

*Enhancing Reliability*



**SLAASMB**

Sri Lanka Accounting and Auditing  
Standards Monitoring Board

# 2022 **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 62)

## Contents

Members of the Board.....	1
Members of the Board as at 31st December 2022.....	2
Observers / Invitees of the Board as at 31st December 2022.....	6
Board Appointed Sub – Committees as at 31 December 2022.....	7
Staff of the Board - as at 31 December 2022.....	8
Technical Staff of the Board as at 31 December 2022.....	9
Review of Activities during – 2022.....	10
Findings on review of financial statements during 2022.....	18
Undertakings Sought and Warnings issued during the year 2022.....	21
Findings on audit inspections during 2022.....	23
Short term and medium term measures to be followed to improve the Performance of SLAASMB.....	27
Performance Scorecard.....	29
Financial Statements of SBEs Reviewed during 2022 - Compliant with Sri Lanka Accounting Standards.....	31
Financial Statements of SBEs Reviewed during 2022- Compliant with Observations Communicated by letters of observations.....	36
Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2022.....	39
Activities relating to standard setting by CA Sri Lanka during 2022.....	40
Report of the Auditor General.....	42
Current status regarding the issues addressed in the Report of the Auditor General .....	49
Statement of Financial Position.....	51
Statement of Financial Performance and Other Comprehensive Income.....	52
Statement of Changes in Net Assets.....	53
Cash Flow Statement.....	54
Notes to the Financial Statements.....	55
Specified Business Enterprises.....	62

# ANNUAL REPORT - 2022

## Members of the Board

<b>J P R Karunaratne</b> FCMA (UK), ACMA (SL) B.Sc. (Hons.) Maths and Stat. (Col.), PGDip in Applied Stat. (Col.), MCom. (Aus.) Assistant Governor - Central Bank of Sri Lanka	Chairman (w.e.f. 18 February 2022 up to 5 June 2022)	
<b>Ms. K M A N Daulagala</b> FCMA (UK), MBA (USJP) MSc Fin. and Busi.Econ. (UK) Deputy Governor - Central Bank of Sri Lanka	Chairperson (w.e.f. 6 June 2022)	
<b>S Disanayake</b> LLM, Attorney-at-Law Registrar General of Companies	Ex- Officio Member	
<b>H M W C Bandara</b> B.Com (Sp.), LLB, Attorney-at-Law Commissioner General of Inland Revenue	Ex- Officio Member (up to 8 May 2022)	
<b>D R S Hapuarachchi</b> Masters in Taxation Policy and Management (Keio) B.Com Sp. (Col.), Dip. in Prof. Diplomacy and World Affairs (SL)	(w.e.f. 9 May 2022)	
<b>C Mendis</b> Attorney-at-Law Director General, Securities and Exchange Commission of Sri Lanka	Ex- Officio Member	
<b>W W J C Perera</b> FCA, FCMA, B.Sc.B. Admin (USJP), CFE Partner – KPMG	Appointed Member	CA Sri Lanka
<b>H M A Jayasinghe</b> FCA, FCMA, CIPFA Immediate past President - CA Sri Lanka, Country Managing Partner - Ernst & Young, Sri Lanka and Maldives	Appointed Member	CA Sri Lanka
<b>S M S S Bandara</b> FCA, MBA (Col.), B.Sc (Acc. and Fin. Management) (USJP) President - CA Sri Lanka, Partner – B R De Silva & Company	Appointed Member	CA Sri Lanka
<b>P R A I Gunarathna</b> ACMA (UK), CGMA, ACCA Affiliate, Dip.in Banking and Fin., B.Sc. Eng. (Hons), MBA (UK)  Director – Wake up Zone (Pvt) Ltd	Appointed Member	Chartered Institute of Management Accountants of UK Sri Lanka Division
<b>R T Amarasuriya</b> LLB (Hons.) (Col.), FCMA (UK), FCMA (SL), CGMA, 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
<b>P D Samarasinghe</b> FCA, FCMA (UK), MBA Group Director/ Chief Executive Officer - Overseas Realty (Ceylon) PLC	Appointed Member (up to 31 January 2022)	Ceylon Chamber of Commerce
<b>Ms. M P Abeysekera</b> FCMA (UK), CGMA, FCA, B.Sc (Hons.) (Col.), MBA (Col.), GSLID Independent Non-Executive Director- Kapruka Holdings PLC	(w.e.f. 31 March 2022)	
<b>K K S Gunawardane</b> 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
<b>W P R P H Fonseka</b> FCA, SFIBs (SL), B.Sc. B. Admin (Hons.) (USJP), PGDip in Mgmt. (PIM), MBA (Aus) Additional General Manager / Chief Financial Officer – Bank of Ceylon	Appointed Member (w.e.f. 31 March 2022)	Sri Lanka Bank's Association
<b>Prof. A. Jayamaha</b> FCA, PhD (USQ-Aus.), M.Com (UoK), B.Com(UoK) Dean - Faculty of Graduate Studies, University of Kelaniya	Appointed Member	University Grants Commission
<b>Ms. M D G L Perera</b> FCA, MBA (Col.)	Secretary to the Board	

## Members of the Board

As at 31<sup>st</sup> December 2022



**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 Disanayake**  
*LLM, Attorney – at – Law*

Mr. Disanayake, 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. Disanayake 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 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 35 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 31<sup>st</sup> December 2022



**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 of KPMG Sri Lanka. He leads the Risk Consulting and Forensic Services of KPMG.

He is a Certified Fraud Examiner, accredited by the Association of Certified Fraud Examiners of USA.



**H M A Jayesinghe**  
FCA, FCMA, CIPFA

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

Mr. Jayesinghe having 40 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 Bandara**  
FCA, MBA (Colombo), B.Sc  
Accountancy and Financial  
Management (USJP)

Mr. Bandara, the President of the CA Sri Lanka, is a Partner of B. R. De Silva & Co. and counts over 24 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 is 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 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. He has also served in the 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 31<sup>st</sup> December 2022



**RT Amarasuriya**

*LL.B (Hons.) (Col), FCMA (UK), FCMA (SL), CGMA, 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, the President of the Alumni Association of the University of Colombo, a Member of the Standing Committee on Legal Studies of the University Grants Commission, a Member of the Advisory Board of the Faculty of Law of the Sri Lanka Institute of Information Technology, and a Member of the Board of Governors of the Sri Lanka National Arbitration Centre. 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.



**Manohari Abeysekera**

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

Ms. Abeysekera, an independent Non-Executive Director of Kapuruka Holdings PLC, counts over 20 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. Abeysekera 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. Abeysekera 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. Abeysekera 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 programme 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 37 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 31<sup>st</sup> December 2022



### **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 Additional General Manager of the Bank. He counts over 32 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 immediate 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)*

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 40 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 31<sup>st</sup> December 2022

### *Chairman of Statutory Auditing Standards Committee*



**T.J.S. Rajakarier**  
*FCA, FCCA, FCMA, CGMA*

Mr. Rajakarier, Partner at KPMG Sri Lanka, counts over 36 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 Institute of Chartered Accountants 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 Institute of Chartered Accountants of Sri Lanka.

### *Observer of the Board Treasury Representative*



**W H A Wimalajeewa**  
*ACA, B.Sc. Accountancy (Sp.)(USJP), MBus (UoK)*

Ms. W H A Wimalajeewa, Director of the Department of Public Finance, counts over 14 years of experience in the public sector.

### *Director General*



**A I Mohotti**  
*FCA, FCMA (UK), CGMA, BBA (Hons.) (Col), MBA (Leicester)*

Ms. Mohotti, Director General of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), counts over 32 years of experience in financial and business management and in auditing in diverse business segments in the regulatory and commercial sectors. Her work exposure includes over 22 years service engaging in regulating compliance with accounting and auditing standards at SLAASMB.

## Board Appointed Sub – Committees as at 31 December 2022

### ALL APPOINTMENTS MADE W.E.F. 26 JULY 2022

#### Audit Committee

Mr. S M S S Bandara – Chairperson  
 Professor A. Jayamaha – Member  
 Ms. W H A Wimalajeewa – Member  
 Mr. M. Danapala – Auditor Generals Representative – Observer  
 Non Member Secretary – Ms. H B Razzak (Director Technical)

#### Remuneration Committee

Ms. K M A N Daulagala – Chairperson  
 Ms M P Abeyesekera – Member  
 Mr. P R A I Gunarathna – Member  
 Mr. R T Amarasuriya – Member  
 Ms. W H A Wimalajeewa – Member  
 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 Jayasinghe – Member  
 Prof. A Jayamaha – Member  
 Mr. C Mendis – Member  
 Non Member Secretary – Ms. M L Hewage (Director Technical)

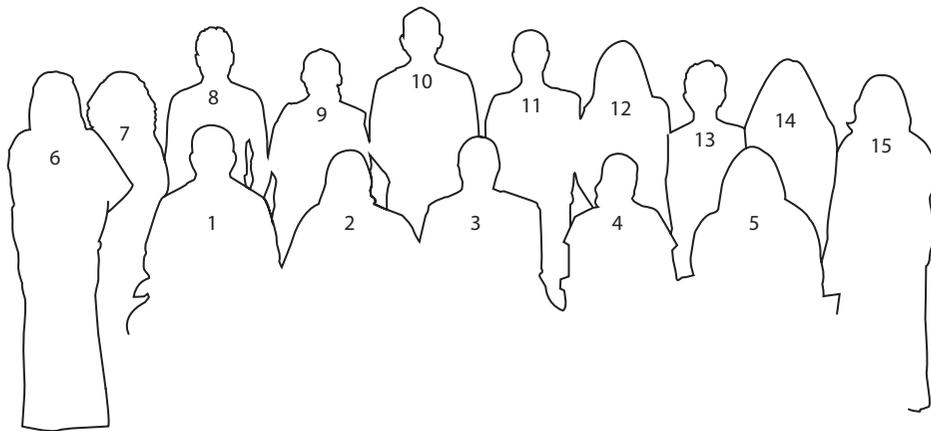
#### IT Steering Committee

Mr. P R A I Gunarathna – Chairman  
 Mr. W W J C Perera – Member  
 Mr. S Disanayake – Member  
 Mr. K K S Gunawardane – Member  
 Ms. A I Mohotti (DG) – Member  
 Non Member Secretary – Ms I E Iddamalgoda (Director Technical)

#### Conflict Resolution Committee

Mr. C Mendis – Chairman  
 Mr. S Disanayake – Member  
 Mr. R T Amarasuriya – Member  
 Mr. D R S Hapuarachchi – Member  
 Mr. W P R P H Fonseka – Member  
 Non Member Secretary – Ms. A Ahamath (Deputy Director General)

## Staff of the Board - as at 31 December 2022



- |                          |                             |                                   |
|--------------------------|-----------------------------|-----------------------------------|
| 1. K. Sivakumar          | 6. Ms. Hiranthi Jayaweera   | 11. Ms. D M Nilanthi P Dandeni    |
| 2. Ms. Asha Ahamath      | 7. Ms. Imalka Iddamalgoda   | 12. Ms. Kalani Hettiarachchi      |
| 3. Ms. Anusha I Mohotti  | 8. K. Rasika S Bandara      | 13. Ms. F Shiromi Abeykoon        |
| 4. Ms. Hafsa B Razzak    | 9. Ms. Duminda K. Guruwatte | 14. Ms. Dilinika Menmendaarachi   |
| 5. Ms. M Lakmalie Hewage | 10. H.S.U.P. Jayawardena    | 15. Ms. L Wathsala Mallawarachchi |

## Technical Staff of the Board as at 31 December 2022

**Ms. Anusha I Mohotti**

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

**Ms. Asha Ahamath**

FCA, MBA (Col)  
Deputy Director General

**Ms. Hafsa B Razzak**

FCA, ACMA (UK), CGMA, MBA (USJP)  
Director Technical

**Ms. M Lakmalie Hewage**

FCA, ACMA (UK), CGMA, MBA (USJP)  
Director Technical

**Ms. Imalka E Iddamalgoda**

FCA, B.Sc. (Fin) (Sp) (USJP),  
Director Technical

**Ms. Dilinika M Menmendaarachchi**

FCA, ACCA, B.Sc (Acc) Sp (Hons.) (USJP)  
Assistant Director Technical

**Ms. H A Kalani S Hettiarachchi**

FCA, B.Sc (Acc) Sp (Hons.) (USJP)  
Assistant Director Technical

**Ms. D M Nilanthi P Dandeni**

FCA, BBA (Acc) Sp. (Hons.) (Col), AIB (SL)  
Assistant Director Technical

**Ms. L Wathsala Mallawarachchi**

FCA, B.Sc (Acc) Sp. (Hons.) (USJP)  
Assistant Director Technical

## Review of Activities During - 2022

### 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 institutions as Specified Business Enterprises (SBEs – see page 62 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 42 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. Effect of post COVID 19 work-from-home arrangements on the regulatory activities

The challenges faced by SBEs when finalizing the preparation of financial statements and by the auditors when completing the audits due to restrictions in information flow caused by the COVID 19 pandemic control measures imposed by the Health Authorities, continued during the current year too, but in a less controlled manner. In the meantime, the power and energy shortages witnessed during the year also resulted in limiting the physical reporting for work and adopted roster-based work arrangements making the staff to continue the use of available IT infrastructure similar to the COVID 19 control period in 2021. As a result, SLAASMB worked towards accepting electronic copies of financial statements of SBEs as far as possible and conducted the inspection of audits either through virtual platforms or physically.

As a result, these opportunities were maximized with the staff approaching the reviews through an electronic medium in respect of accessing reports, generating letters, conducting technical discussions, updating records, and conducting audit inspections and conducting meetings with SBEs.

Similarly, the capacity-building activities of the staff were also catered through virtual sessions, maximizing

on the technological advancements while ensuring the welfare of staff and of the stakeholders at all times. Adoption of these measures ensured continuous work performance by the staff and enabled the achievement of SLAASMB's annual plans.

A brief description of the main operations and activities of SLAASMB carried out to discharge its statutory functions during the year is given below.

### 3. Review of Financial Statements

#### 3.1. 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

## Review of Activities During - 2022

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.

### 3.2. Highlights of Review of Financial Statements

As at 31 December 2022, 1671 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, 1,564 SBEs had submitted 1,738 sets of financial statements of which some financial statements were in relation to prior years. Similarly, during the preceding year, 1,517 SBEs had submitted 1,830 sets of financial statements to SLAASMB.

SLAASMB completed reviews of 541 sets of financial statements relating to 534 SBEs compared with the 550 sets of financial statements planned for the year. In comparison, SLAASMB had completed the review of 552 sets of financial statements relating to 525 SBEs during 2021. The marginal decline in the number of reviews completed was due to the drop in the number of inspection staff at the end of the year due to resignation. However, despite having six technical positions vacant at the end of the year as against the

five vacancies that existed at the end of 2021, SLAASMB has focussed on enhancing the risk-based coverage by covering 78% of regulated entities during the year, as against the 48% coverage in 2021. Similarly, SLAASMB has completed reviews 95% of the entities listed in the Colombo Stock Exchange as against the 33% covered during the previous year.

As a result of adopting some key recommendations made by the consultant from the United Kingdom, engaged by SLAASMB in 2021 to facilitate a more effective coverage of financial statement reviews, and to align with the global best practices, during the current year too, SLAASMB conducted the reviews by adopting a mixed model on selecting financial statements for review, 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, 78% 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.

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 impairment of individually significant

customers in banks, risk disclosures in finance companies, recognition and measurement of financial assets in life insurance companies and impairment of non-financial assets in insurance companies, revenue recognition, presentation of cash flow statement and liquidity disclosures and the tax disclosures in listed companies in addition to retirement benefit obligations in listed plantation companies.

SLAASMB commenced the year having vacancies in the inspection staff due to three Technical posts continuing to be vacant since 2019 and one Director Technical post being vacant since 2021. The vacancies increased further, with the resignation of another Director Technical during the year. The said three Director Technical positions and two Assistant Director Technical posts remained vacant as the Ministry of Finance was not able to successfully conclude the resolution of the issues relating to recruitment and remuneration criteria for the competent Chartered Accountants employed at SLAASMB despite the Cabinet approval being granted for a special salary scale during 2021 with the aim of strengthening the regulatory activities of SLAASMB with adequate staffing. Further, with one Deputy Director General being promoted as the Director General during the last quarter of 2020, in total, seven technical positions remained vacant as at the end of 2022. Accordingly, SLAASMB had only 7 inspection staff as at the year end to perform the financial statement reviews as well as audit inspections, resulting in completing a reduced number of financial statement reviews and audit inspections than anticipated.

## Review of Activities During - 2022

### 3.3. Performance Statistics of the Board

	2021	2022
<b>1. No. of SBEs Identified (as at period end)</b>	1,680	1,671
<b>2. Financial statements received</b>		
No of financial statements (including relating to multi years)	1,830	1,738
No. of .SBEs	1,517	1,564
<b>3. Financial statements reviewed (completed)</b>		
No. of Reviews	552	541
No. of SBEs	525	534
<b>4. Review Findings</b>		
<b>4.1 Compliant</b>		
No. of financial statements	312	344
No. of SBEs*	301	341
<b>4.2 Compliant with observations</b>		
No. of financial statements	237	194
No. of SBEs*	226	192
<b>4.3 Non-compliant</b> (Undertakings, Directions, Warnings)		
No. of financial statements	3	3
No. of SBEs*	3	3
<b>5. Findings of financial statements as % of financial statements reviewed</b>		
Compliant	56%	63%
Compliant with Observations	43%	36%
	99%	99%
Non-compliant (Undertakings, Directions, Warnings)	1%	1%
<b>6. No of technical staff engaged (at year end)</b>	10	9

\* excludes multi-years reviewed

The review findings during the year 2022 revealed 1% of the financial statements reviewed as being non-compliant. It also showed based on the areas focused in the reviews, that 63% of financial statements reviewed were compliant and 36% 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 such SBEs, to make corrections in the preparation and presentation of financial statements of the following period. Further, a warning was issued to a listed entity for submitting information that was not previously used in the preparation of the financial statements, advising that submission of misleading information is a violation of Act No. 15 of 1995.

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 194 sets of financial statements.

(See page 18 to 20 for details on Findings on review of financial statements during 2022 and page 21 to 22 for Undertakings sought and warnings issued during 2022).

## Review of Activities During - 2022

### 4. Inspection of Audits

During the year, 33 audits carried out by 9 firms of practicing Chartered Accountants were inspected, compared with the 34 audits carried out by 17 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 caused by resignations.

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, 23, audits were compliant with SLAuSs in respect of the areas focussed at the inspections. Of the balance 10 inspections, findings in 9 audit inspections did not require further action under the statute and the said findings were communicated to the respective auditors by letters of observations. These findings were related to audit deficiencies in areas of auditing accounting estimates including the fair value estimates and related disclosures, planning of audits, audit sampling, going concern, forming an opinion and reporting on financial statements and on the auditors' responsibility relating to fraud and materiality. In addition, the letter of observations relating to one audit inspection of which the field work was completed during the year was not issued, as collecting further information relating to its financial statements review remained pending at year end.

The 9 audits relating to which observations were communicated in respect of deficiencies were conducted by 5 firms compared with the 12 audits conducted by 12 firms during 2021. Of these auditors, a warning letter

was issued to one auditor for failing to exercise adequate professional competence and due care when auditing the annual impairment testing of goodwill of a listed entity, resulting in the auditor failing to conduct the audit in accordance with the auditing standards.

(See page 23 to 26 for Findings on inspection of audits during 2022).

### 5. Investigations

#### 5.1. 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 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 observing the continuous violation of the Auditing Standards by the said auditor and failure by the said auditor to address the matters communicated by SLAASMB, has taken measures to instigate legal action against the Auditor and the Company.

### 6. 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 assist the Council of CA Sri Lanka in adopting accounting and auditing standards in Sri Lanka. During the year 2022, the activities performed by the aforesaid two committees included the issue of a Statement of Alternative Treatment

(SoAT) on Accounting for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022, and on Reclassification of Debt Portfolio, adoption of new and revised Quality Management Standards (SLSQM 1, SLSQM 2 and SLAuS 220 (Revised)), issue of few guidance notes on Sri Lanka Auditing Standards, amending and gazetting existing Sri Lanka Accounting and Auditing Standards scheduled to be effective in 2023, translating 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 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 2022, a sum of Rs. 4 million was paid by SLAASMB to CA Sri Lanka to partly finance the cost of the two committees and to adopt Sri Lanka Accounting and Auditing Standards. (See page 40 to 41 for Activities relating to standard setting by CA Sri Lanka during 2022).

### 7. 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 had obtained 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 During - 2022

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 represent 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.

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

As a measure of overcoming challenges posed by the COVID 19 pandemic situation experienced throughout the world on the physical conduct of international meetings and conferences, all international meetings and conferences usually attended by SLAASMB were held as virtual sessions during the year.

In making use of these knowledge enhancement activities, during 2022, one staff member attended the meetings of the two Consultative Advisory Groups while one staff member attended the IFIAR plenary meeting. Further, all technical staff were provided with the opportunity to take part in

the virtual sessions of the 2022 IFIAR Inspection Workshop, and in the forums with audit firms who are members of the Global Public Policy Committee which under normal circumstances is an agenda item of the IFIAR Plenary meeting.

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.

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 discussion and networking with fellow audit regulators throughout the world. Insights into global best practices have resulted in SLAASMB modifying its regulatory mechanism to strengthen the regulatory environment in the country. Similarly, through these networking mechanisms, SLAASMB was able to identify experts in the fields of regulating financial reporting and in auditing to improve the regulatory methodologies adopted over the year.

### 8. Human Resources

#### 8.1. Staff

As of 31 December 2022, SLAASMB had a total staff of sixteen of which nine were Chartered Accountants. The total technical staff comprised of the Director-General, Deputy Director-General, three Directors, and four Assistant Directors. Of the technical staff, two were employed on a contractual basis as facilitated by the Ministry of Finance in the past to attract and retain competent staff, while seven were employed on a permanent

basis.

SLAASMB functioned during the year having vacancies in six technical posts during the year, comprising of a post of a Director and two Assistant Directors being vacant since 2019, a post of a Deputy Director General being vacant from 2020 and a post of Director that fell vacant in 2021 together with the vacancy in 2022 due to resignation of another Director. All the said positions remained unfilled at the end of 2022. This is due to SLAASMB not being successful in attracting well experienced, technically competent Chartered Accountants at the salary scales applicable as per the Ministry Circulars. However, as a result of the discussions held by the Board with the Ministry, Cabinet approval had been granted in June 2021 to provide salaries to attract professionally competent Chartered Accountants to SLAASMB. Consequent to submitting the revised Schemes of Recruitment (SoR) in August 2021 for the said posts based on the Cabinet Approval, SLAASMB is awaiting receipt of the concurrence of the Department of Management Services (MSD) to the revised SoRs to proceed to fill the aforesaid professional positions in order to enhance the regulatory coverage. This matter remains pending with the MSD event at the end of the year.

During the year, SLAASMB filled the post of Management Assistant engaged in Finance and Administration activities while the post of Finance and Administration Executive Officer fell vacant due to resignation. As stated earlier, a total of 7 executive grade vacancies exist in the present cadre at the year-end in addition to 7 executive grade posts to be filled in the new cadre approved in 2018.

The continuous shortage of competent

## Review of Activities During - 2022

technical staff engaged in the review functions limiting the conduct of the anticipated number of financial statement reviews and audit inspections, lead SLAASMB to continue 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.

The severe shortage of technical staff has been considered as the core limitation in the progress of activities of SLAASMB and the Board has made every effort to resolve these issues as far as possible. In doing so, the Board has discussed the said staff-related issue with senior officials of the Ministry of Finance, and presently is awaiting appropriate approvals from the MSD of the Ministry of Finance, to strengthen the regulatory function without a further delay.

### 8.2. 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 13 external reviewers as at the end of the year compared with 16 reviewers of 2021.

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 59 sets of financial statements by the external reviewers. During the year external reviewers conducted preliminary reviews of 66 sets of financial statements and Rs 0.66 million was incurred for their services.

In completing the reviews of the said 59 sets of financial statements, based on the findings of external reviewers, the staff of SLAASMB had to obtain additional information, seek agreements for corrections and issue observation letters and take corrective action under the statute. In addition, of the financial statement reviews completed during the year, the preliminary review of 482 sets of financial statements too were carried out by the staff of the Board.

### 9. 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.

Mr. J P R Karunaratna, Assistant Governor of the CBSL served as the Chairman for five months of the year and was succeeded by Ms. K M A N Daulagala, Assistant Governor of the CBSL, with effect from 6 June 2022.

Ms. M P Abeyesekera and Messrs. W P R P H Fonseka, P R A I Gunaratna, K K S Gunawardane and Prof. A Jayamaha, members of the Board appointed in terms of the statute, served as directors or senior officers of some of the SBEs during the year. Similarly, Messrs. H M A Jayasinghe and W W J C Perera, who were also members of the Board, served as partners of firms of practicing accountants which audit some of the SBEs while Mr. S M S S Bandara who was a member of the Board served as a director in some SBEs and as a partner of a firm of practicing accountants which audit some of the SBEs.

Further, during the period, Mr. T J S Rajakarier, an invitee to the Board, served as a partner of a firm of practicing accountants which audit some of the SBEs.

In order to ensure the independence of the Board, all members of the Board 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.

## Review of Activities During - 2022

Despite the closure of office for physical work from time to time, and the continuous health and safety alerts, the Board continued to convene the meetings as scheduled with the meetings being held as virtually during a major part of the year and at times, as physical meetings. Accordingly, the Board had 9 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 focussed 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 in the process of being revised.

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 has had a number of meetings with officials of the Ministry of Finance and has 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 staff supervised and guided by the Director General and the Deputy Director General.

The Board was also closely monitoring the progress of the Amendments to Act No 15 of 1995.

### 10. 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, 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.

During the year Rs. 77,015,260/- was expended on operational activities by SLAASMB and in comparison, the operational expenses for 2021 amounted to Rs. 71,236,691/-. The comparative expenses during the two years were lower than of pre-COVID period due the staff working-from-home during a significant part of the year 2021 as a precautionary measure against the spread of COVID 19 and to a lesser extent during 2022, due to travel

difficulties caused by the fuel shortages. However, the cost escalations due to rising inflation resulted in the expenses of 2022 to be higher than of the previous year.

The increased expenses during the year were caused by, 16% increase in annual report printing cost which included the annual reports of two years' and the adjustment relating to under provision in the previous year, the increased cost of printing the regulatory findings, that was sent to all SBEs as well to the audit firms as part of the public awareness activities, and increases in staff welfare and of office stationary costs caused by the prevalent cost escalations. Further, payments to external reviewers too increased mainly due to the change in the composition of the type of financial statement reviews assigned to them during the year in comparison with the previous year. Similarly, the vehicle maintenance expenses increased due to the cost escalations and due to increased maintenance and repair expenses, as a result of the motor vehicles currently used being over 8-11 years old.

Decrease in operating expenses in comparison with the previous year was due to lower costs expensed on press notices due to a higher number of advertisements being published in 2021 relating to the procurement of a developer for MIS and for interior construction work, lower cost associated with staff training that was limited to local training activities. In addition, the cost of books and periodicals were also low due to limiting the number of International Accounting Standards publications purchased during the year.

However, in comparison with last year, the marginal increase reflected in

## Review of Activities During - 2022

the operational costs of the year was attributable to the low operational cost incurred during the previous year due to the work-from-home-based functioning as well as the expense increases detailed in this report. Of the operational expenses, staff costs during the year amounted to Rs. 39,456,582/- compared with Rs. 36,828,568/- during the previous year, indicating an 8 % increase from the previous year. Further, the staff costs of SLAASMB represented 51% of the operating expenses of 2022 similar to that of the previous year.

### 11. Development of SLAASMB Management Information System (MIS)

The introduction of a centralized MIS for the operations at SLAASMB, is expected to minimize the overhead of manual documentation, improve the information store, and have an efficient exchange of information among the internal staff as well as with key stakeholders, namely the entities and their auditors. This process is also 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. ICTA was appointed 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 based on the contract with the software developer,

the MIS of SLAASMB was expected to be operational by mid-2022.

By end of March 2022, the software developer had completed the system development of the non-core modules and was to host the system in the Lanka Government Cloud (LGC) to perform User Acceptance Testing (UAT) while the system development of core modules was in progress. However, ICTA was not able to provide the service of LGC to host SLAASMB MIS as per the MoU between SLAASMB and ICTA, due to LGC 2.0 resource utilization reaching its maximum level by mid-2022.

Amidst the country's unprecedented economic crisis, ICTA was not in a position to expand their resources due to supply chain issues that prevailed in the country. Therefore, due to non-availability of required server facilities, the SLAASMB MIS project reflected a sluggish progress up to September 2022.

After several deliberations had between SLAASMB and ICTA with the intervention of the Department of IT Management of the Ministry of Finance, in September 2022, ICTA arranged to provide the required server facilities in a progressive manner. Accordingly, the SLAASMB MIS project was revamped from November 2022, and continues to progress as per the revised time line.

During the last quarter of 2022, SLAASMB was able to complete the UAT sign-offs in relation to the non-core modules of the MIS. In this process, the SLAASMB has deliberated the request made by the software developer to extend the project time line until 31 March 2023 highlighting the practical difficulties faced by them with the skill migrations.

### 12. Contribution towards enhancement of financial reporting ecosystem

SLAASMB has taken the following measures in its attempt to enhance the knowledge of entities and auditors on the regulatory mechanism as well as on the requirements of compliance with the aim of strengthening the regulatory ecosystem.

- Issuing a report on findings on the review of financial statements and on inspection of audits conducted during 2021, to the preparers of financial statements and auditors, during the first quarter of the year 2022, in its attempt to enhance the awareness of the stakeholders on a timely manner to enable them to improve on their financial reporting.
- Issuing of the Thematic Audit Inspection Report relating to Related Parties, to SBEs, audit committees, auditors and publishing the said report on the SLAASMB website
- Publishing a report on the findings of the previous year on the SLAASMB Website, from the reviews of financial statements of Banks, Insurance companies, Listed entities in the Real Estate Sector and of the hotel sector.
- Publishing a Notice to the SBEs on the requirement of timely submission of annual audited financial statements to SLAASMB
- Making a presentation by a staff member at the 8th International Conference for Accounting Researchers and Educators (ICARE) organized by the Department of Accountancy, of the University of Kelaniya as a part of SLAASMB's outreach on knowledge sharing.

## Findings on review of financial statements during 2022

### 1. Overview

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) continued to monitor compliance with Sri Lanka Accounting Standards 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 541 sets of financial statements representing 534 SBEs. The completed reviews comprised financial statements selected on a risk based criteria and thereby, the reviews completed during the year represented 95% of the entities listed in the Colombo Stock Exchange and 78% of reviews of regulated entities.

In this process, SLAASMB 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 (SLAS)

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 SLASs were detected. Accordingly, the review findings during the year 2022 revealed 1% of the financial statements reviewed as being non-compliant, 63% of financial statements reviewed being compliant, and 36% of the financial statements being compliant with observations communicated by letters of assistance. There is an increase of 7% in financial statements reviews that were compliant when compared with the previous year. The observations made during the year have been communicated by letters of assistance in respect of 194 sets of financial statements with the aim of improving their financial reporting.

### 5. Undertakings Sought from SBEs to make the required corrections and the Warning Issued

#### 5.1 Undertakings sought

Based on the materiality of the findings on deviations from SLASs,

SLAASMB obtained undertakings from two SBEs that are Public Corporations to make the corrections in the 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) that have not been complied with by the two SBEs are as follows;

- Failure to measure the investment in equity shares that are carried at fair value through other comprehensive income, at fair values as at the reporting date and to recognize an allowance for the decline in the fair value of the investment in equity shares, when impairment indicators existed. (Reference; SLFRS 9 paragraphs 5.2.1 and 5.5.1)
- When impairment indicators have existed, not recognizing allowances for the decline in the receivables from a Government Institution (Reference; SLFRS 9 paragraph 5.5.1)
- Not recognizing lands in the financial statements, when the entity has control, right and potential to produce economic benefits (Reference; LKAS 1 paragraphs 15)
- Overstating the assets by recognizing a deferred tax asset arising from tax losses, in the absence of any indications on the availability of future taxable profits (Reference; LKAS 12 paragraphs 34, 35 and 36)
- When an entity has been amalgamated, failure to recognize the revenue of the entity that was amalgamated. (Reference; LKAS 1 paragraphs 15)

## Findings on review of financial statements during 2022

- Not making a reliable estimate of the long overdue tax liabilities by failing to reconcile the differences between the payable balances recognized in the financial statements and the payable balances confirmed by the Department of Inland Revenue. (Reference; LKAS 37 paragraphs 10 and Conceptual Framework paragraphs 4.46)
- 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 - in 45 SBEs (Reference; SLFRS 7 paragraphs 31 to 42)
- Disclosures in relation to the basis of preparation of the financial statements and the specific accounting policies and/or significant accounting policies that comprise of the measurement bases and other accounting policies that are relevant for an understanding of the financial statements have not been adequately made – in 21 SBEs (Reference; LKAS 1 paragraphs 112 and 117)
- Details 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 disclosed – in 13 SBEs (Reference; SLFRS 13 paragraphs 91 and 93)
- Disclosure relating to the nature of the related party relationships as well as information about the transactions with related parties have not been made adequately – in 12 SBEs (Reference; LKAS 24 paragraph 18)
- Relationship between tax expense and accounting profit and evidence to support recognition of deferred tax assets arising due to tax losses have not been adequately disclosed – in 11 SBEs (Reference; LKAS 12 paragraph 81)
- All relevant information in relation to the revaluation of property plant and equipment has not been disclosed – in 11 SBEs (Reference; LKAS 16 paragraph 77)
- Disclosures relating information that explains the amounts in its financial statements arising from insurance contracts and information that enables the users of financial statements to evaluate the nature and extent of risks arising from insurance contracts have not been adequately made – in 10 SBEs (Reference; SLFRS 4 paragraphs 36 to 39)
- When objective evidence of impairment in respect of a financial asset or group of financial assets exists, failing to recognize loss allowance for expected credit losses on financial assets that are measured at amortized cost – in 10 SBEs including 5 in SME sector (Reference; SLFRS 9 paragraph 5.5.1 and SME Section 11 paragraph 11.21)

### 5.2 Warning Issued

SLAASMB issued a warning to an entity listed in the Colombo Stock Exchange for submitting information that had not been used previously, in the determination of the impairment of goodwill, on the basis of submitting misleading information to the regulator. Details of the Undertakings sought and the Warning issued during the year 2022 are given in page 21.

### 6. Observations communicated to enhance compliance with standards

Departures from SLASs detected, which are material, but do not require the use of procedures using statutory provisions, are 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. Details of findings on the review of financial statements, based on the two approaches of conducting such reviews explained in (3) above, are as follows.

#### 6.1 Findings from the Comprehensive Review of the Financial Statements

The main findings from the comprehensive review of financial statements relating to which observations were communicated to SBEs in the form of letters of assistance are as follows.

#### 6.2 Findings from Theme focussed reviews based on Industry-focussed risk-criteria

In addition to the comprehensive reviews of financial statements, SLAASMB conducted theme focus reviews in 2022 to enhance its financial statement review mechanism and to align with global best practices. The reviews focused on specific themes to enhance the coverage of relevant accounting standards. The reviews were conducted as interactive or desktop reviews, depending on the need for information exchange with the entity.

## Findings on review of financial statements during 2022

Findings of the focus reviews based on the frequency of findings are as follows.

Focus area	Nature of the non compliance	Standard reference
Risk disclosures required by SLFRS 7 Financial Instruments: Disclosures, in the financial statements of finance companies	<p>SLFRS 9 requirements on application on renegotiated or modified financial assets and information on their restructuring policies had not been made</p> <p>Explanations on how significant changes during the period in the gross carrying amount of financial instruments had contributed to changes in the loss allowances had not been made</p> <p>Information regarding the entity's definition of default for different financial instruments and the reason for selecting those definitions had not been disclosed</p> <p>Outstanding contractual amounts for written-off financial assets that are subject to enforcement activity had not been disclosed</p>	<p>SLFRS 7 paragraph 35 (F) (f)</p> <p>SLFRS 7 paragraph 35 (I)</p> <p>SLFRS 7 paragraph 35 (F) (b)</p> <p>SLFRS 7 paragraph 35 (L)</p>
Application of LKAS 36, Impairment of Assets in the financial statements of Listed Companies	<p>Disclosure relating to a cash-generating unit/group with significant goodwill compared to total goodwill had not been made in respect of the following:</p> <p>A description of management's approach to determine value(s) assigned to key assumptions</p> <p>The period used by the management in projecting cash flows for a longer period than 5 years</p> <p>Growth rate used for extrapolating cash flow projections beyond the period covered by the most recent budgets/forecasts and justification for exceeding long-term average growth for cash flow projections</p>	<p>LKAS 36 paragraph 134 (d) (ii)</p> <p>LKAS 36 paragraph 134 (d) (iii)</p> <p>LKAS 36 paragraph 134 (d) (iv)</p>
Application of SLFRS 15, Revenue from Contracts with Customers, in the financial statements of Listed Companies	<p>Information regarding the performance obligations in contracts with customers have not been sufficiently disclosed relating to;</p> <ul style="list-style-type: none"> <li>• Details as to when performance obligations had been typically met</li> <li>• Significant payment terms</li> <li>• Nature of goods/services promised</li> <li>• Return/refund obligations,</li> <li>• Types of warranties</li> </ul>	SLFRS 15 paragraph 119

In addition, SLAASMB issued letters of assistance on findings from reviews focused on other themes including the application of LKAS 19, Employee Benefits, by Listed Companies in the Plantation Sector, and compliance with the requirements of LKAS 7 Cash flows and of liquidity disclosure requirements of SLFRS 7, Financial Instruments : Disclosures.

The findings of reviews conducted focusing on compliance with SLFRS 9, Financial Instruments by Banks and with the requirements of LKAS 39, Financial Instruments;

Recognition and Measurement by life Insurance Companies were observed to have appropriately adopted the requirements of the respective standards.

## Undertakings Sought and Warnings issued during the year 2022

### a.) Undertakings obtained

#### 1. Sri Lanka Cement Corporation

##### i. Fair value of equity shares

When there were indications of a decline in the fair value of the investment in equity shares of Lanka Cement PLC as at 31 December 2020, Sri Lanka Cement Corporation has continued to reflect the fair value recognized as at 31 December 2014 without recognizing the fair value changes as at 31 December 2020.

This has resulted in Sri Lanka Cement Corporation overstating the value of its investments in shares as at 31 December 2020.

The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the Corporation undertook to reflect the investment in equity shares of Lanka Cement PLC at its fair value in the financial statements for the year ended 31 December 2022.

##### ii. Recognition of lands

Sri Lanka Cement Corporation having the control, right and potential to produce economic benefits from the lands in the extent of 5,413 acres leased out to Puttalam Cement (Pvt) Ltd as well as the 751 acres situated at Kankasanturai, had not recognized the said lands in the financial statements for the year ended 31 December 2020. As a result, the Sri Lanka Cement Corporation had understated its assets and failed in presenting fairly, its financial position as at 31 December 2020.

The auditors had not qualified their opinion on this issue.

Despite the SLAASMB seeking an undertaking from the Corporation to recognise the above lands in the financial statements for the year ended 31 December 2022, the Corporation has not agreed to recognize the said lands in the financial statements, due to the costs associated with the valuation of such lands. In response, SLAASMB has required the Corporation to submit an action plan on recognizing the said lands in the financial statements in order to comply with the requirements of Sri Lanka Accounting Standards.

#### 2. State Engineering Corporation of Sri Lanka

##### i. Deferred tax asset on tax losses

State Engineering Corporation had recognized a deferred tax asset of Rs. 879 million relating to tax losses incurred amounting to Rs.3.1 billion, without assessing the availability of the future taxable profits in accordance with Sri Lanka Accounting Standard LKAS 12, Income Taxes, when the Corporation has been incurring continuous losses and taxable temporary difference was only to Rs 154 million. This has resulted in the overstatement of assets and retained earnings by Rs.879 Million

The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the Corporation undertook to reflect the deferred tax assets at the amounts recoverable in the financial statements for the year ended 31 December 2022.

##### ii. Amalgamation of revenue from projects

Revenue amounting to Rs.1.176 billion relating to 62 projects of National

Equipment and Machinery Organisation (NEMO) has been removed from the profit calculation of NEMO, which has been established under the State Engineering Corporation by a Cabinet decision. Its financial statements have been amalgamated with the financial statements of the Corporation and this has resulted in the Corporation understating their retained earnings for the year.

The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the Corporation undertook to amalgamate the revenue from all the projects of NEMO in the financial statements for the year ended 31 December 2018.

##### iii. Allowances for Doubtful Receivables

No impairment has been provided for the receivables from the Government Institutions amounting to Rs.1.2 billion which has remained outstanding for more than 3 years, as per the requirements of Sri Lanka Accounting Standard LKAS 39, Financial Instruments: Recognition and Measurement. This has resulted in the corporation overstating the assets and retained earnings for the year.

The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the Corporation undertook to recognize an adequate impairment provision in the financial statements for the year ended 31 December 2021.

## Undertakings Sought and Warnings issued during the year 2022

### iv. Reliable estimate of the payable balances

State Engineering Corporation had not made a reliable estimate of the long overdue payable for VAT, GST and NSL by not reconciling the differences between the payable balance of Rs.887 million recognized in the financial statements and the payable balance of Rs.3.1 million confirmed by the Inland Revenue Department. The impact to the financial statements cannot be ascertained at this point of time.

The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the Corporation undertook to reconcile the payable balances and to record necessary accounting entries in the financial statements for the year ended 31 December 2021.

submitting misleading information to the regulator becomes a violation of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

### b.) Warnings issued

#### Panasian Power PLC

Panasian Power PLC had disclosed the use of Value in Use to determine the impairment of good will in the financial statements for the year ended 31 March 2021, and upon inquiry by SLAASMB of the reasons for not making an allowance for impairment of goodwill, the Company informed that Fair Value less Cost to Sell (FVLCS) had been used to determine the recoverable amount of the cash generating unit, which had an effect on the impairment testing.

Considering the fact that the Company had submitted information that was not previously used to determine the impairment of goodwill, SLAASMB warned the Company on the fact that

## Findings on audit inspections during 2022

### 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 on a random selection approach.

In light of the Sri Lankan economy which faced intensified uncertainties during the first half of 2022, SLAASMB focused on identifying its impact on the operating environment of businesses, as well as on the high level of uncertainties and dynamic changes encountered in macro and micro business environments that resulted in significant judgments and estimation uncertainties in entities. These judgments and estimation uncertainties that prevailed during the recent past, have increased the overall audit risks through the risks associated with the audit of accounting estimates. These challenges have required the auditors to be more skeptical in their approaches and to exercise a significant amount of professional judgment and to be focused on ethical responsibilities when carrying out the audits.

Accordingly, the selection of audits for inspection during the year were based on a mixed model where the risk-based approach was combined with random sampling and rotation approaches. Auditors other than the internationally networked auditors and the mid-tier auditors were considered for selection

through the rotation approach when such auditors had not been selected in the random sampling approach.

Considering these requirements, SLAASMB has conducted audit inspections with special focus on the following areas using a risk-based approach.

- Identification of and response to fraud risks -Fraud risk arising due to the pressure faced by management to reflect favourable financial results amidst the economic downturn
- Revenue from contracts with customers -The high level of professional judgement associated with the SLFRS 15 on revenue recognition could increase the risk of fraud due to the inherent risk of the economic downturn
- Accounting estimates in relation to impairment of financial assets of finance companies Impairment of financial assets is a critical accounting estimate and by their very uncertain nature and the complexities in the models, data and assumptions used can pose practical challenges for auditors relating to understatement of impairment provisions
- Accounting estimates in relation to individual assessment of impairment of loans and advances of banks -Economic downturn in the country has affected majority of borrowers and without exception, large scale corporate borrowers reflecting impairment indications and possible delays in instalment repayment cash flows, directly impacts the impairment assessment of individually significant customers.

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. This aspect was focused mainly in audits where material non-compliances with SLFRSs/ LKASs had been identified by SLAASMB during the review of financial statements.

### 2. Regular Audit inspections

During the year, 33 audit engagements carried out by 9 audit firms were inspected, compared with the 34 audits carried out by 17 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 due to a resignation during the year. The audits inspected during the year included 27 audits carried out by 5 firms which are members of international networks.

### 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 to improve themselves, in achieving SLAASMB's objective of improving the audit quality environment of Sri Lanka. When non-compliances with SLAuSs were observed during regular audit inspections, which do not require further action under the statute, such deficiencies are communicated to the audit firm by a letter of assistance termed as "Letters of Observations".

## Findings on audit inspections during 2022

When improvements are required to improve 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 a SBE, a Letter of Warning is issued to the audit firm with approval of the Board, requiring the said firm to act diligently and in accordance with the requirements of 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 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.

### 3.2. Enforcement Actions taken during the year

#### 3.2.1. Letter of Warning

SLAASMB observed that KPMG had failed to exercise adequate professional competence and due care when auditing the annual impairment testing of goodwill of a listed entity, resulting in failure by the auditor to conduct the audit in accordance with the auditing standards. Accordingly, a Letter was issued to the audit firm warning the firm to exercise adequate professional competence and due care when conducting audits of financial statements in the future.

#### 3.2.2. Letter of Assistance

During the year, letters of assistance termed as “Letters of Observations” were

issued to 5 firms in respect of 9 audit engagements, communicating the non-compliances with Auditing Standards observed when conducting the audits that did not require further action under the statute.

### 4. Significant Findings

Significant findings communicated to auditors during the year are stated below. These findings also include findings of an audit inspection that was carried out during 2021 of which the observations were finalised and communicated during the year resulting from the extended discussions had with the auditor on the findings.

#### 4.1 Risk assessment

The auditor is required to perform risk assessment procedures to identify and assess the risks of material misstatements through understanding of the entity, and its environment including the entity’s internal controls.

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

- A comprehensive risk assessment had not been performed
- An understanding had not been obtained of control activities relevant to the audit in respect of the areas where the risk of material misstatement was expected to be high.
- An understanding had not been obtained of the different IT systems used by the entity, including on how the transactions have been initiated, recorded, processed and transferred to the general ledger and reported in the financial statements.

- Adopting an inappropriate risk assessment relating to impairment of goodwill, resulting in failure to identify a material misstatement due to understatement of impairment.
- Appropriateness of the point of recognition of revenue has not been determined relating to a revenue stream recognized at a point in time, which contributed to 50% of the total revenue
- Relevant controls identified did not ensure that approved prices and accurate quantities are used in the preparation of the invoices relating to revenue

#### 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.

Following were communicated regarding the auditor’s response to the assessed risks.

- Operating effectiveness of the controls were not tested sufficiently due to lapses in performing risk assessments and Test of Controls (TOCs). Further, applicability of indirect controls were also not tested.
- Controls and weaknesses relating to different IT systems had not been considered when designing and performing TOCs when several IT systems that were not integrated had been used by the clients.

## Findings on audit inspections during 2022

- Adequate further audit procedures had not been performed on revenue in instances where revenue had been recognized backdating some of the invoices.
- Testing and validating adequate number of controls that have been identified in relation to possibilities of What Could Go Wrong (WCGW) in order to ensure management's assertions relating to revenue had not been done, despite the auditor adopting the control approach

### 4.3 Audit opinion

An appropriate audit opinion had not been expressed in the following instances;

- By failing to identify the significant non-compliances with the requirements of LKAS 36, Impairment Assets, the computation of recoverable amount of goodwill had resulted in expressing an unmodified audit opinion when a modified opinion should have been expressed.
- Expressing an unmodified opinion when adequate audit evidence relating to revenue recognized at a point in time, which represented 50% of the total revenue had not been obtained.

### 4.4 Audit sampling

When the auditor had decided to use audit sampling, such sampling should provide a reasonable basis for the auditor to draw conclusions about the population.

The deficiencies observed in this regard are as follows;

- All sampling units had not been given an equal chance of selection since the population had been limited to the months which had the highest revenue, resulting in the auditor drawing conclusions on a set of data that had not been tested through sampling
- Due consideration had not been given to factors stated in Appendices 1, 2 and 3 of SLAuS 530, when using sampling by the auditor with regard to the basis and examples of determining the sampling

### 4.5 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 as follows;

- Not adequately assessing the probability of management bias and estimation uncertainty that were reflected through the use of inappropriate methods, data and assumptions in the impairment assessment of goodwill and accordingly, not assessing the appropriateness of method, data and assumptions used in the impairment assessment.
- The appropriateness of using information resulting from related party transactions, as inputs in the fair value estimates had not been evaluated.

- The reasonableness of market transactions and adjustments to such transactions used by the management's expert in fair value calculations had not been checked.
- Not evaluating the reasonableness of considering a leasehold land as a free hold land and not evaluating the impact of conditions in the lease agreement on fair value estimates.
- The reliability of the external information sources from which information had been used in the auditor's evaluation of fair value estimates had not been assessed.
- Not performing audit procedures to check the accuracy of aging which has been considered for the Probability of Default relating to impairment estimates.
- Not assessing the accuracy of the computation of Loss Given Default rate and not evaluating whether the assumptions used by management are reasonable in the light of the measurement objectives of the applicable financial reporting framework.

### 4.6 Key Audit Matters (KAM)

The auditor is required to determine Key Audit Matters (KAMs) of the audit and communicate those matters by appropriately describing in the auditor's report.

Deficiencies observed relating to the auditor's response or approach that were most relevant to the matter or specific to the assessed risk of material misstatement, and a brief overview of procedures performed in relation to KAM included;

## Findings on audit inspections during 2022

- Risk factors based on which revenue was considered as a KAM was not adequately addressed in designing the responses to the assessed risk
- Failure by the auditor to perform a substantial part of the audit procedures stated under the KAM
- Inclusion of misleading information in the KAM

### 5. Suggestions for improvements

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

Suggestions for improvements communicated included the following;

- Adequately maintaining audit documentation to reflect the auditor's conclusions on the requirements of Sri Lanka Accounting Standards
- Obtaining a proper understanding of the nature of the entity including its operations to understand the classes of transactions, account balances, and disclosures in the financial statements

### 6. Other measures taken by SLAASMB to enhance audit quality

Audit quality is a key factor in building public confidence on 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 relationship with the auditor. SLAASMB continues to recognize the contribution of the Audit Committees as Those 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. International Affiliations to support audit quality

6.2.1. 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 contributed towards the information gathering activities of the IFIAR and participated in its routine surveys.

6.2.2. 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

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	<ul style="list-style-type: none"> <li>• Follow up on lists published by co-regulators and identify SBEs</li> <li>• Follow up on identified entities to ascertain whether SBE criteria is met</li> <li>• Enhance awareness of requirement to submit financial statements among the stakeholders of co-regulators</li> <li>• Regularly publicize in newspapers and in the website</li> </ul>	Address through the new Act pending enactment
Enhance coverage of financial statement reviews	<ul style="list-style-type: none"> <li>• To recruit staff to fill all existing vacancies subsequent to receiving the concurrence of the Department of Management Service (MSD) for the revised Scheme of Recruitments and after finalising the revised salary structure based on the cabinet approval.</li> <li>• To engage Strategic level students of CA Sri Lanka as Trainees to assist technical staff in reviewing financial statements</li> <li>• To allocate more time for financial statement reviews, by utilizing the time saved by implementing MIS during the first quarter</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the number of financial statement reviews by filling remaining unfilled positions in the Approved Cadre by recruiting staff based on the revised Schemes of Recruitment.</li> <li>• To engage more external reviewers to conduct preliminary reviews of financial statements until all technical positions in the approved cadre are filled.</li> </ul>
Meet planned number of audit inspections	<ul style="list-style-type: none"> <li>• To recruit staff to fill all existing vacancies subsequent to receiving the concurrence of the Department of Management Service (MSD) for the revised Scheme of Recruitments and after finalising the revised salary structure based on the cabinet approval.</li> <li>• To conduct the audit inspections by limiting the focus areas to the identified high risk areas of the audits</li> <li>• 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</li> <li>• To allocate more time for audit inspections by utilizing the time saved by implementing MIS during the first quarter</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the number of financial statement reviews by filling remaining unfilled positions in the Approved Cadre by recruiting staff based on the revised Schemes of Recruitment.</li> </ul>

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

Issues relating to organizational performance	Planned short term measures	Planned medium term measures
Providing timely information to stakeholders	<ul style="list-style-type: none"> <li>To publish a comprehensive report on the findings from financial statement reviews on each focus area, in addition to the annual publications</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul> <p>This approach will be made possible with the amendments to the Act specifying the timeline for submission of financial statements</p>
Difficulties to recruit experienced competent staff. Currently 6 vacancies exist in the existing cadre apart from 7 vacancies in new approved cadre	<ul style="list-style-type: none"> <li>To recruit staff to fill all existing vacancies subsequent to receiving the concurrence of the Department of Management Service (MSD) for the revised Scheme of Recruitments and after finalising the revised salary structure based on the cabinet approval.</li> </ul>	<ul style="list-style-type: none"> <li>To fill the remaining unfilled positions in the Approved Cadre through recruitment.</li> </ul>
Absence of a Management Information System (MIS) and a business continuity plan	<ul style="list-style-type: none"> <li>To take all possible measures to complete the ongoing MIS Development project as scheduled with the Information and Communication Technology Agency of Sri Lanka (ICTA) as the consultants to the project</li> </ul>	<ul style="list-style-type: none"> <li>Plan for phase II of the MIS development project which would focus on the analytical aspects to assist reviews of financial statements and audit inspections for the technical staff. **</li> </ul>
Office space to accommodate increased staff Implementation of a CESS as stipulated in the Act	<ul style="list-style-type: none"> <li>No planned short term measures in the absence of non allocation of Budget for the project this year,</li> <li>To seek approval of the Ministry of Finance to implement the CESS</li> </ul>	<ul style="list-style-type: none"> <li>Continue to commence the interior design and refurbishment work of office space.</li> <li>Review and revise the means to collect revenue for SLAASMB to be self financed in the absence of implementing the CESS</li> </ul>

\*\* Long term measure

## Performance Scorecard

SLAASMB uses the Performance Scorecard to plan its annual performance. The plan for 2022, actual for 2022 and plan for 2023 are given below;

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

Goals	Measures	2022 Plan (Revised)	2022 Actual		2023 Plan Provisional (Note 1)
			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	550 sets of financial statements	541 sets of financial statements	98	550
	Inspect audits to determine compliance with Sri Lanka Auditing Standards	34 audits	33 audits	97	33

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

Goals	Measures	2022 Plan (Revised)	2022 Actual		2023 Plan Provisional (Note 1)
			Number	As a % of plan	
Collection of financial statements	Number of financial statements received	1,680	1,738 (Number of SBE's 1,564)	103	1,671*

\*Based on actual number of SBEs as at 31 December 2022

## Performance Scorecard

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

Goals	Measures	2022 Plan	2022 Actual		2023 Plan
			Number	As a % of plan	
Employee performance	Achieve targeted performance points for the year	20,352	19,374 (Note 2)	95	16,980
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	33 presentations on Standards	33	100	20
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 target of 2023 is based on the existing technical staff strength. The staff available to conduct and finalise the financial statement reviews and audit inspections declined during the year due to reduction in staff engaged in review activities due to the development of Management Information System, resignations and inability to fill existing vacancies. However, based on any increase or decrease of professional staff, the target will be revised.

### Note 2

Performance points are based on the nature and extent of work required to complete the tasks.

## Financial Statements of SBEs Reviewed during 2022 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
1	Abans Electricals PLC	31 March 2021
2	Abans PLC	31 March 2021
3	Access Engineering PLC	31 March 2022
4	ACL Cables PLC	31 March 2021
5	ACL Plastics PLC	31 March 2021
6	Agalawatte Plantations PLC	31 December 2020
7	Aitken Spence Hotel Management Asia (Pvt) Ltd	31 March 2021
8	Aitken Spence PLC	31 March 2021
9	Allianz Life Insurance Lanka Ltd	31 December 2020
10	Alumex PLC	31 March 2022
11	Amana Bank PLC	31 December 2020
12	Amana Takaful Life PLC	31 December 2020
13	Ambeon Capital PLC	31 March 2022
14	Ambeon Holdings PLC	31 March 2021
15	Anilana Hotels and Properties PLC	31 March 2021
16	Arpico Ataraxia Cash Management Trust Fund	31 March 2021
17	Arpico Ataraxia Equity income Fund	31 March 2021
18	Arpico Ataraxia Sri Lankan Bond Fund	31 March 2021
19	Arpico Insurance PLC	31 December 2020
20	Asia Broadcasting Corporation (Pvt) Ltd	31 March 2022
21	Asia Securities (Pvt) Ltd	31 March 2021
22	Asia Securities Wealth Management (Pvt) Ltd	31 March 2022
23	Asia Siyaka Commodities PLC	31 March 2021
24	Asiri Hospital Holdings PLC	31 March 2022
25	Asiri Hospital Matara (Pvt) Ltd	31 March 2022
26	Assetline Capital (Pvt) Ltd	31 March 2021
27	Assetline Leasing Company Ltd	31 March 2021
28	Astrue Alpha Fund	31 March 2021
29	AVS Cargo International (Pvt) Ltd	31 March 2022
30	Bairaha Farms PLC	31 March 2021
31	Bansei Royal Resorts Hikkaduwa PLC	31 March 2021
32	Bartleet Religare Securities (Pvt) Ltd	31 March 2021
33	Berendina Development Services (Gte) Ltd	31 March 2021
34	Berendina Micro Investments Co Ltd	31 December 2020
35	Beruwala Resorts PLC	31 March 2022
36	BI Holdings Ltd	31 March 2022
37	Blue Diamond Jewellery Worldwide PLC	31 March 2021
38	Bogala Graphite Lanka PLC	31 December 2020
39	Bogawanthalawa Tea Estates PLC	31 March 2022
40	BPPL Holdings PLC	31 March 2021

	Specified Business Enterprise	Financial Year End
41	Brandix Lanka Ltd	31 March 2021
42	Brown & Company PLC	31 March 2021
43	Browns Beach Hotels PLC	31 March 2021
44	Browns Investments PLC	31 March 2021
45	Bukit Dara PLC	31 March 2022
46	C M Holdings PLC	31 March 2021
47	CT Holdings PLC	31 March 2022
48	CT Properties Ltd	31 March 2021
49	C. W. Mackie PLC	31 March 2022
50	CAL Fixed Income Opportunities Fund	31 March 2022
51	Campbell Place Properties (Pvt) Ltd	31 March 2021
52	Candor Equity Limited	31 December 2020
53	Candor Opportunities Fund	30 November 2020
54	Capital Alliance Balanced Fund	31 March 2021
55	Capital Alliance Gilt Fund	31 March 2021
56	Capital Alliance Gilt Money Market Fund	31 March 2021
57	Capital Alliance Gilt Trading Fund	31 March 2021
58	Capital Alliance Income Fund	31 March 2021
59	Capital Alliance Investment Grade Fund	31 March 2021
60	Capital Alliance Medium Risk Debt Fund	31 March 2021
61	Capital Alliance Partners Ltd	31 March 2021
62	Capital Alliance Quantitative Equity Fund	31 March 2021
63	Capital Alliance Securities (Pvt) Ltd	31 March 2021
64	Cargills (Ceylon) PLC	31 March 2022
65	Cargills Bank Ltd	31 December 2020
66	Carson Cumberbatch PLC	31 March 2022
67	Central Industries PLC	31 March 2021
68	Ceybank Asset Management Ltd	31 March 2021
69	Ceybank Centaury Growth Fund	31 March 2021
70	Ceylinco General Insurance Ltd	31 December 2020
71	Ceylinco Life Insurance Ltd	31 December 2020
72	Ceylon Beverage Holdings PLC	31 March 2022
73	Ceylon Cold Stores PLC	31 March 2021
74	Ceylon Dollar Bond Fund	31 December 2020
75	Ceylon Financial Sector Fund	31 December 2020
76	Ceylon Grain Elevators PLC	31 December 2020
77	Ceylon Hotels Corporation PLC	31 March 2021
78	Ceylon Income Fund	31 December 2020
79	Ceylon Index Fund	31 December 2020
80	Ceylon Investment PLC	31 March 2021
81	Ceylon IPO Fund	31 December 2020
82	Ceylon Knit Trend (Pvt) Ltd	31 March 2021

## Financial Statements of SBEs Reviewed during 2022 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
83	Ceylon Money Market Fund	31 December 2020
84	Ceylon Printers PLC	31 March 2021
85	Ceylon Tea Brokers PLC	31 March 2021
86	Ceylon Tobacco Company PLC	31 December 2020
87	Ceylon Tourism Fund	31 December 2020
88	Chemanex PLC	31 March 2021
89	Chevron Lubricants Lanka PLC	31 December 2020
90	Citrus Leisure PLC	31 March 2021
91	Colombo City Holdings PLC	31 March 2021
92	Colombo Dockyard PLC	31 December 2020
93	Colombo Fort Investments PLC	31 March 2021
94	Colombo Investment Trust PLC	31 March 2021
95	Colombo Land & Development Company PLC	31 December 2020
96	Colombo Stock Exchange	31 December 2020
97	Commercial Bank of Ceylon PLC	31 December 2020
98	Commercial Development Company PLC	31 December 2020
99	Comtrust ADL Mudarabah Fund	31 March 2021
100	Comtrust Asset Management (Pvt) Ltd	31 March 2021
101	Comtrust Equity Fund	31 March 2021
102	Comtrust Gilt- Edged Fund	31 March 2021
103	Comtrust Money Market Fund	31 March 2021
104	Continental Insurance Lanka Ltd	31 December 2021*
106	Co-operative Leasing Company Ltd	31 March 2021
106	Cooplif Insurance Ltd	31 December 2020
107	CT CLSA Securities (Pvt) Ltd	31 March 2021
108	CT Land Development PLC	31 March 2021
109	CT Real Estate (Pvt) Ltd	31 March 2021
110	Dairy Life Renewable Energy (Pvt) Ltd	31 March 2022
111	Damro Company (Pvt) Ltd	31 March 2021
112	DBS Logistics Ltd	31 March 2020
113	Development Holdings (Pvt) Ltd	31 December 2020
114	DFCC Bank	31 December 2020
115	Dialog Axiata PLC	31 December 2020
116	Diesel & Motor Engineering PLC	31 March 2022
117	Dilma Property Developments (Pvt) Ltd	31 March 2021
118	Dipped Products PLC	31 March 2022
119	Distilleries Company of Sri Lanka PLC	31 March 2022
120	Dolphin Hotels PLC	31 March 2021
121	eChannelling PLC	31 December 2020
122	Eco Power Holdings Ltd	31 March 2021
123	Elpitiya Plantations PLC	31 March 2022
124	Enterprise Ceylon Capital (Pvt) Ltd	31 March 2021

	Specified Business Enterprise	Financial Year End
125	Equity Two PLC	31 March 2022
126	Estate Management Services (Pvt) Ltd	28 February 2021
127	Etisalat Lanka (Pvt) Ltd	31 December 2018
128	Evergreen Shipping Agency Lanka (Pvt) Ltd	31 March 2022
129	Expolanka Holdings PLC	31 March 2022
130	Fairfirst Insurance Ltd	31 December 2020
131	First Capital Asset Management Ltd	31 March 2021
132	First Capital Equities (Pvt) Ltd	31 March 2021
133	First Capital Holdings PLC	31 March 2022
134	First Capital Treasuries PLC	31 March 2021
135	First Guardian Equities (Pvt) Ltd	31 December 2020
136	Future Fibres Lanka (Pvt) Ltd	31 December 2020
137	Galadari Hotels (Lanka) PLC	31 December 2020
138	Gestetner of Ceylon PLC	31 March 2021
139	Glaxo Wellcome Ceylon Ltd	31 December 2019
140	Good Hope PLC	31 March 2021
141	GP Garments (Pvt) Ltd	31 March 2021
142	Guardian Acuity Income Fund	31 December 2020
143	Guardian Acuity Asset Management Ltd	31 December 2020
144	Guardian Acuity Equity Fund	31 December 2020
145	Guardian Acuity Money Market Fund	31 December 2020
146	Hapugastenne Plantations PLC	31 December 2020
147	Harischandra Mills PLC	31 March 2022
148	Hatton National Bank PLC	31 December 2020
149	Havelock City (Pvt) Ltd	31 December 2020
150	Haycarb PLC	31 March 2021
151	Hayleys Electronics Ltd	31 March 2021
152	Hayleys Fabric PLC	31 March 2021
153	Hayleys Fibre PLC	31 March 2022
154	Hayleys Plantation Services (Pvt) Ltd	31 March 2021
155	Hayleys Tours (Pvt) Ltd	31 March 2021
156	HCL Technologies Lanka (Pvt) Ltd	31 March 2022
157	HDFC Bank of Sri Lanka	31 December 2020
158	Hemas Coe (Pvt) Ltd	31 March 2022
159	Hemas Holdings PLC	31 March 2021
160	Hikkaduwa Beach Resort PLC	31 March 2021
161	Hirdaramani Investment Holdings (Pvt) Ltd	31 March 2020
162	HNB Assurance PLC	31 December 2020
163	Hotel Sigiriya PLC	31 March 2021
164	Hunas Falls Hotels PLC	31 March 2021
165	HVA Lanka Exports (Pvt) Ltd	31 March 2019
166	ICC Development (Pvt) Ltd	31 March 2021

## Financial Statements of SBEs Reviewed during 2022 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
167	Independent Television Network Ltd	31 December 2020
168	Indo-Malay PLC	31 March 2021
169	Indra Hotels & Resorts Kandy (Pvt) Ltd	31 March 2022
170	ITX 360 (Pvt) Ltd	31 March 2022
171	Jada Resort and Spa (Pvt) Ltd	31 December 2020
172	JB Vantage Money Market Fund	31 December 2020
173	JB Vantage Short Term Gilt Fund	31 December 2020
174	JB Vantage Value Equity Fund	31 December 2020
175	Jiffy Products S.L. (Pvt) Ltd	31 December 2020
176	Jinasena New Technology Holdings (Pvt) Ltd	31 March 2021
177	John Keells Holdings PLC	31 March 2021
178	John Keells Hotels PLC	31 March 2021
179	John Keells Stock Brokers (Pvt) Ltd	31 March 2021
180	John Keells PLC	31 March 2021
181	Kahawatte Plantations PLC	31 December 2020
182	Keells Food Products PLC	31 March 2021
183	Kegalle PLantations PLC	31 March 2021
184	Kelani Cables PLC	31 March 2021
185	Kelani Tyres PLC	31 March 2021
186	Kelany Valley Plantations PLC	31 March 2021
187	Kelsey Developments PLC	31 March 2021
188	Kelsey Homes (Pvt) Ltd	31 March 2021
189	Kotagala Plantations PLC	31 March 2020
190	Kotmale Holdings PLC	31 March 2022
191	L D Heavy Engineering (Pvt) Ltd	31 March 2021
192	Lakehouse Printers & Publishers PLC	31 March 2021
193	Lanka Aluminum Industries PLC	31 March 2021
194	Lanka Ashok Leyland PLC	31 March 2022*
195	Lanka Ceramic PLC	31 March 2021
196	Lanka Hospitals PLC	31 December 2020
197	Lanka IOC PLC	31 December 2020
198	Lanka Milk Foods (CWE) PLC	31 March 2021
199	Lanka Securities (Pvt) Ltd	31 December 2020
200	Lanka Ventures PLC	31 March 2021
201	Lankem Development PLC	31 March 2021
202	Laugfs Gas PLC	31 March 2021
203	Laugfs Supermarkets (Pvt) Ltd	31 March 2021
204	Laxapana Batteries PLC	31 March 2022
205	Lee Hedges PLC	31 March 2022
206	Life Insurance Corporation (Lanka) Ltd	31 December 2020
207	Lina Manufacturing (Pvt) Ltd	31 March 2021
208	Lion Brewery (Ceylon) PLC	31 March 2021
209	Litro Gas Terminal Lanka (Pvt) Ltd	31 December 2020

	Specified Business Enterprise	Financial Year End
210	Logistics International Limited	31 March 2021
211	LOLC Life Assurance Ltd	31 December 2020
212	LOLC Securities Ltd	31 March 2021
213	Lotus Hydro Power PLC	31 March 2021
214	LTL Holdings (pvt) Ltd	31 March 2021
215	LVL Energy Fund PLC	31 March 2021
216	Mackinnon Mackenzie and Company (Shipping) Limited	31 March 2021
217	Madulsima Plantations PLC	31 December 2020
218	Mahaweli Coconut Plantations PLC	31 March 2021
219	Mahaweli Reach Hotels PLC	31 March 2021
220	Malwatte Valley Plantations PLC	31 December 2020
221	Marawila Resorts PLC	31 March 2021
222	Maritime Agencies (Pvt) Ltd	31 March 2022
223	Maskeliya Plantations PLC	31 March 2022
224	Masons Mixture Ltd	31 March 2020
225	McLarens Lubricants Ltd	31 December 2020
226	Melanka Power Moraketiya (Pvt) Ltd	31 March 2022
227	Melsta Properties (Pvt) Ltd	31 March 2021
228	Mercantile Fortunes (Pvt) Ltd	31 March 2021
229	Mercantile Shipping Company PLC	31 March 2021
230	Merrill J. Fernando & Sons (Pvt) Ltd	31 March 2021
231	Millennium Housing Developers PLC	31 March 2022*
232	Prime Finance PLC	31 March 2022
233	Mit Global Solutions (Pvt) Ltd	31 March 2021
234	MJF Properties (Pvt) Ltd	31 March 2021
235	Moot Investments (Pvt) Ltd	31 March 2022
236	Namal Bank Fund	31 March 2021
237	Namal Growth Fund	31 March 2021
238	Namal High Yield Fund	31 March 2020
239	Namal Income Fund	31 March 2021
240	Namunukula Plantations PLC	31 March 2021
241	National Development Bank PLC	31 December 2020
242	National Equity Fund	31 March 2021
243	Nations Trust Bank	31 December 2020
244	NDB Securities (Pvt) Ltd	31 December 2020
245	NDB Wealth Gilt Edged Fund	31 December 2020
246	NDB Wealth Growth and Income Fund	31 December 2020
247	NDB Wealth Growth Fund	31 December 2020
248	NDB Wealth Income Plus Fund	31 December 2020
249	NDB Wealth Islamic Money Plus Fund	31 December 2020
250	NDB Wealth Management Ltd	31 December 2020
251	NDB Wealth Money Find	31 December 2020

## Financial Statements of SBEs Reviewed during 2022 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
252	NDB Wealth Money Plus Fund	31 December 2020
253	Nestle Lanka PLC	31 December 2020
254	NSB Fund Management Company Ltd	31 December 2020
255	Office Equipment PLC	31 December 2020
256	Orient Insurance Ltd	31 December 2020
257	Overseas Reality (Ceylon) PLC	31 December 2020
258	Palm Garden Hotels PLC	31 March 2021
259	Pan Asia Banking Corporation PLC	31 December 2020
260	Paragon Ceylon PLC	31 March 2021
261	Pegasus Hotels of Ceylon PLC	31 March 2021
262	Premier Growth Fund	31 March 2021
263	Premier Money Market Fund	31 March 2021
264	Property Development PLC	31 December 2020
265	Raigam Wayamba Salterns PLC	31 March 2022
266	Rajawella Holdings Limited	31 March 2021
267	Ramboda Falls PLC	31 March 2021
268	Regnis (Lanka) PLC	31 March 2022
269	Richard Pieris Exports PLC	31 March 2021
270	Renuka Agri Foods PLC	31 March 2021
271	Renuka City Hotels PLC	31 March 2022
272	Renuka Capital PLC	31 March 2021
273	Royal Palms Beach Hotels PLC	31 March 2021
274	Safron Aviation (Pvt) Ltd	31 March 2022
275	Sampath Bank PLC	31 December 2020
276	Samson International PLC	31 March 2021
277	Samson Reclaim Rubbers Ltd	31 March 2021
278	Sanasa Development Bank PLC	31 December 2020
279	Sanasa Life Insurance Company PLC	31 December 2020
280	Sathosa Motors PLC	31 March 2021
281	SC Securities (Pvt) Ltd	31 December 2020
282	Selinsing PLC	31 March 2021
283	Senfin Asset Management (Pvt) Ltd	31 December 2020
284	Senfin Dividend Fund	31 December 2020
285	Senfin Dynamic Income Fund	31 December 2020
286	Senfin Growth Fund	31 December 2020
287	Senfin Money Market Fund	31 December 2020
288	Senfin Shariah Balanced Fund	31 December 2020
289	Senfin Shariah Income Fund	31 December 2020
290	Serendib Land PLC	31 March 2021
291	Seylan Bank PLC	31 December 2020
292	Seylan Developments PLC	31 March 2021

	Specified Business Enterprise	Financial Year End
293	Shalimar (Malay) PLC	31 March 2022
294	Sierra Cables PLC	31 March 2021
295	Singer (Sri Lanka) PLC	31 March 2022
296	Singer Industries (Ceylon) PLC	31 March 2021
297	Singworld Lanka (Pvt) Ltd	31 December 2018
298	Sithma Development (Pvt) Ltd	31 December 2020
299	SMB Securities (Pvt) Ltd	31 December 2020
300	Softlogic Capital PLC	31 March 2021
301	Softlogic Life Insurance PLC	31 December 2020
302	Softlogic Stockbrokers (Pvt) Ltd	31 March 2021
303	Speville Ceylon (Pvt) Ltd	31 March 2021
304	Sri Lanka Telecom PLC	31 December 2020
305	SriLankan Airlines Ltd	31 March 2021
306	Standard Capital PLC	31 March 2020
307	Sunpower Constructions (Pvt) Ltd	31 March 2020
308	Sunshine Holdings PLC	31 March 2020
309	Swisstek (Ceylon) PLC	31 March 2021
310	Tal Lanka Hotels PLC	31 March 2021
311	Talawakelle Tea Estates PLC	31 March 2021
312	Taprobane Securities (Pvt) Ltd	31 March 2021
313	Tea Smallholder Factories PLC	31 March 2021
314	Texlan Lanka (Pvt) Ltd	31 March 2021
315	The Autodrome PLC	31 March 2021
316	The Fortress Resort PLC	31 March 2021
317	The Kandy Hotels Co. (1938) PLC	31 March 2021
318	The Kingsbury PLC	31 March 2021
319	The Nuwara Eliya Hotels Co. PLC	31 March 2021
320	The Swadeshi Industrial Works PLC	31 March 2021
321	The Wekanda Building & Property Company (Pvt) Ltd	31 March 2021
322	Three Acre Farms PLC	31 December 2020
323	Tokyo Cement Company (Lanka) PLC	31 March 2021
324	Udapussellawa Plantations PLC	31 December 2020
325	Uga Escapes (Pvt) Ltd	31 March 2020
326	Uni Dil Packaging (Pvt) Ltd	31 March 2022
327	Union Assurance PLC	31 December 2020
328	Union Bank of Colombo PLC	31 December 2020
329	Union Chemicals Lanka PLC	31 December 2020
330	Unipower (Pvt) Ltd	31 March 2022
331	Unisyst Engineering PLC	31 March 2022
332	United Dairies Lanka (Pvt) Ltd	31 March 2022
333	United Motors Lanka PLC	31 March 2021

## Financial Statements of SBEs Reviewed during 2022 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
334	Upcountry Power Supply International (Pvt) Ltd	31 March 2022
335	Vallibel One PLC	31 March 2021
336	Vallibel Power Erathna PLC	31 March 2021
337	Vydexa (Lanka) Power Corporation (Pvt) Ltd	31 March 2022
338	Waskaduwa Beach Resort PLC	31 March 2021
339	Watawala Plantations PLC	31 March 2022
340	Windforce PLC	31 March 2022
341	Yala Properties (Pvt) Ltd	31 March 2021

\*Multiple years have been reviewed

## Financial Statements of SBEs Reviewed during 2022- Compliant with Observations Communicated by letters of observations

	Specified Business Enterprise	Financial Year End
1	Abans Finance PLC	31 March 2021
2	ACME Printing and Packaging PLC	31 March 2021
3	Acuity Securities Ltd	31 December 2021
4	Acuity Stockbrokers (Pvt) Ltd	31 December 2020
5	Adamjee Lukmanjee & Sons (Pvt) Ltd	31 March 2021
6	Agstar PLC	31 March 2021
7	Airport & Aviation Service (Sri Lanka) (Private) Ltd	31 December 2021
8	Aitken Spence Hotel Holdings PLC	31 March 2021
9	Aitken Spence Plantation Managements PLC	31 March 2022
10	Akbar Brothers (Pvt) Ltd	31 March 2021
11	Alliance Finance Company PLC	31 March 2021
12	Allianz Insurance Lanka Ltd	31 December 2021
13	Alpha Wealth Limited	31 December 2020
14	AMW Capital Leasing and Finance PLC	31 December 2021*
15	Asha Securities Ltd	31 March 2021
16	Asia Asset Finance PLC	31 March 2021
17	Asia Capital PLC	31 March 2021
18	Asian Hotels and Properties PLC	31 March 2022
19	Asian International School (Pvt) Ltd	31 March 2021
20	Asiri Surgical Hospital PLC	31 March 2021
21	Assetline Securities (Pvt) Ltd	31 March 2021
22	Associated Motor Finance Co. PLC	31 March 2021
23	Ayurveda Kurklinik Maho (Pvt) Ltd	31 March 2019
24	Balangoda Plantations PLC	31 December 2021
25	Bank of Ceylon	31 December 2021
26	Bogawantalawa Tea Ceylon (Pvt) Ltd	31 March 2021
27	C.S.D. Auto Services (Pvt) Ltd	31 March 2020
28	Capital Alliance Corporate Treasury Fund	31 March 2021
29	Capital Alliance High Yield Fund	31 March 2021
30	Capital Alliance Investments Ltd	31 March 2021
31	Capital Trust Securities (Pvt) Ltd	31 March 2021
32	Captain Steel (Pvt) Ltd	31 March 2021
33	Cargo Boat Development Company PLC	31 March 2021
34	CBC Finance Ltd	31 March 2021
35	Central Engineering Consultancy Bureau	31 December 2020
36	Central Finance PLC	31 March 2021
37	Ceybank Unit Trust Fund	31 March 2021
38	Ceylon Bulbs and Electricals Ltd	31 March 2021
39	Ceylon Ceramics Corporation	31 December 2021
40	Ceylon Guardian Investment Trust PLC	31 March 2021

	Specified Business Enterprise	Financial Year End
41	Ceylon Hospitals PLC	31 March 2022
42	Ceylon Shipping Corporation Ltd	31 December 2019
43	Chilaw Plantations Ltd	31 December 2020
44	CIC Holdings PLC	31 March 2021
45	Citizens Developments Business Finance PLC	31 March 2021
46	Commercial Credit & Finance PLC	31 March 2021
47	Commercial Leasing & Finance PLC	31 March 2021
48	Convenience Foods (Lanka) PLC	31 March 2022
49	Co-Operative Insurance Company PLC	31 December 2021
50	Dankotuwa Porcelain PLC	31 March 2021
51	David Pieris Holdings (Pvt) Ltd	31 March 2021
52	Daya Apparel Exports (Pvt) Ltd	31 March 2021
53	Delmage Ltd	31 March 2021
54	Dialog Finance PLC	31 March 2021
55	Diana Chocolate (Pvt) Ltd	31 March 2021
56	Dilmah Ceylon Tea Company PLC	31 March 2022
57	Dole Lanka (Pvt) Ltd	31 March 2021
58	E B Creasy & Co. PLC	31 March 2021
59	East West Properties PLC	31 March 2021
60	Eastern Merchants PLC	31 March 2021
61	Eden Hotel Lanka PLC	31 March 2021
62	EML Consultants PLC	31 December 2021
63	ETI Finance Ltd	31 March 2018
64	Finco (Pvt) Ltd	31 March 2021
65	Fintrex Finance Ltd	31 March 2021
66	Fisheries' Pension & Social Security Benefit Scheme	31 December 2021
67	GAC Marine Services (Pvt) Ltd	31 December 2021
68	Galle Face Capital Partners PLC	31 March 2022
69	Hatton Plantations PLC	31 March 2021
70	Hayleys Leisure PLC	31 March 2022
71	Hettigoda Industries (Pvt) Ltd	31 March 2021
72	Hirdaramani Leisure Holding (Pvt) Ltd	31 March 2021
73	HNB Finance PLC	31 March 2022
74	HNB General Insurance Limited	31 December 2021
75	Horana Plantation PLC	31 March 2022
76	Hunter & Company PLC	31 March 2021
77	HVA Foods PLC	31 March 2020
78	Ideal Finance Ltd	31 March 2021
79	Imperial Teas (Pvt) Ltd	31 March 2021
80	Industrial Asphalts (Ceylon) PLC	31 March 2021
81	Janashakthi Ltd	31 March 2021
82	JB Finance (Pvt) Ltd	31 March 2021
83	JB Securities (Pvt) Ltd	31 March 2021

## Financial Statements of SBEs Reviewed during 2022- Compliant with Observations Communicated by letters of observations

	Specified Business Enterprise	Financial Year End
84	Jetwing Symphony PLC	31 March 2022
85	Kanrich Finance Ltd	31 March 2021
86	Koggala Garments (Pvt) Ltd	31 December 2019
87	L B Finance PLC	31 March 2021
88	Lanka Building Materials Corporation Ltd	31 December 2016
89	Lanka Credit & Business Finance PLC	31 March 2021
90	Lanka Phosphate Ltd	31 March 2021
91	Lanka Realty Investments PLC	31 March 2022
92	Lanka Tiles PLC	31 March 2022
93	Lanka Walltiles PLC	31 March 2021
94	Lankem Ceylon PLC	31 March 2021
95	Laugfs Holdings Ltd	31 March 2021
96	Laugfs Power PLC	31 March 2021
97	LOLC Development Finance PLC	31 March 2022*
98	LOLC Finance PLC	31 March 2021
99	LOLC General Insurance PLC	31 December 2021
100	Luminex PLC	31 March 2022
101	Mackwoods Energy PLC	31 March 2020
102	MAS Holdings (Pvt) Ltd	31 December 2020
103	Master Divers (Pvt) Ltd	31 March 2019
104	Melstacorp PLC	31 March 2021
105	Mercantile Investment and Finance PLC	31 March 2021
106	Merchant Bank of Sri Lanka Finance PLC	31 December 2020
107	Metro Assets (Pvt) Ltd	31 March 2021
108	Milford Export (Ceylon) (Pvt) Ltd	31 March 2021
109	MJF Holdings Ltd	31 March 2021
110	MJF Teas (Pvt) Ltd	31 March 2021
111	Muller & Phipps (Ceylon) PLC	31 March 2021
112	Multi Finance PLC	31 March 2021
113	Nation Lanka Finance PLC	31 March 2021
114	National Asset Management Ltd	31 December 2020
115	National Institute of Business Management	31 December 2020
116	National Insurance Trust Fund	31 December 2019
117	National Lotteries Board	31 December 2020
118	National Savings Bank	31 December 2021
119	National Wealth Corporation Ltd	31 December 2020
120	Nivasie Developers Malabe (Pvt) Ltd	31 March 2021
121	Ocean View Development Company (Pvt) Ltd	31 December 2020
122	Odel PLC	31 March 2021
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	Panasian Power PLC	31 March 2021
127	Paranthan Chemicals Co Ltd	31 December 2020
128	Penguin Sportswear (Pvt) Ltd	31 March 2022
129	People's Bank	31 December 2021
130	People's Insurance PLC	31 December 2021
131	People's Leasing and Finance PLC	31 March 2021
132	People's Merchant Finance PLC	31 March 2021
133	Phoenix Ventures (Pvt) Ltd	31 March 2021
134	Piramal Glass Ceylon PLC	31 March 2021
135	Platinum Realty Investments (Pvt) Ltd	31 March 2021
136	Pradeshya Sanwardana Bank	31 December 2021
137	Prime Finance PLC	31 March 2021
138	Printcare PLC	31 March 2021
139	Radiant Gems International PLC	31 March 2021
140	Renuka Foods PLC	31 March 2021
141	Renuka Holdings PLC	31 March 2021
142	Renuka Hotel PLC	31 March 2022
143	Resus Energy PLC	31 March 2021
144	Richard Peiris Finance Ltd	31 March 2021
145	Richard Pieris & Company PLC	31 March 2021
146	RIL Property PLC	31 March 2022
147	Royal Ceramic Lanka PLC	31 March 2021
148	RPC Real Estate Development Company (Pvt) Ltd	31 March 2021
149	Sanasa General Insurance Ltd	31 December 2021
150	Sanasa Life Insurance Company Ltd	31 December 2020
151	Sarvodaya Development Finance Ltd	31 March 2021
152	Seguwanthivu Wind Power (Pvt) Ltd	31 March 2022
153	Senkadagala Finance PLC	31 March 2021
154	Serendib Hotels PLC	31 March 2021
155	Sifani Jewellers (Pvt) Ltd	31 March 2019
156	Sigiriya Village Hotels PLC	31 March 2021
157	Singer Finance (Lanka) PLC	31 March 2021
158	Singhe Hospitals PLC	31 March 2022
159	Sinhaputhra Finance PLC	31 March 2021
160	Sinwa Holdings Ltd	31 March 2020
161	Siyapatha Finance PLC	31 December 2021
162	Skills Development Fund Ltd	31 March 2021
163	SMB Leasing PLC	31 December 2020
164	Softlogic Finance PLC	31 March 2021
165	Softlogic Holdings PLC	31 March 2021
166	Somerville Stock Brokers (Pvt) Ltd	31 March 2021
167	Span Engineering (Pvt) Ltd	31 March 2021
168	Sri Lanka Bureau of Foreign Employment	31 December 2020
169	Sri Lanka Cement Corporation	31 December 2020

## Financial Statements of SBEs Reviewed during 2022- Compliant with Observations Communicated by letters of observations

	Specified Business Enterprise	Financial Year End
170	Sri Lanka Export Credit Insurance Corporation	31 December 2020
171	Sri Lanka Standards Institute	31 December 2021
172	St.Anthony's Consolidated (Pvt) Ltd	31 March 2021
173	State Development & Construction Corporation	31 December 2021
174	State Engineering Corporation of Sri Lanka	31 December 2017
175	State Mortgage and Investment Bank	31 December 2020
176	State Pharmaceuticals Corporation of Sri Lanka	31 December 2021
177	State Pharmaceuticals Manufacturing Corporation of Sri Lanka	31 December 2021
178	State Printing Corporation	31 December 2020
179	State Timber Corporation	31 December 2020
180	Swarnamahal Financial Services PLC	31 March 2019
181	Swedish Trading Company (Pvt) Ltd	31 March 2020
182	Tangerine Beach Hotels PLC	31 March 2021
183	Teejay Lanka PLC	31 March 2021
184	Tess Agro PLC	31 March 2021
185	The Colombo Fort Land & Building PLC	31 March 2021
186	The Lighthouse Hotel PLC	31 March 2021
187	The National Film Corporation of Sri Lanka	31 December 2020
188	Trans Asia Hotels PLC	31 March 2021
189	UB Finance Co Ltd	31 March 2021
190	Vallibel Finance PLC	31 March 2021
191	Ventura Crystal Investments Ltd	31 March 2021
192	Vidullanka PLC	31 March 2021
193	Walkers Equipment Ltd	31 March 2019
194	Wayamba Plantations (Pvt) Ltd	31 December 2020
195	WKV Hydro Technics (Pvt) Ltd	31 March 2022

\* Multiple financial years have been reviewed

## Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2022

### Listed Companies which have not submitted financial statements for the year ended 31 March 2022:

- Anilana Hotels & Properties PLC\*
- Bimpuh Finance Plc\*
- Ceylon Printers PLC\*
- City Housing & Real Estate Company PLC\*
- Office Equipment PLC\*
- Paragron Ceylon PLC\*
- Standard Capital PLC\*
- Softlogic Holdings PLC\*
- Hunas Holdings Plc\*\*

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

- National Paper Company Ltd
- Ceylon Shipping Corporation
- Ceylon Fertilizer Company Ltd
- Lanka Phosphate Limited
- SriLankan Airlines Ltd

\* Trading Suspended at CSE

\*\* Trading suspended and financial statements subsequently received by SLAASMB

### Public Sector entities which have not submitted financial statements for the year ended 31 December 2021:

- Building Materials Corporation Limited
- Ceylon Fisheries Corporation
- Employees Trust Fund Board
- Janatha Estates Development Board
- National Film Corporation
- National Livestock Development Board
- National Insurance Trust Fund
- Paddy Marketing Board
- Sri Lanka Bureau of Foreign Employment
- Sri Lanka Cashew Corporation
- Sri Lanka Cement Corporation
- Sri Lanka Transport Board
- Sri Lanka Rupavahini Corporation
- Sri Lanka Handicrafts Board
- Sri Lanka Institute of Textile and Apparel
- Sri Lanka Land Reclamation & Development Corporation
- State Engineering Corporation of Sri Lanka
- State Printing Corporation
- The Co-operative Wholesale Establishment
- Urban Development Authority

## Activities relating to standard setting by CA Sri Lanka during 2022

In terms of the past arrangements with the Ministry of Finance, during the year 2022 SLAASMB continued to provide the annual grant of Rs. 4 million to the Institute of Chartered Accountants of Sri Lanka (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.

The main activities carried out during the year in relation to accounting and auditing standards are as follows:

### Accounting Standards

- Issued Frequently Asked Questions (FAQs) on Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022
- Issued Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022

CA Sri Lanka has issued a SoAT on Accounting for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 with the purpose of directing the companies/ individuals on how to present the Surcharge Tax that arose as a result of the said Act.

- Issued Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio

Considering the recent unprecedented changes in the macro-economic conditions CA Sri Lanka has issued a SoAT on Reclassification of Debt Portfolio which provides a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income to Amortised cost.

- Issued Disclosure Guidance and Other Considerations on the Recent Economic Conditions and its Impact on the Financial Statements to provide the guidance to assist the entities in the preparation of financial statements to report the effects arising from the prevailing economic conditions on the businesses, financial condition, and results of operations under LKAS 10 Events after the Reporting Period.
- Adopted below Amendments to SLFRSs
  - o Amendment to SLFRS 1- First-time Adoption of Sri Lanka Accounting Standards
  - o Amendment to SLFRS 9 -Financial Instruments
  - o Amendment to LKAS 41 -Agriculture
  - o Amendments to LKAS 8 - Definition of Accounting Estimates
  - o Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a single transaction
  - o Amendments to LKAS 1 - Disclosure of Accounting Policies
  - o Amendments to LKAS 1 - Classification of Liabilities as Current or Non-current
- Deffered the effective date of SLFRS 17 Insurance
  - o The council has approved to differ the effective date of SLFRS 17, Insurance contracts. accordingly, this will be effective from 1st January 2025.

### Auditing Standards

- Adopted New and Revised Quality Management Standards (SLSQM 1, SLSQM 2 and SLAuS 220 (Revised)) in Sri Lanka with the below effective dates;
  - o SLSQM 1: Systems of quality management in compliance with this SLSQM are required to be designed and implemented by 15 December 2023, and the evaluation of the system of quality management required by paragraphs 53–54 of this SLSQM is required to be performed within one year following 15 December 2023.
  - o SLSQM 2: Audits and reviews of financial statements for periods beginning on or after 15 December 2023; and Other assurance and related services engagements beginning on or after 15 December 2023.

## Activities relating to standard setting by CA Sri Lanka during 2022

- SLAuS 220 (Revised): Effective for audits of financial statements for periods beginning on or after 15 December 2023.
- Issued Non-Authoritative Guidance on Fraud in an Audit of Financial Statements: The Fraud Lens –Interactions Between SLAuS 240 and Other SLAuSs

This non-authoritative guidance illustrates the relationship between Sri Lanka Auditing Standard (SLAuS) 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, and other SLAuSs when planning and performing an audit engagement and reporting thereon. It also illustrates how SLAuS 240 is currently applied in conjunction with the full suite of SLAuSs.

- Issued FAQs for Reporting Going Concern Matters in the Auditor's Report

This non-authoritative Frequently Asked Questions publication addresses some of the common questions related to reporting going concern matters in the auditor's report. Specifically, the publication focuses on the use of and interrelationship of the Material Uncertainty Related to Going Concern and Key Audit Matters sections, and the Emphasis of Matter paragraphs, in an auditor's report prepared in accordance with the Sri Lanka Auditing Standards (SLAuSs).

- Issued First-time Implementation Guide on SLAuS 315 (Revised 2019) Identifying and Assessing the Risks of Material Misstatement

This guide focuses on the more substantial changes that were made to Sri Lanka Auditing Standard (SLAuS) 315 (Revised 2019) and will help stakeholders understand and apply the revised standard as intended. SLAuS 315 (Revised 2019) is effective for audits of financial statements for periods beginning on or after 15 December 2021.



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

TPD/A/SLAASMB/FA/2022/14

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

14 July 2023

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 2022 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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



## 1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## 1.3 Other information included in the Board's 2022 Annual Report.

The other information comprises the information included in the Board's 2022 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.

## 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.

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.

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 were 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 cause 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.

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.

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.



### 2.3 Other Matters

- (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 consultancy or the proposed improvements of the premises were not completed even up to the date of audit of 25 May 2023.
- (b) The Boards had commenced the designing and implementation of the Management Information System (MIS) in the year 2021 and Rs.20,158,000 was incurred up to 31 December 2022. It had completed only the tasks of Detailed Software Technical Documentation (DSTD), preparation of test plan, preparation of User Acceptance Testing (UAT) criteria document and sign offs in relation to the non-core modules of the MIS etc. However, due to the delay in implementation process of the system, it could not be used for the intended purpose of reviewing function even up to end of May 2023.
- (c) Human Resource Management
- (i). There had been 17 vacancies in the Board as at 31 December 2022. Out of that, 15 vacancies were existed in executive level which affect to the major functions of the Board.
- (ii). The post of Director General was in contract basis. Therefore, the absence of a permanent Director General would impede the continuous operations of the Board.
- (iii). Though, there is a position of Deputy/Assistant Director (Legal) in the approved cadre, it was remained vacant from the initiation of the Board.

(iv). The concurrence of the Department of Management Services for the revised Scheme of Recruitment (SoR) for Assistant Director Technical was not received even up the end of May 2023.

(d) Performance of Reviewing Financial Statements

As per the Act No 15 of 1995, 1,671 entities were identified as Specified Business Enterprises (SBEs). However, the Board had completed the reviews of 552 and 541 sets of financial statements against the planned reviews of 550 financial statements during the year 2021 and 2022 respectively. It is observed that the reason for the deterioration of planned and the actual reviews of financial statements were the continuous decrease of the availability of the technical staff of the board.



W.P.C. Wickramaratne

Auditor General

## Current Status regarding the issues addressed in the report of the Auditor General-2022

Observation in Audit Report dated 14 July 2023	Responses by Management
<p>a) The Board had made an agreement with State Engineering Corporation of Sri Lanka (SEC) to provide consultancy service for design and supervision of Interior works of the office premises of the Board, at a cost of 7 per cent of the total construction cost on 30 January 2019. The construction development phase was completed and 65 percent from the consultancy bill was charged on 27 October 2021. However, the balance work phase of the consultancy on the proposed improvements to the premises was not completed even up to the date of completion of audit of 25 May 2023.</p>	<p>Consequent to the signing of the Memorandum of Understanding with SEC, the Bids were called in 2019. However, due to documentation deficiencies, all three bids submitted were rejected and the progress of the interior construction process was further delayed due to the curtailment of capital expenditure by the Ministry in 2019 by National Budget Circular 5/2019 (Paragraph 3) read together with National Budget Circulars 3/2019 and 7/2019.</p> <p>In 2019 SEC had completed 70% of the work phases and the payment was made accordingly. When the interior designing work recommenced during the latter part of 2020 was progressing, the Governments' curtailment of Capital expenditure in 2021 by the National Budget Circular 2/2021 and 3/2021(paragraph 4.1) and in 2022 by the Public Enterprise Circulars 4/2022 (Paragraph 2.10.1), made SLAASMB to halt the work for the second time since procuring the premises.</p> <p>As the restriction of capital expenditure by the Government remains applicable to date, due to the need for the interior work to have been completed to make the area usable by the new staff, SLAASMB expects to recommence the work in 2025.</p>
<p>b) The Boards had commenced the designing and implementation of the Management Information System (MIS) in the year 2021 and Rs. 20,158,000 was incurred up to 31 December 2022. It had completed only the tasks of Detailed Software Technical Documentation (DSTD) , preparation of test plan, preparation of User Acceptance Testing (UAT) criteria document and sign offs in relation to the non-core modules of the MIS etc. However, due to the delay in implementation process of the system, it could not be used for the intended purpose of reviewing function even up to end of May 2023.</p>	<p>Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) awarded the project to the Software Developer in October 2021.</p> <p>Information and Communication Technology Agency (ICTA), the consultants, had agreed to host the system in their Lanka Government Cloud (LGC 2.0) free of charge. However, when the trial system was ready to be hosted for testing, the ICTA informed of their inability to provide the hosting facility. As other hosting service providers were costly SLAASMB had no alternative solution and after a lapse of 3 months, ICTA consented to provide the requested LGC 2.0 platform.</p> <p>During the said delayed period, the software developer deployed the staff allocated to SLAASMB project to other projects and after receiving LGC facility from ICTA, such staff were redeployed to the SLAASMB MIS project. In addition, as per the explanations provided by the developer, the uniqueness and the complexity involved in the MIS of SLAASMB also resulted in the time schedule exceeding the time initially projected during the RFP.</p> <p>The work relating to the project has been completed up to the first three phases and SLAASMB has paid 50% of the cost as indicated in the payment schedule.</p> <p>At present the development of the MIS and the user (staff) training has been completed and the system is expected to go live by 1 September 2023</p>

## Current Status regarding the issues addressed in the report of the Auditor General-2022

Observation in Audit Report dated 14 July 2023	Responses by Management
<p>c) Human Resource Management                      i) There had been 17 vacancies in the Board as at 31 December 2022. Out of that, 15 vacancies existed in executive level which affects to the major functions of the Board.</p>	<p>SLAASMB received cabinet approval on 21 June 2021 for a special salary scale to attract and retain professional staff. Due to the concurrence of the MSD to effect such approved salary scales remains pending, SLAASMB could not recruit staff to fill these vacancies. However when the salary issues are resolved, the staff will be recruited.</p>
<p>ii) The post of Director General (DG) was on contract basis. Therefore, the absence of a permanent Director General would impede the continuous operations of the Board.</p>	<p>Contract basis employment of DG was approved in 2007 and 2009 by the MSD. However with the resolution of the issues concerning the staff salaries, the DG will be recruited as a permanent employee.</p>
<p>iii) Though, there is a position of Deputy / Assistant Director (Legal) in the approved cadre, it remains vacant from the initiation of the Board.                       iv) The concurrence of the Department of Management Services for the revised Scheme of Recruitment (SoR) for Assistant Director Technical was not received even up the end of May 2023.</p>	<p>Assistant Director (Legal) position was approved only in the Cadre approved on 5 June 2018 and not from the inception of the Board. However, due to the SoR of Assistant Director Technical (ADT) and Assistant Director (AD)(Legal) being pending approval of MSD, the vacancy could not be filled. SLAASMB has been continuously following up on the approval of the SoRs of ADT and AD (Legal) through no approvals have been received from MSD to date.</p>
<p>d) Performance of reviewing Financial Statements                      As per the Act No. of 1995, 1,671 entities were identified as specified Business Enterprises (SBEs). However, the Board had completed the reviews of 552 and 541 sets of financial statements against the planned reviews of 550 financial statements during the year 2021 and 2022 respectively. It is observed that the reason for the deterioration of planned and the actual reviews of financial statements were the continuous decrease of the availability of the technical staff of the Board.</p>	<p>Annually the Board determines the number of financial statement reviews and the number of audit inspections to be conducted by SLAASMB. These targets are set based on an optimal level with the available resources. i.e. the availability of staff.                       As stated in the Audit Report, the main reason for not achieving the planned number of reviews is due to the lower number of staff available to perform reviews due to the staff turnover and difficulties to attract new staff due to issues with remuneration.</p>

## Statement of Financial Position

As at	Note	31-Dec-22 Rs.	31-Dec-21 Rs.
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, Plant and Equipment	3	29,969,068	34,850,298
Intangible Assets	4	20,158,000	5,086,000
Deposits	5	6,979,736	6,979,736
Defined Benefit Assets	10	8,893,601	2,422,346
		<b>66,000,405</b>	49,338,380
<b>Current Assets</b>			
Inventories	6	806,108	774,637
Accounts receivable	7	3,075,783	2,466,515
Cash and cash equivalents	8	3,265,940	13,452,909
		<b>7,147,831</b>	16,694,061
<b>Total Assets</b>		<b>73,148,236</b>	66,032,441
<b>LIABILITIES</b>			
<b>Non - Current Liabilities</b>			
Deferred income - government grants	9	66,000,405	49,338,380
		<b>66,000,405</b>	49,338,380
<b>Current Liabilities</b>			
Deferred income - government grants	11	3,076,338	13,304,506
Accounts payable	12	4,071,493	3,389,555
		<b>7,147,831</b>	16,694,061
<b>Total Liabilities</b>		<b>73,148,236</b>	66,032,441

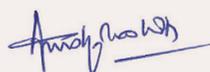
The notes appearing on pages 55 to 61 form an integral part of the financial statements.

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



Chairman



Director General



Member



Deputy Director General -  
Finance & Administration

31 January 2023

## Statement of Financial Performance and Other Comprehensive Income

<i>For the year ended 31 December</i>		<b>2022</b>	<b>2021</b>
		<b>Rs.</b>	<b>Rs.</b>
	Note		
<b>Revenue</b>			
Government grants	13	<b>81,015,260</b>	75,236,691
Less: Grants released to the Institute of Chartered Accountants of Sri Lanka		<b>4,000,000</b>	4,000,000
		<b>77,015,260</b>	71,236,691
<b>Operating Expenses</b>			
Board Members' allowances		<b>(1,031,732)</b>	(1,579,500)
Auditor's remuneration	14	<b>(151,700)</b>	(214,000)
Staff costs	15	<b>(39,456,582)</b>	(36,828,568)
Fuel and lubricants		<b>(183,350)</b>	(235,900)
Press notices		<b>(198,134)</b>	(600,210)
Rent and building service charges		<b>(13,450,704)</b>	(11,529,825)
Depreciation and amortisation expenses	3	<b>(5,528,087)</b>	(5,513,082)
Electricity		<b>(988,018)</b>	(871,114)
Professional fees to Reviewers		<b>(661,500)</b>	(503,500)
International memberships		<b>(1,797,493)</b>	(1,954,819)
Books & Periodicals		<b>(890,488)</b>	(1,201,016)
Training and development		<b>(1,202,492)</b>	(2,818,139)
License and insurance		<b>(928,494)</b>	(934,425)
Stationery		<b>(1,302,366)</b>	(797,472)
Other administration expenses	16	<b>(9,244,120)</b>	(5,655,120)
		-	-
<b>Other Comprehensive Income</b>			
Gain /(loss) on remeasurement of the defined benefit obligation		<b>4,769,117</b>	3,234,677
Government grants related to remeasurement of defined benefit obligations		<b>(4,769,117)</b>	(3,234,677)
		-	-
<b>Net surplus / (deficit) for the year</b>		<b>-</b>	<b>-</b>

The notes appearing on pages 55 to 61 form an integral part of the financial statements.

## Statement of Changes in Net Assets

	<b>Accumulated Fund Rs.</b>
Balance as at 31 December 2020	-
Net surplus/deficit for the year	-
Balance as at 31 December 2021	-
Net surplus/deficit for the year	-
<b>Balance as at 31 December 2022</b>	<b>-</b>

*The notes appearing on pages 55 to 61 form an integral part of the financial statements*

## Cash Flow Statement

<i>For the year ended 31 December</i>	Note	<b>2022 Rs.</b>	<b>2021 Rs.</b>
<b>Cash flows from operating activities</b>			
Net surplus / (deficit) for the year		-	-
Adjustments for;			
Government grants received during the year		<b>82,680,000</b>	83,683,350
Deferred government grants transferred to total comprehensive income	13	<b>(76,246,143)</b>	(72,002,014)
Depreciation	3	<b>5,528,087</b>	5,513,082
Loss on disposal of office equipment			1
Interest on investment in gratuity fund		<b>(744,113)</b>	(289,923)
Defined benefit (asset) / obligation	15.1	<b>(4,221,255)</b>	(2,033,794)
Excess of income over expenditure / (expenditure over income) before working capital changes		<b>6,996,576</b>	14,870,702
(Increase) / Decrease in inventories		<b>(31,472)</b>	9,174
(Increase) / Decrease in accounts receivable		<b>(609,268)</b>	(184,200)
Increase / (Decrease) in accounts payable		<b>681,939</b>	130,027
Net cash flows from operating activities		<b>7,037,775</b>	14,825,703
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		<b>(646,857)</b>	(1,970,351)
Payments made for the development of software		<b>(15,072,000)</b>	(5,086,000)
Investment in Gratuity Fund		<b>(2,250,000)</b>	(3,075,000)
Interest received on investment in gratuity fund/safety locker		<b>744,113</b>	289,923
Net cash flows		<b>(10,186,969)</b>	4,984,275
<b>Cash flows from financing activities</b>			
		-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(10,186,969)</b>	4,984,275
Cash and cash equivalents at the beginning of the year		<b>13,452,909</b>	8,468,634
<b>Cash and cash equivalents at the end of the year</b>	8	<b>3,265,940</b>	13,452,909

The note appearing on pages 55 to 61 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 2022 were authorised for issue by a resolution of the Members of the Board on 31 January 2023. 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 13 permanent employees 2 employees on contract basis and 1 employee on temporary basis as at 31 December 2022 (13 permanent 3 on contract basis and 1 temporary employee as at 31 December 2021).

### 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.7,500/- all Accounting Standards and Auditing Standards, and other publications with a cost not exceeding Rs.1,000/- 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

As at	Motor Vehicles		Office Equipment		Furniture, Fixtures & Fittings		Library Books		Work-in Progress		Total	
	31-Dec-22 Rs.	31-Dec-21 Rs.	31-Dec-22 Rs.	31-Dec-21 Rs.	31-Dec-22 Rs.	31-Dec-21 Rs.	31-Dec-22 Rs.	31-Dec-21 Rs.	31-Dec-22 Rs.	31-Dec-21 Rs.	31-Dec-22 Rs.	31-Dec-21 Rs.
<b>Cost</b>												
At beginning of the year	51,160,000	51,160,000	12,252,537	11,456,057	12,402,537	12,217,271	3,223,399	3,198,399	1,937,904	-	80,976,377	78,031,727
Additions	-	-	337,657	1,191,480	308,000	185,266	1,200	25,000	-	568,605	646,857	1,970,351
Disposals	-	-	-	(395,000)	-	-	-	-	-	-	-	(395,000)
Transfer	-	-	296,850	-	-	-	-	-	(296,850)	1,369,299	-	1,369,299
At end of the year	51,160,000	51,160,000	12,887,044	12,252,537	12,710,537	12,402,537	3,224,599	3,223,399	1,641,054	1,937,904	81,623,234	80,976,377
<b>Accumulated Depreciation</b>												
At beginning of the year	24,689,333	21,278,666	8,396,025	7,437,400	9,835,157	9,094,004	3,205,564	3,197,926	-	-	46,126,079	41,007,996
Depreciation for the year	3,410,667	3,410,667	1,295,711	1,353,624	813,210	741,153	8,499	7,638	-	-	5,528,087	5,513,082
Depreciation on disposals	-	-	-	(394,999)	-	-	-	-	-	-	-	(394,999)
Transfer	-	-	-	-	-	-	-	-	-	-	-	-
At end 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
Written Down Value at end of the year	23,060,000	26,470,667	3,195,308	3,856,512	2,062,170	2,567,380	10,536	17,835	1,641,054	1,937,904	29,969,068	34,850,298

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 2024.

## Notes to the Financial Statements

	31-Dec-22 Rs.	31-Dec-21 Rs.
<b>4 Intangible Assets</b> (Software - Work in progress)		
Balance at the beginning of the year	5,086,000	-
Payments made during the year	15,072,000	5,086,000
Balance at the end of the year	20,158,000	5,086,000
<b>5 Deposits (Non-current)</b>		
Rent Deposit	6,879,736	6,879,736
Safety Locker Deposit	100,000	100,000
	6,979,736	6,979,736
<b>6 Inventories</b>		
Stationery	806,108	774,637
<b>7 Accounts Receivable</b>		
Prepayments	3,070,783	2,461,515
Deposits	5,000	5,000
	3,075,783	2,466,515
<b>8 Cash and Cash Equivalents</b>		
Cash on hand and in bank	3,265,940	13,452,909
	3,265,940	13,452,909
<b>9 Deferred Income - Government Grants (Non-current)</b>		
Balance at the beginning of the year	49,338,380	41,317,019
Grants received and utilised to acquire non-current assets	15,718,857	7,056,351
Grants received and utilised to acquire non-current assets transferred from accounts receivables	-	1,369,299
Grants received and invested in gratuity fund	2,250,000	3,075,000
Depreciation and amortisation expenses for the year	(5,528,087)	(5,513,082)
Interest received on gratuity fund	744,113	289,923
Loss on disposal of office equipment -	-	(1)
Defined benefit obligation charge for the year	3,477,142	1,743,871
Balance at the end of the year	66,000,405	49,338,380
Represented by:		
Property, Plant and Equipment	29,969,068	34,850,298
Intangible Assets	20,158,000	5,086,000
Deposit (non-current)	6,979,736	6,979,736
(Provision for gratuity) / Excess of Gratuity Fund	8,893,601	2,422,346
Balance at the end of the year	66,000,405	49,338,380

## Notes to the Financial Statements

	31-Dec-22 Rs.	31-Dec-21 Rs.
<b>10 Defined Benefit (Asset) / Obligations</b>		
Balance at the beginning of the year	<b>6,874,244</b>	9,295,495
Charge for the year	<b>179,380</b>	563,412
Interest for the year	<b>1,112,595</b>	927,394
Actuarial (gains) / losses	<b>(4,769,117)</b>	(3,234,677)
	<b>3,397,102</b>	7,551,624
Payments during the year	<b>(816,492)</b>	(677,380)
	<b>2,580,610</b>	6,874,244
Gratuity Fund (Note 10.1)	<b>(11,474,211)</b>	(9,296,590)
Balance at the end of the year	<b>(8,893,601)</b>	(2,422,346)
Present value of the obligation was measured using the following assumptions.		
Expected salary increment	<b>2%</b>	10%
Discount / interest rate	<b>18%</b>	10.90%
Staff turnover factor	<b>9%</b>	9%
The liability for gratuity is partly funded.		
<b>10.1 Gratuity Fund</b>		
Balance at the beginning of the year	<b>9,296,590</b>	6,609,047
Investments made during the year	<b>2,250,000</b>	3,075,000
Interest received during the year	<b>744,113</b>	289,923
Payments during the year	<b>(816,492)</b>	(677,380)
Balance at the end of the year	<b>11,474,211</b>	9,296,590
<b>11 Deferred Income - Government Grants (Current)</b>		
Balance at the beginning of the year	<b>13,304,506</b>	9,644,531
Increase / (decrease) in inventories and accounts receivable	<b>640,739</b>	(1,194,273)
Increase / (decrease) in cash and cash equivalents	<b>(10,186,969)</b>	4,984,275
(Increase) / decrease in accounts payable	<b>(681,938)</b>	(130,027)
Balance at the end of the year	<b>3,076,338</b>	13,304,506
Represented by :		
Inventories	<b>806,108</b>	774,637
Accounts receivable	<b>3,075,783</b>	2,466,515
Cash and cash equivalents	<b>3,265,940</b>	13,452,909
Less: accounts payable	<b>(4,071,493)</b>	(3,389,555)
Balance at the end of the year	<b>3,076,338</b>	13,304,506
<b>12 Accounts Payable</b>		
Auditors' Remuneration	<b>214,000</b>	428,300
Grants payable to the Institute of Chartered Accountants of Sri Lanka	<b>1,000,000</b>	1,000,000
Professional fees payable to reviewers	<b>80,000</b>	154,500
Staff incentive payable	<b>624,000</b>	682,500
Accrued Internal Audit Fee	<b>222,525</b>	175,000
Accrued Annual Report Expense	<b>1,380,703</b>	550,000
Other payables	<b>550,265</b>	399,255
	<b>4,071,493</b>	3,389,555

## Notes to the Financial Statements

For the year ended 31 December	2022 Rs.	2021 Rs.
<b>13 Government Grants</b>		
Government Grants received during the year	<b>82,680,000</b>	83,683,350
Grants received and invested in gratuity fund	<b>(2,250,000)</b>	(3,075,000)
Grants used for capital expenditure	<b>(15,718,857)</b>	(7,056,351)
Grants utilised to acquire non-current assets transferred from accounts receivables	-	(1,369,299)
Grants used to finance net current assets	<b>10,228,168</b>	(3,659,975)
Depreciation and amortisation expenses for the year	<b>5,528,087</b>	5,513,082
Interest received on gratuity fund	<b>(744,113)</b>	(289,923)
Loss on disposal of office equipment	-	1
Defined benefit liability for the year	<b>1,291,975</b>	1,490,806
Grants shown in the Statement of Financial Performance	<b>81,015,260</b>	75,236,691
Grant related to remeasurement of defined benefit liability shown in Other Comprehensive Income	<b>(4,769,117)</b>	(3,234,677)
Total grants transferred to total comprehensive income shown in Statement of Cash Flows	<b>76,246,143</b>	72,002,014
<b>14 Auditors' Remuneration</b>		
Current year	<b>214,000</b>	240,100
(Over) / under provisions in the previous years	<b>(62,300)</b>	(26,100)
	<b>151,700</b>	214,000
<b>15 Staff Costs</b>		
Staff remuneration	<b>23,859,170</b>	20,558,150
Employees' provident fund	<b>2,281,697</b>	2,279,064
Employees' trust fund	<b>570,424</b>	569,767
Defined benefit obligation (note 15.1)	<b>547,862</b>	1,200,883
Other outsource services	<b>1,354,736</b>	1,213,090
Staff incentive	<b>8,180,005</b>	8,352,500
Staff medical insurance	<b>488,963</b>	529,060
Staff welfare	<b>978,692</b>	646,937
Other staff benefits	<b>1,195,033</b>	7,479,115
	<b>39,456,582</b>	36,828,568
<b>15.1 Defined Benefit Obligation</b>		
Charge for the year	<b>179,380</b>	563,412
Net interest for the year	<b>368,482</b>	637,471
	<b>547,862</b>	1,200,883
Actuarial (gains) / losses disclosed as other comprehensive income	<b>(4,769,117)</b>	(3,234,677)
Total Defined Benefit Obligation included in the Statement of Cash flows	<b>(4,221,255)</b>	(2,033,794)

## Notes to the Financial Statements

For the year ended 31 December	2022 Rs.	2021 Rs.
<b>16 Other Administration Expenses</b>		
Annual report	<b>2,363,027</b>	744,535
Computer maintenance	<b>160,883</b>	191,883
Equipment maintenance	<b>657,447</b>	454,247
Communication expenses	<b>1,462,275</b>	1,129,872
Vehicle maintenance	<b>2,299,742</b>	1,043,901
Parking expenses	<b>342,000</b>	342,300
Irrecoverable deposit write-off	-	25,000
Legal and professional fees	<b>175,500</b>	379,576
Internal audit fees	<b>463,370</b>	350,000
Insurance of furniture & fittings and office equipment	<b>140,590</b>	126,682
Regulatory publications	<b>517,669</b>	171,940
Bank Charges	<b>150,584</b>	17,985
Travelling expenses	<b>58,565</b>	188,140
Office expenses	<b>452,468</b>	489,059
	<b>9,244,120</b>	5,655,120

### 17. Capital Commitments

SLAASMB commenced the design, development and implementation of the Management Information System (MIS) by awarding the contract to a Software developer in October 2021 and Information and Communication Technology Agency (ICTA) was appointed as consultants to the MIS project in accordance with the Government requirement.

The project was expected to be operational by mid-2022. However, due to a delay in ICTA to confirm the hosting arrangements in the Government Cloud, the completion of the project was deferred to the 1st quarter of 2023.

Accordingly, the capital commitment contracted but not incurred relating to the said MIS project as at 31 December 2022 amounted to Rs 22,692,000/- (As at December 2021- 37,764,000/-)

### 18. Related Party Transactions

Due to severe staff shortage and difficulties to recruit staff due to Government restrictions on recruitment, to motivate and retain staff, a training session was conducted by Wake Up Zone (Pvt) Ltd at a cost of Rs. 70,000/-. Wake up Zone (Pvt) Ltd was selected after following the due procurement process. However, Mr. P R A I Gunarathna, member of SLAASMB Board is a Director of Wake up Zone (Pvt) Ltd.

### 19. Contingent Liabilities

There were no contingent liabilities as at 31 December 2022. (As at 31 December 2021 - 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.

## Specified Business Enterprises

The following have been dened 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 of 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 Rupee 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 nancial institutions in excess of Rupss 100 Million;
  - (e) Which have a staff in excess of 1,000 employees
- Public Corporations engaged in the sale of good or the provision of services.
- A group of companies, anyone of which falls within any of the above categories. For the purpose, a group of companies' means a holding company ahd 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@slt.net.lk

**Website**

[www.slaasmb.gov.lk](http://www.slaasmb.gov.lk)

**Auditors****External Auditors**

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

**Internal Auditors**

PricewaterhouseCoopers  
100 Braybrooke Pl,  
Colombo 02

**Banker**

Bank of Ceylon

**Legal Advisers**

Attorney General  
Attorney General's Department  
Colombo 12



**Sri Lanka Accounting and Auditing Standards Monitoring Board.**

3<sup>rd</sup> floor Bible House, 293, Galle Road, Colombo 3, Sri Lanka.