

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Accreditation Board for Conformity Assessment (“Board”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
As of 01 January 2020, the carrying value was zero, But owned by the Board used for operation activities and the effective lifetime of the assets which cost Rs.12,037,850 had not been reviewed in accordance with the Sri Lanka Public Sector Accounting Standards 3 and the changes in the estimates had not been reconciled in the financial statements.	Most of the assets listed here have already been identified for disposal and due for disposal this year, 2021	Accounting should be done in accordance with the Public Sector Accounting Standards of Sri Lanka.

1.5.2 Accounting Deficiencies

Audit observation	Management Comment	Recommendation
The Board had purchased non-current assets using government grants and earned income, and due to the Board not having the clear information needed to separate those purchased assets, depreciation on all assets had been amortized to government grants. As a result, the surplus for the year had been overstated.	The Board uses government grants and earned income to purchase non-current assets and adjusts the depreciation of the assets to the accumulated fund. I have noted the impact on the accounts from 2018 to 2021 to make adjustment to the final accounts of the year 2021.	Proper accounting practices should be followed.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.10,283,005 and the corresponding surplus in the preceding year amounted to Rs. 6,433,653. Therefore an improvement amounting to Rs. 3,849,352 of the financial result was observed. Revenue for the year under review declined by Rs. 11,348,141, while contract service expenses declined by Rs. 7,419,799 and transport expenses declined by Rs. 2,078,401 and other expenses declined by Rs. 4,996,117 were the main reasons for the improvement of surplus.

3. Operational Review

3.1 Human Resources Management

Audit observation	Management Comment	Recommendation
The recruitments required for the existing vacancies in 05 posts which are 02 senior level posts, 02 tertiary level posts and 01 secondary level posts from 2019 have not been made as at 20th April 2021.	No answers.	Actions should be done to recruit the necessary staff to carry out the objectives of the organization efficiently

Also the post of Additional Director existing in these vacancies has been vacant since 2012 and despite the approval to fill the vacancy on a contract basis, necessary arrangements had not been made for that and the post of Deputy Director (Finance) has been vacant since December 2019.

4. Accountability and Good Governance

4.1 Tabling of Annual Report in Parliament

Audit observation	Management Comment	Recommendation
Although the Annual Report of the Board should be tabled in Parliament 150 days after the end of the financial year in accordance with paragraph 6.5.3 of the Public Enterprises Circular No. PED 12 dated 02 June 2003, the Annual Reports for the years 2018, 2019 and 2020 had not yet been tabled in Parliament as at 01 August 2021.	No answers.	Circular provisions should be followed.