

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Engineering Council of Sri Lanka (“ Council ”) 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 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 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, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2025 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2.1 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.

3.1 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 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 Sub-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 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 Council'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 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 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 Council 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 the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council 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 and Regulations etc.	Non-compliance	Management Comments	Recommendation
(a) Engineering Council, Sri Lanka Act, No.4 of 2017			
(i) Sections 14(1) and 14(2)	Only 18,631 or 59 percent out of 31,360 Engineering Practitioners who engage in the practice of engineering profession and registered in two institutes such as Institution of Engineers, Sri Lanka (IESL) and Institution of Incorporated Engineers, Sri Lanka (IIESL) in the year 2025 had obtained the registration of the Engineering Council.	76 percent members of Institution of Engineers, Sri Lanka (IESL) had registered in the Council. The remaining members had not registered due to being abroad, retirement, not engage in the profession as an engineer. 27 percent members of Institution of Incorporated Engineers, Sri Lanka (IIESL) had registered in the Council. The instructions had been given to them to take required action on this matter.	A constructive method required as per the provisions of the Act should be introduced to register all members of two institutions such as Institution of Engineers, Sri Lanka (IESL) and Institution of Incorporated Engineers, Sri Lanka (IIESL) in the Council.

- | | | | |
|---|--|---|---|
| (ii) Section 21 of part v | <p>The Chief Executive Officer for the staff of the Council had not been appointed by the Council up to 30 April 2026 in consultation with the minister and the functions such as the administration of the affairs of the Council including the administration and control of the staff, execution of all decisions of the Council and all functions as may be assigned to him by the Council had been assigned to the Chief Executive Officer in terms of the Act. Accordingly, the financial powers had not been assigned for creating an internal control system with proper assignment of duties.</p> | <p>Presently, the functions such as the administration of the affairs of the Council including the administration and control of the staff, execution of all decisions of the Council are being performed in responsible and efficient manner. Moreover, the financial powers had been assigned for creating an internal control system with proper assignment of the duties suitably for the maintenance of the institute.</p> | <p>The action should be taken to appoint a suitable officer for Chief Executive Officer as per the Act of the Council and the approved cadre and the financial powers should be assigned for creating an internal control system with proper assignment of the duties of the institute.</p> |
| (b) Sections 38(1)(c) and 38(2) of the National Audit Act No. 19 of 2018 | <p>Even though the Chief Accounting Officer ensure that an effective internal control system for the financial control exists in each such entity and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out and copies of that should be submitted to Auditor General, no</p> | <p>A discussion had been conducted with the Chief Accounting Officer on this matter and said discussion note had been submitted for the audit.</p> | <p>As per the Sections 38(1) (c) and 38(2) of the National Audit Act No. 19 of 2018, the action should be taken to prepare an effective internal control system and periodically review and report to the Auditor General.</p> |

action had been taken accordingly by Council.

- | | | | | |
|-----|--|---|--|---|
| (c) | Sub section 10:1 of Chapter VIII of the Establishments Code of Democratic Socialist Republic of Sri Lanka and amendments related to that | A total amount of Rs.428,156 as holiday pay by 1/20 from monthly salary for discharging the duties in 96 days in weekends and public holidays from January to December 2025 without verifying the attendance by finger scanners and obtaining the prior approval of the Secretary of Ministry had been paid to Information Communication Technology officer and an amount of Rs.77,068 of the contributions of Employees' Provident Fund and Employees' Trust Fund had been paid thereon. | The Public Administration Circular No. 21/2013 dated 07 October 2013 is not related to the statutory institutes. | Since an administrative manual for Council had not been prepared and approved, it should be acted in compliance with the provisions of the Establishments Code in relation to working on holiday pay and payment of holiday pay. |
| (d) | Public Administration Circular No.09/2009 dated 16 April 2009 | The records to confirm the arrival and departure of the officers to and from the offices should be kept by using finger scanners disregarding the number of officers of all public institutions. Similarly, the arrival and departure should be confirmed through the finger scanners, if the time | Since there are less officers within our institute, it is not practical to use a finger scanner. | As per the Circular, the arrival and departure of the officers to and from the offices should be confirmed by using finger scanners irrespective of the number of employees and it should be applied to the payments accordingly. |

of arrival and departure is used as a basis for payment of allowances made outside regular duty hours such as overtime and holiday pay etc. as per the paragraph 04 of the Circular. Without doing so, the payments had been made for holiday pay, overtime and unused leave by only maintaining a signature document.

- | | | | |
|--|--|---|--|
| <p>(e) Section 13:3 of Management Services Circular No.01/2025 dated 25 March 2025</p> | <p>Though 1/20 on basic salary mentioned in schedule I of that circular should be calculated for the computation of holiday pay related to Information and Communication Technology officer and paid 2/3 from that amount, an overpayment of Rs.119,798 had been made to that officer due to payment of 1/20 on basic salary mentioned in schedule I of that Circular.</p> | <p>The entire amount of holiday pay mentioned under section 13:3 of Management Services Circular No. 01/2025 will be made once the public financial situation turns preferable.</p> <p>As per the section 13:4, the remaining 1/3 should be paid once the public financial situation turns preferable. We do not obtain the money from the Treasury. Since our financial situation had turned preferable, this 1/3 amount had been paid. As one officer is available related to this matter, we can bear the amount incurred for this matter.</p> | <p>The Administrative and Financial Manuals had not been prepared and obtained the approval for that by the Council and since the action had not been taken to obtain a special approval for the payment of 1/20 for holiday pay from Department of Public Enterprises, the payment for holiday pay should be calculated and paid in compliance with this Circular and overpayments should be recovered.</p> |
|--|--|---|--|

(f)	Public Enterprises Circular No. PED 01/2021(iii) dated 27 September 2023	Even though every institute should prepare Administrative and Financial Guidelines and Manuals specific for that institute and obtain the approval of the Department of Public Enterprises, such Manuals had not been prepared and obtained the approval by the Council.	-	The action should be taken to prepare specific Administrative and Financial Manual for the Council and obtain approval for that as per the circular instructions.
-----	--	--	---	---

2. Financial Review

2.1 Financial Result

The financial result of the year under review amounted to a surplus of Rs.5,938,515 and the corresponding surplus in the preceding year amounted to Rs.4,234,065. Therefore, an improvement amounting to Rs. 1,704,450 of the financial result was observed. The main reason for the improvement was growth of operating income i.e. members registration income by Rs.2,328,157.

2.2 Trend Analysis of Major Income and Expenditure Items

The income received from the operating activities had increased by Rs. 2,328,157 representing 11 percent as compared with the preceding year and the contractual services and maintenance expenses and other operational expenses had decreased by 10.55 percent and 10.13 percent respectively.

2.3 Ratio Analysis

The current ratio of the Council is 14:1 in the year under review and it was 13:1 in the preceding year and the increase of income had directly affected to the increase of net profit ratio by 5.28 percent in the year under review as compared with the preceding year.

3. Operational Review

3.1 Transactions of Contentious Nature

Audit observation	Management Comments	Recommendation
An officer had been recruited under the salary code JM 1-1 in junior management level for the post of Information and Communication Technology Officer of Council since 09 July 2020 and later, that officer had been appointed to	The Salaries Commission had recommended to increase the prevailed salary code MM 1-1 of Chief Information Technology Officer up to salary code HM 1-3 and after it had been performed by Department of Management	When only approved post personal to the holder under salary code MM 1-1 will be vacant, it can be recruited to the post under the salary code HM 1-3 and the

salary code MM 1-1 in medium management level on 15 October 2021. Subsequently, that officer had been appointed to attend to the duties in the post of Chief Information Technology Officer under salary code HM 1-3 on 27 June 2022.

The recruitment for the post of Chief Information Technology Officer in senior management level approved under the salary code HM 1-3 by the letter No.DMS/ 1850 dated 18 October 2022 of Director General of Management Services should be made subsequent to being vacant the post of Information Technology Officer approved personal to holder under salary code MM 1-1 and the recruitments should not be made for 02 posts at once. Further, if it should be appointed to attend to the duties, only the vacant posts should be immediately filled as per sub section 13.5 of Chapter II of the Establishments Code. Accordingly, no vacancy was available for the post under the code HM 1-3 and since it is the same duty, it was observed that both posts can't be implemented at the same time. But a total sum of Rs.431,314 had been paid to the relevant officer after appointing her to attend to the duties as allowances for attending to the duty, contribution of Employees' Provident Fund, contribution of Employees' Trust Fund by Rs.365,520, Rs.54,828 and

Services. It had been informed us by a letter.

Though the post of Chief Information Technology Officer had been converted to the salary code HM 1-3, presently an officer who belongs to salary code MM 1-1 serves in that post. Although said officer had fulfilled the all educational qualifications required for salary code HM 1-3 and additionally had professional qualifications, it is impossible to absorb that officer because the required 15 years of experience has not been completed. However, the officer is performing the duties of the Council relating to the HM 1-3 salary scale very efficiently.

On 06 September 2022, Director General of Department of Management Services had proposed that the Chief Information Technology Officer who presently serves should remain in the salary code MM 1-1 which she belongs and can act in the post pertaining to the salary code HM 1-3. Similarly, the decision related to that could be taken by Council. In terms of the powers conferred by section 22 of Engineering Council, Sri Lanka, Act, it had been decided by the council that the acting appointment related to salary code HM 1-3 as mentioned in section 13.5 of Chapter II of the Establishments Code of Chief Information Technology Officer who is in the service presently should be appointed

recruitments should not be made for both posts at once. Moreover, the relevant post should be vacant for appointment to attend to duties. Therefore, if it is required to appoint said officer to approved Chief Information Technology Officer after completion of the service experience, the action should be taken as per the Scheme of Recruitment. Similarly, the allowances paid informally should be recovered.

Rs.10,966 respectively in the year under review. The approval of the Secretary of Ministry had not been obtained as per section 12.2.6 of Chapter VII of the Establishments Code for this. In addition, vehicle allowance of Rs.600,000 and fuel allowance of Rs.414,920 had been paid in 2025 related to Grade. Similarly, the Council had decided to continuously maintain the attending to duties until the completion of 15 years which is the service experience required for the salary code HM 1-3.

as “attend to duties”. The institute heavily depends on the information technology and the Council had decided to continuously maintain attend to duties until completion 15 years which is the required service experience for salary code HM 1-3 by an officer who serves in that post taking into account its sustainability. This is a legal appointment.

3.2 Human Resource Management

Audit Observation	Management Comments	Recommendation
05 posts including Chief Executive Officer out of approved 09 posts of Council had been vacant.	The functions of Council including administration and staff control of Council and administration and performance of all decisions of Council are being carried out in responsible and efficient manner.	The action should be taken to amend the number of posts as per the functions or recruit for the essential posts.

4. Accountability and Good Governance

4.1 Annual Report

Audit Observation	Management Comments	Recommendation
In contrary to the paragraph 6.6 of the Operational Manual for State Owned Enterprises of Public Enterprises Circular No.01/2021 dated 16 November 2021, the Annual Report of the Council for the year 2024 had not been tabled in the Parliament even up to April 2026.	The Annual Report of the Council for the year 2024 had been submitted to Ministry of Urban Development, Constructions and Housing on 31 July 2025.	Since the Annual Report should be tabled in the Parliament within 05 months from the end of the financial year as per circular, the action should be immediately taken to carry out those activities.