

Sri Lanka Accreditation Board for Conformity Assessment

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Accreditation Board for Conformity Assessment had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to the paragraph 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Sri Lanka Accreditation Board for Conformity Assessment as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Non-compliance with Sri Lanka Accounting Standards (S.L.A.S.)

Non-compliances with the following Accounting Standards were observed.

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| (a) S.L.A.S. - 1 | The economic benefits of the development cost amounting to Rs.275,642 had not been amortized. according to the identified pattern and treating as an expenditure. |
| (b) S.L.A.S. - 3 | The Statement of Changes of Equity had not been included in the presentation of the financial statements. |
| (c) S.L.A.S. - 3 | When assets, liabilities, income and expenditure become material, those should be shown separately. Nevertheless, the income for the year under review from the professional tests programme amounting to Rs.108,500 had been inappropriately disclosed by deducting that from the Professional Tests Programme Assets Account. |

1:2:2 Accounting Deficiencies

The following deficiencies were observed.

- (a) The expenditure of Rs.52,483 in respect of the year under review paid in the preceding year had been inappropriately shown under the prepayments instead of being brought to account as expenditure of the year under review.
- (b) Subscriptions for the Pacific Accreditation Council amounting to Rs.217,778 had been inappropriately shown as the subscription for the Asian Pacific Accreditation Corporation.

1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed during the course of audit.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Circular No. MF/6/1/1/96 dated 20 April 1996 of the Ministry of Finance and Planning Paragraph 2.1.4	The advances of incidental expenses amounting to Rs.122,937 paid to 04 officers had not been settled.
(b) Public Administration Circular 21/2007 dated 11 September 2007 Sections 10.9 and 10.10	Leave on Form General 126 had not been approved for the foreign travel undertaken by 04 officers and a copy of the approval of leave had not been furnished to the Department of External Resources.
(c) Public Enterprises Circular No. PED/12 of 02 June 2003 Section 8.5	The Board had not taken action to obtain insurance cover for its fixed assets.

- (d) Management Audit Circular No. DMA/2009(1) dated 09 June 2009 Paragraph 9
Even though every Internal Audit Unit should prepare an Internal Audit Report for its institution once each quarter such reports had not been furnished.
- (e) Finance Act, No. 38 of 1971 Section 14.4
Action had not been taken to table the Annual Reports for the years 2008 and 2009 in Parliament.
- (f) Circular No. MOFP/01/2010/01 dated 11 October 2010 of the Ministry of Finance and Planning Section 3
Despite the payment of the allowance to an officer by the foreign institution, the officer had been paid a sum of Rs.14,065 as incidental allowance in connection with a foreign training programme.
- (g) Employees' Provident Fund (Amendment) Act, No. 1 of 1985 (Paragraph 2 of Section 9)
The cost of living allowance should be included for the computation of the contribution to the Employees' Provident Fund. Nevertheless, it had not been so done and as such the contribution to the Employees' Provident Fund had been understated by a sum of Rs.77,019.
- (h) Employees' Trust Fund (Amendment) Act, No. 47 of 1988 (Paragraph 2 of Section 16)
The cost of living allowance should be included for the computation of the contribution to the Employees' Trust Fund. Nevertheless, it had not been so done and as such the contribution to the Employees' Trust Fund had been understated by a sum of Rs.15,404.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the working of the Sri Lanka Accreditation Board for Conformity Assessment for the year ended 31 December 2010, had resulted in a deficit of Rs.359,485 after taking into account the Government Grant of Rs.8,910,000 received for recurrent expenditure, as against the surplus of Rs.588,716 for the preceding year after taking into account the Government Grant of Rs.11,470,000 received for the recurrent expenditure of that year. Therefore, a decrease of the financial results for the year under review by a sum of Rs.948,201 was indicated.

2:2 Operating Review

2:2:1 Performance

The targeted performance and the actual performance for the year under review are given below.

(a) Targeted Performance -----	Actual Performance -----
Subjecting 10 Medical Laboratories, 05 Certification Institution and 10 Laboratory Inspection Bodies to Accreditation	Accreditation of only 01 Certification Institution and 10 Laboratory Inspection Bodies had been done.
Conducting 12 Training Programmes and training of 240 persons.	One Training programme had been conducted and 19 persons had been trained.
Obtaining approval for the Manual of Procedure of Inspection Bodies.	Approval not obtained.

- (b) Inspection Bodies had not been subjected to accreditation since the inception of the Board up to the year under review while a pool of 11 qualified Assessors had been established in the Board.
- (c) The First Surveillance Test had not been carried out for the ML-03-01 and ML-06-01 Medical Laboratories awarded with Accreditation in the year 2009. Requests made for postponing the tests had been adduced as the reason.

2:2:2 Budgetary Control

Significant variances between the budgeted and the actual expenditure in the year under review were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

2:2:3 Corporate Plan

Even though the Board had prepared a Corporate Plan for the years 2009-2013 it had not been updated by taking the current trends into consideration. In addition the SWOT Analysis, the review of the operating results for the three preceding and the Action Plan for the year 2009 which should be incorporated in the Corporate Plan had not been incorporated therein.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Accreditation Awards
- (c) Foreign Travel
- (d) Motor Vehicles