

## **Sri Lanka Accreditation Board for Conformity Assessment – 2016**

---

The audit of financial statements of the Sri Lanka Accreditation Board for Conformity Assessment for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 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 Sri Lanka Public Sector Accounting Standards**

-----

As useful life time had not been reviewed annually in respect of non- current assets in terms of Sri Lanka Public Sector Accounting Standard 7 (92) (b), the fixed assets costing Rs.3,087,860 had been fully depreciated but are being further used. Accordingly, the estimated error arisen had not been rectified as per Sri Lanka Public Sector Accounting Standard 03.

#### **2.2.2 Unexplained Differences**

-----

A difference of Rs.208,000 existed in the comparison of the trade balance receivable according to the financial statements with the relevant schedules.

### **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**

-----

#### **Non-compliance**

-----

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

(i) Section 5(1)

A Governing Council comprising 13 members should have been appointed by the Minister. However, only 12 members had been appointed to the Governing Council in the year under review.

(ii) 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 12 sessions of the Council held during the year under review.

- (b) Section 9.14.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 A sum of Rs.622,234 had been paid for the unavailed medical leave by the officers in the year under review and the Treasury approval had not been obtained thereon.

### **3. Financial Review**

-----

#### **3.1 Financial Result**

-----

According to the financial statement presented, the operating result of the Board for the year ended 31 December 2016 had been a surplus of Rs. 4,625,232 as compared with the surplus of Rs.4,293,560 for the preceding year, thus observing an improvement of Rs.331,672 in the financial result of the year under review as compared with the preceding year. Even though the total income of the year under review had decreased by Rs.13,382,952 in the year under review, an improvement had been observed due to the total income had decreased by Rs.13,714,624.

The analysis of the financial results of the year under review and the 04 preceding years indicated that the surplus of Rs.1,115,619 in the year 2012 had deteriorated in the year 2013 up to Rs.59,933. Although it acquired a continuous growth from the year 2014 and had been Rs.4,625,232 in the year under review. After adjusting the depreciation for employee remuneration, Government taxes, and non-current assets, the contribution of the year 2012 amounting to Rs. 5,958,371, had decreased to Rs.4,929,845 by the year 2013. However, it acquired a continuous growth from the year 2014 and had been increased to Rs.29,593,390 by the year under review.

### **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 mentioned as 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. Accreditation had been carried out under 05 fields identified by the Board for the achievement of those objectives and the following observations are made in respect of 03 fields.

##### **(a) Accreditation of Laboratories and Calibrations Institutions**

-----

Although 184 laboratories and the calibrations Institutions to be accredited had been identified, only 72 institutions out of that had been accredited as at 31 December 2016. Out of the 72 institutions that had been obtained certificates of accreditation, 11 institutions had withdrawn from obtaining certificates of accreditation again.

**(b) Accreditation of Medical Laboratories**  
-----

Even though 311 medical laboratories to be accredited had been identified, only 22 Institutions had been accredited by the Board up to now. Out of the 22 Institutions that had been obtained certificates of accreditation ,05 Institutions had been withdrawn from obtaining certificates of accreditation again.

**(c) Accreditation of Certification Institutions**  
-----

- (i) Certificates of accreditations had been granted only for 02 certification institutions of manufacturing systems as at 31 December 2016 .However, both of those two institutions had not been applied again for the renewal of accreditation.
- (ii) Certificate of accreditations had been granted only for one institution in the year 2015 relating to the institutes of certification of persons. Even though, a new accreditation should be carried out according to the Action Plan for the year 2016, no any accreditation had been carried out.
- (iii) Certificate of accreditations had been obtained only 02 institutions as at 31 December 2016 in respect of accreditation of inspection bodies whereas one institution had been withdrawn from it. Further, no any new applications had been received for accreditation.

**4.2 Staff Administration**  
-----

The following observations are made.

- (a) The Director of the Board had been retired in June 2015 and the approval of the Cabinet of Ministers had been granted in two instances for that officer to cover the duties in that post on contract basis up to 02 June 2016. Action had not been taken even as at 05 May 2017 to recruit a suitable permanent officer as the instructions of the Cabinet of Ministers.
- (b) Plans had been made from the year 2012 for the recruitment of the post of Additional Director General which had been vacant from 01 September 2011. A sum of Rs.382,790 had been spent in 03 instances only in the year under review to publish newspaper advertisements .Even though approval had been obtained for the recruitments based on the extension of the contract period year by year in terms of the Letter No.DMS/1601 of 14 October 2014 of the Department of Management Services ,necessary actions had not been taken to make recruitments even as at the end of the year under review.
- (c) Even though approval had been granted for a post of Technical Officer (Information Technology) and 02 posts of Deputy Director (Accreditations), the recruitments for that posts had not been carried out even by May 2017 and a post of Junior Manager (Secretary) and a post of driver had been existed vacant.

### 4.3 Unresolved Audit Paragraphs

-----

The following observations are made.

- (a) A sum of Rs.2,525,454 had been paid to a private institution from the year 2011 to the year 2016 as service charges of the online information system introduced by the Board with a view to making the application process for accreditation more efficient. Inquiries had been made from the Information and Communication Technology Agency (ICTA) on 31 March 2016 with respect to the operation of this software and that institute had pointed out that, the same software incompatible with the current requirements. As such, the money spent for that purpose had become an uneconomic expenditure. 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.
- (b) An Office Manual in relation to the human resources management had been issued in the year 2013 with the approval of the Board of Management. It had been submitted on 18 November 2014 for the approval of the Secretary to the Treasury. However, that book had not been used even by the date of this report as the approval had not been obtained.

### 5. 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.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
-----	-----
(a) Staff Administration	Personal files of the staff had not been properly maintained and the history sheets had not been included in personal files.
(b) Operating Controls	A methodology had not been arranged relating to encouragement of obtaining certificates of accreditations and renewal of the certificates of accreditations granted.