

Sri Lanka Accreditation Board for Conformity Assessment – 2017

The audit of the financial statements of the Sri Lanka Accreditation Board for Conformity Assessment for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 provision in Article 154 (1) of the Constitutions 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. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Board on 23 August 2018.

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.

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 that 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 misstatement 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 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 in this report.

2. Financial Statements

2.1 Qualified opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Accreditation Board for Conformity Assessment as at 31 December 2017 and its financial performance and its 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

There was an increase of Rs. 14,811,960 in non-current assets due to an improvement of the absorption of vehicles of the Board and air condition depreciation ratio as a percentage of 20 percent reduce to 12.5 percent as the estimated revision of Sri Lanka public sector Accounting standards.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a). The depreciation provision had been understated for Air condition machines and Wireless Fidelity (WIFI) amounting Rs. 6,068 and Rs.1,359 respectively according to the calculations done by the audit for year under review .
- (b). Although the balance of fixed deposit account No 79821576 was Rs. 1,925,194 according to the bank confirmation letter but according to the financial statements that value was Rs. 1,891,425 since it had been shown under stating by Rs.33,769 .

2.2.3. Unexplained Differences

The following observations are made.

- (a). Although the operational revenue of the Board was Rs.36,033,468 according to the Financial Performance Report as at 31 December 2017, but that revenue according to the Nations Building Tax reports and Value Added Tax reports were Rs.37,288,835 and Rs.37,657,571 respectively. The reasons for difference of the income had not been furnished to the audit.
- (b). Although according to the preparation of the value Added Tax report for the quarter ending 31 March 2017 receivable value Added Tax amount was Rs. 58,343 on that date, the preparation tax report for the quarter ending 30 June 2017 that value was Rs. 39,796 as opening balance had been understated by Rs.18,547.
- (c). Although the Employees Gratuity Provision balance as per the ledger was Rs. 2,767,825 as at 01 January 2017 but according to Employees Gratuity Provision Schedule it was Rs.3,142,831 thus a difference of Rs. 375,006 was observed.

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

The following instances of non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations etc.

Non Compliance

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| (a) Establishment Code of the Democratic Socialist Republic of Sri Lanka Chapter VIII Section 9.2 | Six employees of the Board had done duties in week-ends and holidays during the year 2017 who had been obtained both benefits of lieu leave and overtime for doing duties for those days. In this way receiving the overtime allowances value was Rs.23,939. |
| (b) Section 9.14.2 of Public Enterprises Circular No.PED/12 of 02 June 2003 | Although an Office Manual in relation to the Human Resource Management had been issued with approval of the Board of Management in the year 2013 approval of the Secretary to the Treasury had not been obtained for that. |

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operating result of the Board for the year ended 31 December 2017 had been surplus of Rs. 1,686,862 as compared with the surplus of Rs. 4,407,870 for the preceding year, thus an observing the decrease of Rs.2,721,008 in the financial results of the year under review as compared with the preceding year. Comparing year 2016 the contractual service expenses had been increased by Rs. 5, 814, 377 reason to decrease the surplus in the year 2017 .

An analysis of financial results of the year under review and 04 preceding years , the surplus of Rs.59,633 in the year 2013 had been recorded as Rs. 1,686,862 in the year 2017. However readjusting of employees remuneration ,depreciations of non- current assets and Government taxes, the contribution of the year 2013 amounting Rs.4,929,845 had increased to Rs. 11,179,018 by the year 2014 and had decreased to Rs. 10,034,264 by the year 2015. However, it acquired a growth Rs. 29,593,390 by the year 2016 had been decreased upto Rs.27,189,141 by the year under review.

4. Operating Review

4.1. Performance

4.1.1 Activity and Review

The accreditation had been done under 09 fields identify by the Board in Section 3 (a) of the Sri Lanka Accreditation Board for Conformity Assessment Act, No 32 of 2005. The following observations are made on that regard.

- (a) Ten applications had been received for Accelerating the Calibration Institutions as at 31 December 2017 out of that only 7 from that had been accelerated and Institute of certification of persons, Institute of certification of green house and accreditation regarding the usage of good laboratories only 4 institutions above 3 fields had been obtained the certificate of acceleration .

- (b) Out- of 142 institutions in five fields that had been obtained the certificate of accreditation, 30 institutions had been withdrawn from obtaining certificate of accreditation. Hence there has a trend withdrawn of obtaining the certificate of acceleration by the institution. and implementation of tendency programme for obtaining the accreditation certificate had not been paid attention.

4.2 Staff Administration

The following observations are made.

- (a) Additional Director post had been vacated since 01 September 2011 and although recruitment activities had been planned for that post since the year 2012 recruitments had not been made even as at 31 July 2018. Even though approval had been obtained for the recruitment based on the extension of the contract period by 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.

- (b) Vacated one post of Junior Manager (secretary) dated 16 July 2016, vacated one post of Technical Officer (Information Technology) dated 30 July 2015 and vacated one driver post dated 24 August 2015 the recruitments had not been made even as at 31 May 2018.

5. Sustainable Development

5.1 Achievement of the Sustainable Development Goals

when ready for achieving the sustainable development goals had not been coordinated with other institutions therefore preparation of planning for targeted objectives achievements and pre ready process very slow and in poor condition was observed.

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
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(a) Performance	Necessary work had not been done to fulfil the activities in maximum according to the Action Plan.
(b) Human Resource Management	Precise steps had not been taken to recruit Officers to the vacant posts.