

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Engineering Council of Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy 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 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 Council as at 31 December 2023, 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 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 intends 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 of the Council.

## 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 Council's 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 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 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. 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 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 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 on the preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Standard	Comments of the Management	Recommendation
The amount of Rs. 523,355 which was purchased and amortized under the Treasury Grants of preceding years had been stated as deferred income in contrary to the Supplement to Sri Lanka Public Accounting Standards 11 and it had not been recognized as a previous year income.	Although the relevant accounting has not been done as per Public Accounting Standard, there is no impact on the final result of the statement of profit and loss. This can simply be identified as a financial statement presentation error. Further, the present value of the relevant balance is Rs.523,355 and this balance will be fully deferred in 2024.	Treasury grants should be recognized as income of the current year as per the Sri Lanka Public Accounting Standard .

### 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Instead of adjusting the registration fee income of Rs. 1,031,000 received in the year under review for the previous year to the surplus of the previous year it had been recognized as an income in the year under review. As a result, the surplus of the year under review had been overstated by Rs.1,031,000 .	The registration fee has also been specified in the year 2023 the same as the registration fees mentioned in the financial statements in the years 2021, 2022 and it has been noted to make revenue adjustment in the year 2024 after pointing out from the audit.	Revenue should be identified and accounted for on the accrual basis.
(b) Instead of stating the amortized value of assets recognized as grants, as an income in terms of Paragraph	It is agreed to do the necessary activities to present in the next year's	Amortized value of granted assets should be shown

48 of Public Sector Accounting Standards of Sri Lanka No. 01, the it had been shown offset to fixed assets depreciation. As a result, although the depreciation value of fixed assets for the year under review was Rs.861,331, thus it was shown as Rs.233,303 in the statement of financial performance, the depreciation value for the year had been understated by Rs 628,028.

accounts accurately.

as an income in terms of Sri Lanka Public Accounting Standard .

### 1.5.3 Unauthorized Transactions

Unauthorized Transaction	Comments of the Management	Recommendation
An approval obtained from the Treasury for payment of annual bonus and payment of remaining leave had not been submitted to the audit.	Actions will be taken to overcome this shortcoming.	Actions should be taken to obtain approval of the Treasury for payment of incentives and bonuses.

### 1.6 Non-compliance with laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Engineering Council, Sri Lanka Act, No. 04 of 2017			
(i) Section 12 (d)	Although investigations should be conducted on certain matters relating to professional misconduct of engineering professionals, procedures had not been introduced to identify and check whether the engineers are carrying out work according to the professional ethics that had been introduced to be followed by the professionals engaged in	Rules have been gazetted to take action in respect of professional misconduct by engineering professionals. The internal processes required for that are being prepared by now. As there was not an acceptable form of complaint has been received against any	Adherence to professional ethics of engineers should be checked as per the Provisions of the Act.

the engineering profession and no check on it had been done .  
 engineering professional even up to now, it is kindly informed that there is no need to conduct an inspection.

**(ii) Section 14 (1)**

As it is proposed to register the registered members of the Institution of Engineers of Sri Lanka (IESL) and the Institute of Incorporated Engineers of Sri Lanka (IIESL) as members of the Engineering Council, the Members had paid the registration fee of the Engineering Council along with the membership fees of the above two institutions. Accordingly, although a number of 28,657 had obtained membership as 19,689 and 8,968 respectively in the year 2023, in the above two institutions, out of these, a number of 12,547 equivalent to 43.78 per cent in the form of 5,643 and 6,904 respectively, had not been registered with the Engineering Council. A confirmation was not submitted to the audit that the unregistered members of the Engineering Council of Sri Lanka are not engaged in the engineering profession.

IESL and IIESL members whose names are in the database of the Engineering Council, Sri Lanka but are not registered have been called by e-mail and Short Message Service. Similarly, IESL and IIESL members who are not in the data system (database) of the Council have been instructed to do this reminder by those institutions. Publication of public notices informing the public to confirm the registration of Chartered Engineers. Collecting information by issuing a circular through the Director of Engineering Services to the Engineers employed in Government Institutions. It has been informed that to inform the Engineering Council about the details of the registration of engineers in some institutions including the Electricity Board, Sri Lanka Telecom

Steps should be taken to register the unregistered members in the Engineering Council of Sri Lanka.

and Lanka Electricity  
Private Limited.

- (b) Section 47 of the Employees' transport The comments of the Actions should be  
Employees' allowances, fuel Labour Commissioner taken to pay  
Provident Fund allowances, telephone (EPF) were obtained contributions as per  
(Amendment) Act allowances, professional in this regard. the provisions of  
No. 01 of 1985 allowances and special According to him, it the Employees'  
allowances had been has been mentioned Provident Fund  
considered to calculate the that, this is not against Act.  
remuneration in payment the law and it is not  
of contributions to the Fund necessary to get their  
by the Council. As a result, approval on this.  
15 per cent of the related  
allowances had been  
overpaid as Council  
contributions and 10 per  
cent had been overcharged  
as employee contributions  
and paid.
- (c) Section 44 of the Due to the fact that the The comments of the Actions should be  
Employees' Trust Council had considered Labour Commissioner taken to pay  
Fund Act No. 46 employees' transport (EPF) were obtained contributions as per  
of 1980 allowances, fuel in this regard. the provisions of  
allowances, telephone According to him, it the Employees'  
allowances, professional has been mentioned Trust Fund Act.  
allowances and special that, this is not against  
allowances to calculate the law and it is not  
remuneration while paying necessary to get their  
contributions to the Fund, 3 approval on this.  
per cent each of respective  
allowances had been paid in  
excess.
- (d) Establishments  
Code of the  
Democratic  
Socialist Republic  
of Sri Lanka
- Subsection 10:1 Although the overtime or A system was Actions should be  
of Chapter VIII similar allowances should developed to verify taken in terms of  
not be paid since it is the time and duties for Establishments  
unable to ascertain the time working from home Code.  
spent on duty and duties and the work of the  
performed whilst working Council was done  
from home, a total of continuously by the

Rs. 263,240 as 1/20 of the salary of the Information Technology Officer as holiday pay for performing duties from home in 96 days in weekends and public holidays from January to December 2023 and Rs.47,387 as Employees' Provident Fund Contribution and Employees' Trust Fund Contribution had been paid. For this, last year a sum of Rs. 300,310 had also been paid to the officer.

staff to perform duties on some holidays efficiently through the online system.

**(e) Financial Regulations of Democratic Socialist Republic of Sri Lanka**

**(i) F.R. 137**

The payment vouchers of the Council had not been approved.

The vouchers used by us contain all the details to the best of our knowledge. Hope to study this further and take appropriate actions.

Actions should be taken to approve payment vouchers in terms of Financial Regulation.

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|-----------------------|-----|--|---|---|
| (ii) F.R. 225 and (2) | (1) | Although the vouchers presented for payment should be accurately and completely prepared in the prescribed forms, vouchers which were used for salary and overtime payments in the Council had been prepared excluding the General 37, 33 and General 35(a) Format respectively and the approval obtained from the Chief Accounting Officer for use of payment vouchers outside the prescribed format was also not submitted to the audit. | The vouchers used by us contain all the details to the best of our knowledge. It is expected to carry out a further study and take appropriate actions.   | Prescribed forms should be used for payment in terms of Financial Regulation. |
| (iii) F.R. 264        |     | Receipts had not been obtained for 55 payments of the Council valued at Rs. 429,035 .  | We believe that the relevant receipts have been attached vouchers. All 55 payments made to electronic bills. No separate receipts are issued for the payments made to them and they are shown as payment received in the next month's bill. It is expected to look forward to further investigation and take appropriate actions in the future. | Receipts should be obtained for payments in terms of Financial Regulations.   |

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review was a surplus of Rs. 9,319,574 and, the corresponding surplus of the preceding year was Rs. 6,885,455. Accordingly, an improvement of Rs. 2,434,119 was observed in the financial result. Even though the recurring grants had decreased by Rs. 3,832,405 and income tax had increased by Rs. 1,640,594, increase of financial income by Rs.3,799,870 and decrease of other operating expenses by Rs.4,105,937 had caused to this improvement.



**3. Operational Review**  
**3.1 Transactions of Contentious Nature**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>(a) It had been recruited for the post of Information and Communication Technology Officer from 09 July 2020 under the junior management level JM 1-1 salary scale and subsequently appointed in the management level MM 1-1 salary scale from 15 October 2021. Then, despite the said officer did not fulfil the necessary qualifications as per the Scheme of Recruitment for the position of Chief Information Technology Officer, it had been appointed on 28 November 2022 to perform the duties of the post of Chief Information Technology Officer under salary scale HM 1-3. It had been stated that the recruitment for the post of Chief Information Technology Officer at the approved senior management level should be done after the vacancy of the post of Chief Information Technology Officer which had been approved in the private sector for the holder under salary scale MM 1-1, under salary scale HM 1-3 by the letter No. DMS 1850 dated 27 June 2022 of the Director General of Management Services. Further, Performing for Duties should be made only if the vacant posts are to be filled immediately in terms of Sub-section 13.5 of Chapter II of the Establishments Code. Accordingly, although there was no vacancy for the post under HM Code 1-3, a sum of Rs</p>	<p>The 15 years of experience in the Scheme of Recruitment approved by the Department of Management Services is essential to raise the post of IT Officer to the post of Chief IT Officer and to absorb it and it was informed to revise and send the draft of the Scheme of Recruitment accordingly. Although the post of Chief Information Technology Officer has been converted to salary scale HM 1-3, currently occupying by an officer of salary scale MM 1-1. Although the said officer had fulfilled all the required educational qualifications and additionally the professional qualifications (Professional Qualifications), as the required 15 years of experience has not been completed, it has been decided by the Council to appoint the currently employed Chief Information Technology Officer to “Perform the Duties” of salary scale HM 1-3 as per Chapter II Section 13:5 of the Establishment Code according to the powers conferred by Section 22 of the Engineering Council, Sri Lanka Act as agreed in a discussion held with the Director General of the Department of Management Services on 06 September 2022 . The remuneration related to it has been calculated and paid according to Sections 12:3, 12:5:1 of Chapter VII of the Establishments Code and officially entitled allowances and related Employees Provident Fund Contribution and Employees Trust Fund Contribution required</p>	<p>If the qualifications have been fulfilled as mentioned in the approved Scheme of Recruitment of the Department of Management Services, appointments for that should be made.</p>

79,508 had been paid in the form of Rs. 67,380, Rs 10,107 and Rs. 2,021 respectively as allowances for Performing of Duty up to June of the year under review, contribution to Employees' Provident Fund and Employees' Trust Fund by giving an appointment to the respective officer for the Performing of Duties and a sum of Rs. 461,598 had also been paid during the preceding year. The approval of the Secretary of the Ministry had not been obtained for this purpose in terms of Paragraph 12.2.6 of Chapter VII of the Establishments Code .

for performing the duties of the post of HM 1-3 were paid according to Section 119 of Chapter IX of the Extraordinary Gazette of the Democratic Republic of Sri Lanka No. 1589/30 dated 20.02.2009. It has been determined in the Meeting of Board of directors held on 17 May 2024 to continue serving until completion of 15 years of experience required for salary scale HM 1-3 (under the category of "Performing of Duty" as per Section 13:5 of Chapter II of the Establishments Code) for acting basis in current Chief Information Technology Officer of Sri Lanka Engineering Council salary scale HM 1 – 3.

(b) Even though it had been stated that an appropriate Sri Lanka Accountancy Service officer will be assigned for the post of Accountant approved on part-time basis for Engineering Council by letter No. 02/02/ADM/ 12/ENG COUNCIL/03 dated 18 November 2019 of the Secretary of the Mahaweli Development and Environment Ministry under the heading of approval of staff for the Sri Lanka Council of Engineers, an officer who is not an accountant had been assigned for the accounting activities of the Council and an allowance of 18,600 in monthly basis had been paid.

Although there was an attempt to find an accountant working in Sri Lanka Accountancy Service on a part-time basis, because practical problems have arisen, the services of a qualified and experienced accountant have been obtained by paying a monthly allowance of Rs . 18,600/= per month. However, it is kindly informed that we are still trying to find an Accountant working in the Sri Lanka Accountancy Service.

Actions should be taken to recruit a qualified accountant.

(c) An amount of Rs.84,135 had been accrued in the financial statements 2023 to pay two officers for leave encashment during the year under review.

This payment was made on the basis of income tax payment of 30 per cent payable by the Engineering Council of Sri Lanka for the relevant year.

Actions should be taken in accordance with Public Enterprises Circular Terms.

These payments were made based on the Public Enterprises Circular No. PDF 8/2022 dated 21 December 2022 and despite the non-fulfilment of condition of “Dividend/tax payable to the Treasury in respect of the year before consideration for payment should have been paid.”, as stated in Paragraph iii of the circular, the Provision had been made for payment.

However, if there is an error here, it is kindly informed that we hope to look into the approval or dividend payment and to take necessary actions.

- (d) It had been approved to increase employee contribution from 12 per cent to 15 per cent and employee contribution from 8 per cent to 10 per cent with effect from 01 January 2022 under Section 11 (1) of the Employees' Provident Fund Act No. 15 of 1958 only to the employees holding Employees' Provident Fund Nos. 1, 3 and 4 as requested by the Sri Lanka Council of Engineers in its letter No. ECSL / EPF /2023 /02 dated 11 August 2023 in the form ‘⊗’ by the Labour Commissioner's letter No. EPF/FROT/22 dated 26 August 2023 . Nevertheless a sum of Rs. 40,896 had been paid in excess to the Employee Provident Fund for Employee Numbers 5, 6 and 7 of the Council.

This matter came to be known in the audit report of 2022. We received the audit report on 31 May 2023. Then the Employees' Provident Fund was informed about this. Then we were informed by the Employees' Provident Fund on 08 August 2023, that Form ‘⊗’ should be filled and sent. By the time, the employees of Employees' Provident Fund No. 5 and 6 were not working in the Engineering Council of Sri Lanka. Therefore, they were not asked for approval. Please note that the employee who has employee Provident Fund No.7 will fill the ' ⊗ ' form and get the necessary approval.

Measures should be taken in accordance with the provisions of the Employees' Provident Fund Act and consider every employee in an equal manner.