

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Institute of Environmental Professionals Sri Lanka for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of comprehensive income, statement of changes in equity, and statement of cash flow, 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. 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 Institute as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-Sized Entities.

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 Accounting Standard for Small and Medium-Sized Entities, 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 Institute 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 Institute or to cease operations, or has no realistic alternative but to do so.

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

As per 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 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.
- 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 Institute'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 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 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard for Small and Medium Sized Entities.

Audit Issue	Management Comment	Recommendation
Although the difference between the opening and closing balances of accounts payable and receivable for the year under operating activities should be shown under working capital changes when preparing the Statement of Cash Flows in accordance with Sri Lanka Accounting Standard 07 for Small and Medium-sized Entities, no action had been taken to adjust the increase of Rs. 178,217 in the accounts payable balance at the end of the year 2025 in the cash flow statement. Furthermore, audit fee provisions included in the adjustments had been overstated by Rs. 75,000, and the interest income received for the year under review had been overstated by Rs. 121,196 under investing activities.	The audit fee of Rs. 75,000 allocated for the year 2024 was an under-allocation; consequently, an adjustment was made for the year 2025, resulting in a difference of Rs. 110,800. Interest income has been presented in the cash flow statement based on our calculations. Since the net change has been included in working capital changes, the change in the payables balance is represented therein.	The cash flow statement should be prepared in accordance with accounting standards.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Action had not been taken to assess and account for the fair value of the printer received on August 26, 2025, as a donation to the Institute of Environmental Professionals.	Action will be taken to value this asset received as a donation at market value and adjust it in the financial statements.	Action should be taken to account for the fair value of assets received as donations.
(b) According to the ledger accounts and the trial balance, the cash in hand (petty cash) and traveling expenses balances at the end of the year under review were Rs. 23,987 and Rs. 97,728 respectively. However, according to the financial statements, those balances had been shown as Rs. 38,987 and Rs. 93,254 respectively. The course fee expense of Rs. 17,500 shown in the trial balance had not been included in the financial statements. Consequently, at the end of the year under review, the asset balance had been overstated by Rs. 15,000 and the expenditure for the year had been understated by Rs. 21,974.	Petty cash and traveling expenses will be correctly accounted for in the year 2026.	Action should be taken to accurately record transactions in the ledger accounts and correctly transfer the balances of the ledger accounts to the financial statements.
(c) According to the financial statements, interest income for the year had been accounted as Rs. 958,392 and interest receivable as Rs. 420,164. However, according to audit calculations, the interest income for the year was Rs. 999,154 and the interest receivable was Rs. 386,949. Consequently, the profit for the year had been understated by Rs. 40,762, and current assets had been overstated by Rs. 33,215.	There is a difference in the calculations based on the maturity days of the fixed deposits. Action will be taken to adjust this in the financial statements.	Receivable income should be calculated correctly and accounted for.
(d) According to the trial balance and notes to the financial statements for the year under review, the membership fee income was Rs.3,440,395. However, it was	All revenues have been correctly included in the financial statements, while an amount of Rs. 9,000 could not be	All account balances should be correctly included in the financial statements

shown as Rs. 3,431,395 in the income statement, being understated by Rs. 9,000, thereby understating the profit for the year by that amount. accounted for.

- (e) Due to the insufficiency of the previous year's income tax provision of Rs. 218,794, it had been increased by Rs. 349,620 up to Rs. 568,414. However, instead of adjusting this to retained earnings, it was adjusted against the current year's tax expense, resulting in an overstatement of the current year's tax expense by Rs. 349,620 and an understatement of the retained earnings balance by the same amount.
- Since the 2024 tax revenue provision was insufficient, the tax revenue identified as an under-provision has been adjusted. Agree with the correction.
- Expenses relevant to the financial year should be correctly identified and accounted for.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 2,710,467 and the corresponding surplus in the preceding year amounted to Rs. 5,819,003. Therefore, a deterioration amounting to Rs. 3,108,536 of the financial result was observed. The main reason for the deterioration was reduction of Rs. 8,373,416 in the total revenue of the year.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The office premises of the Institute of Environmental Professionals has been maintained since 2006 within an area of 144 square feet belonging to the Central Environmental Authority, and a legal agreement regarding this has not been entered into by both parties to date.	This is still at the discussion stage, and a final agreement has not yet been reached.	Action should be taken to enter into an agreement regarding the maintenance of the office.

4. Accountability and Good Governance

4.1 Objectives and Corporate Plan

Audit Issue	Management Comment	Recommendation
An annual action plan had not been prepared for the year under review to carry out the core functions of the institute in achieving its	No comments have been made.	The annual action plan should be prepared and

primary objective of contributing to the maintenance of high professional standards in environmental management through education, research, and the application of scientific knowledge, while protecting and enhancing the dignity and recognition of the environmental profession. During the year under review, the institute carried out several activities, including granting membership to 137 professionally qualified individuals, conducting 02 professional development and training programs for 102 officials, printing and publishing 03 research publications and assisting in the research and documentation related to the Ambuluwawa biodiversity assessment.

action should be taken to fulfill the objectives specified in the Act.