Enhancing Reliability

SLAASMB

Sri Lanka Accounting and Auditing Standards Monitoring Board

2023 ANNUAL REPORT

The Sri Lanka Accounting and Auditing Standards Monitoring Board was established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The function of the Board is to monitor compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of speciﬁed business enterprises. (See page 60)

Contents

ANNUAL REPORT - 2023

Members of the Board

Ms. K M A N Daulagala *FCMA (UK), MBA (USJP)* *MSc in Financial and Business Economics (Essex)* *Deputy Governor - Central Bank of Sri Lanka*	*Chairperson*	
S Dissanayake *LLM, Attorney-at-Law* *Registrar General of Companies*	*Ex- Officio Member*	
D R S Hapuarachchi *Commissioner General of Inland Revenue* *Masters in Taxation Policy and Management (Keio)* *B.Com Sp. (Col.), Dip. in Prof. Diplomacy and World Affairs (SL)*	*Ex- Officio Member* *(up to 26 August 2023)*	
C Mendis *Attorney-at-Law* *Director General, Securities and Exchange Commission of Sri Lanka*	*Ex- Officio Member*	
W W J C Perera *FCA, FCMA, B.Sc Business Admin (USJP), CFE* *Partner – KPMG*	*Appointed Member*	*CA Sri Lanka*
H M A Jayesinghe *FCA, FCMA, CIPFA* *Past President - CA Sri Lanka, Country Managing Partner - Ernst & Young, Sri Lanka and Maldives*	*Appointed Member*	*CA Sri Lanka*
S M S S Bandara *FCA, MBA (Col.),* *B.Sc (Acc. and Fin. Management) (USJP)* *Immediate Past President - CA Sri Lanka, Partner – B R De Silva & Company*	*Appointed Member*	*CA Sri Lanka*
P R A I Gunarathna *ACMA (UK), CGMA, ACCA Affiliate,* *Dip.in Banking and Fin., B.Sc. Eng. (Hons), MBA (UK)* *Director, Corporate Finance – Cinnamon Hotels and Resorts* *Director – Wake up Zone (Pvt) Ltd*	*Appointed Member*	*Chartered Institute of Management Accountants of UK Sri Lanka Division*
R T Amarasuriya *LLB (Hons.) (Col.), FCMA (UK), FCMA (SL),* *CGMA, AFGG-Raisina Fellow, Attorney-at-Law* *Immediate past Secretary - Bar Association of Sri Lanka, Former Commission Member Securities and Exchange Commission of Sri Lanka, Executive Committee Member of LAWASIA*	*Appointed Member*	*Bar Association of Sri Lanka*
Ms. M P Abeyesekera *FCMA (UK), CGMA, FCA,* *B.Sc (Hons.) (Col.), MBA (Col.), GSLID* *Independent Non-Executive Director-* *Kapruka Holdings PLC*	*Appointed Member*	*Ceylon Chamber of Commerce*
K K S Gunawardane *BA (Hons.) Econ. Sp., Dip.in Hypermedia Eng. (Col.), Dip.in Multimedia Technology (Col.),* *PGDip in Busi. and Fin. - ICA (SL)* *Managing Director/ Chief Executive Officer* *Graphic Systems (Pvt) Ltd*	*Appointed Member*	*Federation of Chambers of Commerce and Industry of Sri Lanka*
W P R P H Fonseka *FCA, SFIBs (SL), B.Sc Busi. Admin (Hons.) (USJP), PGDip in Mgmt. (PIM), MBA (Ausi.)* *General Manager / Chief Executive Officer –* *Bank of Ceylon*	*Appointed Member*	*Sri Lanka Bank's Association*
Prof. A. Jayamaha *FCA, PhD (USQ-Aus.), M.Com (UoK) ,* *B.Com(UoK)* *Dean - Faculty of Graduate Studies, University of Kelaniya*	*Appointed Member*	*University Grants Commission*
Ms. M D G L Perera *FCA, MBA (Col.)*	*Secretary to the Board*	

Members of the Board
As at 31st December 2023

K M A N Daulagala
FCMA (UK), MBA (USJP), MSc in Financial and Business Economics University of Essex UK

Ms. Daulagala, Chairperson of the Board, is a Deputy Governor at the Central Bank of Sri Lanka. She counts over 32 years of service at the Central Bank of Sri Lanka with exposure in the fields of finance, auditing, reserve management, regulation and supervision, macro prudential surveillance, human resource management and risk management.

S Dissanayake
LLM, Attorney-at-Law

Mr. Dissanayake, Registrar General of Companies is a Deputy Solicitor General attached to the Attorney General's Department of Sri Lanka and is presently released by the Public Service Commission (PSC) to take up duties as the Registrar General of Companies.

Mr. Dissanayake has experience both in the Criminal and Civil Divisions of the Attorney General's Department and has worked as a prosecutor of the Fiji Independent Commission against Corruption during 2010- 2011. He serves as a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and as a Commissioner of the Insurance Regulatory Commission of Sri Lanka (IRCSL) and of the Securities and Exchange Commission of Sri Lanka (SEC).

D R S Hapuarachchi
Masters in Taxation Policy and Management (Keio) B.Com (Sp) (Col), Dip. in Professional Diplomacy and World Affairs (SL)

Mr. Hapuarachchi counts over 36 years of experience at the Inland Revenue Department (IRD), with expertise in fields of tax compliance process including registration, assessment and collection, tax policy and international affairs, interpretations and in clarifications.

He has published numerous research papers on taxation for foreign universities during 2002 – 2005 and is a recipient of many awards and accolades for high achievements at the examinations conducted by the IRD.

C Mendis
Attorney – at – Law

Mr. Mendis is the Director General of the Securities and Exchange Commission of Sri Lanka.

Members of the Board
As at 31st December 2023

W W J C Perera
FCA, FCMA, B.Sc. Business Administration (USJP), CFE

Mr. Perera, a past President of the CA Sri Lanka, is a Partner at KPMG Sri Lanka. He leads the Risk Consulting and Forensic Services at KPMG. He is also a Certified Fraud Examiner, accredited by the Association of Certified Fraud Examiners of USA.

H M A Jayesinghe
FCA, FCMA, CIPFA

Mr. Jayesinghe, a past President of the CA Sri Lanka was the immediate past Country Managing Partner of Ernst & Young, Sri Lanka and Maldives. He has also been, the Head of Assurance in–charge of Banking and Finance Services Practice at Ernst & Young.

Mr. Jayesinghe having 41 years of extensive experience in accounting and auditing, serves as the Chairman of the Accounting Standards Committee of the South Asian Federation of Accountants (SAFA) and the Statutory Accounting Standards Committee of the CA Sri Lanka. He serves as a member in many other statutory bodies, professional associations and educational institutions. He also serves as a consultant to the Audit Committees of some listed companies.

S M S S Bandara
FCA, MBA (Colombo), B.Sc Accountancy and Financial Management (USJP)

Mr. Bandara, President of CA Sri Lanka during the year is a Partner of B. R. De Silva & Co. Chartered Accountants and counts over 25 years of experience in practice, specializing in assurance services and financial reporting.

He is also a Board Member of the Confederation of Asia Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA). Further, he is a member of the governing council of the University of Kelaniya and was a commissioner of the Securities and Exchange Commission of Sri Lanka.

P R A I Gunarathna
ACMA (UK,) CGMA, ACCA Affiliate, Diploma in Banking and Finance, B.Sc. Engineering (Hons), MBA (UK)

Mr. Gunarathna, Director – Corporate Finance of Cinnamon Hotels and Resorts and Director of Wake Up Zone (Pvt) Ltd, counts over 12 years of experience in the fields of accounting and finance. In the past, he has served as the Head of Finance at Resus Energy PLC, Brandix Group and at KPMG. He has been a member of the Middle East, South Asia and North Africa Regional Advisory panel of the Association of International Certified Professional Accountants.

Mr. Gunarathna is a senior lecturer in CIMA and has conducted CIMA lectures in different geographies including Sri Lanka, Myanmar, Vietnam, Nigeria and the Asia Pacific Region.

Members of the Board

As at 31st December 2023

R T Amarasuriya

LL.B (Hons.) (Col), FCMA (UK), FCMA (SL), CGMA,AFGG-Raisina Fellow, Attorney-at-Law

Mr. Amarasuriya is a regular practitioner before the Appellate Courts in Sri Lanka, specializing in all aspects of Appellate Law, as well as Constitutional and Public Law and has a varied practice in diverse fields and subjects, including Civil, Contractual, Commercial, Property, Taxation, Banking, Labour and other disciplines of the law.

In 2013, he was awarded the prestigious CIMA Star Gold Award by the Chartered Institute of Management Accountants (CIMA) as the most outstanding CIMA Member (Sri Lanka) below the age of 40 years and in 2021 was named as one of the LMD - CIMA Trailblazers.

He is the immediate past Secretary of the Bar Association of Sri Lanka, a Member of the Standing Committee on Legal Studies of the University Grants Commission, a Member of the Governing Council of University of Colombo, and the Sri Lanka Country Representative of the Commonwealth Legal Education Association. He is also an Executive Committee Member of the Law Association for Asia and the Pacific (LAWASIA).

He is a former Commission Member of the Securities and Exchange Commission (SEC) of Sri Lanka and a Former Member of the Incorporated Council of Legal Education of Sri Lanka, Immediate Past president of the Alumni Association of the University of Colombo and a Former Member of the Board of Governors of the Sri Lanka National Arbitration Centre.

Manohari Abeyesekera

FCMA (UK), CGMA, FCA, B.Sc (Hons.) (Col), MBA (Col), GSLID

Ms. Abeyesekera, an independent Non- Executive Director of Kapuruka Holdings PLC, counts over 21 years of experience in the field of Finance. Previously, she worked as a Director at the National Savings Bank and in some subsidiaries of the Hayleys Group. She was also the Head of Strategic Business Development at Hayleys PLC.

Ms. Abeyesekera serves as a member of the CIMA UK Global Council representing South Asia and is a council member of the Sri Lanka Institute of Directors. In 2019, Ms. Abeyesekera represented Sri Lanka in the Fortune US Department of State Global Women's Mentoring Program and in 2014, she was selected for the prestigious International Visitor Leadership Program (IVLP) by the Department of State, USA.

Ms. Abeyesekera is a recipient of a scholarship from the Association for Overseas Technical Corporation and Sustainable Partnerships (AOTS), Japan, to study corporate management in 2015. She has also received awards in Women Leadership and has been the batch top of her MBA programe at the University of Colombo.

K K S Gunawardane

BA (Hons.) Economics Sp., Dip.in Hypermedia Engineering (Col), Dip.in Multimedia Technology (Col), PGDip in Business and Finance - ICA (SL)

Mr. Gunawardane, the Chairman / Managing Director of Graphic Systems (Pvt) Ltd and Graphic Systems International (Pvt) Ltd, counts over 38 years of experience in the fields of printing, IT, accounting and finance.

Presently Mr. Gunawardane is the President of the Federation of Chambers of Commerce and Industry of Sri Lanka and the Chairman of the Advisory Committee on Trade Information and Promotion at the Export Development Board. He also serves on many other Boards of Companies and Associations. Mr. Gunawardane is a recipient of many awards including the awards of the Sri Lanka Entrepreneur of the year in 1999 and 2001.

Members of the Board

As at 31st December 2023

W P R P H Fonseka
FCA, SFIBs(SL), B.Sc Business Administration (Hons.) (USJP), PGDip in Management (PIM), MBA (Ausi.)

Mr. Fonseka has been a member of the Corporate Management of the Bank of Ceylon since 2012 and currently serves as the General Manager of the Bank. He counts over 33 years of experience in banking, locally and internationally and has expertise in the areas of retail lending, corporate and offshore banking, international operations, and in treasury and investment. He has specialized in financial management, financial reporting and strategic planning in the field of banking.

Mr. Fonseka serves as a Director of the Boards of many entities in the private sector as well as in the public sector. He also holds responsibilities as the Chairman to the Audit Committees of some of the companies.

Mr. Fonseka is the past President of the Governing Council of Association of Accounting Technicians of Sri Lanka (AAT Sri Lanka).

Professor A. Jayamaha
FCA,PhD (USQ-Aus), M.Com (UoK), B.Com (UoK),FCA

Professor Jayamaha, Professor of Accounting at the Department of Accountancy of the University of Kelaniya (UoK) is also the Dean of the Faculty of Graduate Studies of the UoK. He counts over 41 years of service at the UoK and has served as the Head of the Department of Human Resource Management, Department of Accountancy and as the coordinator of the Master of Business Administration programme in the Faculty of Commerce and Management Studies at the UoK.

Professor Jayamaha was awarded the Doctorate of Philosophy in 2010. He is a practitioner and precedent partner of Jayamaha Pushpakumara and company and renders his service as a reviewer of the institutional review of Sri Lankan Universities and higher educational institutions conducted by the University Grants Commission of Sri Lanka and has been a Director of HDFC Bank since 2020.

Observers / Invitees of the Board

As at 31st December 2023

Chairman of Statutory Auditing Standards Committee

T.J.S. Rajakarier

FCA, FCCA, FCMA, CGMA

Mr. Rajakarier, Partner at KPMG Sri Lanka, counts over 37 years of service in public accounting practice. He is the Chief Operating Officer of KPMG. He was the Head of Financial Services for the Middle East and Southern Asian Region of KPMG and continues to Head the Audit practice for Sri Lanka. His work exposure includes overseas experience in Oman, Dubai, Maldives and London. He has also served as the Chairman of ACCA Sri Lanka during 2018 – 2020.

Mr. Rajakarier serves as the Chairman of the Statutory Auditing Standards Committee of the CA of Sri Lanka and is a member of the Statutory Accounting Standards Committee. He has been actively involved in setting policies and providing guidance by serving on several other committees and faculties at the CA Sri Lanka.

Observer of the Board Treasury Representative

K V C Dilrukshi

B.Sc. (Accountancy and Financial Management), MBA, MBS

Ms. Dilrukshi, Director of the Department of Public Enterprises, counts over 21 years of experience in the public sector. She serves as a member of the Board of the National Development Bank.

Director General

A I Mohotti

FCA, FCMA (UK), CGMA, MBA (Leicester), BBA (Hons.)(Col),

Mrs. Mohotti, Director General of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) has over 35 years of experience in the field of financial and business management and in auditing. Her experience includes 23 years of service at SLAASMB regulating the preparers of financial statements and audits for compliance with accounting and auditing standards. Prior to becoming a part of the regulatory team at SLAASMB, she served in the Carsons group and at Ernst & Young.

Board appointed sub – committees during the year 2023

Audit Committee

Mr. S M S S Bandara – Chairman
Professor A Jayamaha – Member
Ms. W H A Wimalajeewa – Member (up to 27 February 2023)
Ms. K V C Dilrukshi – Member (w.e.f. 21 March 2023)
Ms. L D R L Liyanage – Auditor Generals Representative – Observer
Non member Secretary – Ms. H B Razzak (Deputy Director General)

Remuneration Committee

Ms. K M A N Daulagala – Chairperson
Ms M P Abeyesekera – Member
Mr. R T Amarasuriya – Member
Mr. P R A I Gunarathna – Member
Mr. W P R P H Fonseka - Member
Mr. Manil Jayesinghe - Attended by invitation of Chairperson
Mr. S Dissanayake – Attended by invitation of Chairperson
Mr. S M S S Bandara - Attended by invitation of Chairperson
Ms. W H A Wimalajeewa – Member (up to 27 February 2023)
Ms. K V C Dilrukshi – Member (w.e.f. 21 March 2023)
Non member Secretary – Ms. A I Mohotti (Director General)

Technical Sub – Committee

Ms. M P Abeyesekera - Chairperson
Mr. W P R P H Fonseka – Member
Mr. H M A Jayesinghe – Member
Prof. A Jayamaha – Member
Mr. C Mendis - Member
Non member Secretary – Ms. M L Hewage, Director Technical (up to 27 June 2023)
Non member Secretary – Ms. H B Razzak, Deputy Director General (w.e.f. 28 June 2023)

IT Steering Committee

Mr. P R A I Gunarathna - Chairman
Mr. W W J C Perera – Member
Mr. S Dissanayake – Member
Mr. K K S Gunawardane - Member
Ms. A I Mohotti (Director General) – Member
Non member Secretary – Ms I E Iddamalgoda, Director Technical (up to 1 November 2023)
Non member Secretary – Ms. D.M.Menmendaarachi, Director Technical (w.e.f 2 November 2023)

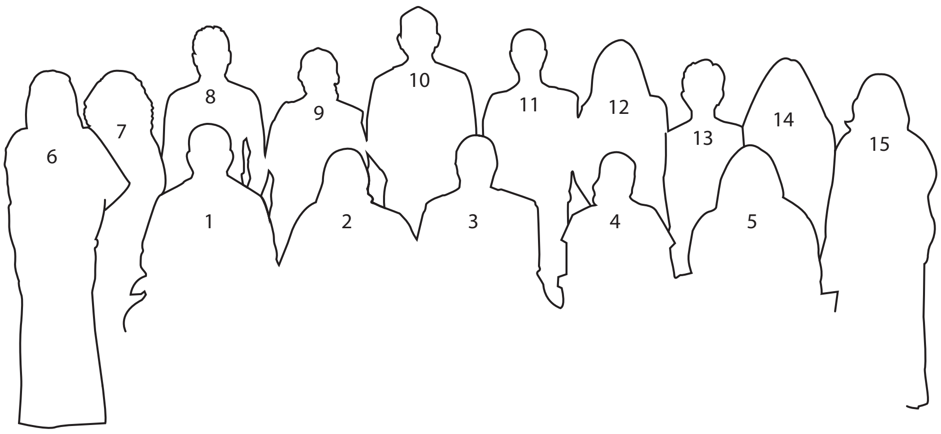
Conflict Resolution Committee

Mr. C Mendis – Chairman
Mr. S Dissanayake – Member
Mr. R T Amarasuriya – Member
Mr. D R S Hapuarachchi – Member (up to 26 August 2023)
Mr. W P R P H Fonseka – Member
Non member Secretary – Ms. A Ahamath (Deputy Director General)

Act Amendment Committee

Mr. R T Amarasuriya – Member
Mr. S Dissanayake – Member
Mr. H M A Jayesinghe – Member
Mr. S M S S Bandara – Member
Non member Secretary – Ms. H B Razzak (Deputy Director General)

Staff of the Board during 2023



1. K. Sivakumar - *(Upto 21 July 2023)*
2. Ms. Asha Ahamath
3. Ms. Anusha I Mohotti
4. Ms. Hafsa B Razzak
5. Ms. M Lakmalie Hewage - *(Upto 27 June 2023)*
6. Ms. Hiranthi Jayaweera
7. Ms. Imalka Iddamalgoda - *(Upto 01 November 2023)*
8. K. Rasika S Bandara
9. Ms. Dumindha K. Guruwatte
10. H.S.U.P. Jayawardena - *(Upto 19 May 2023)*
11. Ms. D M Nilanthi P Dandeni - *(Upto 01 September 2023)*
12. Ms. Kalani Hettiarachchi
13. Ms. F Shiromi Abeykoon
14. Ms. Dilinika M. Menmendaarachi
15. Ms. L Wathsala Mallawarachchi - *(Upto 27 June 2023)*

Supervision Staff of the Board as at 31 December 2023

Ms. Anusha I Mohotti
FCA, FCMA (UK), CGMA, MBA (Leicester), BBA (Hons.)(Col),
Director General

Ms. Asha Ahamath
FCA, MBA (Col)
Deputy Director General

Ms. Hafsa B Razzak
FCA, ACMA (UK), CGMA, MBA (USJP)
Deputy Director General

Ms. Dilinika M Menmendaarachchi
FCA, ACCA, B.Sc (Acc) Sp (Hons.) (USJP)
Director Supervison

Ms. H A Kalani S Hettiarachchi
FCA, ACCA, MBA (PIM_USJ), B.Sc (Acc) Sp (Hons) (USSP)
Director Supervison

Review of Activities of SLAASMB - 2023

1. Introduction

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) was established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 as a regulatory body, and its active operations commenced in the year 2000. The Act defines certain entities as Specified Business Enterprises (SBEs – see page 59 for definition of SBEs) and such SBEs are required to comply with Sri Lanka Accounting Standards (SLASs) when preparing and presenting their financial statements and their auditors are required to comply with Sri Lanka Auditing Standards (SLAuSs) when conducting the audits of these SBEs. The Act requires the said SBEs to submit their annual audited financial statements to SLAASMB to enable SLAASMB to monitor compliance with SLASs and SLAuSs.

SLAASMB carries out its functions by reviewing financial statements received, inspecting audits of SBEs, conducting investigations on failure to comply with standards, and taking appropriate corrective action with regard to non-compliance with standards by SBEs and their auditors. Under the Act, SLASs and SLAuSs are promulgated or adopted by the CA Sri Lanka. In order to make recommendations and assist CA Sri Lanka to adopt such standards, an Accounting Standards Committee and an Auditing Standards Committee has been established under the Act. CA Sri Lanka adopts accounting standards based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB). Similarly, the auditing standards adopted are based on the International Standards on Auditing (ISAs) developed by the International Auditing and Assurance Standards Board (IAASB). Presently, CA Sri Lanka has adopted nearly 41 Accounting Standards and 38 Auditing Standards aligning with the said International Standards, which are required to be complied with by the SBEs and their auditors.

2. Review of Financial Statements

2.1. Methodology followed on Reviews

SLAASMB conducts the reviews of financial statements to ensure the SBEs comply with SLASs when preparing and presenting their annual financial statements. Accordingly, SLAASMB reviews the financial statements with focus on recognition and measurement requirements as well as presentation and disclosure requirements of SLASs. When SLAASMB detects noncompliance with standards, the action is instigated based on the materiality of such noncompliance. Accordingly, where a cause for concern relating to material noncompliance with standards is not observed, such financial statements are considered as compliant with SLASs. However, when issues have been identified in financial statements that are material but do not require to use statutory provisions, such financial statements are considered as compliant with observations and the findings are communicated to the respective SBEs in the form of a letter of assistance to improve compliance in the future.

In instances where the deviations from standards materially alter the financial position and financial performance, SLAASMB seeks an undertaking from such SBE to make the required corrections in the next financial statements to be issued. In this process, when the noncompliance is of a recurrent nature with no foreseeable improvements, SLAASMB issues a Letter to such SBE warning of the noncompliance and informing of the need to improve their financial reporting in the future.

When deviations from SLASs contravene the provisions of the statute, but the contravention is not of a serious nature, a Direction is issued by the Board. However, where deviations from SLASs makes the financial statements misleading, legal action is instigated based on the statute.

2.2. Highlights of Review of Financial Statements

As at 31 December 2023, 1,707 entities were identified by SLAASMB to have met the criteria laid down by the Act. No 15 of 1995 termed as SBEs, to be monitored under the Act. During the year, 1,566 SBEs had submitted 1,732 sets of financial statements of which some financial statements were in relation to prior years. Similarly, during the preceding year, 1,564 SBEs had submitted 1,738 sets of financial statements to SLAASMB.

SLAASMB completed reviews of 261 sets of financial statements relating to 261 SBEs compared with the 252 sets of financial statements planned for the year based on the revised plan. In comparison, SLAASMB had completed the review of 541 sets of financial statements relating to 534 SBEs during 2022. The significant decline in the number of financial statement reviews completed during the year is a result of the low number of inspection staff available during the year due to 83% of the inspection staff positions being vacant at the end of the year, arising from resignations and a promotion, and difficulties in attracting professional staff as a result of salary constraints.

Review of Activities of SLAASMB - 2023

However, based on the recommendations made by a foreign consultant in the past to facilitate more effective coverage of financial statement reviews, and to align with the global best practices, SLAASMB conducted the reviews by adopting a mixed model on selecting financial statements for review, during the current year too, which combined a risk-based approach with random and rotation approaches. The public accountability of the entities were also considered when determining the selection of high-risk entities in the aforesaid selection of reports and thereby as stated previously, of the reviews completed, 71% comprised of regulated entities while the balance represented economically significant private entities. This composition of SBEs reviewed is expected to facilitate financial statements of private entities to be covered within the planned 3-5 year cycle based on resource availability.

Reviews under the risk-based approach were conducted on pre-determined themes based on industry-focused risk criteria. The said theme focus review approach enabled staff to focus in to greater-depth on specific aspects of standards that paved way to identify aspects that are important for a high quality corporate reporting.
The key themes focussed by SLAASMB during the year included recognition, measurement and disclosures in relation to impairment of property plant and equipment, fair value measurement and related disclosures by companies in the real estate sector, presentation of cash flow statement and liquidity disclosures, tax disclosures and measurement and disclosures in relation to consumable biological assets.

Review of Activities of SLAASMB - 2023

2.3. Performance Statistics of the Board

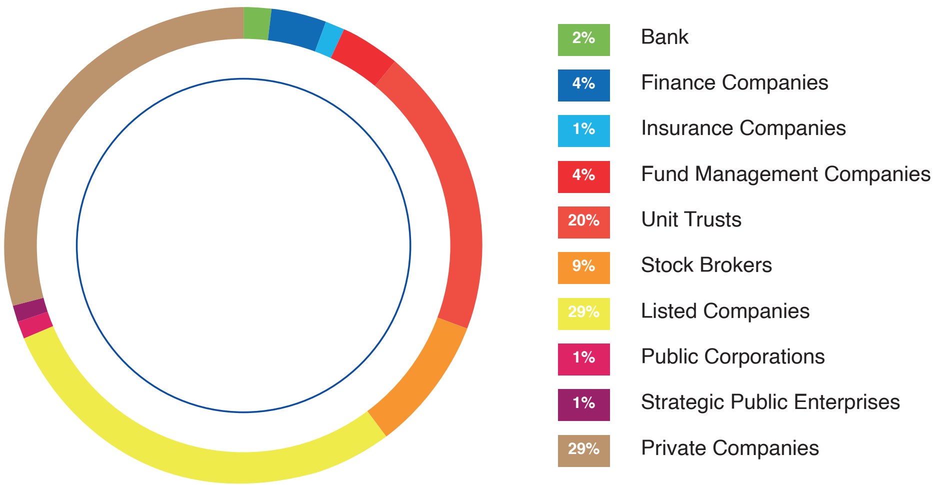
		2023	2022
1.	**No. of SBEs Identified (as at period end)**	1,707	1,671
2.	**Financial statements received**		
	No of financial statements (including relating to multi years)	1,732	1,738
	No. of .SBEs	1.566	1,564
3.	**Financial statements reviewed (completed)**		
	No. of Reviews	261	541
	No. of SBEs	261	534
4.	**Findings from financial statements Reviews**		
	4.1 Compliant		
	No. of financial statements	192	344
	No. of SBEs*	192	342
	4.2 Compliant with observations		
	No. of financial statements	66	194
	No. of SBEs*	66	192
	4.3 Non-compliant		
	(Undertakings, Directions, Warnings)		
	No. of financial statements	3	3
	No. of SBEs*	3	3
5.	**Findings of financial statements**		
	as % of financial statements reviewed		
	Compliant	74%	63%
	Compliant with Observations	25%	36%
		99%	99%
	Non-compliant (Undertakings, Directions, Warnings)	1%	1%
6.	**Audit Inspections (completed)**	9	10
	No. of Inspections	16	33
	No. of audit firms	6	9
7.	**Findings from Audit Inspections**		
	7.1 Compliant		
	No. of Inspections	13	23
	No. of audit firms	5	7
	7.2 Compliant with observations		
	No. of Inspections	3	9
	No. of audit firms	3	5
	7.3 Non-compliant		
	(Warnings and referrals to Attorney General)		
	No. of Inspections	-	1
	No. of audit firms	-	1
8.	**No of inspection staff engaged (at year end)**	2	7

** excludes multi-years reviewed*

Review of Activities of SLAASMB - 2023

Sectoral representation of the completed financial statement reviews are as follows

FS Reviews completed



The review findings during the year 2023 revealed 1% of the financial statements reviewed were non-compliant. It also showed that based on the areas focused in the reviews, 74% of financial statements reviewed were compliant and 25% of the financial statements were compliant with observations communicated by letters of assistance.

Material deviations from the relevant requirements of Sri Lanka Accounting Standards which substantially altered the financial position and financial performance were identified in the financial statements of two SBEs. Accordingly, corrective action in the form of undertakings were obtained from the said SBEs, to make corrections in the preparation and presentation of financial statements of the following period. Further, a Company engaged in financing activities had failed to prepare their financial statements as required by the Act No. 15 of 1995 and their auditor had disclaimed the opinion. The said violation was referred to the Attorney General for advice on the required action.
Departures from Sri Lanka Accounting Standards detected, which were not material to require the use of procedures using statutory provisions, were informed to SBEs, as observations, by letters, without extensive inquiries, so that the SBEs could, where necessary, improve on the compliance, on their own. During the year, letters of observations were issued in respect of 66 sets of financial statements.

(See page 19 for details on Findings on the review of financial statements during 2023 and page 21 for Undertakings and matters referred for legal advice during 2023).

3. Inspection of Audits

During the year, 16 audits carried out by 6 firms of practicing Chartered Accountants were inspected, compared with the 33 audits carried out by 9 firms that were inspected during the preceding year. The decline in the number of inspections is attributed to the reduced number of inspection staff available at SLAASMB as detailed in 7.1 below.
The audit files on which the inspections were carried out during the year were selected on a risk-based approach. Based on the findings from the inspections, 13, audits were compliant with SLAuSs in respect of the areas focused on the inspections. Findings in balance 3 inspections did not require further action under the statute and the said findings were communicated to the respective auditors by letters of observation. These findings were related to audit deficiencies in areas of planning of audits, gathering audit evidence, auditing accounting estimates, communicating with Those Charged with Governance (TCWG) and going concern.

The 3 audits relating to which observations were communicated in respect of deficiencies were conducted by 3 firms compared with the 9 audits conducted by 5 firms during 2022.

(See page 22 for Audits Inspections during 2023).

4. Investigations and matters referred to Attorney General

4.1. Adam Capital PLC

Consequent to the Board issuing a direction requesting Adam Capital PLC to re-audit the financial statements for the year ended 31 March 2016 as the incoming auditor had issued an unqualified opinion when the Company

Review of Activities of SLAASMB - 2023

had failed to maintain proper books of accounts and related records, the Company was not willing to bare the additional costs of a re-audit.

In response, SLAASMB having observed the continuous violation of the Auditing Standards by the said auditor and failure by the said auditor to address the matters communicated by SLAASMB in the audit of the subsequent year's financial statements, has taken measures to instigate legal action against the Auditor and the Company, and has referred the matter to the Attorney General.

4.2 Bimputh Finance PLC

Bimputh Finance PLC had failed to maintain proper books of accounts for the year ended 31 March 2021 as required by section 6 (1) of the Act No. 15 of 1995 and their auditor had expressed a disclaimer of opinion on the said financial statements. In addition, SLAASMB observed that the Company had published incomplete and erroneous information in the said financial statements.

In light of the above, SLAASMB, has sought advice of the Attorney General on the action to be taken.

5. Assistance to the Standards Setter

The Accounting Standards Committee and the Auditing Standards Committee of the CA Sri Lanka established under Act No. 15 of 1995 makes recommendations and assists the Council of CA Sri Lanka in adopting accounting and auditing standards in Sri Lanka.

During the year, the activities performed by the aforesaid Committees included the following:

- Publication of Sri Lanka Accounting Standards (SLFRSs/ LKASs) Bound Volume 2023 in compliance with standards issued by the International Accounting Standards Board (IASB)
- Publication of Sri Lanka Related Services Practice Statement (SLFRSPS) 4752 Engagement to Report on the Compliance with the Corporate Governance Directive Issued by the Central Bank of Sri Lanka for Finance Companies
- Assistance for Government Debt Restructuring Programme
- Issuance of a few Frequently Asked Questions (FAQs);
    - o On the deliberations on the use of Discount Rate under the uncertain economic conditions,
    - o Sri Lanka Accounting Standards (SLAS) 12, Income Taxes, regarding the accounting treatment for tax rate changes,
    - o Accounting Treatment for Financial instruments issued under government Domestic Debt Optimization (DDO) programme,
    - o Accounting treatment for Superannuation Funds resulting from the government DDO Programme,
- Amending and gazetting existing SLFRSs/ LKASs, including translation of such pronouncements into Sinhala and Tamil languages,
- Responding to the exposure drafts and deliberating on IFRSs/ ISAs and the amendments issued by the International Accounting Standards Board and International Auditing and Assurance Standards Board and,
- Conducting awareness programs/ sessions and webinars on the new or amended standards.

In continuing the past arrangement with the Ministry of Finance of providing an annual grant to CA Sri Lanka to assist the standard-setting activities, during the year a sum of Rs.2 million was paid by SLAASMB to CA Sri Lanka to partly finance the cost of the two Committees and to adopt SLFRSs/ LKASs. However due to budgetary constraints faced by SLAASMB, the annual grant provided for 2023 was reduced to 50% of the grants provided during the past years.

(See page 35 Activities relating to Standard Setting by CA Sri Lanka during 2023).

6. International Relations

In order to keep itself abreast of the developments around the world on matters relating to financial reporting, auditing and monitoring compliance, SLAASMB holds membership in many international organizations. This affiliation has opened a window for SLAASMB to obtain information and assistance from other global regulators, and to carry out activities which are of benefit to many regulators as joint activities.

Review of Activities of SLAASMB - 2023

SLAASMB maintains membership of the following international organisations:

a) International Forum of Independent Audit Regulators (IFIAR) - a member since its first plenary meeting held in 2007.
b) Consultative Advisory Group of the International Auditing and Assurance Standards Board (IAASB) –appointed as a member in 2007.
c) Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) – appointed as a member in 2009.

In addition, the staff of SLAASMB has been representing Sri Lanka at the sessions of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (ISAR) conducted annually by the United Nations.

SLAASMB has also been representing the ASEAN Audit Regulators Group (AARG) as an observer since 2018.

Due to the stringent budgetary controls enforced by the Government due to the challenging economic situation in the country, SLAASMB was not able to participate in any of the physical sessions conducted by the above International Organizations. However, due to the conduct of some sessions in virtual form during the year, the staff were able to participate in the webinars conducted by IFIAR, namely in the sessions with audit firms who are members of the Global Public Policy Committee, which under normal circumstances are agenda items of the Plenary meeting of IFIAR.

As the sessions conducted by IFIAR are attended by independent audit regulators around the world, these meetings and conferences usually provide an informative knowledge-sharing platform for SLAASMB. However, the staff of SLAASMB could not reap the benefits of the sessions due to the inability to attend the sessions presently conducted in the physical from. One staff member participated in the meetings of the two consultative Advisory Groups held as virtual sessions.

Attendance at these global sessions has been very important to SLAASMB's capacity building as in the past, participation at the meetings, inspection workshops, and conferences related to audit regulation has enabled discussions and networking with fellow audit regulators throughout the world. Insights into global best practices in the past have resulted in SLAASMB modifying its regulatory mechanism to strengthen the regulatory environment in the country. Similarly, through these networking mechanisms, SLAASMB has been able to identify experts in the fields of regulating financial reporting and auditing, to improve the regulatory methodologies adopted over the years.

7. Human Resources

7.1. Staff

As of 31 December 2023, SLAASMB had a total staff of ten (10) in service out of its thirty three (33) cadre positions. With the seven (7) resignations during the year, SLAASMB made many attempts to fill the vacancies but was not successful and thereby functioned with an acute staff shortage during a major part of the year. As of the year end, the total technical staff comprised of five (5) Chartered Accountants, all of whom were employed on a permanent basis, and comprised of the Director-General, two (2) Deputy Director-Generals and two (2) Directors.

SLAASMB commenced the year having vacancies in the inspection staff due to three (3) Technical posts continuing to be vacant since 2019 and two (2) Technical posts being vacant since 2021 and 2022 respectively. The existing vacancies increased further during the year, due to the resignations of two (2) Director Technical * and two (2) Assistant Director Technical *, all of whom had over ten years of exposure in regulatory functions at SLAASMB. Further, with the vacancy created by the internal promotion to the post of Deputy Director General in February 2023, a total of ten (10) vacancies remained to be filled out of the twelve (12) inspection staff positions during the year. The said ten (10) vacant positions comprised of four (4) Director Supervision posts and the six (6) Assistant Director Supervision posts. The existence of these vacancies are a result of SLAASMB being unable to attract well-experienced, technically competent Chartered Accountants at the salary scales applicable as per the Ministry Circulars. This issue was deliberated with the Ministry of Finance over a decade without a satisfactory resolution due to the need to be within the Government salary scales. In pursuing a resolution to the salary issue to attract and retain professional staff, as a result of the discussions the Board had with the Ministry, the Cabinet approval was granted in June 2021 to provide salaries to attract professionally competent Chartered Accountants to SLAASMB. However, due to the long delay in receiving the concurrence of Ministry to the revised Schemes of Recruitment, SLAASMB was not successful in filling the vacancies nor

** Director/ Assistant Director Technical were re-designed as Director / Assistant Director Supervision during 2023*

Review of Activities of SLAASMB - 2023

was SLAASMB successful in retaining the existing trained staff. Director/ However, considering the significant effect the staff shortage has on SLAASMB's performance of the regulatory obligations, the Honourable Minister of Finance, Economic Stabilization and National Policies granted special approval in August 2023 to facilitate a resolution to the prolonged salary issue of the professional staff. However, majority of the vacant posts remained vacant as at the end of 2023, in spite of the Board making four attempts to fill the said posts after receiving the aforementioned special approval.

Due to resignations during the year, the Finance and Administration division functioned without a divisional head, IT administrator and a pool vehicle driver. Similar to the technical vacancies, despite many attempts, SLAASMB was not successful in filling the said vacancies up to the end of the year except for the recruitment of a Management Assistant.

The continuous shortage of competent technical staff engaged in the review functions resulted in limiting the conduct of the anticipated number of financial statement reviews and audit inspections. This is further affected with the remaining technical staff having to oversee the key finance and administration roles that remain vacant as well.

In this background, as a measure to enhance the review coverage, SLAASMB continued to obtain the services of the external panel of reviewers engaged over the years to perform the preliminary review function of the financial statement reviews. However, the review coverage had to be limited as finalization tasks of the reviews of which the preliminary reviews were carried out by the external review panel too are required to be performed by the existing technical staff in addition to the reviews performed by them in full.

7.2. External Panel of Reviewers

In pursuance of the recommendations of the COPE in 2012, SLAASMB continued to obtain the services of external reviewers during the year to review financial statements received in its attempt to increase the number of financial statements being reviewed. Accordingly, SLAASMB had twelve (12) external reviewers as at the end of the year compared with thirteen (13) reviewers of 2022.

With the aim of enhancing the quality of the reviews conducted by the external reviewers, an evaluation of the quality of the reviews performed by the external reviewers is conducted on a periodic basis. Based on the results of the evaluation of reviewers, the reviewers' services are continued or discontinued. This also enables the identification of areas for improvement in reviewers and facilitates the enhancement of the quality of the reviews conducted by the external reviewers.

Of the reviews completed during the year, the preliminary reviews were carried out on 12 sets of financial statements by the external reviewers and Rs 0.19 million was expended to obtain their services. The external review panel was given a lower number of reports as the preliminary reviews performed by these external review panel members needs to be completed by the internal staff and as a result of the acute shortage in inspection staff detailed in section (7.1) of this review, the number of reviews conducted by the external review panel was low.

In completing the reviews of the said 12 sets of financial statements, based on the findings of external reviewers, the staff of SLAASMB had to obtain additional information, seek agreements for corrections, issue observation letters and take corrective actions under the statute. In addition, of the financial statement reviews completed during the year, the preliminary review of 249 sets of financial statements too was carried out by the staff of the Board.

8. Governance

SLAASMB is governed by a Board of members as per the terms of the statute. Accordingly, the Board consists of 3 ex-officio members and 10 members appointed by the Minister of Finance out of nominations received from identified institutions. The ex-officio members are Registrar General of Companies, Commissioner General of Inland Revenue and Director General of the Securities and Exchange Commission of Sri Lanka. The appointed members are nominees from the Central Bank of Sri Lanka (CBSL), CA Sri Lanka (3 members), Sri Lanka Division of the Chartered Institute of Management Accountants of UK, Bar Association of Sri Lanka, Ceylon Chamber of Commerce, Federation of Chambers of Commerce and Industry of Sri Lanka, Sri Lanka Banks' Association and the University Grants Commission. The term of office of a member is four years.

Ms. K M A N Daulagala, Deputy Governor of the CBSL served as the Chairperson during the year.

Ms. M P Abeyesekera and Messrs. W P R P H Fonseka, P R A I Gunarathna, K K S Gunawardane, and Prof. A Jayamaha, members of the Board appointed in terms of the statute, served as directors

Review of Activities of SLAASMB - 2023

or senior officers of some of the SBEs during the year. Similarly, Messrs. S M S S Bandara. H M A Jayesinghe and W W J C Perera, who were also members of the Board, served as partners of firms of practicing accountants that audit some of the SBEs and as directors or consultants to Audit Committees in some of the SBEs.

During the said period, Mr. T J S Rajakarier, an Invitee to the Board, served as a partner of a firm of practicing accountants that audit some of the SBEs. Further, during the said period, Ms. K V C Dilrukshi, a Treasury Representative who serves as an Observer of the Board, served as a director in some SBEs.

In order to ensure the independence of the Board, all members of the Board, Invitees as well as Observers disclose their connected party relationships with SLAASMB as well as with the SBEs and auditors, on a quarterly basis. Accordingly, all papers relating to matters concerning a SBE or its auditor are omitted from the papers sent to members who have a connection with the relevant SBE or its auditor and such members do not participate in discussions on subjects relating to those SBEs or auditors.

The Board convened the meetings as scheduled and had 15 meetings during the year.

The deliberations of the Board during the year covered the performance of the staff in terms of overall operational indicators and action required to resolve significant technical issues relating to SBEs and auditors. The Board also focused on issues relating to non-compliance with standards by SBEs and by auditors, approving annual financial statements, annual budget, and the action plan of the Board. Further, the Board was engaged in reviewing the progress of the development of the Management Information System in order to enhance the effective functioning of SLAASMB and the amendments to the SLAASMB Act which currently is in the process of being revised and is in the final stage of the revision.

Further, the Board made a concerted effort to resolve the ongoing issue of not being able to attract suitable professional staff to perform the technical functions and to expedite the granting of the concurrence of the MSD of the Ministry of Finance on the revised Schemes of Recruitment that had remained pending since 2021. In this process, the Board had a number of meetings with officials of the Ministry of Finance and reviewed alternate methods of staff remuneration in order to attract and retain competent Chartered Accountants well versed with the accounting and auditing standards and its applications.

In terms of the delegation policy of the Board, regular operations relating to monitoring compliance with standards such as gathering information, reviewing financial statements, inspecting audits, conducting investigations and conducting public awareness activities were carried out during the year, by the available staff supervised and guided by the Director General and the two Deputy Director Generals.

9. Financial Performance

During the year, SLAASMB's main source of financing continued to be from funds provided by the Government. Although SLAASMB's activities are financed through Government funds, as an alternative, based on the current Act, a cess can be levied from SBEs computed as a percentage of shareholders' equity or profit after tax whichever is higher, as may be determined by the Hon. Minister of Finance under the Act, to finance the expenditure of the Board. However, this option was not preferred by the Ministry of Finance and the cess which was proposed to be in operation for periods commencing on or after 1 January 2008 was withdrawn by the Hon. Minister on 7 October 2008.

Continuing the past arrangements with the Ministry of Finance, SLAASMB provided an annual grant of Rs. 2 million to the Institute of Chartered Accountants of Sri Lanka during the year to part finance the standard-setting activities. Due to budgetary constraints, this years' grant was reduced by 50% of the annual grant provided during the previous years.

During the year Rs. 71,544,975/- was expended on operational activities by SLAASMB lower than the operational expenses for 2022 of Rs. 77,015,260/- as a result of the significantly lower number of staff engaged during the year due to the high number of resignations that took place during the year.

The said decrease is mainly due to lower costs being expensed on professional fees to external reviewers as explained in section (7.2) of this review, significantly lower investment on training and development of the staff due to restrictions placed through Government circulars and low stationery cost due to certain cost-saving measures adopted by SLAASMB as well as the low usage resulting from the lower number of staff.

Further, the cost of printing annual reports was also lower than of the previous year due to the overprovision in 2022 and not expanding on printing of reports due to high printing costs.

Review of Activities of SLAASMB - 2023

However, certain operational expenses reflected increases during the year namely, in press notices and advertisements due to the frequent publications of recruitment advertisements in newspapers in the attempts made to fill the resignation-lead vacancies, payments to outsourced services in the light of difficulties to fill in key administration staff vacancies and the high rupee value of the annual membership fee payment to the IFIAR, due to rupee depreciation against the Japanese Yen at the time of payment. Similarly, increases were observed in electricity and office expenses compared with the previous year, due to the escalating cost of goods and services.

Further, the higher number of Board and sub-Committee meetings held during the year 2023 to deliberate issues relating to staff salaries and high staff resignations, discussions on the revision of the existing statute, and the monitoring of the MIS project progress resulted in increasing the number of meetings held and in turn reflected an increase in Board member's allowances .

Of the operational expenses, staff costs amounted to Rs. 35,050,482/- compared with Rs. 39,456,582/- of 2022, indicating a 11% decrease from the previous year. Despite high vacancies, the salary cost increased as a result of the revision of salaries of the professional staff through the measures approved by the Minister of Finance to address the staff shortage. Further, the staff costs of SLAASMB represented 49% of the operating expenses of 2023, 2% lower than of the previous year.

10. Development of SLAASMB Management Information System (MIS)

SLAASMB completed the development of a centralized MIS for its operations in order to minimize the load of manual documentation, to improve the information store, and to enable an efficient exchange of information among the internal staff as well as with key stakeholders, namely the entities and their auditors. This process is expected to free up the professional staff from routine database management functions, enabling them to maximize the professional competencies towards the regulatory mechanism.

In October 2021, SLAASMB awarded the contract to the selected software developer to design, develop and implement a MIS for SLAASMB at a total cost of Rs. 38 million. Information Communication Technology Agency (ICTA) served as the consultant for the MIS project in accordance with the Government requirements. With the supervision and guidance of the IT Steering Committee of SLAASMB, the MIS project progressed steadily within the project timeline up to the 1st quarter of 2022, and was expected to be operational by mid-2022. However, due to capacity issues in obtaining access to the Local Government Cloud (LGC) and subsequently access to the use of Local Government Network (LGN) from ICTA, the completion extended beyond the plan. However, the MIS of SLAASMB was completed by end of December 2023. A sum of Rs. 13,560,500/- was paid to the developer, Inova IT Systems (Pvt) Ltd in 2023 upon completion of the project.

11. Act amendments

During the year, SLAASMB was actively engaged in the process of reviewing the draft Act to be enacted as a new Act, repealing Act of No. 15 of 1995. The new Act which is in the draft form with the Legal Draftsman is expected to expand the regulatory mandate to monitor the adoption of the Sri Lanka Public Sector Accounting Standards, and the Sri Lanka Sustainability Standards by the specified entities and the auditors of specified entities in addition to the currently applicable Sri Lanka Accounting and Auditing Standards.

Findings on review of financial statements during 2023

1. Overview

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) continued to monitor compliance with Sri Lanka Accounting Standards (SLFRSs/LKASs) by the Specified Business Enterprises (SBEs) when preparing and presenting the annual audited financial statements. In performing the said function, SLAASMB reviews the financial statements in order to induce the SBEs to comply with the applicable standards in its move to enhance the reliability of the financial reporting in the country.

2. Monitoring Financial Statements by SLAASMB

During the year, SLAASMB completed reviews of 261 sets of financial statements representing 261 SBEs.

The completed reviews primarily comprised financial statements selected on a risk-based criteria. Accordingly, the reviews completed during the year represented 71% of reviews of regulated entities.

Through the review approaches detailed in section (3) below, SLAASMB has made every attempt to ensure that the SBEs reviewed represented all categories specified in the Act and cyclical coverage was made of SBEs which are private entities, as far as practicable.

3. Selection of Financial Statements for monitoring

In 2021 SLAASMB engaged a foreign consultant to review the financial statement review methodology adopted at that time and to recommend changes to enhance the review coverage in an effective manner, aligning with the global best practices. Based on the recommendations of the consultant, SLAASMB adopted a mixed model to select financial statements for review, which combined a risk-based approach with random and rotation approaches. During the year, under the risk-based approach, reviews were conducted on pre-determined themes based on industry-focused risk criteria. Further, SBEs not subject to the said industry-focused risk criteria were selected in a manner that cyclical coverage is made of such SBEs, with the selection made on a random basis. Accordingly, the approaches of review function on the financial statements takes place as follows;

- Comprehensive review of the financial statements
- Theme-focused review based on industry-focused risk criteria

4. Results of monitoring compliance with Sri Lanka Accounting Standards (SLFRS/LKAS)

During the year, SLAASMB obtained undertakings from two SBEs to make the required corrections in the preparation and presentation of the financial statements, where material deviations from the SLFRSs/LKASs were detected. Accordingly, the review findings during the year 2023 revealed 1% of the financial statements reviewed as being non-compliant, 74% of financial statements reviewed being compliant, and 25% of the financial statements being compliant with observations communicated by letters of assistance. The observations made during the year have been communicated by letters of assistance in respect of 66 sets of financial statements with the aim of improving their financial reporting.

5. Undertakings Sought from SBEs to make the required corrections

5.1. Undertakings

Based on the materiality of the findings on deviations from SLFRSs/LKASs, SLAASMB obtained undertakings from one SBE that is a Public Corporation and another SBE which is Listed in Colombo Stock Exchange to make the corrections in their subsequent set of financial statements.

Types of items for which the undertakings have been obtained along with reference to the Sri Lanka Accounting Standards (Prefixed SLFRS/ LKAS) and requirement as per Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 that have not been complied with by the two SBEs are as follows;

- Failure to apply the requirements of Sri Lanka Accounting Standard SLFRS 9, Financial Instruments for recognition and measurement of financial assets and not making the disclosures required by Sri Lanka Accounting Standard SLFRS 7, Financial Instruments: Disclosures. (Reference; SLFRS 9 paragraph 7.1.1 and SLFRS 7 paragraph 4)

- Failure to maintain proper accounting records and to provide the information required for the auditor to conduct the audit of the financial statements.
  (Reference; section 6 (1) of the Act No. 15 of 1995)

5.2. Matter referred to Attorney General

SLAASMB referred a Listed Company engaged in providing financial services that had failed to maintain proper books of accounts and published financial statements for the year ended 31 March 2021 comprising of incomplete and erroneous information, with auditors expressing a declaimer of opinion to the Attorney General, seeking advice on the action to be taken.

6. Observations communicated to enhance compliance with standards

Departures from SLFRSs/LKASs detected, which are material, but do not require the use of procedures using statutory provisions, are

Findings on review of financial statements during 2023

informed to SBEs as observations, by letters of assistance, so that the SBEs could, where necessary, improve on the compliance, on their own in the future.

The main findings on the review of financial statements, based on the two approaches of conducting such reviews explained in section (3) above, are as follows.

- Preparing financial statements in compliance with SLFRSs/LKASs and taking all necessary measures to ensure that the financial statements are audited in accordance with Sri Lanka Auditing Standards with the object of presenting a true and fair view of the financial performance and financial condition has not been complied (Reference; Act No 15 of 1995 Section 6 (1)).
- The nature and extent of risks arising from financial instruments to which the entity is exposed, and quantitative and qualitative information about the amounts arising from expected credit losses, have not been adequately disclosed at the end of the reporting period (Reference; SLFRS 7 paragraphs 31 to 42).
- When objective evidence of impairment in respect of a financial asset or group of financial assets exist, not recognizing the loss allowance for expected credit losses on financial assets that are measured at amortized cost (Reference; SLFRS 9 paragraph 5.5.1).
- Disclosures relating to valuation techniques used, inputs to the valuation techniques, quantitative information about significant unobservable inputs used, significant adjustments made to the inputs and the fair value hierarchy for each class of assets and liabilities measured at fair value, have not been adequately made (Reference; SLFRS 13 paragraphs 93).
- Information on the performance obligations relating to the contracts with customers such as details as to when performance obligations had been typically met, significant payment terms, nature of goods/services promised, return/refund obligations and types of warranties etc. have not been sufficiently disclosed (Reference; SLFRS 15 paragraph 119).
- Not sufficiently disclosing information to assess the effect that leases may have on the financial position, financial performance and cash flows of the lessee (Reference; SLFRS 16 paragraph 51).
- Adequate disclosures in relation to the basis of preparation of the financial statements and the specific accounting policies and/or significant accounting policies which comprise of the measurement bases and other accounting policies relevant for an understanding of the financial statements have not been made (Reference; LKAS 1 paragraphs 112 and 117).
- Adequate disclosure of the relationship between tax expense and accounting profit and evidence to support the recognition of deferred tax assets arising due to tax losses have not been made (Reference; LKAS 12 paragraph 81).
- Not considering all taxable temporary differences when recognizing deferred tax liabilities or recognizing deferred tax assets, in relation to carried forward tax losses irrespective of the extent of future taxable profits available to utilize the unused tax losses (Reference; LKAS 12 paragraphs 15, 24, 34 and 48).
- Disclosure of all relevant information relating to the revaluation of property plant and equipment has not been made (Reference; LKAS 16 paragraph 77).
- Useful life of an asset not being reviewed at least at each financial year-end (Reference; LKAS 16 paragraph 51).
- Adequate disclosure relating to the nature of the related party relationships as well as information about the transactions with related parties have not been made (Reference; LKAS 24 paragraph 18).

Undertakings and Matters referred for Legal Advice during 2023

a.) Undertakings sought

1. Local Loans and Development Fund (LLDF)

Local Loans and Development Fund had not applied the requirements of Sri Lanka Accounting Standard SLFRS 9, Financial Instruments when preparing and presenting the financial statements for the year ended 31 December 2021 and had not made the disclosures required by Sri Lanka Accounting Standard SLFRS 7, Financial Instruments: Disclosures.

The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, LLDF undertook to apply the requirements of SLFRS 9 and SLFRS 7 and to adjust the comparative information in relation to the application of SLFRS 9 as required by Sri Lanka Accounting Standard LKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, in the financial statements for the year ended 31 December 2022.

2. Nawaloka Hospitals PLC (NHP)

Nawaloka Hospitals PLC, a Company listed in the Colombo Stock Exchange had failed to maintain proper accounting records and to provide the information required for the auditor to conduct the audit of the financial statements for the year ended 31 March 2022 as required by section 6 (1) of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The auditor has expressed a disclaimer of opinion on the said financial statements.

Subsequent to the inquiries made by SLAASMB, NHP undertook to rectify all matters referred to in the basis for the disclaimer of opinion in the auditor's report, and to incorporate all necessary resulting adjustments together with relevant disclosures and to reflect them in the financial statements for the year ended 31 March 2023.

b.) Matters referred for Legal Advice

Bimputh Finance PLC

Bimputh Finance PLC, a Company listed in the Colombo Stock Exchange engaged in providing financial services had failed to maintain proper books of accounts for the year ended 31 March 2021 as required by section 6 (1) of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
The auditor had expressed a disclaimer of opinion on the said financial statements.

SLAASMB observed that the Company had published incomplete and erroneous information in the said financial statements. Accordingly, the Company had failed to present a true and fair view of the financial performance and financial condition of the financial statements of the Company for the year ended 31 March 2021.

Subsequent to the inquiries made by SLAASMB, the Directors of Bimputh Finance PLC informed that the financial statements for the years ending 31 March 2022 and 2023 had not been finalized and the Company had not been able to appoint an auditor.

SLAASMB has sought advice from the Attorney General on the action to be taken against the Company and/ or the directors of the Company on failure to prepare and present financial statements giving a true and fair view of the financial performance and financial condition of the Company for the year ended 31 March 2021.

Audit inspections during 2023

1. Overview

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) continued its function of monitoring compliance with Sri Lanka Auditing Standards (SLAuS) by the auditors of Specified Business Enterprises (SBEs) when they conduct audits of financial statements of SBEs. The inspections of the audits of SBEs are carried out with the overall objective of enhancing the audit quality in the country. In doing so, audits are selected for inspection through a risk-based approach as well as a random selection approach.

Amidst the slow and steady recovery of the Sri Lankan economy which encountered significant uncertainties in 2022-2023, SLAASMB as the sole audit regulator in the country, acknowledged the effect of the uncertainties surrounding the businesses and the difficulties they pose in making precise judgments and estimates. These uncertainties increase the risk involved in auditing of accounting estimates and require the auditors to be more skeptical in their approaches and requires a significant amount of professional judgment to be exercised and to be focused on ethical responsibilities when carrying out the audits.

Accordingly, SLAASMB based the selection of audits for inspection during the year on a mixed model where the risk-based approach was combined with a random sampling approach.

SLAASMB conducted audit inspections with special focus on the following areas;

- Accounting estimates in relation to individual assessment of impairment of loans and advances of banks
- Identification and assessment of the risk of material misstatements through understanding the entity and its environment and responses to assessed risks
- Accounting estimates in relation to valuation of investment properties of listed companies
- Premium income and use of experts in relation to insurance contract liabilities of insurance companies

In addition to the aforesaid focus areas of audit inspections, certain audit inspections were carried out to assess the professional judgement and skepticism exercised by the auditors when conducting the audits of financial statements.

2. Regular Audit inspections

During the year, 16 audit engagements carried out by 6 audit firms were inspected, compared with the 33 audits carried out by 9 firms that were inspected during the preceding year. The decline in the number of inspections is attributed to the reduced number of inspection staff at SLAASMB due to resignations during the year. 15 of the audits inspected during the year were carried out by 5 firms that are members of international networks.
Of the inspection findings, 13, audits were compliant with SLAuSs in respect of the areas focused at the inspections. The findings of the balance 3 inspections did not require further action under the statute and the said findings were communicated to the respective auditors by letters of observation.

3. Enforcement

3.1. Overview of enforcement actions

Based on the severity of the observations made during the inspection of audits, SLAASMB adopts diverse measures in its attempt to make the auditors improve themselves, in achieving SLAASMB’s objective of improving the audit quality environment of Sri Lanka. When non-compliances with SLAuSs are observed during regular audit inspections that do not require further action under the statute, such deficiencies are communicated to the audit firm by a letter of assistance termed “Letters of Observations”. When improvements are required to improve the audit quality, such improvements are communicated as “Suggestions for improvements”.

In addition, when the auditor is observed to have failed to exercise the fundamental ethical principles in the conduct of an audit of an SBE, a “Letter of Warning” is issued to the audit firm with the approval of the Board, requiring the said firm to act diligently and in accordance with the requirements of the applicable auditing standards, when they conduct audits of financial statements in the future. Further, based on the significance of the issues, where necessary, SLAASMB refers the deviations observed from auditing standards to the Attorney General for advice, and where the deficiencies are in the audit quality, such matters are directed to CA Sri Lanka, the licensing authority of the auditors, and to any other regulator governing the entity being audited, as applicable.

Audit inspections during 2023

3.2. Enforcement Actions taken during the year

3.2.1. Letter of Assistance

During the year, letters of assistance termed "Letters of Observations" were issued to 3 firms in respect of 3 audit engagements, communicating the non-compliance with SLAuSs observed when conducting the audits, where such non-compliances did not require further action under the statute. In comparison, such letters of observations communicating deficiencies in 9 audits were issued to 5 firms during 2022.

4. Significant Findings

Significant findings communicated to auditors during the year are stated below.

4.1. Risk assessment

The auditor is required to perform risk assessment procedures to identify and assess the risks of material misstatements through an understanding of the entity, and its environment including the entity's internal controls, enabling the auditor to provide a basis for designing and implementing responses to the assessed risks of material misstatement.

The deficiencies communicated in relation to performing such risk assessment procedures included the following.

- An adequate understanding of the entity and its environment had not been obtained to perform a comprehensive identification and an assessment of the risks of material misstatements
- A comprehensive risk assessment had not been performed.
- Adequate audit procedures had not been performed to identify the risks of material misstatements due to fraud.

4.2. Auditor's responses to assessed risks

The auditor is required to design and implement appropriate responses to address the assessed risk of material misstatements in order to obtain sufficient appropriate audit evidence.

The deficiencies communicated relating to the auditor's responses to the assessed risks are as follows.

- When deviations from the controls have been detected during the testing of the operating effectiveness of controls, the auditor had not made sufficient inquiries to understand the deviations and their potential consequences before relying on such controls.
- When information has come to the attention of the auditor that indicates certain controls are not operating effectively, the auditor has not ascertained the necessity to revise the risk assessment and modify the planned procedures.
- An appropriate cut-off testing on revenue had not been performed focusing on different series of invoices generated for different types of revenue.
- Adequate audit procedures had not been performed to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventory as of the reporting date.
- The details of the sample of the sales invoices verified has not been documented in the audit working file.
- The external confirmation procedures to obtain audit evidence had not been performed by the auditor in relation to the bank balances, interest-bearing loans, and lease balances.

4.3. Audit Evidence

The auditor is required to design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.

The following deficiency was communicated in relation to gathering audit evidence.

- Sufficient appropriate audit evidence had not been obtained by the auditor by performing audit procedures relating to trade receivables, purchases, related party balances and interest-bearing loans and borrowings of a private company.

4.4. Audit of accounting estimates

The auditor is required to obtain sufficient appropriate audit evidence about whether accounting estimates and related disclosures in the financial statements are reasonable in the context of the applicable financial reporting framework.

Instances of the auditor failing to perform adequate audit procedures relating to accounting estimates are;

Audit inspections during 2023

- The competence, capabilities and objectivity of the management's expert and the appropriateness of the management's expert's work had not been evaluated.
- Reasonableness of the assumptions used in arriving at the fair values of the assets had not been evaluated.

4.5. Communication with Those Charged with Governance (TCWG)

The auditor is required to communicate the responsibilities of the auditor in relation to the financial statements and audit, to provide an overview of the planned scope and timing of audits, and to provide timely observations significant and relevant to their responsibility to oversee the financial reporting process and to promote an effective two-way communication between the auditor and TCWG.

The following deficiencies were communicated in relation to the communications the auditor has had with TCWG;

- Adequate communication had not been made with TCWG regarding the going concern of the entity when events or conditions that may cast significant doubt on the entity's ability to continue as a going concern had been identified.

- The auditor having effective two-way communication with TCWG was not evident in the audit documentation.

4.6. Going concern

The auditor is required to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern and to determine the implications for the auditor's report.

The following deficiency was communicated in relation to the evaluation of the appropriateness of management's use of going concern basis of accounting in the preparation of financial statements;

- Failure to evaluate the adequacy of disclosures made in the financial statements relating to going concern ability of the entity when events or conditions have been identified without the existence of material uncertainties.

5. Suggestions for improvements

With the aim of improving the audit quality, suggestions for improvements have been communicated in relation to three (3) audit engagements carried out by three (3) audit firms during the year. The auditor is expected to improve on these suggestions when conducting their audits in the future.

Suggestions for improvements communicated included the following;

- Improve the audit documentation to understand the nature, timing and extent of the audit procedures performed.

- Focus on the characteristics of fraudulent journal entries or other adjustments processed outside the normal course of business during the testing of journal entries.

- Obtain sufficient appropriate audit evidence in relation to the related company's ability to provide continuous financial support by evaluating the financial position and performance of such related company through reliable information sources.

- Evaluate the reliability of underlying data used in the preparation of forecasts by the management and determine whether the assumptions underlying the forecasts are adequately supported by comparing the forecasted data with the latest results.

- Evaluate the appropriateness of accounting policies adopted by the Company in the context of its business activities

6. Other measures taken by SLAASMB to enhance audit quality

Audit quality is a key factor in building public confidence in financial reporting. Accordingly, SLAASMB has taken the following measures to enhance the audit quality of the country.

6.1. Communicating Findings of audit inspections to Audit Committees

Audit Committee forms a part of Those Charged with Governance, and are vested with the responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. Accordingly, the Audit Committee plays a significant role in ensuring the quality of the financial reporting process of a company and in maintaining appropriate relationships with the auditor. SLAASMB continues to recognize the contribution of the Audit Committees as Those

Audit inspections during 2023

Charged with Governance towards enhancing the quality of the financial reporting and the audit environment. Accordingly, SLAASMB continued to communicate the outcome of the audit inspections to the Chairs of the Audit Committees of companies listed on the Colombo Stock Exchange to foster effective oversight of financial reporting.

6.2. Communicating Findings of audit inspections to stakeholders of SLAASMB

SLAASMB identifies the preparers of financial statements, auditors, peer regulators, government of Sri Lanka and the general public as its stakeholders. By enhancing the knowledge of the stakeholders SLAASMB leads the pathway in achieving its objective of enhancing reliability of the financial reporting in Sri Lanka. Accordingly, SLAASMB, conducted a session on the common findings encountered during the audit inspections carried out during the recent years with its stakeholders with the collaborate of CASL who organized the session. SLAASMB expects to continue the sharing of findings with its stakeholders to educate the auditors who conducts audits of SBEs as well as members of the Audit Committees who are expected to have effective communication with the auditor.

6.3. International Affiliations to support audit quality

6.3.1 SLAASMB being a member of the International Forum of Independent Audit Regulators (IFIAR) since its first plenary meeting held in 2007, participated in the meetings of IFIAR that were conducted as virtual meetings during the year, and also contributed towards the information gathering activities of the IFIAR and participated in its routine surveys.

6.3.2. SLAASMB is also a member of the Consultative Advisory Groups of the International Auditing and Assurance Standards Board (IAASB) since 2007 and a member of the Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) since 2009. During the year, SLAASMB has been contributing at the meetings held remotely, on deliberations on standards relating to Auditing and Ethics.

6.3. Participation at IFIAR's 25 % reduction initiative

IFIAR being committed towards improving audit quality on a global basis, has implemented a 25% reduction target initiative to monitor changes in the rate of audits inspected with findings over four years, considering the findings of the survey in 2019 as the base year, for comparison. Accordingly, the Global Public Policy Committee (GPPC) firms which include BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG and PricewaterhouseCoopers, have agreed to IFIAR measuring results of findings, relating to the listed public interest entity (PIE) engagements, with one or more finding. At the local level, SLAASMB has undertaken to submit to IFIAR, the relevant findings from audit inspections finalized during the survey period relating to the local firms of the said international networks, on an annual basis commencing from 2019.

Short term and medium term measures to be followed to improve the performance of SLAASMB -2024

Issues relating to organizational performance	Planned short term measures	Planned medium term measures
Receipt of financial statements to be expanded to cover all entities falling within the definition of SBE	• Follow up on lists published by co-regulators and identify SBEs • Follow up on identified entities to ascertain whether SBE criteria is met • Enhance awareness of requirement to submit financial statements among the stakeholders of co-regulators • Regularly publicize in newspapers and in the website	Address through the new Act pending enactment
Increased Scope of the Organisation with the new Act of SLAASMB being issued	• To prepare the formats and review strategies to perform financial statement reviews on Public Sector Institutes when the new Act is enacted	• To conduct the review of Public Sector Institutes with the new Act coming into force • To be able to enhance the enforcement actions to be taken on SBEs with the new Act coming into force • To monitor compliance on sustainability accounting and Assurance standards adopted by SBEs and their Auditors
Enhance coverage of financial statement reviews	• To recruit staff to fill all existing vacancies based on the revised Scheme of Recruitments • To engage Business level students of CA Sri Lanka and finance undergraduates as Trainees to assist technical staff in reviewing financial statements • To engage more external reviewers to conduct preliminary reviews of financial statements until all technical positions in the approved cadre are filled.	• To increase the number of financial statement reviews by filling remaining unfilled positions in the Cadre (6 positions of Deputy Director Technical) by recruiting staff based on the revised Schemes of Recruitment. • To allocate more time for financial statement reviews, by utilizing the time saved by implementing MIS
Meet planned number of audit inspections	• To recruit staff to fill all existing vacancies based on the revised Scheme of Recruitments • To conduct the audit inspections by limiting the focus areas to the identified high risk areas of the audits • To facilitate allocation of time to conduct more audit inspections, with the time saved by performing a right balance between full reviews and focus reviews of financial statements so that high risk entities' financial statements are also adequately covered	• To increase the number of financial statement reviews by filling remaining unfilled positions in the Cadre (6 positions of Deputy Director Technical) by recruiting staff based on the revised Schemes of Recruitment. • To allocate more time for audit inspections by utilizing the time saved by implementing MIS

Short term and medium term measures to be followed to improve the performance of SLAASMB -2024

Issues relating to organizational performance	Planned short term measures	Planned medium term measures
Providing timely information to stakeholders	• To publish a comprehensive report on the findings from financial statement reviews on each focus area, in addition to the annual publications	• To focus on timing the reviews of financial statements at the shortest time frame so that the findings from the reviews can be conveyed to the SBEs to make the corrections in the next set of financial statements to be published • This approach will be made possible with the amendments to the Act specifying the timeline for submission of financial statements
Difficulties to recruit and retain experienced competent staff	• To assess the possibilities of aligning salaries with the market based salaries. • Increase of knowledge enhancement by way of work specific training and personal development programs • To adopt more flexible working arrangements (work from home for outstation staff, flexible time arrangements)	• To avail overseas training opportunities to staff • To assess the possibilities of staff being able to work with overseas peer regulators • To establish officers of SLAASMB out of Colombo in the form of branches, for ease of out station staff in commuting to office
Absence of a sophisticated Management Information System (MIS Phase II) to enhance the review function	• With the recently completed MIS (relating to work flow management system) of SLAASMB expected to go live shortly, there are no other planned short term measures for the development of phase II of the MIS project.	• To carry out a feasibility study on the development of the phase II of MIS development project which would focus on the analytical aspects to assist reviews of financial statements and audit inspections for the supervision staff • Plan for development of phase II of the MIS project **
Office space to accommodate increased staff	• No planned short term measures in the absence of non allocation of Budget for the project this year,	• Continue to commence the interior design and refurbishment work of office space.
Implementation of a CESS as stipulated in the Act	• To seek approval of the Ministry of Finance to implement the levy sufficient to finance the operations of SLAASMB	• Review and revise the means to collect revenue for SLAASMB to be self financed in the absence of implementing the CESS

** Long term measure

Performance Scorecard

SLAASMB uses the Performance Scorecard to plan its annual performance. The plan for 2023, actual for 2023 and plan for 2024 are given below;

Financial statement user Perspective: To achieve our vision, how should financial statements users see us?

Goals	Measures	2023 Plan (Revised) (Note 1)	2023 Actual		2024 Plan (Note 2)
			Number	As a % of plan	
Financial Statements of SBE's to present a true and fair view	Review financial statements to determine compliance with Sri Lanka Accounting Standards	252 sets of financial statements	261 sets of financial statements	103	680
	Inspect audits to determine compliance with Sri Lanka Auditing Standards	16 audits	16 audits	100	38

Regulated entity Perspective: To achieve our vision, how should regulated institutions see us?

Goals	Measures	2023 Plan (Revised) (Note 1)	2023 Actual		2024 Plan Provisional (Note 3)
			Number	As a % of plan	
Collection of financial statements	Number of financial statements received	1,665	1,732 (Number of SBE's 1,566)	104	1,707

SLAASMB
SRI LANKA ACCOUNTING AND AUDITING STANDARDS MONITORING BOARD

Performance Scorecard

Internal Process Perspective: To satisfy our stakeholders' what internal process must we excel at?

Goals	Measures	2023 Plan (Revised) (Note 1)	2023 Actual		2024 Plan
			Number	As a % of plan	
Employee performance	Achieve targeted performance points for the year	10,058	10,141	101	25,272
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	19 presentations on Standards	19	100	48
Timely Response	Attend to complaints, clarifications sought and information received	Within an average of 5 days excluding the date of receipt and date of response	5 days excluding the date of receipt and date of response	-	Within an average of 5 days excluding the date of receipt and date of response

Note 1

The plan for 2023 was revised due to the resignation of a significant number of (4) inspection staff during 2023 with only two staff remaining to conduct financial statement reviews and audit inspections as at the end of the year.

Note 2

Number of financial statement reviews and audit inspections as well as learning presentations have been determined for 2024 based on the assumption that all planned inspection staff are recruited by April 2024.

Note 3

Number of financial statements receipts planned for 2024 is based on the actual number of SBEs identified as at 31 December 2023.

List of SBEs of which financial statements reviewed during 2023 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
1	Abans Electricals PLC	31 March 2022
2	Abans PLC	31 March 2022
3	ACL Plastics PLC	31 March 2022
4	Acuity Stockbrokers (Pvt) Ltd	31 December 2021
5	Agstar Cropcare (Pvt) Ltd	31 March 2022
6	Alpha Wealth Ltd	31 December 2021
7	Amana Takaful Life Insurance PLC	31 December 2022
8	Ansell Textiles Lanka (Pvt) Ltd	30 June 2022
9	Arpico Ataraxia Cash Management Trust Fund	31 March 2022
10	Arpico Ataraxia Equity Income Fund	31 March 2022
11	Arpico Atraxia Sri Lanka Bond Fund	31 March 2022
12	Asha Securities Ltd	31 March 2022
13	Asia Securities (Pvt) Ltd	31 March 2022
14	Asia Siyaka Commodities PLC	31 March 2022
15	Asian Hotels and Properties PLC	31 March 2023
16	Assetline Capital (Pvt) Ltd	31 March 2022
17	Assetline Securities (Pvt) Ltd	31 March 2022
18	Astrue Active Income Fund	31 December 2021
19	Astrue Alpha Fund	31 March 2022
20	Atken Spence PLC	31 March 2022
21	Bansei Royal Resorts Hikkaduwa PLC	31 March 2022
22	Bartleet Religare Securities (Pvt) Ltd	31 March 2022
23	Bodyline (Pvt) Ltd	31 December 2021
24	Bogala Graphite Lanka PLC	31 December 2022
25	Bogawantalawa Tea Estates PLC	31 March 2023
26	Brandix Apparel Solutions Limited	31 March 2022
27	Braybrooke Residential Towers (Pvt) Ltd	31 March 2022
28	Browns Beach Hotels PLC	31 March 2023
29	C T Properties Lakeside (Pvt) Ltd	31 March 2022
30	Camso Loadstar (Pvt) Ltd	31 December 2021
31	Capital Alliance Balanced Fund	31 March 2022
32	Capital Alliance Corporate Treasury Fund	31 March 2022
33	Capital Alliance Gilt Fund	31 March 2022
34	Capital Alliance Gilt Money Market Fund	31 March 2022
35	Capital Alliance Gilt Trading Fund	31 March 2022
36	Capital Alliance High Yield Fund	31 March 2022
37	Capital Alliance Medium Risk Debt Fund	31 March 2022
38	Capital Alliance Income Fund	31 March 2022
39	Capital Alliance Investment Grade Fund	31 March 2022

	Specified Business Enterprise	Financial Year End
40	Capital Alliance Quantitative Equity Fund	31 March 2022
41	Capital Alliance Securities (Pvt) Ltd	31 March 2022
42	Cargills Foods Company (Pvt) Ltd	31 March 2022
43	Cargills Quality Dairies (Pvt) Ltd	31 March 2022
44	Cargills Bank Ltd	31 December 2022
45	Cargo Boat Development Company PLC	31 March 2022
46	Causeway Paints Lanka (Pvt) Ltd	31 March 2022
47	CBC Finance Ltd	31 December 2022
48	CBL Foods International (Pvt) Ltd	31 March 2022
49	Central Industries PLC	31 March 2022
50	Ceybank Century Growth Fund	31 March 2022
51	Ceybank Unit Trust Fund	31 March 2022
52	Ceylon Agro Industries Ltd	31 December 2021
53	Ceylon Beverage Holdings PLC	31 March 2023
54	Ceylon Financial Sector Fund	31 December 2021
55	Ceylon Grain Elevators PLC	31 December 2022
56	Ceylon Index Fund	31 December 2021
57	Ceylon Investment PLC	31 March 2022
58	Ceylon Money Market Fund	31 December 2021
59	Ceylon Real Estate Holdings (Pvt) Ltd	31 March 2022
60	Ceylon Tea Brokers PLC	31 March 2022
61	Ceylon Tourisum Fund	31 December 2021
62	Chemanex PLC	31 March 2022
63	Chevron Ceylon Ltd	31 December 2022
64	Chevron Lubricants Lanka PLC	31 December 2021
65	Citizens Development Business Finance PLC	31 March 2023
66	Citrus Leisure PLC	31 March 2022
67	Colombo City Holdings PLC	31 March 2023
68	Colombo Dockyard PLC	31 December 2022
69	Colombo Fort Investments PLC	31 March 2022
70	Colombo Investment Trust PLC	31 March 2022
71	Colombo Marina Development (Pvt) Ltd	31 March 2022
72	Colombo Stock Exchange	31 December 2021
73	Commercial Development Company PLC	31 March 2022
74	Comtrust Equity Fund	31 March 2022
75	Comtrust Asset Management (Pvt) Ltd	31 March 2022
76	Comtrust Gilt Edged Fund	31 March 2022
77	Comtrust Money Market Fund	31 March 2022
78	CT CLSA Securities (Pvt) Ltd	31 March 2022
79	CT Land Development PLC	31 March 2022
80	De La Rue Lanka Currency and Security Print (Pvt) Ltd	31 March 2023

List of SBEs of which financial statements reviewed during 2023 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
81	DFCC Bank PLC	31 December 2022
82	Dialog Axiata PLC	31 December 2022
83	Dialog Finance PLC	31 December 2022
84	eChannelling PLC	31 December 2022
85	Excel Global Holdings (Pvt) Ltd	31 March 2022
86	Expolanka Freight (Pvt) Ltd	31 March 2022
87	First Capital Equities (Pvt) Ltd	31 March 2022
88	First Guardian Equity (Pvt) Ltd	31 December 2021
89	Gamma Pizzakraft Lanka (Pvt) Ltd	31 March 2022
90	Gestetner Ceylon PLC	31 March 2022
91	Guardian Acuity Asset Management Ltd	31 December 2021
92	Guardian Acuity Equity Fund	31 December 2021
93	Guardian Acuity Income Fund	31 December 2021
94	Guardian Acuity Money Market Fund	31 December 2021
95	Hatton Plantations PLC	31 March 2023
96	Haycarb PLC	31 March 2022
97	Hayleys Fabric PLC	31 March 2023
98	Hayleys Fibre PLC	31 March 2023
99	Hemas Manufacturing (Pvt) Ltd	31 March 2022
100	Horana Plantations PLC	31 March 2023
101	Iconic Trust (Pvt) Ltd	31 March 2022
102	International Distillers Ltd	30 September 2022
103	Jay Jay Mills Lanka (Pvt) Ltd	31 March 2022
104	JB Financial (Pvt) Ltd	31 March 2022
105	JB Vantage Short Term Gilt Fund	31 December 2021
106	JB Vantage Value Equity Fund	31 December 2021
107	John Keells Holdings PLC	31 March 2022
108	John Keells Hotels PLC	31 March 2022
109	John Keells PLC	31 March 2022
110	John Keells Stock Brokers (Pvt) Ltd	31 March 2022
111	Keells Food Products PLC	31 March 2022
112	Kegalle Plantations PLC	31 March 2022
113	Kelani Cables PLC	31 March 2022
114	Kelani Tyres PLC	31 March 2022
115	Kelani Valley Plantations PLC	31 March 2023
116	Kotagala Plantations PLC	31 March 2023
117	Lanka Aluminium Industries PLC	31 March 2022
118	Lanka Ceramic PLC	31 March 2022
119	Lanka Realty Investments PLC	31 March 2023
120	Lanka Tiles PLC	31 March 2023
121	LOLC Ceylon Holdings PLC	31 March 2022
122	LOLC Securities Ltd	31 March 2022
123	Olympus Construction (Pvt) Ltd	31 March 2021
124	On'ally Holdings PLC	31 March 2022
125	Orient Finance PLC	31 March 2021

	Specified Business Enterprise	Financial Year End
126	LSEG Business Services Colombo (Pvt) Ltd	31 December 2022
127	Madulsima Plantations PLC	31 December 2022
128	Mahaweli Marine Cement (Pvt) Ltd	31 December 2021
129	Marina Hotel Holdings (Pvt) Ltd	31 March 2022
130	MAS Intimates (Pvt) Ltd	31 December 2021
131	Millenium Development (Pvt) Ltd	31 March 2022
132	Millennium IT Software (Pvt) Ltd	31 December 2021
133	Namal Bank Fund	31 March 2022
134	Namal Growth Fund	31 March 2022
135	Namal High Yield Fund	31 March 2022
136	Namal Income Fund	31 March 2022
137	National Equity Fund	31 March 2022
138	NDB Securities (Pvt) Ltd	31 December 2021
139	NDB Wealth Gilt Edge Fund	31 December 2021
140	NDB Wealth Growth and Income Fund	31 December 2021
141	NDB Wealth Growth Fund	31 December 2021
142	NDB Wealth Income Plus Fund	31 December 2021
143	NDB Wealth Islamic Money Plus Fund	31 December 2021
144	NDB Wealth Money Fund	31 December 2021
145	NDB Wealth Money Plus Fund	31 December 2021
146	Nestor Stock Brokers (Pvt) Ltd	31 December 2022
147	Nilkamal Eswaran Plastics (Pvt) Ltd	31 March 2023
148	Omega Line Ltd	31 December 2021
149	Orient Insurance Limited	31 December 2022
150	Orit Trading Lanka (Pvt) Ltd	31 December 2021
151	Overseas Realty (Ceylon) PLC	31 December 2022
152	Piyestra Furniture (Pvt) Ltd	31 March 2022
153	Premier Wealth Management Ltd	31 March 2022
154	Premier Growth Fund	31 March 2022
155	Premier Money Market Fund	31 March 2022
156	Pussella Meat Producers (Pvt) Ltd	31 March 2021
157	Reckitt Benckiser Lanka Ltd	31 December 2021
158	Renuka Agri Foods PLC	31 March 2022
159	Richard Pieris Exports PLC	31 March 2023
160	Samson Rubber Industries (Pvt) Ltd	31 March 2022
161	Sanfin Shariyah Income Fund	31 December 2021
162	SC Securities (Pvt) Ltd	31 December 2022
163	Senfin Asset Management (Pvt) Ltd	31 March 2022
164	Senfin Dividend Fund	31 December 2021
165	Senfin Dynamic Income Fund	31 December 2022
166	Senfin Growth Fund	31 December 2021
167	Senfin Securities Ltd	31 March 2022
168	Senfin Shariah Balanced Fund	31 December 2021
169	Serendib Land PLC	31 March 2022

List of SBEs of which financial statements reviewed during 2023 were complaint with Sri Lanka Accounting Standards

	Shaw Wallace Investment PLC	31 March 2022
170	Softlogic Stockbrokers (Pvt) Ltd	31 March 2022
171	Solar Universe (Pvt) Ltd	31 March 2022
172	South Asia Gateway Terminals (Pvt) Ltd	31 March 2022
173	Sri Lanka Shipping Company Ltd	31 March 2023
174	Stafford Motor Company (Pvt) Ltd	31 March 2022
175	Star Fashion Clothing (Pvt) Ltd	31 March 2023
176	Strechline (Pvt) Ltd	31 December 2021
177	Sunshine Holdings PLC	31 March 2022
178	TAL Lanka Hotels PLC	31 March 2022
179	Talawakelle Tea Estates PLC	31 March 2023
180	Taprobane Securities (Pvt) Ltd	31 March 2022
181	Tea Tang (Pvt) Ltd	31 December 2022
182	The Fortress Resort PLC	31 March 2023
183	The Kingsbury PLC	31 March 2022
184	Toyo Cushion Lanka (Pvt) Ltd	31 March 2023
185	Toyota Lanka (Pvt) Ltd	31 March 2022
186	Trans Asia Hotels PLC	31 March 2023
187	Trischel Fabric (Pvt) Ltd	31 December 2022
188	Ultratech Cement Lanka (Pvt) Ltd	31 March 2022
189	Unichela (Pvt) Ltd	31 December 2021
190	Unilever Sri Lanka Ltd	31 December 2021
191	Virtusa (Pvt) Ltd	31 March 2022
192	Walkers Tours Ltd	31 March 2023

List of SBEs of which Financial Statements Reviewed during 2023 were Compliant with Observations Communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
1	Ceylon Dollar Fund	31 December 2021
2	ACL Cables PLC	31 March 2022
3	Alumex PLC	31 March 2023
4	Asia Capital PLC	31 March 2022
5	Asia Capital Stock Brokers (Pvt) Ltd	31 March 2022
6	Asset Trust Management (Pvt) Ltd	31 March 2022
7	Assetline Finance Ltd	31 March 2023
8	Associated Motor Finance Company PLC	31 March 2023
9	BPPL Holdings PLC	31 March 2022
10	C. W. Mackie PLC	31 March 2023
11	Capital Alliance Investment Limited	31 March 2022
12	Capital Trust Securities (Pvt) Ltd	31 March 2022
13	Ceylon Hospitals PLC	31 March 2023
14	Ceylon IPO Fund	31 December 2021
15	Ceylon Petroleum Storage Terminals Ltd	31 March 2020
16	Ceylon Petroleum Corporation	31 March 2020
17	Coats Thread Exports (Pvt) Ltd	31 December 2021
18	Darley Butler & Co Ltd	31 March 2022
19	Delmege Forsyth & Company Ltd	31 March 2022
20	Diana Trading (Pvt) Ltd	31 March 2022
21	Dilmah Ceylon Tea Company PLC	31 March 2023
22	Dipped Products PLC	31 March 2023
23	EMJAY International (Private) Limited	31 March 2022
24	Enterprise Ceylon Capital (Pvt) Ltd	31 March 2022
25	Expolanka Holdings PLC	31 March 2023
26	Fintrex Finance Ltd	31 March 2023
27	Hayleys Agriculture Holdings Limited	31 March 2022
28	HDFC Bank of Sri Lanka	31 December 2022
29	Healthguard Pharmacy Limited	31 March 2022
30	Hirujanani (Pvt) Ltd	31 March 2022
31	HJS Condiments Ltd	31 March 2023
32	Hutchison Telecommunication Lanka (Pvt) Ltd	31 December 2021
33	J. B. Securities (Pvt) Ltd	31 March 2022
34	John Keells Office Automation (Pvt) Ltd	31 March 2022
35	Kapruka Holdings PLC	31 March 2022
36	Lanka Coal Company (Pvt) Ltd	31 December 2021
37	Lanka Securities (Pvt) Ltd	31 December 2021
38	Lankem Developments PLC	31 March 2022
39	Laugfs Petroleum (Pvt) Ltd	31 March 2022
40	LB Finance PLC	31 March 2023
41	Mercantile Shipping Company PLC	31 March 2022
42	Merchant Bank of Sri Lanka & Finance PLC	31 December 2022
43	National Water Supply and Drainage Board	31 December 2021
44	Nations Trust Bank PLC	31 December 2022
45	NDB Wealth Management Limited	31 December 2021
46	Orient Finance PLC	31 March 2023
47	Orit Apparels Lanka (Pvt) Ltd	31 December 2021
48	Pyramid Lanka (Pvt) Ltd	31 December 2021
49	R I L Property PLC	31 March 2023
50	Sanken Construction (Pvt) Ltd	31 March 2022
51	Sansun Boutique Hotels Ltd	31 March 2022
52	Seylan Bank PLC	31 December 2022
53	Sierra Piling (Pvt) Ltd	31 March 2022
54	Sierra Readymix (Pvt) Ltd	31 March 2022
55	Sky Solar (Pvt) Ltd	31 March 2022
56	Somerville Stock Brokers (Pvt) Ltd	31 March 2022
57	Sri Lanka Institute of Textile & Apparel	31 March 2020
58	Sri Lanka Insurance Corporation	31 December 2021
59	Sri Lanka Ports Authority	31 March 2020
60	Sri Lanka Rupavahini Corporation	31 March 2020
61	Teejay Lanka Prints (Pvt) Ltd	31 March 2023
62	Tokyo Cement Company (Lanka) PLC	31 March 2023
63	Tudawe Brothers (Pvt) Ltd	31 March 2022
64	Vidatamunai Wind Power (Pvt) Ltd	31 March 2022
65	Watawala Plantations PLC	31 March 2023
66	YKK Lanka (Pvt) Ltd	31 March 2022

Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2023

Listed Companies which have not submitted financial statements for the year ended 31 March 2023:

- Anilana Hotels & Properties PLC*
- Bimputh Finance Plc*
- Ceylon Printers PLC**
- City Housing & Real Estate Company PLC*
- Office Equipment PLC*
- Paragron Ceylon PLC*
- Softlogic Holdings PLC*
- Mackwoods Energy PLC***
- Kelsey Developments Plc*
- Serendib Engineering Group PLC*
- Nawaloka Hospitals PLC*
- Serendib Land PLC***
- Nation Lanka Finance Plc**

Public Sector entities which have not submitted financial statements for the year ended 31 December 2022:

- Building Materials Corporation Limited
- Ceylon Fisheries Corporation
- Ceylon Electricity Board***
- Janatha Estates Development Board
- National Film Corporation***
- National Livestock Development Board
- National Insurance Trust Fund
- Paddy Marketing Board
- Sri Lanka Cashew Coporation
- Sri Lanka Handicrafts Board
- Sri Lanka Land Reclamation & Development Corporation
- State Engineering Corporation of Sri Lanka
- The Co-operative Wholesale Establishment
- Urban Development Authority
- Local Loans & Development Fund***
- State Development and Construction Corporation
- Independent Television Network Limited***
- Sri Lanka Export Credit Insurance Corporation

Public Sector entities which have not submitted financial statements for the year ended 31 March 2023:

- National Paper Company Ltd
- Ceylon Shipping Corporation
- Ceylon Fertilizer Company Ltd***

*	Trading Suspended at CSE
**	Watch List
***	Subsequently received by the Board

Activities relating to standard setting by CA Sri Lanka during 2023

In terms of the past arrangements with the Ministry of Finance, during the year SLAASMB continued to provide a grant to the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). However, in comparison to the previous years' grant of Rs. 4 million, only Rs. 2 million was provided to CA Sri Lanka, due to budgetary constraints faced by SLAASMB in 2023. This Grant is provided to CA Sri Lanka to meet a part of the cost of facilitating activities of the Accounting Standards Committee and the Auditing Standards Committee and the adoption of Sri Lanka Accounting and Auditing Standards, including translation of such pronouncements into Sinhala and Tamil languages and the related gazetting. The Accounting and Auditing Standards Committees have their meetings once a month. A dedicated website is available for the Accounting Standards Committee and the Auditing Standards Committee, providing the public access to technical pronouncements and facilities to be aware on the developments of the related accounting and auditing standards.

This year, CA Sri Lanka conducted an awareness session in collaboration with SLAASMB on non-compliances with Sri Lanka Accounting Standards and Auditing Standards identified by SLAASMB with the objective of educating the preparers and auditors of financial statements to improve their financial reporting.

The main activities carried out during the year in relation to Accounting and Auditing standards by CA Sri Lanka are as follows:

Accounting Standards

- Published the Accounting Standards (SLFRS/LKAS) Bound Volume 2023
- Submitted comments for Exposure Draft on IFRS for SMEs issued by IFRS Foundation.
- Issued Frequently Asked Questions (FAQs) on:
  - Sri Lanka Accounting Standard SLAS -12 Income Taxes regarding the accounting treatment for tax rate changes.
  - Accounting Treatment for Financial instruments issued under Government Domestic Debt Optimisation (DDO) programme.
  - Accounting treatment for Superannuation Funds which were affected due to Government DDO Programme.
  - Use of Discount Rates under uncertain economic conditions.
- Changed the effective date of SLFRS 17, Insurance Contracts to 1st January 2026 after conducting a survey on implementation of IFRS 17, Insurance Contracts in regional countries. A subcommittee under the guidance of the Accounting Standards Committee was appointed in collaboration with the Insurance Regulatory Commission of Sri Lanka to monitor the industry roadmap for the implementation of IFRS 17.
- Supported implementation of the Government Debt Restructuring Programme by providing required guidance to the Central Bank of Sri Lanka (CBSL) on financial reporting related matters.
- Submitted a report format by reviewing the applicable accounting standards to the Securities and Exchange Commission of Sri Lanka (SEC) on Implementation of eXtensible Business Reporting Language (XBRL) for listed companies.
- Conducted workshops, awareness sessions, seminars, and webinars on existing and revised Sri Lanka Accounting Standards throughout the year.
- Organised an awareness session on the application of IFRS Sustainability Reporting Standards S1- General Requirements for Disclosure of Sustainability-related Financial Information and S2 – Climate Related Disclosure

Auditing Standards

- Submitted comments for Exposure Drafts on ISA 570, Going Concern and ISSA 5000, General Requirements for Sustainability Assurance Engagements to the International Auditing and Assurance Standards Board.
- Issued FAQs to practitioners on investigating exceptions and relevance of performance materiality when using ATT (A non-Authoritative Support Material related to Technology)
- Continued development of an Automated Audit Toolkit for Small & Medium-sized practitioners.
- Launched the Code of Ethics 2023 edition (by adopting 2021 edition of the Code issued by the International Ethics Standards Board for Accountants (IESBA) that included Independence Standards).

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No.	TPD/A/SLAASMB/FA/2023/07	ඔබේ අංකය / உமது இல. / Your No.	
දිනය / திகதி / Date	29 August 2024		

Chairman

Sri Lanka Accounting and Auditing Standards Monitoring Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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 2023 comprising the statement of financial position as at 31 December 2023 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 report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

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 Other information included in the Board's 2023 Annual Report.

The other information comprises the information included in the Board's 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

1.4 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 intends 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.

1.5 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.

3

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

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 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.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 To state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

5

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

2.2.3 To state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) The Board had planned to review 252 sets of financial statements related to 261 SBEs during the year 2023. Accordingly, it was observed that the plan of the review of financial statements during the year under review had been reduced by 51 per cent compared to the previous year.

2.2.4 To state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No.19 of 2018 except for;

(a) The Board had made an agreement with State Engineering Corporation of Sri Lanka on 30 January 2019 at a cost of 7 per cent of the total construction cost for the Consultancy Services for Design and Supervision of Interior Works of the office premises of the Board. The construction development phase was completed and charged 65 per cent from the consultancy bill on 27 October 2021. However, the balance work phase of the consultant or the proposed improvements of the premises were not completed even up to the date of 31 May 2024.

2.3 **Other Matters**

2.3.1 Human Resource Management

The cadre details of Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2023 was as follows.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

Category	Approved Cadre	Actual Cadre as at 31.12.2023	No. of Vacancies
Senior	23	05	18
Tertiary	04	02	02
Secondary	02	02	00
Primary	04	01	03
	33	10	23

(i). 23 vacancies were observed in the Board as at 31 December 2023. Out of that, 20 vacancies were existed in executive level affecting to the major functions of the Board. Further, Out of 20 vacant positions, the position of Deputy Deputy/Assistant Director (Legal) had remained vacant from the inception of the Board and also 6 positions of Deputy Director Supervision and Assistant Director Supervision had not been recruited on permanent basis.

(ii). Heads of the Finance, Administration and Information Technology divisions had also remained vacant as at 31 December 2023.

W.P.C. Wickramaratne
Auditor General

Current Status regarding the issues addressed in the report of the Auditor General

Observation in Audit Report Dated	Responses by Management
2. Section 2.2.3 (a)	
The Board had planned to review 252 sets of financial statements related to 261 SBEs during the year 2023. Accordingly, it was observed that the plan of the review of financial statements during the year under review had been reduced by 51 per cent compared to the previous year.	The previous year's plan (2022) was prepared and finalized when the number of staff engaged in the reviews were 8. However, when preparing the work plan for 2023, the number staff engaged in financial reviews had reduced to 4. Accordingly, considering the low number of staff available who were directly engaged in the reviews at the time of planning, it was decided and approved to review 285 sets of financial statements by the 4 staff members engaged at that time. 2 more staff members resigned during the 2nd half of the year. Therefore, as a measure to overcome the lower number of financial review coverage, the Board took measures to recruit new staff with the expectation of recruiting 4 new staff members and to increase the financial review coverage. However, SLAASMB was unable to recruit technical staff members during 2023 despite many attempts made, mainly due to the low attractiveness of the salaries offered. Accordingly, the substantial low number of reviews planned (285) and achieved (261) for 2023 compared to 2022 is a direct impact on the number of staff available to perform such reviews.
2.2.2 Section 2.2.4	
The Board had made an agreement with State Engineering Corporation of Sri Lanka on 30 January 2019 at a cost of 7 per cent of the total construction cost for the Consultancy Services for design and interior works of the office premises of Board. The construction development phase was completed and charged 65 per cent from the consultancy bill on 27 October 2021. However, the balance work phase of the consultant or the premises were not completed even up to the audited date of 31 May 2024.	SLAASMB rented the 1st floor of the Ceylon Bible Society Building to accommodate the planned recruitment of staff and required interior partitioning work on 1st floor and refurbishment on the 3rd floor as office premises on 3rd floor was over 20 years old. The State Engineering Corporation (SEC) was engaged as the provider of consultancy services for the design and supervision of the interior construction work with the approval of the Department of Public Finance. As per the agreement, there were six work phases to be completed by SEC and fee payable (7%) was agreed on a percentage based on completion of each phase. However, SLAASMB was unable to continue with the project, due to the stringent policies adopted by the Government in 2019 when approving funds of Capital Expenditure and on constructions and refurbishment expenditure. Thereby at the point of evaluating bids, due to such Government restrictions in effect at that time the design and interior works of the Office premises was temporarily halted in 2019 although SLAASMB greatly needed such work to be executed. Once again in 2021 due to the said restrictions, re-commencement of this project could not be completed. However, as per the agreement the consultancy charges were paid to SEC to the extent of work performed. As per the circular No 1/2024 issued on 28 February 2024 by the Department of Public Enterprises (PED) on Expenditure Management of State Owned Enterprises, despite there being no restriction on recommencing this project, SLAASMB was unable to recommence the work, considering the tight budgetary allocation for SLAASMB for 2024.

Current Status regarding the issues addressed in the report of the Auditor General

Observation in Audit Report Dated	Responses by Management
	However , SLAASMB had requested for funds for the Design and interior works for Office premises in the Budget Estimate for 2025, as accommodating all staff planned for recruitment will be an issue, if the said project cannot be completed, when staff are recruited. Further, when recommencing the Design and interior works for Office premises, SEC will continue to be the consultants and the work done by them to date will be made use of as SEC was engaged to design and supervise the project during until the completion and maintenance phase of the project.
2.3 Other matters	
2.3.1 Human Resource Management The Cadre details of Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2023 was as follows. Category / Approved Cadre / Act. Cader as at 31.12.2023 / No of vacancies Senior 23 5 18 Tertiary 4 2 2 Secondary 2 2 0 Primary 4 1 3 33 10 23	
(i) 23 vacancies were observed in the Board as at 31 December 2023. Out of that, 20 vacancies were existed in executive level affecting the major functions of the Board. Further, out of 20 vacant positions, the position of Deputy/ Assistant Director (Legal) had remained vacant from the inception of the Board and also 6 positions of Deputy Director Supervision and Assistant Director Supervision had not been recruited on permanent basis.	Considering the severity of the staff crisis, the PED by letter dated 11 August 2023 informed that the Hon. Minister of Finance, Economic Stabilization and National Policies has granted approval to include SLAASMB in Annex A of the Operational Manual issued by the PED, issued along with the Public Enterprises Circular No.01/2021 dated 16 November 2021. Accordingly, as per section 3.2 of the Operational Manual, the Boards of those SOEs exempted from the provisions of the chapter on Human Resources, could decide as appropriate on all matters pertaining to Human Resource Management including the size of the cadre, the Scheme of Recruitment (SoR), and the salary structures, having followed a due process, considering the business sustainability and industry norms. Accordingly, with the intention of recruiting new staff and retaining the existing staff, the Board decided to implement the 2021 salary structure approved by the Cabinet of Minister as an initial step as advised by PED in the said letter, effective from 1 September 2023 Despite adopting revised salary structure of 2021 in 2023, SLAASMB was unable to recruit suitable candidates even after advertising the vacancy in several instances in 2023 and subsequently. Therefore, due to the necessity of recruiting new staff to enhance the review coverage as required, the Board decided to reduce the required years of experience for both Director Supervision and Assistant Director Supervision as follows:

Current Status regarding the issues addressed in the report of the Auditor General

Observation in Audit Report Dated	Responses by Management
	• Director Supervision: from 10 years of post-qualifying experience to 8 years. • Assistant Director Supervision – to include final year students who have passed the Advanced Business Reporting in CA Sri Lanka exams Following the revision, SLAASMB recruited one Director Supervision in March 2024 and three Assistant Director Supervision - Grade 2 in April 2024. Further one Director Supervision who was employed at SLAASMB for over 10 years resigned for in May 2024. Accordingly, SLAASMB continues to face resource constraints that severely impact the performance of its core functions, such as (financial statement reviews and Audit Inspections). At present, SLAASMB continues to explore avenues in increasing the resources to perform financial statements reviews including by attempting to employee part time reviewers, remote working arrangements whilst at the same time developing strategies to attract and retain employees. Further, SLAASMB intends to proceed recruiting the Assistant Director (Legal), subsequent to filling in all vacancies of Director Supervision and Assistant Director Supervision.
(ii) Heads of the Finance, Administration and Information Technology divisions had also remained vacant as at 31 December 2023.	The positions of Assistant Director Finance and Administration (ADFA) and the IT Administrator have been vacant since July 2023 and April 2023 respectively, consequent to the resignation of the then ADFA and IT Administrator. Since the ADFA position is a key position at SLAASMB, following its vacancy, SLAASMB took several steps to fill in the vacancy as follows: • Published vacancy advertisements in newspapers and top job portals. • Explored the possibility of secondment from the Ministry of Finance. • Considered outsourcing the role to an external firm. Despite these efforts, SLAASMB was unable to recruit a suitable candidate in 2023, including the resignation of a newly recruited officer within three days of appointment. Subsequently SLAASMB published the vacancy advertisement in the website of Ministry of Finance and was successful in selecting a suitable candidate who assumed duties w.e.f. 29 July 2024. In relation to the position of IT Administrator, SLAASMB outsourced the IT functions temporarily to an external consultancy firm from November 2023 based on the urgency of the services as the MIS was being finalised. Due to difficulties in filling the position, and based on the IT Steering Committee's recommendation, the Board approved the recruitment of an IT Administrator (designated as ICT Officer) on a contract basis at a higher salary. As a result of the attractive salary SLAASMB was able to recruit a qualified ICT Officer effective from April 2024.

Statement of Financial Position

As at	Note	**31-Dec-23 Rs.**	31-Dec-22 Rs.
ASSETS			
Non - Current Assets			
Property, plant and equipment	3	**25,781,785**	29,969,068
Intangible assets	4	**33,718,500**	20,158,000
Deposits	5	**6,979,736**	6,979,736
Defined benefit assets	10	**6,333,836**	8,893,601
		72,813,857	66,000,405
Current Assets			
Inventories	6	**728,079**	806,108
Accounts receivable	7	**3,136,467**	3,075,783
Cash and cash equivalents	8	**3,327,422**	3,265,940
		7,191,968	7,147,831
Total Assets		**80,005,825**	73,148,236
LIABILITIES			
Non - Current Liabilities			
Deferred income - government grants	9	**72,813,857**	66,000,405
		72,813,857	66,000,405
Current Liabilities			
Deferred income - government grants	11	**5,318,539**	3,076,338
Accounts payable	12	**1,873,429**	4,071,493
		7,191,968	7,147,831
Total Liabilities		**80,005,825**	73,148,236

The notes appearing on pages 50 to 56 form an integral part of the financial statements.

Members of the Board of Sri Lanka Accounting and Auditing Standards Monitoring Board are responsible for the preparation and presentation of these financial statements.

These financial statements were approved by the Board and signed on their behalf

Chairperson

Member

Director General

Deputy Director General - Finance & Administration

12 February 2024

Statement of Financial Performance and Other Comprehensive Income

For the year ended 31 December	Note	**2023 Rs.**	2022 Rs.
Revenue			
Government grants	13	**73,544,975**	81,015,260
Less: Grants released to the Institute of Chartered Accountants of Sri Lanka		**2,000,000**	4,000,000
		71,544,975	77,015,260
Operating Expenses			
Board Members' allowances		**(1,690,300)**	(1,031,732)
Auditor's remuneration	14	**(353,030)**	(151,700)
Staff costs	15	**(35,050,482)**	(39,456,582)
Fuel and lubricants		**(144,720)**	(183,350)
Press notices		**(1,281,482)**	(198,134)
Rent and building service charges		**(13,963,891)**	(13,450,704)
Depreciation and amortisation expenses	3	**(5,468,883)**	(5,582,087)
Electricity		**(2,006,648)**	(988,018)
Professional fees to Reviewers		**(188,000)**	(661,500)
International memberships		**(2,467,303)**	(1,797,493)
Books and periodicals		**(996,410)**	(890,488)
Training and development		**(58,992)**	(1,202,492)
License and insurance		**(1,120,870)**	(928,494)
Stationery		**(699,324)**	(1,302,366)
Other administration expenses	16	**(6,054,640)**	(9,244,120)
		-	-
Other Comprehensive Income			
Gain /(loss) on remeasurement of the defined benefit obligation		**(6,812,305)**	4,769,117
Government grants related to remeasurement of defined benefit obligations		**6,812,305**	(4,769,117)
		-	-
Net surplus / (deficit) for the year		**-**	-

The notes appearing on pages 50 to 56 form an integral part of the financial statements.

Statement of Changes in Net Assets

	Accumulated Fund Rs.
Balance as at 31 December 2021	-
Net surplus/deficit for the year	-
Balance as at 31 December 2022	-
Net surplus/deficit for the year	-
Balance as at 31 December 2023	-

The notes appearing on pages 50 to 56 form an integral part of the financial statements

Cash Flow Statement

For the year ended 31 December	Note	2023 Rs.	2022 Rs.
Cash flows from operating activities			
Net surplus / (deficit) for the year		-	-
Adjustments for;			
Government grants received during the year		**89,412,934**	82,680,000
Deferred government grants transferred to total comprehensive income	13	**(80,357,280)**	(76,246,143)
Depreciation	3	**5,468,883**	5,528,087
Interest on investment in gratuity fund		**(1,047,684)**	(744,113)
Defined benefit (asset) / obligation	15.1	**6,509,764**	(4,221,255)
Excess of income over expenditure / (expenditure over income) before working capital changes		**19,986,617**	6,996,576
Decrease /(Increase) in inventories		**78,029**	(31,472)
Decrease /(Increase) in accounts receivable		**(60,684)**	(609,268)
(Increase)/Decrease in accounts payable		**(2,198,064)**	681,939
Net cash flows from operating activities		**17,805,898**	7,037,775
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,281,600)**	(646,857)
Payments made for the software development		**(13,560,500)**	(15,072,000)
Investment in gratuity fund		**(3,950,000)**	(2,250,000)
Interest received on investment in gratuity fund/safety locker		**1,047,684**	744,113
Net cash flows		**61,482**	(10,186,969)
Cash flows from financing activities		**-**	-
Net increase / (decrease) in cash and cash equivalents		**61,482**	(10,186,969)
Cash and cash equivalents at the beginning of the year		**3,265,940**	13,452,909
Cash and cash equivalents at the end of the year	8	**3,327,422**	3,265,940

The note appearing on pages 50 to 56 form an integral part of the financial statements

Notes to the Financial Statements

01. Corporate Information

The financial statements of Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2023 were authorised for issue by a resolution of the Members of the Board on 12 February 2024. Sri Lanka Accounting and Auditing Standards Monitoring Board is a Statutory Board established by Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The function of the Board is to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of specified business enterprises under the provisions of Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Board employed 10 permanent employees as at 31 December 2023 (13 permanent 2 on contract basis and 1 temporary employee as at 31 December 2022).

02. Significant Accounting Policies

Basis of Preparation

The financial statements of the Board are prepared under the historical cost convention in conformity with Sri Lanka Public Sector Accounting Standards for Accrual Basis of Accounting.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Events after the reporting date

All material events after the date of the Statement of Financial Position are considered and appropriate adjustments or disclosure made in the financial statements, where necessary.

Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is charged to the Statement of Financial Performance, on a straight-line basis, over the estimated useful lives of the assets as follows.

Description	Estimated Useful Life
Motor Vehicles	15 Years
Office Equipment	4-25 Years
Furniture, Fixtures & Fittings	6-25 Years
Books and Publications	3 Years

Depreciation is provided in the year of purchase and in the year of sale based on the period used, with full depreciation being provided in the month of purchase and no depreciation being provided in the month of sale.

Items other than books and publications purchased at a cost not exceeding Rs.25,000/, all Accounting Standards and Auditing Standards, and other publications with a cost not exceeding Rs.10,000/- are expensed in the year of purchase.

Intangible Assets

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with Sri Lanka Public Sector Accounting Standards SLPSAS 20 – Intangible Assets. Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Inventories

Inventories are valued at lower of cost and net realisable value. The cost of the inventories is arrived at by using the first-in, first-out (FIFO) basis.

Accounts Receivable

Accounts Receivable are stated at the amounts estimated to be realised, and where necessary, allowance is made in the financial statements, for bad and doubtful debts.

Cash and Cash Equivalents

Cash in hand and at banks and short-term deposits are carried at cost.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

Accounts Payable

Liabilities for Accounts Payable are carried at the amount of cash and cash equivalents expected to be paid.

Notes to the Financial Statements

02. Significant Accounting Policies (Continued)

Defined Benefit Costs

The defined benefit obligation for retiring gratuities payable under the Payment of Gratuity Act No.12 of 1983 recognised in the Statement of Financial Position, represent the present value of the defined benefit obligation. All actuarial gains and losses are recognised immediately in the Statement of Financial Performance and Other Comprehensive Income.

Government Grants

Grants received from the General Treasury of the Government of Sri Lanka are recognised as income in the period in which the related costs are recognised.

Government grants utilised to acquire assets that will be expensed in subsequent periods are recognised as deferred income. Government Grants represented by other assets including cash and cash equivalents, less liabilities (other than liabilities on account of the Grants received) are recognised as liabilities.

Notes to the Financial Statements

3. Property, Plant and Equipment

	Motor Vehicles		Office Equipment		Furniture, Fixtures & Fittings		Library Books		Work-in Progress		Total	
As at	**31-Dec-23 Rs.**	31-Dec-22 Rs.	**31-Dec-23 Rs.**	31-Dec-22 Rs.	**31-Dec-23 Rs.**	31-Dec-22 Rs.	**31-Dec-23 Rs.**	31-Dec-22 Rs.	**31-Dec-23 Rs.**	31-Dec-22 Rs.	**31-Dec-23 Rs.**	31-Dec-22 Rs.
Cost												
At beginning of the year	**51,160,000**	51,160,000	**12,887,043**	12,252,537	**12,710,538**	12,402,537	**3,224,599**	3,223,399	**1,641,054**	1,937,904	**81,623,234**	80,976,377
Additions	**-**	-	**1,281,600**	337,657	**-**	308,000	**-**	1,200	**-**	-	**1,281,600**	646,857
Disposals	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-		
Transfer	**-**	-	**-**	296,850	**-**	-	**-**	-	**-**	(296,850)		
At end of the year	**51,160,000**	51,160,000	**14,168,643**	12,887,043	**12,710,538**	12,710,538	**3,224,599**	3,224,599	**1,641,054**	1,641,054	**82,904,834**	81,623,234
Accumulated Depreciation												
At beginning of the year	**28,100,000**	24,689,333	**9,691,736**	8,396,025	**10,648,367**	9,835,157	**3,214,063**	3,205,564	**-**	-	**51,654,166**	46,126,079
Depreciation for the year	**3,410,667**	3,410,667	**1,236,289**	1,295,711	**813,195**	813,210	**8,732**	8,499	**-**	-	**5,468,883**	5,528,087
Depreciation on disposals	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-		
Transfer												
At end of the year	**31,510,667**	28,100,000	**10,928,025**	9,691,736	**11,461,562**	10,648,367	**3,222,795**	3,214,063	**-**	-	**57,123,049**	51,654,166
Written Down Value												
at end of the year	**19,649,333**	23,060,000	**3,240,618**	3,195,308	**1,248,976**	2,062,170	**1,804**	10,536	**1,641,054**	1,641,054	**25,781,785**	29,969,068

Capital work-in-progress includes fees paid to the consultant for the interior construction work carried out in relation to the office space during 2019 and 2021. The project has been deferred due to government's curtailment of capital expenditure and is expected to recommence in 2025.

Notes to the Financial Statements

	As at	2023 Rs.	2022 Rs.
4	**Intangible Assets** (Software - Work in progress)		
	Balance at the beginning of the year	**20,158,000**	5,086,000
	Payments made during the year	**13,560,500**	15,072,000
	Balance at the end of the year	**33,718,500**	20,158,000
5	**Deposits (Non-current)**		
	Rent Deposit	**6,879,736**	6,879,736
	Safety Locker Deposit	**100,000**	100,000
		6,979,736	6,979,736
6	**Inventories**		
	Stationery	**728,079**	806,108
7	**Accounts Receivable**		
	Prepayments	**3,131,467**	3,070,783
	Deposits	**5,000**	5,000
		3,136,467	3,075,783
8	**Cash and Cash Equivalents**		
	Cash on hand and in bank	**3,327,422**	3,265,940
		3,327,422	3,265,940
9	**Deferred Income - Government Grants (Non-current)**		
	Balance at the beginning of the year	**66,000,405**	49,338,380
	Grants received and utilised to acquire non-current assets	**14,842,100**	15,718,857
	Grants received and invested in gratuity fund	**3,950,000**	2,250,000
	Depreciation and amortisation expenses for the year	**(5,468,883)**	(5,528,087)
	Interest received on gratruity fund	**1,047,684**	744,113
	Defined benefit obligation charge for the year	**(7,557,449)**	3,477,142
	Balance at the end of the year	**72,813,857**	66,000,405
	Represented by:		
	Property, Plant and Equipment	**25,781,785**	29,969,068
	Intangible Assets	**33,718,500**	20,158,000
	Deposit (non-current)	**6,979,736**	6,979,736
	(Provision for gratuity) / Excess of Gratuity Fund	**6,333,836**	8,893,601
	Balance at the end of the year	**72,813,857**	66,000,405

Notes to the Financial Statements

	As at	**2023 Rs.**	2022 Rs.
10	**Defined Benefit (Asset) / Obligations**		
	Balance at the beginning of the year	**2,580,610**	6,874,244
	Charge for the year	**459,937**	179,380
	Interest for the year	**285,206**	1,112,595
	Actuarial (gains) / losses	**6,812,305**	(4,769,117)
		10,138,059	3,397,102
	Payments during the year	**(2,051,255)**	(816,492)
	Balance at the end of the year	**8,086,804**	2,580,610
	Gratuity Fund (Note 10.1)	**(14,420,640)**	(11,474,211)
	Net defined benefit (Asset) / obligations	**(6,333,836)**	(8,893,601)
	Present value of the obligation was measured using the following assumptions.		
	Expected salary increment	**2%**	2%
	Discount / interest rate	**13.5%**	18%
	Staff turnover factor	**9%**	9%
	The liability for gratuity is partly funded.		
10.1	**Gratuity Fund**		
	Balance at the beginning of the year	**11,474,211**	9,296,590
	Investments made during the year	**3,950,000**	2,250,000
	Interest recieved during the year	**1,047,684**	744,113
	Payments during the year	**(2,051,255)**	(816,492)
	Balance at the end of the year	**14,420,640**	11,474,211
11	**Deferred Income - Government Grants (Current)**		
	Balance at the beginning of the year	**3,076,338**	13,304,506
	Increase / (decrease) in inventories and accounts receivable	**(17,345)**	640,739
	Increase / (decrease) in cash and cash equivalents	**61,482**	(10,186,969)
	(Increase) / decrease in accounts payable	**2,198,064**	(681,938)
	Balance at the end of the year	**5,318,539**	3,076,338
	Represented by :		
	Inventories	**728,079**	806,108
	Accounts receivable	**3,136,467**	3,075,783
	Cash and cash equivalents	**3,327,422**	3,265,940
	Less: accounts payable	**(1,873,429)**	(4,071,493)
	Balance at the end of the year	**5,318,539**	3,076,338
12	**Accounts Payable**		
	Auditors' remuneration	**300,000**	214,000
	Grants payable to the Institute of Chartered Accountants of Sri Lanka	**-**	1,000,000
	Professional fees payable to reviewers	**-**	80,000
	Staff incentive payable	**34,667**	624,000
	Accrued Internal Audit Fee	**250,000**	222,525
	Accrued Annual Report Expenses	**400,000**	1,380,703
	Utility expenses payable	**354,537**	199,677
	Outsouced services payable	**105,550**	161,055
	Other payables	**428,675**	189,533
		1,873,429	4,071,493

Notes to the Financial Statements

	For the year ended 31 December	**2023 Rs.**	2022 Rs.
13	**Government Grants**		
	Government Grants received during the year	**89,412,934**	82,680,000
	Grants received and invested in gratuity fund	**(3,950,000)**	(2,250,000)
	Grants used for capital expenditure	**(14,842,100)**	(15,718,857)
	Grants used to finance net current assets	**(2,242,201)**	10,228,168
	Depreciation and amortisation expenses for the year	**5,468,883**	5,528,087
	Interest received on gratruity fund	**(1,047,684)**	(744,113)
	Defined benefit liability for the year	**745,143**	1,291,975
	Grants shown in the Statement of Financial Performance	**73,544,975**	81,015,260
	Grant related to remeasurement of defined benefit liability shown in Other Comprehensive Income	**6,812,305**	(4,769,117)
	Total grants transferred to total comprehensive income shown in Statement of Cash Flows	**80,357,280**	76,246,143
14	**Auditors' Remuneration**		
	Current year	**300,000**	214,000
	(Over) / under provisions in the previous years	**53,030**	(62,300)
		353,030	151,700
15	**Staff Costs**		
	Staff remuneration	**23,233,105**	23,859,170
	Employees' provident fund	**2,307,530**	2,281,697
	Employees' trust fund	**576,883**	570,424
	Defined benefit obligation (note 15.1)	**(302,541)**	547,862
	Other outsouce services	**2,066,720**	1,354,736
	Staff incentive	**4,617,167**	8,180,005
	Staff medical insurance	**750,636**	488,963
	Staff welfare	**1,124,294**	978,692
	Other staff benefits	**676,688**	1,195,033
		35,050,482	39,456,582
15.1	**Defined Benefit Obligation**		
	Charge for the year	**459,937**	179,380
	Net interest for the year	**(762,478)**	368,482
		(302,541)	547,862
	Actuarial (gains) / losses disclosed as other comprehensive income	**6,812,305**	(4,769,117)
	Total Defined Benefit Obligation included in the Statement of Cash flows	**6,509,764**	(4,221,255)

Notes to the Financial Statements

	For the year ended 31 December	**2023 Rs.**	2022 Rs.
16	**Other Administration Expenses**		
	Computer maintenance	**158,383**	160,883
	Equipment maintenance	**850,865**	657,447
	Vehicle maintenance	**1,548,125**	2,299,742
	Communication expenses	**1,439,876**	1,462,275
	Parking expenses	**404,738**	342,000
	Insurance of furniture and fittings and office equipment	**159,279**	140,590
	Bank charges	**138,454**	150,584
	Travelling expenses	**138,277**	58,565
	Office expenses	**629,154**	452,468
	Annual report	**(268,559)**	2,363,027
	Regulatory publications	**-**	517,669
	Legal and professional fees	**359,750**	175,500
	Internal audit fees	**496,298**	463,370
		6,054,640	9,244,120

17. Capital Commitments

The development of the design, development and implementation of the Management Information System (MIS) by the Software developer has been completed and is expected go live by early 2024. A sum of Rs.2.1 million has been contracted for as at 31 December 2023 but has not been provided in the financial statements relating to the cost of the data migration to the MIS being developed and the other MIS related services.

18. Related Party Transactions

There were no related party transactions during the year ended 31 December 2023

19. Contingent Liabilities

There were no contingent liabilities as at 31 December 2023. (As at 31 December 2022 - nil)

20. Events after the Date of the Statement of Financial Position

There were no material events after the reporting date necessitating any adjustments or disclosure in the financial statements.

Ten Year Summary of Performance

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Core/Regulatory Activities										
1	**No. of SBEs Identified (As at period end)**	1,353	1,410	1485	1559	1579	1608	1657	1680	1671	1707
2	**Financial Statements Received**										
	No of statements	1,371	1,430	1,536	1,643	1,567	1,635	1,232	1,830	1,738	1,732
	No. of SBEs	1,289	1,345	1,412	1,479	1,457	1,521	1,194	1,517	1,564	1,566
3	**Review of Financial Statements**										
	No. of reviews completed	1,200	1,122	731	518	638	720	732	552	541	261
	No. of SBEs	1,151	1,068	678	459	608	699	694	525	534	261
4	**Financial Statement Review Findings**										
	No. of financial statements Compliant	498	553	436	324	430	450	437	312	344	192
	No. of financial statements Compliant with Observations	697	567	291	185	202	267	293	237	194	66
	No. of financial statements Non-Compliant	5	2	4	9	6	2	2	3	2	2
	No. of financial statements referred to Attorney General	-	-	-	-	-	-	-	-	-	1
	No. of financial statements for which Warnings were issued	-	-	-	-	-	1	-	-	1	-
		1,200	1,122	731	518	638	720	732	552	541	261
5	**Audit Inspection Findings**										
	No. of regular audit inspections completed	100	91	99	85	31	33	27	34	33	16
	No. of thematic audit inspections completed	-	-	-	15	19	12	-	-	-	-
	No. of firm-wide inspections completed	-	-	-	-	2	-	-	-	-	-
	No. of Audit Firms Inspected	41	29	14	13	10	7	7	17	9	6
6	**Audit Inspections - Findings on regular inspections**										
	No. of audits Compliant	32	35	41	40	19	18	23	21	23	13
	No. of audits Compliant with Observations	68	56	55	42	11	13	3	12	9	3
	No. of audits Non-Compliant	-	-	2	2	-	-	-	-	-	-
	No. of audits referred for investigation	-	-	1	-	-	-	1	-	-	-
	No. of audits for which Warnings were Issued	-	-	-	1	1	2	-	1	1	-
		100	91	99	85	31	33	27	34	33	16
7	**No. of public complaints attended to**	-	-	1	1	2	2	1	-	-	-
8	**No. of clarifications issued**	1	7	5	6	2	6	4	2	-	4
		1	7	6	7	4	8	5	2	-	4

Ten Year Summary of Performance

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
9	**No. of Board Meetings held**	11	8	13	12	12	10	9	14	9	15
	90%-100% Attendance	2	4	3	3	1	5	5	4	3	1
	80%-90% Attendance	-	3	1	-	3	-	3	3	2	2
	70%-80% Attendance	2	1	3	1	1	2	2	2	2	3
	Less than 70% Attendance	5	3	4	7	6	9	3	5	6	7
10	**No. of learning activities of the staff**	48	46	13	48	48	41	37	47	33	19
11	**Attendance at meetings of International organizations and other sessions**	9	6	19	9	8	8	-	4 (virtual)	2 (virtual)	-
12	**Total Staff (As at period end)**	19	20	21	22	21	17	18	17	16	10
13	**Total Technical staff (As at period end)**	14	14	15	15	14	11	11	10	9	5
14	**Operating expenses in Rs. 000**										
	- Actual	60,930	69,159	72,371	84,352	90,138	78,512	65,159	71,236	77,015	71,545
	- Budget	64,640	66,000	66,000	80,000	88,000	100,000	92,657	127,036	120,000	118,496
	- Increase % in actual cost compared with previous year	10.5	13.5	4.6	16.6	6.9	-12.9	-17.0	9.3	8.1	-7.1
15	**Staff cost in Rs. 000**										
	- Actual	31,627	37,322	39,350	42,351	44,084	41,488	36,923	35,496	39,456	35,050
	- Budget	31,673	38,102	36,095	40,471	41,637	47,390	44,451	73,822	71,719	67,223
	- Increase % in actual cost compared with previous year	11.2	18.0	5.4	7.6	4.1	-5.9	-11.0	-3.9	11.2	-11.2
	- % of Operating expenses	51.9	54.0	54.4	50.2	48.9	52.8	56.7	49.8	51.2	49.0

Specified Business Enterprises

The following have been defined as specified business enterprises by the Act and the regulations made under the Act:

- Licensed banks
- Companies authorised to carry on insuarance business
- Companies carrying on leasing business
- Factoring Companies
- Finance Companies
- Companies licensed to carry on business as stockbrokers or stockdealers
- Companies licensed to operate unit trust
- Fund Management Companies
- Companies licensed to operate a stock exchange
- Companies listed in a Stock Exchange
- Other Companies

    (a) Which have an annual turnover in excess of Rupees 500 Million;

    (b) Which at the end of the previous financial year , had shareholders' equity in excess of Rupees 100 Million;

    (c) Which at the end of the previous financial year, had gross assets in excess of Rupees 300 Million;

    (d) Which at the end of the previous year, had liabilities to banks and other financial institutions in excess of Rupees 100 Million;

    (e) Which have a staff in excess of 1,000 employees

- Public Corporations engaged in the sale of goods or the provision of services.
- A group of companies, anyone of which falls within any of the above categories. For the purpose, group of companies' means a holding company and its subsidiaries, the accounts of which have to be consolidated under the Companies Act.

Name of Organization
Sri Lanka Accounting and Auditing
Standards Monitoring Board

Legal Form
A Statutory Board established by
Sri Lanka Accounting and Auditing
Standards Act No.15 of 1995

Country of Incorporation
Sri Lanka

Head Office
3rd Floor, 293 Galle Road, Colombo 3
Telephone: 011 2301210 Fax: 011 2301211
E-mail: slaasmb@sltnet.lk

Website
www.slaasmb.gov.lk

Auditors
Statutory Auditors
The Auditor General
Auditor General's Department
No. 306/72, Polduwa Road
Battaramulla

Internal Auditors
Deloitte Risk Advisory Services (Pvt) Ltd
No 100, Braybrooke Place
Colombo 2

Bankers
Bank of Ceylon

Legal Advisers
Attorney General
Attorney General's Department
Colombo 12

Sri Lanka Accounting and Auditing Standards Monitoring Board.
3rd Floor, 293, Galle Road, Colombo 03, Sri Lanka.