactions

Audit Observation

The Accountant had been paid a sum of Rs. 312,000 by Rs. 26,000 per month for accounts related works of the Engineers Council (part time basis). However, a sum of Rs. 35,000 had been paid to some other party

Comments of the management

Quick Book software of the Institution of Engineers (IESL), Sri Lanka is used for the account works of the Engineers Council. Services of a person conversant with that software were needed to enter

Recommendation

No additional expenses should be incurred in respect of work to be done within the purview of the Accountant.

for account works such as preparation of bank reconciliations, journal entries, computation of depreciation, fixed depots interest and accounting of cheques.

the account done throughout the year under review to the software. After the accounts having been entered to the Quick Book software by a suitable officer of the Institution of Engineers (IESL), Sri Lanka, this sum (Rs.35000) was paid in respect of that service. However, action is now being taken to purchase the Quick Book software.