

Sri Lanka Accounting and Auditing Standards Monitoring Board - 2024

1. Financial Statements

1.1 Opinion

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board (the “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 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 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 reported 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 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 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.

1.3 Auditor's Responsibilities for the Audit of 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 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.

2. Financial Review

2.1 Financial Result Statement

According to the financial statements presented, government grants were the main source of income for the Board and it had increased by Rs.33,123,482, or 46 per cent during the year under review as compared with the preceding year. Similarly, the total expenditure of the Board for the year under review had also increased by Rs.33,123,482, or 46 per cent. The staff costs and building rent totaling Rs.70,277,322 represented 67 per cent of the total expenditure for the year under review, had slightly decreased compared with the 68.5 per cent of the total expenditure in the preceding year. Details are as follows.

Item	For the Year		Increase / Decrease	
	2024	2023		
	Rs.	Rs.	Rs.	%
Total Expenditure	104,668,457	71,544,975	33,123,482	46.29
Staff cost and Building Rent	70,277,322	49,014,373		
Percentage of the Total expenditure (%)	67.14	68.50		

The main reason for the increase of salary cost from Rs.35,050,482 in 2023 to Rs.53,418,460 in 2024 by Rs.18,367,978 or 52 per cent was due to the impact of the salary revision effected from the year under review.

3. Operational Review

3.1 Performance of the Reviewing Financial Statements of the Specified Business Enterprises

Audit Issue	Management Comment	Recommendation
According to the section 23 of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the function of the Board shall be to monitor the compliance with the Sri Lanka Accounting Standards and Auditing Standards, by Specified Business Enterprises (SBEs). Accordingly, total number of 1,708 SBEs were identified by the Board as meeting the criteria stipulated under the Act. Of these, the Board had planned to review 500 sets of financial statements of SBEs during the year under review for the above purpose. However, 112 sets of financial statements, or 22 per cent of the planned sets of financial statements, had not been reviewed by the Board as at 31 December 2024.	These targets are set based on an optimal level with the available staff. Board was only able to recruit 1 Director Supervision and 3 Assistant Director Supervision during the period of March – April 2024. Further, one of the senior Director Supervision resigned during this period. The new staff required to be trained on standards and review process. Further, during their learning period, the number of reviews they could complete were very low. As a result, the initially planned number of reviews could not be achieved. Further, external reviewers could only be engaged in December 2024 as in the absence of Administration staff.	Need to increase the number of reviews of financial statements of the SBEs as planned.

3.2 Delays in completion of the Project

Audit Issue	Management Comment	Recommendation
As stated in my previous audit reports, the Board had entered into an agreement with the State Engineering Corporation (SEC) of Sri Lanka on 30 January 2019, for consultancy services related to the design and supervision of interior works of the Board's office premises. The consultancy fee was agreed upon as 7 per cent of the total construction cost. It was observed that the consultancy services had progressed only up to the development	The design and supervision of interior works could not be completed due to stringent fund allocation policies of the Government for Capital Expenditure in the recent past. With the obtaining of approval of the Budget in March 2025, discussions with SEC were reinitiated. At present, SEC is in the	Necessary action should be taken to complete the task within the scheduled time line.

phase, with a total sum of Rs.1,197,814 disbursed as of 27 October 2021 to the SEC. However, the remaining scope of work had not been completed even up to 31 May 2025.

process of preparing the necessary documentation, including the Bill of Quantities. We intend to proceed with calling for bids shortly.

3.3 Management of Gratuity Fund of the Board

Audit Issue	Management Comment	Recommendation
<p>The gratuity provision made in the financial statements as at 31 December 2024 was Rs.9,761,906. However, a sum of Rs.5,100,000 had been transferred to the gratuity fund using the government grants received from the General Treasury during the year under review. Consequently, the gratuity fund balance in the financial statements stood at Rs.18,920,955, resulting in an excess of Rs.9,159,048 or approximately doubled the fund as against the gratuity provision as at 31 December 2024. Furthermore, it was noted that there is no documented basis or established methodology for determining the said amount transferred to the gratuity fund. Accordingly, the determination of the transferred amount appeared to be made solely at the discretion of management, without any objective rationale or supporting criteria.</p>	<p>We acknowledge that these additional transfers which are in excess of the actual liability were made with the intention of ensuring sufficient funds are available to meet gratuity obligations in a timely manner. However, going forward, we will ensure that such transfers are limited strictly to the actual liability payable to staff.</p>	<p>Need to ensure that the transfers to the gratuity fund are strictly limited to the actual liability.</p>

3.4 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>The approved cadre of the Board as at 31 December 2024 was 33 and actual cadre was 15 resulting 18 vacancies as at the date. Out of that, 01 position of Deputy/Assistant Director (Legal) had remained vacant from the inception of the Board. In addition, 4 positions of Director Supervision, 6 positions of Deputy Director Supervision, 4 positions of Assistant Director and one Executive had been remained vacant as at 31 December 2024. Accordingly, remaining vacant of executive level positions may affect to the effective functioning of the Board.</p>	<p>To fill up these vacancies, we have regularly advertised in newspapers and across multiple media platforms. Further some measures were taken to make supervision positions more attractive.</p>	<p>Action need to be taken to recruit suitable staff with the proper approvals.</p>