

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Geological Institute of Sri Lanka for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance, statement of changes in funds & reserves and cash flow statement for the year then ended, and notes to the financial statements, including a 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 Sub-section 10(3) of the Geological Institute of Sri Lanka (Incorporation) Act No. 03 of 2014 and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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 Institute.

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 audit 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 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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Paragraph 2 of the Extra Ordinary Gazette dated 21 March 2016 and 2(xi) of Paragraph 22 thereof, which published the rules adopted in terms of Section 7 of the Geology Act of Sri Lanka No. 3 of 2014.	Although the need to establish, control and maintain the registered office of the Institute had been mentioned, an office with a permanent address had not been maintained for the Sri Lanka Institute of Geology from its inception until the year under review.	It is being discussed in this regard	A registered office should be established and maintained in accordance with the Geology Act of Sri Lanka.
(b) Regulation 395 (b) and (c) of the Financial Regulation Code of the Democratic Socialist Republic of Sri Lanka	Although every Institute having a bank account shall prepare a bank reconciliation statement regarding the transaction status at the end of each month before the 15 th day of the following month, a bank reconciliation statement had not been prepared for a long period of time regarding the current account maintained by the Institute.	Actions will be taken to prepare bank reconciliation statement in next accounting year.	Actions should be taken to prepare bank reconciliation statements according to the Financial Regulations.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.909,324 and the corresponding surplus in the preceding year amounted to Rs.1,371,072. Therefore, a deterioration amounting to Rs.461,748 of the financial result was observed. The reason for the deterioration was mainly due to the decline in revenue from the Ongoing Professional Development program compared to 2024.

2.2 Ratio Analysis

The current ratio in the year under review was 60:1 and it was 84:1 in the preceding year. It was observed a gradual decline in this ratio, as the current ratio in year 2023 was 101:1.

The quick ratio in the year under review was 59:1 and it was 83:1 in the preceding year. It was observed a gradual decline in this ratio also, as the current ratio in year 2023 was 100:1.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the membership fees amounting to Rs.1,152,500 should be receivable from all the 219 members of the Institution, a 60 percent of that, amounting Rs.690,500 had not been collected at the end of the year under review and no any efficient mechanism had been adopted to collect outstanding dues from members without delay.	No officer has been assigned to perform this duty. However, arrangements are being made to maintain the membership register and accounts using a computer system.	An efficient mechanism should be implemented to collect outstanding dues from members without delays.
(b) 133 T-shirts worth of Rs.99,750, included in the closing stock and purchased in year 2019, had been remained underutilized for six years and although the organization's stock should be required to physically verify at the end of the year, the T-shirts stock purchased with the intention of sale to members and 12 official seals had been kept without verification or updating the accounts.	decision will be made regarding this matter after discussing with the Governing Board at the annual meeting and rectifications will be made in next accounting year.	Purchases should be made on the needs of the Organization and a mechanism should be made for utilization the obsolete stock appropriately.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
The membership register maintained by the Geological Institute of Sri Lanka for Geologists had not been updated.	No officer has been assigned to perform this duty, and arrangements are currently being made to manage the membership register and accounts through a computer system.	The membership register should be maintained updated.

4. Accountability and Good Governance

4.1 Annual Report

Audit Issue	Management Comment	Recommendation
An annual report on the functions of the Corporation should be prepared for each financial year and it should be submitted, along with the audited financial statements, to the Secretary of the Ministry in charge of the subject of Environment and the Registrar of the Voluntary Social Service Organizations before exceeding a period of six months of following year to the relevant year. However, the annual reports related to the year 2022, 2023, and 2024 had not been submitted even by the end of May 2026.	Discussions are being conducted with the Ministry in this regard.	Annual reports should be prepared and submitted to the relevant Institutions in accordance with the Act.

4.2 Objectives and Corporate Plan

Audit Issue	Management Comment	Recommendation
Although the organization's corporate plan should be prepared identifying the goals and objectives to be achieved within the stipulated period of time and it should be updated annually, the corporate plan prepared for the years 2024–2028 had not been updated.	This corporate plan was presented to the Annual General Meeting of 2025 and the concurrence of its members had received for this plan.	Steps should be taken to update corporate plan in every year.

4.3 Annual Action Plan and Progress of targeted Activities.

Audit Issue	Management Comment	Recommendation
Although an action plan should be prepared inserting the listed activities according to the priorities based on the annual budget for the relevant year and listing those activities within a logical sequence in detail and linking the activities with the objectives to be achieved and the time frame as the identified targets can be achieved within the relevant year including the financial estimates for each activity also, no such an action plan had been prepared for year 2025.	We make necessary actions to prepare and submit the annual action plan.	Achievable targets for the year should be identified and an action plan should be prepared corresponding.