

Institute of Geology of Sri Lanka - 2016

The audit of financial statements of the Institute of Geology of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of income and expenditure, 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 10 of the Institute of Geology, Sri Lanka (Incorporation) Act, No. 3 of 2014. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14 (2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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 Institute'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 Institute'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. Subsections (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 the Institute of Geology of Sri Lanka as at 31 December 2016 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

The following observations are made.

- (a.) As a sum of Rs. 30,000 spent in the year under review in respect of the year 2015 had been accounted as an expense of the year under review, the surplus of the year under review had been understated by that amount.
- (b.) Although a sum of Rs. 154,500 had been shown in the financial statements as the membership fee receivable as at 31 December 2015, the sum receivable as at that date amounted to Rs. 277,500 in accordance with the Register of membership fees in arrears. As such, a sum of Rs. 119,500 had been credited to the Consolidated Fund instead of crediting a sum of Rs. 123,000 thereto in order to rectify the relevant error, thus understating the balance of the Consolidated Fund by a sum of Rs. 3,500.
- (c.) Although the increase in the receivable assets shown under the working capital movements should have been Rs. 398,500, the amount had been shown in the cash flow statement as Rs. 279,000, thereby understating the cash flow by a sum of Rs. 119,500.

2.3 Non-compliances with Laws, Rules, and Regulations

In terms of Section 11 (1) of the Institute of Geology, Sri Lanka (Incorporation) Act, No. 03 of 2014, the Council shall prepare a report of the activities of the Corporation for each financial year and submit such report together with the audited statement of accounts to the Secretary of the Ministry of the Minister assigned the subject of Environment and to the Registrar of Voluntary Social Services Organizations appointed under the Voluntary Social Services Organization (Registration and Supervision) Act, No. 31 of 1980 before the expiration of six months of the year succeeding the year to which such report relates. Nevertheless, such a report had not been prepared by the Council.

3. Financial Review

3.1 Financial Result

According to the financial statement presented, the financial results of the Institute for the year ended 31 December 2016 had been a surplus of Rs. 419,289 as compared with the corresponding surplus of Rs. 371,363 for the preceding year, thus indicating an improvement of Rs. 47,926 in the financial result of the year under review. The said improvement had mainly been attributed by the increase in the membership fees for the year under review by a sum of Rs. 93,500, equivalent to 16 per cent.

4. Operating Review

4.1 Performance

In terms of the Institute of Geology, Sri Lanka (Incorporation) Act, No. 03 of 2014, the main objectives of the Institute are as follows.

- (a) To promote the acquisition, dissemination and exchange of knowledge relating to Geology;
- (b) To encourage research activities into Geological matters;
- (c) To assess the eligibility of candidates for admission to various grades of membership;
- (d) To regulate its professional activities and to assist in maintaining high standards in the general conduct of its activities;
- (e) To promote, maintain and uphold professional and ethical principles and standards in all matters connected with the practice of Geology;
- (f) To enhance and promote the interests and status of the professionals of Geology;
- (g) To provide services to the public and private institutions in matters connected with the application of Geology to activities relating to the development and progress of the country; and
- (h) To foster co-ordination with similar professional Institutes in Sri Lanka and other countries in furthering the objects of the institution.

The following activities carried out in the year 2015 in order to achieve the said objectives, had been continued in the year under review as well.

- (i) Action had been taken to promote and apprise the members of the website developed in respect of acquisition and dissemination of knowledge relating to Geology.
- (ii) The methodology of selecting Chartered Geologists based on their researches as a means of encouraging researches on geological matters, had been continued.
- (iii) Twelve Associate Members, and 22 Chartered Geologists had been selected in the year under review through the Admission and Ethical Practices Committee, appointed for rating the members.
- (iv) Facilitations had been made to provide services through the 22 Chartered Geologists selected to improve and promote the objectives and status of the Geologists, for the state and private institutions on the matters relating to geology in respect of development activities and betterment of the country.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, the financial statements of the relevant year should be furnished to the Auditor General within a period of 60 days after the close of the year of accounts. Nevertheless, the financial statements of the year 2016 had been furnished on 16 November 2017.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed on the rectification of deficiencies relating to accounting the revenue from the membership fees.