

Sri Lanka Accreditation Board for Conformity Assessment - 2015

The audit of financial statements of the Sri Lanka Accreditation Board for Conformity Assessment for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 29 in Part IV of the Sri Lanka Accreditation Board for Conformity Assessment Act, No. 32 of 2005. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Sri Lanka Accreditation Board for Conformity Assessment as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements.

2.2.1 Accounting Deficiencies

Value Added Tax, and Nation Building Tax of Rs. 463,092 with relevance to the trade income amounting to Rs. 3,491,000 receivable during the year under review, had not been accounted.

2.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following non-compliances with laws, rules, regulations, and management decisions were observed.

Reference to Laws, Rules , Regulations, and Management Decisions

Non-compliance

(a) The Sri Lanka Accreditation Board for Conformity Assessment Act, No. 32 of 2005.

(i) Section 4 (d)

Although it is stated that moneys required for the discharge of the functions of the Board should be determined in advance, and the balance money should be invested, action had not been taken accordingly.

(ii) Section 5(i)

A Governing Council comprising 13 members should have been appointed by the Minister. However, only 08 members had been appointed to the Governing Council in the year under review.

(iii) Section 5(2)

Where a member of the Council is temporarily unable to perform the duties of his office for a period exceeding three months, the Minister may appoint some other person to act in his place. However, action had not been taken to appoint some other person in place of a member who had participated in only one of the six sessions of the

Council held during the year under review.

(b) Public Enterprises Circular, No.
PED/12 dated 02 June 2003

(i) Section 4.2.2

The Performance Report had not been prepared in a manner that the actual performance could be compared with the Action Plan and the budget.

(ii) Section 9.14.2

An office manual on the human resource management had been issued in the year 2013 with the approval of the Board of Management. However, the manual had not been used for human resource management as approval of the Secretary to the Treasury had not been obtained thereon.

(c) Public Enterprises Circular, No.
01/2013 dated 15 January 2013

It is the responsibility of the Board of Management to ensure that a suitable succession plan is in existence to fill the vacancies which arise, when the officers of the senior management grades in public enterprises retire. Nevertheless, the Director of the Board had reached the retirement age as at 03 June 2015, but the post remained vacant as at the date of this report due to non-existence of a succession plan.

3. Financial Review

3.1 Financial Result

The following observations are made.

(a) According to the financial statement presented, the financial result of the Board for the year ended 31 December 2015 had been a surplus of Rs. 4,293,560 as compared with the surplus of Rs. 4,901,337 for the preceding year, thus observing a deterioration of Rs. 607,777 in the financial result of the year under review as compared with the preceding year. The increase in the expenditure of contractual services by Rs. 20,907,970 despite the increase in the total income of the year under review by Rs. 19,715,719, had mainly attributed to the deterioration.

(b) The analysis of the financial results of the year under review and the 04 preceding years indicated that the surplus of the Board had gradually deteriorated from the year 2011 to 2013. Although it acquired a considerable growth during the year 2014, a decrease in the surplus was indicated in the year under review as compared with the year 2014. After adjusting the depreciation for employee remuneration, Government taxes, and non-current assets, the contribution of the year 2011 amounting to Rs. 6,178,733, had gradually decreased to Rs. 4,929,845 by the year 2013. However, an improvement of 126 per cent had occurred in the year 2014 again. Nevertheless, a decrease of 10.44 per cent was observed as compared with the year 2014 as the contribution of the year under review amounted to Rs. 10,012,380.

4. Operating Review

4.1 Performance

The functions of the Board in accordance with the Sri Lanka Accreditation Board for Conformity Assessment Act, No. 32 of 2005, are as follows.

- To grant accreditation, in accordance with national standards based on the relevant international standards, to laboratories, certification and inspection bodies, training institutions and other persons required to carry out conformity assessments.
- To promote accreditation activities in conformity with the guidelines laid down in the National Quality Policy, and facilitate international co-operation in accreditation.
- To encourage and promote the use of accreditation, the training of assessors, the conduct of seminars, and the dissemination of information, on accreditation.
- To conclude agreements on mutual recognition with regard to areas related or connected to accreditation with foreign and international bodies.

The matters observed during the examination of the Action Plan and the progress reports prepared in the year under review for achieving the objectives mentioned above, are as follows.

(a.) Granting new Accreditations

The following observations are made.

- (i) Although 184 laboratories, and 311 medical laboratories to be accredited had been identified since the year 2005, only 62 laboratories, and 20 medical laboratories had been accredited during the period from 2005 to 2015. Six laboratories and 05 medical laboratories that had been accredited, had refrained from obtaining annual accreditation.
- (ii) Accreditation had been granted to only one inspection body during the period from 2005 to 2015. However, that institution too had withdrawn from the accreditation process by the end of the year under review.
- (iii) Although accreditation had been commenced with respect to certification bodies in the year 2009, only 06 of such institutions had been accredited by the year 2014, and one of the said institutions had withdrawn from the accreditation process during the year under review. It was mentioned in the performance report for the year under review that accreditation had been granted to 04 institutions supplying systems and environmentally-friendly gasses under the certification bodies. However, according to the information obtained from the divisions involved in granting accreditation, it was observed that action had not been taken to grant such accreditations.

- (iv) Although it was included in the annual Action Plan to identify a new institution and accredit it under the Proficiency Testing Programme in each year, action had not been taken after the year 2012 to identify new institutions.

According to the performance reports made available for the year under review, it was observed during the course of audit that , except for accrediting laboratories and institutions of calibration, a considerable progress in respect of other areas had not occurred. The reasons reported to audit were that the accreditation process was entirely carried out on voluntary basis, and making the accreditation mandatory was beyond the legal scope of the Board.

(b.) Public Awareness Programmes

The following differences were observed in comparing the Action Plan with the performance reports relating to the public awareness programmes.

- (i) Despite being planned to conduct 21 training and awareness programmes during the year under review, only 16 such programmes had been conducted according to the Performance Report indicating a decrease of 50 per cent as compared with the preceding year.
- (ii) Despite being stated in the Performance Report that 05 newspaper advertisements had been published for making the public aware of the accreditation, and 02 in-service training programmes had been conducted, according to the matters revealed in audit, neither in-service training programmes had been conducted, nor advertisements had been published during the year under review.

(c.) Providing Accreditation Services

The following observations are made.

- (i) Technology Advisory Committees should meet for maintaining the accreditation. However, meetings relating to 04 out of 11 Technology Advisory Committees, had not been held during the year under review.
- (ii) Although 02 external institutions had registered with the Board for providing expertise, only one of the said institutions had conducted 03 programmes.
- (iii) Institutions supplying accreditation services that had obtained the certificates of accreditation should renew the accreditation after a period of 03 years. Although it was planned to renew the accreditation in connection with 33 institutions during the year under review, 12 institutions had not taken action to renew the accreditation.

(d.) Capacity Building

The following observations are made.

- (i) It had been planned to conduct 04 programmes during the year under review to train assessors. However, only 01 programme had been conducted during the year under review as opposed to 03 programmes conducted in the preceding year. Accordingly, it was observed that training the assessors was at a low level.
- (ii) Although an expenditure of Rs. 182,771 had been incurred by the Board on the training programme conducted in the year under review, only an income of Rs. 80,000 had been earned therefrom. Nevertheless, the income earned by incurring an expenditure of Rs. 1,162,528 on 03 programmes during the preceding year, amounted to Rs. 2,702,334. As such, a decrease in the income of the current year by 97 per cent was observed.

4.2 Management Inefficiencies

Even though the necessary facilities had been provided by the foreign training institutions for the officers of the Board who had proceeded abroad for academic / training programmes, a sum of Rs. 52,085 had also been paid by the Board for facilitating the officers.

4.3 Uneconomic Transactions

A sum of Rs. 2,014,183 had been paid during the period 2011-2015 as service charges of the online information system introduced by the Board with a view to making the application process for accreditation more efficient. Furthermore, an allowance of Rs. 270,000 had been paid for a period of 09 months to an officer recruited on assignment basis for debugging the system. However, only one application had been received by the end of the year under review indicating that all expenses incurred had become uneconomic.

4.4 Staff Administration

The following observations are made.

- (a.) An expenditure of Rs. 196,661 had been incurred from 2012 to 31 December of the year under review on newspaper advertisements published for making a recruitment to the post of Additional Director of the Board. However, no recruitments had been made up to August 2016, the date of audit.
- (b.) Although approval had been obtained during the year under review for a post of Technical Officer (Information Technology), recruitment had not been made for that post even as at the date of audit.

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit Unit had not been established in terms of Regulation 133 (1) (a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Audits had not been carried out even through the Internal Audit Unit of the Ministry.

5.2 Procurement Procedure

Due to the purchase of 02 writing tables valued at Rs. 13,905, a laptop computer valued at Rs. 98,946, five printers valued at Rs. 112,500, and 05 dongles valued at Rs. 17,450 outside the scope of the Procurement Plan for the year under review, it was observed that action had not been taken to review and update the Procurement Plan.

6. Systems and Controls

Deficiencies 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.

Areas of Systems and Controls

Observations

- | | |
|---------------------------|---|
| (a) Procurement Procedure | Due to failure in determining the purchases to be made for the Board within a year, it had deviated from the procurement procedure. |
| (b) Control of Operations | Failure to take action to achieve the performance in accordance with the Action Plan prepared by the Board. |