

## **Engineering Council, Sri Lanka - 2020**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Engineering Council, Sri Lanka for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the Financial Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements prepared give a true and fair view of the financial position of the Council 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 Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, 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 opinion.

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

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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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Council 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.

#### **1.4 Auditor's Responsibility on the Audit of Financial Statements**

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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 skepticism 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.
- Obtained 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluded 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 Council'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. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluated the 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Audit Observations over the Preparation of Financial Statements**

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**1.5.1 Internal Control over the Preparation of Financial Statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

**1.5.2 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

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<b>Reference to Laws, Rules and Regulations</b>	<b>Non - compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) Engineering Council, Sri Lanka Act, No. 04 of 2017			
(i) Paragraph 12 of Act	Although the investigations should be carried out into certain matters	The procedure for conducting disciplinary inquiries in respect of	Arrangements should be made to be functioned in accordance

relating to the professional misconducts of engineering professionals, any action had not been taken so far to regulate the misconducts made by the engineering professionals.

professional misconducts should be carried out within a legal framework. An in-depth study has been conducted to formulate an efficient and practical procedure that would be transparent in a manner of avoiding legal problems in future. The procedure has been determined by now and the whole process is being completed.

with the Act.

**(ii) Sections 15 and 18 of the Paragraph 14 of the Act**

Unless a person has been registered as an engineering professional, that engineer should not be involved in any work related to the engineering profession. However, although the number of professionals at the Institute of Engineers of Sri Lanka (IESL) and the Institution of Incorporated Engineers Sri Lanka (IIESL) at the end of the year under review were 20,248 and 8,000 respectively, only 17,757 professionals had been registered with the Engineering Council. Informing

It is a duty of the Members of ESL and IIESL to be registered with the Engineering Council and the Engineering Council cannot directly influenced for that. Similarly, some members are in overseas and some of the members have also informed us that they are not actively working as engineering professionals. Facilities are being provided by our website to identify of persons who had engaged in the engineering profession without registration. The public can identify whether they were registered by entering the registration number

Arrangements should be made in accordance with the provisions of the Act.

the related party in this regard and a mechanism to identify persons engaged in the engineering profession without registration had not been developed and implemented.

of the Engineering Council , Sri Lanka or the Membership Number of IESL, IIESL on the website. Further, the list of registered ones has been published on the website. However, it is expected to take possible action in consultation with IESL and IIESL to register their members who are occupied in engineering profession but not registered.

**(iii)** Section 25 of the Act

Although the Registrar should maintain the records of the Engineering Professionals in accordance with the provisions of this Act and the Regulations made under this Act as specified in Schedule “b” of the Act, the address of the members, date of registration and registration fee had not been included in the list of members maintained by the Engineering Council as mentioned in the above format.

The email address has been mentioned on the list of engineering professionals. Further, the membership fee is the same for all the engineering professional categories and the date of validation of registration is mentioned in the Register of Registered Engineering Professionals for the year under review. However, action will be taken to include the address, date of registration and registration fee in the list of engineering professionals. Actions will be taken to include the address, date of registration and registration fee in the list of engineering professionals.

Actions should be taken to carry out the registrations in accordance with the provisions of the Act.

<b>(iv)</b> Section 41 of the Act	Although the Engineering Council should take action to register engineering professionals under 06 categories, actions had not been taken so far to register the Engineering Technician who are considered under it in the Council .	Unlike the other 5 categories of engineering professionals in the engineering profession, the Engineering Technician belonging to the category of Engineering Technician should be directly registered with the Engineering Council. This is a complex process and unless a clear and precise procedure is established from the beginning, there will be many operational problems to be faced in future. Therefore, a considerable amount of time had elapsed to create this procedure. The task has now been completed and registration has begun.	Actions should be taken to carry out the Registrations in accordance with the provisions of the Act.
<b>(v)</b> Powers of the Act (i)	Although a disciplinary procedure should be determined for conducting disciplinary inquiries in respect of the professional misconducts of engineering professionals, it has not yet been determined the way of dealing with such	There was no acceptable level of complaints received regarding the professional misconduct of the engineering professionals during the year under review.	Actions should be taken in accordance with the provisions of the Act.

- professional misconduct.
- (b) Financial Regulation No. 396 (d) of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka
- Although actions should be taken to collect the revenue of the government by inquiring the recipient regarding the cheques which have been issued for more than 06 months but have not been submitted for payment, actions had not been so taken in respect of 02 cheques valued at Rs.10,557.
- It has been noted to take necessary steps for this in preparing bank reconciliations in future. Necessary actions will be taken to rectify.
- Necessary actions should be taken in respect of cheques which have not been cleared in accordance with the Financial Regulations.

## 2. Financial Review

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### 2.1 Financial Result

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The operating result for the year under review was a surplus of Rs.8,954,000 and the corresponding surplus of the preceding year was Rs.13,611,000 . Accordingly, a deterioration of Rs.4,657,000 in financial result was observed. Increase of expenditure as compared to the revenue from registration fees had mainly attributed this deterioration.

## 3. Operating Review

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### 3.1 Management Inefficiencies

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Audit Observation	Comments of the Management	Recommendation
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Fixed assets valued at Rs.681,444 had been purchased on 12 occasions during the year under review. It had not been complied with the Provisions of Procurement Guideline	New employees have been recruited during the year under review. It was an essential thing that they quickly have the computers and other office equipment needed to get started their duties. Because these items	Procurement should be carried out in accordance with the Procurement Guidelines.

2006 to appoint the Procurement Committees in the process of these procurements.

can be purchased directly from office equipment suppliers, the purchase of those fixed assets has been made as per the limits and powers vested to the Chairman in compliance with the regulations of the Supplement 35 of Procurement Guideline 2006.

**4. Accountability and Good Governance**

**4.1 Annual Action Plan**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>A Corporate Plan for a period at least 03 years and Action Plans for the year 2020 should be prepared as applicable to the Council in terms of Section 5.1.1 of Paragraph 5 of Public Enterprises Circular No. 12 dated 02 June 2003 . Further, the Corporate Plan and the Action Plan prepared as above should be approved by the Board of Directors of the Council in terms of Section 5.1.3 and although the copies of the approved Corporate Plan and the Action Plan approved so should be forwarded to the Line Ministry, Department of Public Enterprises, Treasury and the Auditor General with the Annual Budget at least 15 days before the commencement of each financial year, the Engineering Council, Sri</p>	<p>It has been noted to take necessary actions for this in future.</p>	<p>Actions should be taken to prepare the Corporate Plan and the Action Plan in terms of Public Enterprises Circular.</p>

Lanka had not prepared and submitted a Corporate Plan for the period of 03 years including the year 2020 and an Action Plan for the year 2020.

**4.2 Budgetary Control**

**Audit Observation**

**Comments of the Management**

**Recommendation**

The Council should prepare an Annual Budget six months before the commencement of the relevant year in accordance with Section 5.2.3 of Paragraph 5 of Circular No. 12 of the Public Enterprise No. 02 of June 2003 . The Annual Budget prepared as above should be submitted to the Board of Directors for the approval 03 months prior to the commencement of the relevant year as per the Section 5.2.4 and although the copies of the approved Annual Budget should be submitted to the Line Ministry, ,Department of Public Enterprises, the Treasury and the Auditor General at least 15 days before the start of each financial year, the Council had not prepared a Budget for the year 2020 as mentioned above.

It has been noted to take necessary actions for this in future.

Actions should be taken to prepare the Budget in accordance with the Public Enterprise Circular.