



SLAASMB

Sri Lanka Accounting and Auditing
Standards Monitoring Board

The Sri Lanka Accounting and Auditing Standards Monitoring Board was established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The function of the Board is to monitor compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of specified business enterprises. (See page 53)

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Members of the Board

R A A Jayalath <i>FCA, BCom (Sp), MBA, MA Econ (Kansas - USA)</i> Assistant Governor - Central Bank of Sri Lanka	Chairman (w.e.f 15 June 2017)	
D N R Siriwardena <i>BA (Hons.), LLB, Attorney-at-Law</i> Registrar General of Companies	Ex-Officio Member	
D M L I Dissanayake <i>BSc (Sp), (B. Admin)</i> Commissioner General - Department of Inland Revenue	Ex-Officio Member (w.e.f. 30 June 2017)	
Ms. K Dahanayake <i>BCom (Sp), PGDM, M.pub.mgp., FTII</i> Commissioner General - Department of Inland Revenue	(up to 22 June 2017)	
V P Wijegunawardane <i>BA(Hons), MA</i> Director General - Securities and Exchange Commission of Sri Lanka	Ex-Officio Member	
L L S Wickremasinghe <i>FCA, FMAAT</i> Partner - B.R. De Silva & Co., Past President - CA Sri Lanka	Appointed Member	Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
A Herath <i>FCA, BSc, MBA, MAFE</i> Partner Ernst & Young	Appointed Member	CA Sri Lanka
W W J C Perera <i>FCA, BSc (B.Admin), CFE</i> Partner - KPMG, President - CA Sri Lanka	Appointed Member	CA Sri Lanka
S N Jayasinghe <i>FCMA(UK)</i> Group Director Finance - Ceylon Biscuits Group of Companies	Appointed Member	Chartered Institute of Management Accountants of UK (Sri Lanka Branch)
P L C Peiris <i>FCA, Attorney-at-Law</i> Managing Partner - P L C Law Chambers	Appointed Member	Bar Association of Sri Lanka
Ms. N Sivapragasam <i>FCA, FCMA (UK)</i> Chief Financial Officer - Aitken Spence PLC	Appointed Member	Ceylon Chamber of Commerce
A De Vas Gunasekara <i>FCA, FSCMA</i> Deputy General Manager - Finance, Sampath Bank PLC	Appointed Member	Sri Lanka Bankers' Association
Mrs. M D G L Perera <i>FCA, MBA</i> Deputy Director General - Sri Lanka Accounting and Auditing Standards Monitoring Board	Secretary to the Board	

* A member each representing the Federation of Chambers of Commerce and Industry of Sri Lanka and The University Grants Commission are yet to be appointed to the Board.

Members of the Board as at 31st December 2017



R A Jayalath

B Com (Sp), MBA, MAEcon, FCA

Mr. Jayalath, Chairman of the Board w.e. from 15 June 2017, is the Assistant Governor in-charge of international operations, domestic operations, payments and settlements and information technology, at the Central Bank of Sri Lanka. He counts over 28 years of service at the Central Bank of Sri Lanka.



D N R Siriwardena

B.A. (Hons), LLB, Attorney-at-Law

Mr. Siriwardena, the Registrar General of Companies counts over 29 years at the Department of Registrar of Companies. He also serves as an ex-officio council member of the Institute of Chartered Accountants of Sri Lanka, and as ex-officio commissioner of the Insurance Regulatory Commission of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.



D M I Dissanayake

BSc(Sp) Business Administration

Mr. Dissanayake, the Commissioner General of Inland Revenue counts over 34 years of service at the Department of Inland Revenue. He is a fellow Member and a Board Member of the Association of Public Finance Accountants of Sri Lanka. He is also a holder of the Licentiate Certificate of the Institute of Chartered Accountants of Sri Lanka.



V P Wijegunawardane

BA (Hons), MA

Mr. Wijegunawardane the Director General of the Securities and Exchange Commission of Sri Lanka (SEC), has lead the SEC secretariat towards regulatory and capital market development initiatives aligning with national economic aspirations. He is a holder of the International Capital Markets qualification from the Securities and Investment Institute of London. His previous industry exposure in investment analysis and fund management complements SEC development initiatives and enhances the effectiveness of stakeholder engagements undertaken by the SEC secretariat.

Members of the Board as at 31st December 2017



L L S Wickremasinghe *FCA, FMAAT*

Mr. Wickremasinghe, the Immediate Past President of the Institute of Chartered Accountants of Sri Lanka, is a Partner of B.R. De Silva & Co., having over 20 years of experience in auditing, assurance services, forensic investigations and taxation.

He is a Board Member of the Confederation of Asia and Pacific Accountants (CAPA) and a member of the Governance and Audit Committee of CAPA. He is also the Chairperson of the SMP committee of the International Federation of Accountants (IFAC). He also serves as a member of the Governing Council of the Sri Lanka Institute of Advanced Technological Education (SLIATE).



A Herath

BSc. MBA, MAFE, FCA

Mr. Herath, is a Senior Partner at Ernst & Young and is the Head of Advisory for Sri Lanka and Maldives. He also serves as a Commissioner of the Securities and Exchange Commission of Sri Lanka.

Mr. Herath is a Past President of The Institute of Chartered Accountants of Sri Lanka and the South Asian Federation of Accountants (SAFA). He is the current Chair of the Professional Accountancy Organisation Development Committee (PAODC) of the IFAC.



W W J C Perera

B.sc(B.Admin.), FCA, CFE

Mr. Perera, the President of the Institute of Chartered Accountants of Sri Lanka is a Partner of KPMG, Sri Lanka and the Maldives. He serves as a Member of the Professional Ethics and Independence Committee and Small and Medium Practices Committee of the South Asian Federation of Accountants (SAFA) and as a Member of the Public Sector Financial Management Committee of the Confederation of Asia and Pacific Accountants (CAPA)

He is also a Certified Fraud Examiner accredited by the Association of Certified Fraud Examiners of USA.



S N Jayasinghe *FCMA (UK)*

Mr. Jayasinghe, the Group Director - Finance, of Ceylon Biscuits Group of Companies, counts over 27 years of experience in the finance field. He has served on the Global Board of the Chartered Institute of Management Accountants (CIMA) of UK, for a three year term and is a Past President of CIMA Sri Lanka. He is the immediate past Chairman of the Industrial Association of Sri Lanka, and serves on the main committee of the Ceylon Chamber of Commerce.

Members of the Board as at 31st December 2017



PLC Peiris *FCA, Attorney-at-Law*

Mr. Peiris, the Managing Partner of PLC Law Chambers, counts over 22 years of experience in investment banking, finance and law. He is a professional in law and finance, and is a Passed Finalist of the Chartered Institute of Management Accountants (CIMA) of UK. Currently he serves as a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka and is a delegate member of the Bar Council of the Bar Association of Sri Lanka.



Ms. N Sivapragasam *FCA, FCMA (UK)*

Ms. Sivapragasam, the Chief Financial Officer of the Aitken Spence Group serves on Boards of several companies in the Group. She is the Joint Managing Director of Colombo International Nautical and Engineering College (Pvt) Ltd. She also serves on several other regulatory bodies and committees.

Observer of the Board - Treasury Representative



A de Vas Gunasekara *FCA, FSCMA*

Mr. Gunasekara is the Deputy General Manager, Finance of Sampath Bank PLC. He counts over 23 years of post qualifying experience, including 18 years at senior corporate management level in Insurance and Banking sectors. Previously, he has been serving as Chief Financial Officer of Hatton National Bank PLC, General Manager Finance and Corporate Services at HNB Assurance PLC, Finance Manager of Asian Alliance Insurance PLC and as an Accountant at Finlay's PLC.



MRVR Meepura
MBS, Bsc HRM, ACA

Mr. Meepura, Director of the Department of Public Enterprises, counts over 19 years of experience in the public sector. He serves as a member of the Board of the Chilaw Plantations Limited and Hector Kobbekaduwa Agrarian Research and Training Institute.

Invitees of the Board

as at 31st December 2017

Chairman of Statutory Auditing Standards Committee



Suren Rajakarier
FCA, FCMA, FCCA

Mr. Rajakarier, Partner at KPMG Sri Lanka, counts over 30 years of service in public accounting practice. Currently, he serves as the Head of Audit of KPMG. He is also responsible for quality assurance and information risk management in audits at KPMG.

Mr. Rajakarier has been actively involved in setting policies of and providing guidance to the Institute of Chartered Accountants of Sri Lanka by serving on several of its committees and faculties.

Chairman of Statutory Accounting Standards Committee



Manil Jayesinghe
FCA, FCMA, CIPFA

Mr. Jayesinghe, the Vice President of the Institute of Chartered Accountants of Sri Lanka, is a senior Partner of Ernest and Young. He is also the Head of Assurance and Professional Practice Director in-charge of Banking and Financial Services Practice at Ernst and Young.

Mr. Jayesinghe having over 35 years of extensive experience in accounting and auditing, serves as a Member of the International Accounting Education Standards Board of the International Federation of Accountants (IFAC).

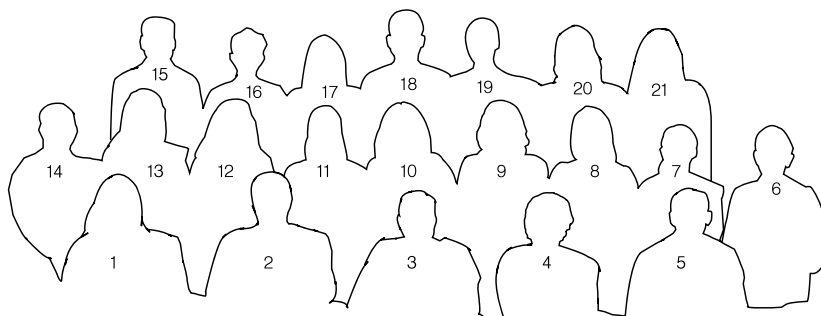
Director General



Ms. W J K Geeganage
B Com(Sp), FCA, CIPPCA

Ms. Geeganage, the Director General of SLAASMB has over 36 years of experience in the fields of financial and business management, in leading State Sector Organizations and auditing in a firm of Chartered Accountants. She has served in the Governing Council of the Association of Accounting Technicians of Sri Lanka (AAT) and in Boards of Directors of several subsidiaries and investee companies of a leading commercial public enterprise. She is a life member of the Association of Professional Bankers of Sri Lanka.

Staff of the Board



1. Mrs. Asha Ahamath
2. Mrs. Anusha I Mohotti
3. Ms. Wasantha J K Geeganage
4. Mrs. Gayani L Perera
5. P S B Ekanayake
6. Ms. M Surani T Fernando
7. Mrs. Imalka Iddamalgod

8. Ms. Ishari M Silva
9. Mrs. Monita N Bandara
10. Ms. M Lakmalie Hewage
11. Ms. Hafsa B Razzak
12. Mrs. Dilinika Menmendaarachi
13. Mrs. Randima De Silva
14. Mrs. L Wathsala Mallawarachchi

15. K. Rasika S Bandara
16. Mrs. F Shiromi Abeykoon
17. Mrs. R A Nadeeshani Manodika
18. H S U P Jayawardena
19. Mrs. D M Nilanthi Dandeni
20. Ms. W G Eranga Amarasi
21. Mrs. Kalani Hettiarachchi

Technical staff of the Board

Ms. Wasantha J K Geeganage

FCA, B.Com(Sp) CIPPCA
Director General

Mrs. Anusha I Mohotti

FCA, FCMA (UK), FCMA, CGMA, CPA (Aus), BBA (Hons.), MBA (Leicester)
Deputy Director General

Mrs. Gayani L Perera

FCA, MBA (Finance)
Deputy Director General,
Board Secretary

Mrs. Asha Ahamath

FCA
Director Technical

Mrs. Monita N Bandara

FCA, ACA (E&W), BB Mgt (Acc) Sp
Director Technical

Ms. Hafsa B Razzak

FCA, ACMA (UK), CGMA, MBA (Sri.J)
Director Technical

Ms. W G Eranga Amarasinghe

FCA, B.Sc (Acc) Sp (Hons.), MBS(Col)
Director Technical

Ms. M Lakmalie Hewage

FCA, ACMA(UK), CGMA, MBA (Sri.J)
Director Technical

Mrs. Imalka Iddamalgoda

ACA, B.Sc (Fin) Sp
Director Technical

Mrs. Dilinika Menmendaarachchi

FCA, B.Sc (Acc) Sp (Hons.)
Assistant Director Technical

Mrs. Kalani Hettiarachchi

FCA, B.Sc (Acc) Sp (Hons.)
Assistant Director Technical

Mrs. Randima De Silva

FCA, B.Sc (Acc) Sp (Hons.)
Assistant Director Technical

Ms. Ishari Manushka Silva

FCA, BBA (Acc) Sp (Hons.), MBA (Sri.J)
Assistant Director Technical

Mrs. D M Nilanthi Dandeni

FCA, BBA (Acc) Sp (Hons.), AIB(SL)
Assistant Director Technical

Mrs. L Wathsala Mallawarachchi

FCA, B.Sc (Acc) Sp (Hons.)
Assistant Director Technical

Review of Activities 2017

1 Introduction

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) was established in 1997 under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Based on the definitions and criteria laid down by the Act, certain institutions are identified as Specified Business Enterprises (SBEs – see page 53 for definition of SBEs). These SBEs are required to comply with Sri Lanka Accounting Standards and the auditors of the SBEs are required to comply with Sri Lanka Auditing Standards. The Act requires SBEs to submit their annual audited financial statements to SLAASMB to enable SLAASMB to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards. SLAASMB carries out its functions by reviewing financial statements received, inspecting audits of SBEs, conducting investigations on failure to comply with standards and taking appropriate corrective action with regard to non-compliances with standards by SBEs and their auditors. Under the Act, Sri Lanka Accounting Standards and Sri Lanka Auditing Standards are promulgated or adopted by the CA Sri Lanka. In order to make recommendations and assist CA Sri Lanka to adopt such standards, an Accounting Standards Committee and an Auditing Standards Committee has been established under the Act. CA Sri Lanka adopts accounting standards based on International

Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB). Similarly the auditing standards adopted are based on the International Standards on Auditing (ISA) developed by the International Auditing and Assurance Standards Board (IAASB). Presently, the CA Sri Lanka has adopted nearly 38 Auditing Standards and 42 Accounting Standards aligning with the said International Standards, which are required to be complied by the SBEs and auditors. A brief description of the main operations and activities of SLAASMB carried out to discharge its statutory functions during the year is given below.

2 Review of Financial Statements

2.1 Methodology followed on Reviews

The financial statement reviews are conducted to ensure compliance by SBEs with Sri Lanka Accounting Standards. The required action on non-compliances is determined based on materiality of the non-compliance. SLAASMB mainly focuses on non-compliances relating to recognition and measurement issues and significant disclosure and presentation issues. Where a cause for concern relating to a significant non-compliance with standards is not observed, such financial statements are considered as compliant with Sri Lanka

Accounting Standards. When issues have been identified in financial statements which are material, but not significant to use statutory provisions, such financial statements are considered as compliant with observations and the findings are communicated to the respective SBEs in the form of a letter of assistance. When deviations from standards substantially alter the financial position and financial performance, an undertaking is sought from such SBE to make the required corrections in the next financial statements to be issued. However, where such deviation makes the financial statements misleading, legal action is instigated based on the statute.

2.2 Highlights of Review of Financial Statements

As at 31 December 2017, 1,559 SBEs had been identified for monitoring under the Act. During the year, 1,479 SBEs had submitted 1,643 sets of financial statements of which some financial statements were in relation to prior years.

As a result of the comprehensive training given to the staff of SLAASMB by a foreign consultant during 2016, the approach to audit inspections was changed to align with the global practices adopted by other audit regulators. This new approach commences by identifying high risk areas of audits and conducts in-depth inspections on these high risk areas. This new approach has resulted in identifying deviations from

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auditing standards in the conduct of audits. However, such inspections have taken approximately 4-5 days to conclude.

Resulting from the more qualitative nature of the findings of audit inspections, the time available to perform financial statement reviews have witnessed a reduction. Due to this reason SLAASMB

has reviewed all regulated entities during the year together with a proportion of the other SBEs. Accordingly, SLAASMB plans to review the other SBEs over a period of 3-5 years. SLAASMB has focussed on reviewing the financial statements of the high risk SBEs with the aim to enhance the compliance level of high risk economically significant SBEs.

Resulting from the changed approach to inspections, reviews of 518 sets of financial statements relating to 459 SBEs were completed compared with the planned number of 511 sets of financial statements for the year. SLAASMB reviewed 731 sets of financial statements relating to 678 SBEs during the previous year, while adopting the new approach during its last quarter.

2.3 Performance Statistics of the Board

	Item	Performance under the previous review methodology		Performance under the new review methodology	
		2014	2015	2016	2017
1	No. of SBEs Identified (as at period end)	1,353	1,140	1,485	1,559
2	Financial statements received				
	No of statements (including financial statements relating to multi years)	1,371	1,430	1,536	1,643
	No. of SBEs	1,289	1,345	1,412	1,479
3	Review of financial statements				
	No. of reviews	1,200	1,122	731	518
	No. of SBEs	1,151	1,068	678	459
4	Corrective Actions				
	Compliant				
	No. of financial statements	498	553	436	324
	No of SBEs	483	534	417	306
	Compliant with observations				
	No. of financial statements	697	567	291	185
	No of SBEs	674	541	262	150
	Non Compliant (Undertakings and Directions)				
	No. of financial statements	5	2	4	9
	No of SBEs	5	2	4	9
5	Corrective action as a % of No. of SBEs reviewed				
	Compliant	42%	50%	61%	66%
	Compliant with issues	58%	50%	38%	32%
	Non Compliant (Undertakings and Directions)	-	-	1%	2%

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2.4. The corrective action taken during the year 2017 revealed 66% of SBEs as being compliant, 32% being compliant with issues and 2% being non-compliant.

2.5 Significant deviations from the relevant requirements of Sri Lanka Accounting Standards which substantially altered the financial position and financial performance were identified in the financial statements of eight specified business enterprises (SBEs) of which four were listed entities and three were government corporations. Undertakings obtained from SBEs resulted in corrections to net profits/ equity amounting to Rs. 2.2 billion. (see page 15 for observations made on the review of financial statements and page 17 for undertakings obtained during 2017). The undertakings would be followed up for compliance in the subsequent annual financial statements. Due to the non-compliance to Auditing Standards by the auditor of one SBE, a direction was issued to the SBE to re-audit and re-publish the financial statements.

2.6 Where an identified non-compliance with Sri Lanka Accounting Standards was material but not significant as to require the use of statutory provisions, such non-compliance was communicated in the form of a letter of assistance. During the year, 185 letters of assistance were issued to encourage

those SBEs to improve their systems for financial reporting.

2.7 A warning letter was issued during the year to a Public Corporation which had submitted the financial statements for the year ended 31 December 2013, to submit audited financial statements in the most expeditious time possible and without unreasonable delays.

3. Inspection of Audits

3.1 During the year, 100 audits carried out by 13 firms of practicing Chartered Accountants were inspected, compared with the 99 audits carried out by 14 firms which were inspected during the preceding year.

3.2 A letter of warning was issued to an auditor who had submitted misleading information when responding to the draft observations on non-compliances identified.

3.3 The audit files on which the inspections were carried out during the year were selected on a risk-based approach. Since most of the risk-based audits had been concentrated among a few firms, the number of firms of which the audits were subjected for inspection during 2017 declined compared with 2016.

3.4 Consequent to the comprehensive training by an International Consultant made possible by the budgetary allocation for capacity building

by the National Budget 2016, substantial changes were made in the audit inspection approach. The new approach which aligns with the global practice makes specific focus on identification of associated risks and conducts in-depth inspections on the selected aspects of such audits. This new approach has been found to take up considerable time to complete an inspection compared with the previous audit inspection methodology.

3.5 As a result of the new inspection methodology which was in operation during the entire year, significant non-compliances were observed from the audit inspections, resulting in SLAASMB issuing two directions to two SBES requiring the SBES to have the financial statements re-audited and issuing a warning letter to an auditor. The inspections during the year resulted in observing deficiencies in 43 audits conducted by 13 firms compared with the 55 audits conducted by 12 firms during 2016. Significant concerns were communicated to the relevant audit firms (See page 19 for details of audit inspections).

3.6 Apart from the risk based approach to audit inspections, SLAASMB commenced thematic inspections during the year on two themes. They are, Involvement of Engagement Quality Control Reviewer and Communications with Those

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Charged with Governance. 15 thematic inspections were conducted on audits of 6 firms. Further, preparations to commence firm-wide quality inspections during 2018 were being made during the year by drawing up detail plans, drawing up questionnaires and detail formats. The firm-wide quality inspections have been planned to be carried out on the firms which volunteer to be subjected to such inspections until firm-wide inspections become mandatory in the statute which is currently in the process of being revised.

4. Investigations

4.1 Adam Capital PLC

The predecessor auditor of Adam Capital PLC had issued a disclaimer of opinion on the financial statements for the years ended 31 March 2014 and 2015 regarding the failure by the Company to maintain proper books of accounts and related records. Subsequent to conducting an inspection of the audit of the financial statements for the year ended 31 March 2016 on which an unqualified opinion had been issued, SLAASMB observed non-compliance with Auditing Standards by the auditor. However, the auditor disagreed with SLAASMB's findings and failed to substantiate the reasoning from the audit workings. Accordingly, a direction was issued by the Board requesting

the Company to re-audit the said financial statements. As the Company was not willing to bare additional costs of a re-audit, the matter has been referred to the Attorney General for advice regarding the action to be taken on the auditor.

4.2 Agalawatte Plantations PLC

SLAASMB received a complaint regarding Agalawatte Plantations PLC not maintaining proper books of accounts with the support of the auditor. Consequent to an inspection on the audit of the financial statements for the year ended 31 December 2014, SLAASMB observed non-compliances with Auditing Standards in the audit in which an unqualified opinion was issued. However, considering the significance of the misstatements, the Board issued a Direction to the Company to re-audit and re-publish the financial statements for the year ended 31 December 2014. The re-audit performed by another engagement partner of the same audit firm had issued a disclaimer of opinion on the financial statements on which an unqualified opinion was issued previously. This matter has been referred to the Attorney General for legal advice regarding action to be taken against the management of the Company and has referred the misconduct of the auditor to CA Sri Lanka.

5. Performance on Recommendations of the Committee on Public Enterprises (COPE)

Since meeting the undertaking given to the COPE by reviewing financial statements of all SBEs during the years 2014 and 2015, SLAASMB moved towards a risk-based selection of financial statements for reviews as a better means of enhancing the quality of findings on non-compliances. Accordingly, SLAASMB considers reviewing all SBEs within a period of 3-5 years which includes covering all regulated entities annually, high-risked private entities every 3 years and low-risked private entities within 5 years. Detailed focus on high-risked entities was also advocated by the World Bank in the Report on the Observance of Standards and Codes, Accounting and Auditing 2015 (ROSC) and by the Consultants from the Asian Development Bank. Further, this method was identified to be the global practice by the international consultants engaged in the capacity building activities of the staff during the year 2016.

Further, the inspection findings during 2017 have indicated that the conduct of the said risk-based selection of financial statement reviews has strengthened the integrated inspection process of financial statements and audits. Conduct of reviews of such financial statements has

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prompted focus on inspecting specific aspects in audits of such financial statements which has helped to identify non-compliances in audits.

6. Assistance to the Standards Setter

In terms of the current arrangement with the Ministry of Finance and Mass Media, SLAASMB continued to provide an annual grant of Rs. 2.5 million to CA Sri Lanka to meet part of the cost of facilitating Accounting Standards Committee and the Auditing Standards Committee activities and the adoption of Sri Lanka Accounting and Auditing Standards in Sri Lanka including translation of such pronouncements into Sinhala and Tamil languages. The Accounting and Auditing Standards Committees have their meetings once a month. A dedicated website has been launched for the Accounting Standards Committee and Auditing Standards Committee, providing access to technical pronouncements and developments on the related Accounting and Auditing Standards. (see page 35 for main activities carried out during the year in relation to revision of accounting and auditing standards).

7. International Relations

7.1 Membership in international organizations has enabled SLAASMB to keep itself abreast of developments around the world on matters relating to financial reporting, auditing

and monitoring compliance with standards. It has also opened a window to obtain information and assistance from other regulators, and to carry out activities which are of benefit to many regulators as joint activities. During the year, SLAASMB continued its membership of the following international organisations:

- a) International Forum of Independent Audit Regulators (IFIAR) - SLAASMB has been a member of IFIAR since its first plenary meeting held in 2007.
- b) Consultative Advisory Group of the International Auditing and Assurance Standards Board (IAASB) - SLAASMB was appointed as a member of the Consultative Advisory Group of IAASB in 2007.
- c) Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) - SLAASMB was admitted to the Consultative Advisory Group of IESBA in 2009.

7.2 The staff of SLAASMB represented Sri Lanka in the sessions of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (ISAR).

7.3 SLAASMB was successful in inviting the International Forum of Independent Audit Regulators (IFIAR) to have the 2018 Inspection workshop in Colombo. IFIAR has accepted SLAASMB's

invitation to host its 2018 workshop in Sri Lanka from 19-22 February 2018. IFIAR conducts similar workshops annually. Over 110 participants from 40 jurisdictions have registered for the workshop in Colombo. The workshop enables exchange of knowledge and experience among global audit regulators and discussion on many knowledge enhancing new developments and of the direction of the future developments in audits.

7.4 The staff also participated in the international sessions which facilitated refreshing the principles of international accounting and auditing standards, awareness of latest standards, up-to-date developments in standards and the direction of the future developments. These sessions also provided practical guidance on application of principles by way of cases and interpretations and means of establishing international relations to foster knowledge sharing opportunities. They were also exposed to audit inspection practices of other global regulators enabling the inspection methodology adopted to be improved.

8 Human Resources

8.1 Staff

As at the end of 2017, SLAASMB had a staff of twenty two of which fifteen were Chartered Accountants. The total technical staff comprised of the Director General, two Deputy Director Generals, six Technical Managers

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and six Assistant Technical Managers. Of the technical staff, six were employed on a contractual basis while nine were employed on a permanent basis. The staff had international exposure on areas relating to financial reporting, auditing and regulation by attending conferences, workshops and training programmes on 9 occasions during the year.

8.2 External Panel of Reviewers

In order to comply with the recommendations of the COPE, SLAASMB continued to engage external reviewers to review financial statements received in its attempt to increase the number of financial statements being reviewed. Of the financial statement reviews completed during the year, reviewers had completed the preliminary reviews of 125 sets of financial statements. Rs.1.9 million was paid to the external reviewers during the year. The finalization of the reviews carried out by the external reviewers which includes obtaining additional information, seeking agreements for corrections, issuing observation letters and taking corrective action under the statute, are carried out by the technical staff of SLAASMB. Further, of the financial statements reviews completed during the year, the preliminary review of 393 sets of financial statements were also carried out by the staff of the Board.

9 Governance

9.1 In terms of the statute, the Board consists of 3 ex-officio members and 10 members appointed by the then Minister of Finance and Planning out of nominations received from identified institutions. The ex-officio members are Registrar General of Companies, Commissioner General of Inland Revenue and Director General of the Securities and Exchange Commission of Sri Lanka. The appointed members are nominees from the Central Bank of Sri Lanka, CA Sri Lanka (3 members), Sri Lanka Division of the Chartered Institute of Management Accountants of UK, Bar Association of Sri Lanka, Ceylon Chamber of Commerce, Federation of Chambers of Commerce and Industry of Sri Lanka, Sri Lanka Banks' Association and University Grants Commission. The term of office of a member is four years.

9.2 Mr. R A A Jayalath, Assistant Governor of the Central Bank of Sri Lanka was appointed as the Chairman of the Board with effect from 15 June 2017, in place of Mr. P V L Nanadasiri, Director, Legal and Compliance of the Central Bank of Sri Lanka, who resigned with effect from 30 April 2017. As nominations were not received from the Federation of Chambers of Commerce and Industry of Sri Lanka and University Grants Commission, two positions of the Board remained vacant as at the end of the year.

9.3 Messrs. A De Vas Gunasekara, N Jayasinghe and N Sivapragasam, members of the Board appointed in terms of the statute, served as directors or senior officers of some of the SBEs. Similarly, Messrs. A Herath, J Perera, and L Wickramasinge, who were also members of the Board, served as partners of firms of practicing accountants which audit some of the SBEs. Further, Messrs. D T S H Mudalige, S. Rajapaksha, M R V R Meepura, H M A Jayasinghe and T J S Rajakarier observers of the Board served as directors of some of the SBEs or as partners of firms of practicing accountants which audit some of the SBEs. In order to ensure independence of the Board, all papers relating to matters concerning an SBE or its auditor are omitted from the papers sent to members who have a connection with the relevant SBEs or its auditors. Such members do not participate in discussions on subjects relating to those SBEs.

9.4 The Board had 12 meetings during the year. The deliberations of the Board during the year covered performance of the staff in terms of overall operational indicators and action required to resolve significant technical issues relating to SBEs and auditors. The Board also focussed on issues relating to non-compliances with standards by SBEs, approving annual financial statements, annual budget and the action plan of the Board. Further,

Review of Activities 2017

the Board was engaged in reviewing different approaches on amending the staff remuneration scheme in order to attract suitable staff for technical functions.

- 9.5** In terms of the delegation policy of the Board, regular operations relating to monitoring compliance with standards such as gathering information, reviewing financial statements and audits and investigations were carried out by the staff supervised and guided by the two Deputy Director Generals and the Director General.

10. Financial Performance

The operating expenses of SLAASMB for the year was Rs. 84,352,282 compared to Rs. 94,050,511 of the previous year. The significant decrease in operating expenses was due to expenses incurred on special capacity building budget amounting to Rs. 21,679,041 during the year 2016. The increase in operating expenses (excluding expenses on capacity building) was 16.55% for the year. Staff costs during the year was Rs. 42,351,100 compared to Rs. 39,350,133 during the previous year which indicates an increase of 7.6% for the year. Staff costs constituted 50.2% of the operating expenses of the SLAASMB.

The expenses were financed out of funds provided by the Government. Alternatively, a cess can be levied from SBEs computed as a percentage of shareholders' equity or

profit after tax which ever is higher, as may be determined by the Hon. Minister of Finance under the Act to finance the expenditure of the Board. However, this option was not preferred by the Ministry of Finance and the cess which was proposed to be in operation for periods commencing on or after 1 January 2008 was withdrawn by the Hon. Minister on 7 October 2008.

11. Status of development of Management Information System (MIS)

During 2015, SLAASMB identified the MIS requirements to smoothen its review functions. The Information Communication Technology Agency (ICTA) offered to be the facilitator for the identified MIS requirements and offered to accommodate the development costs within the ICTA's budget of 2016-2017. SLAASMB worked in collaboration with the ICTA, and the project came up to the stage of awarding the contract to the developer. However, during the last quarter of 2017, ICTA informed of their inability to finance the said development activity out of their budget and as a result, SLAASMB need to re-commence the systems development with another developer when financing is available within the SLAASMB's budget.

Observations made on Review of Financial Statements during 2017

1. Undertakings obtained to make the required corrections

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) obtained undertakings from seven specified business enterprises (SBEs) to make corrections in the financial statements. These undertakings resulted in corrections to net profits/ equity amounting to Rs. 2.2 billion.

Further, a direction was issued to a Government Corporation to prepare financial statements in compliance with Sri Lanka Accounting Standards with the object of presenting a true and fair view. In addition, one direction was issued to a SBE to re-audit and re-publish its financial statements due to failure by its auditor to conduct the audit in accordance with the auditing standards.

Types of items for which the undertakings were obtained along with reference to the Sri Lanka Accounting Standards (Prefixed SLFRS/ LKAS) not complied with by the SBEs are as follows.

- Incorrect recognition of a related party arrangement between a parent and a subsidiary as a notional asset. (Reference; LKAS 39 paragraph 9 and LKAS 24 paragraphs 18 and 19)
- Failure to make adequate allowances for impairment of financial assets when impairment indicators

exist (Reference; LKAS 39 paragraph 58)

- Failure to recognise biological assets and to measure at fair value. (Reference; LKAS 41 paragraphs 5 and 12)
- Failure to reflect the change in parent's ownership interest in a subsidiary in equity. (Reference; SLFRS 10 paragraph 23)
- Failure to recognise insurance contracts appropriately and to perform liability adequacy test. (Reference; SLFRS 4 appendix A and paragraph 18(g) of appendix B).
- Failure to recognise liabilities for retirement benefit obligations (Reference; LKAS 19 paragraphs 67, 71 and 72, Section 28 of SLFRS for SMEs paragraph 28.15)
- Failure to apply the percentage of completion method in recognition of revenue, cost of sales and inventory in relation to construction contracts. (Reference; Section 23 of SLFRS for SMEs paragraphs 23.21 – 23.27)

2. Letters of Assistance

Departures from Sri Lanka Accounting Standards detected, which were material, but not significant as to require the use of procedure using statutory provisions, were informed to the SBEs, by letter, without extensive inquiries, so that the SBEs could, where necessary, take

corrective action on their own. Such letters not being directions issued by SLAASMB, are intended to be letters of assistance.

The main findings relating to which letters of assistance were sent to the SBEs are set out below.

- Failure to recognise adequate impairment allowance at the end of each reporting period when objective evidence exist as to a financial asset or group of financial assets has been impaired – in 34 SBEs. (Reference; LKAS 39 paragraphs 58)
- Failure to make adequate disclosures relating to the nature of the related party relationships as well as information about transactions with related parties – in 29 SBEs including 3 in SME sector. (Reference; LKAS 24 paragraph 18; SME section 33 paragraphs 33.9 and 33.10)
- Failure to make adequate disclosures relating to valuation techniques used, inputs to the valuation techniques, quantitative information about significant unobservable inputs used, significant adjustments made to the inputs and the fair value hierarchy for each class of assets and liabilities measured at fair values – in 25 SBEs (Reference; SLFRS 13 paragraphs 91 and 93)

Observations made on Review of Financial Statements during 2017

- Failure to make adequate disclosures on the nature and extent of risks arising from financial instruments to which the entity is exposed, at the end of the reporting period – in 16 SBEs.
(Reference; SLFRS 7 paragraphs 31,36 and 37)
- Failure to consider all taxable temporary differences in recognising deferred tax liabilities – in 15 SBEs including 2 in SME sector
(Reference; LKAS 12 paragraphs 15, 20 and 24 and SME Section 29 paragraph 29.15)
- Failure to make adequate disclosures relating to the effective date of revaluation, method and significant assumptions used in the valuation and carrying value of property plant and equipment that would have been recognised had the asset been carried under the cost model - in 9 SBEs
(Reference; LKAS 16 paragraph 77)
- Failure to perform regular revaluations when the fair values of the revalued assets differ materially from its carrying amounts – in 9 SBEs.
(Reference; LKAS 16 paragraphs 34)

Undertakings Obtained during the year 2017

1. Dankotuwa Porcelain PLC

Dankotuwa Porcelain PLC had recognized a notional asset on a related party arrangement between the Company and its parent, as a financial derivative asset in the financial statements for the years ended 31 March 2014 and 31 March 2015 resulting in overstating its assets and equity.

The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to reverse the financial derivative asset recognised amounting Rs. 260 million and the corresponding entry made in the equity, in the financial statements for the year ended 31 March 2017.

2. Asia Capital PLC

Asia Capital PLC had overstated the net assets in the consolidated financial statements for the year ended 31 March 2016 by Rs. 502 million, resulting from failure to reflect the inventory of a subsidiary, a film stock, at the lower of its cost and net realizable value (NRV) when its NRV was below its cost.

Resulting from this non-moving film stock, the Company had failed to reflect the receivable from the subsidiary (which owned the said inventory) at recoverable amounts.

The auditors had qualified their opinion on these issues.

Subsequent to the inquiries made by SLAASMB, the Company undertook to reduce the carrying value of inventory in the consolidated financial statements for the year ended 31 March 2017 and to recognize the loss on impairment of receivables from the said subsidiary in the separate financial statements.

3. Sinhaputhra Finance PLC

Sinhaputhra Finance PLC had failed to assess the impairment allowance of loans and receivables for the year ended 31 March 2016 in accordance with the requirements of LKAS 39. Accordingly the loans and receivables balance was overstated in the financial statements for the year ended 31 March 2016.

The auditors had disclaimed their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to recognize the allowance for impairment on loans and receivables in accordance with LKAS 39 and to write off facilities amounting to Rs. 362 million in the financial statements for the year ended 31 March 2017 and write off a further amount subsequent to quantification.

4. Janashakthi PLC

i. Investment Property

Janashakthi PLC had recognised a teak plantation and its land as investment property by measuring at cost in the financial statements for the year ended 31 March 2016.

The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to separately classify the teak plantation and its land and to measure the teak plantation at fair value less cost to sell in the Company's financial statements for year ended 31 March 2017.

ii. Disposal of a subsidiary

Janashakthi PLC had recognized the change in parent's ownership interest in a subsidiary, as a result of another subsidiary acquiring the entire shareholding of the aforesaid subsidiary, as profit on disposal of a subsidiary amounting to Rs. 524 million and goodwill amounting to Rs. 564 million, in the consolidated financial statements for the year ended 31 March 2016.

The auditors had not qualified their opinion on these issues.

Subsequent to the inquiries made by SLAASMB, the entity undertook to recognise the change in parent's ownership interest in the subsidiary, directly in equity and to reverse the profit on disposal and the goodwill amounting to Rs. 564 million recognised, in the consolidated financial statements for the year ended 31 March 2017.

5. State Printing Corporation

State Printing Corporation had failed to use the projected unit credit method to arrive at the retirement benefit

Undertakings Obtained during the year 2017

obligation and to provide the retirement benefit obligation for the employees who had less than 5 years of service at the Corporation as at 31 December 2015.

Further, the Corporation had failed to recognize a deferred tax asset/liability for all deductible/ taxable temporary differences as at 31 December 2015.

The auditors had not qualified their opinion on these issues.

Subsequent to the inquiries made by SLAASMB, the entity undertook to use the projected unit credit method to determine the retirement benefit obligation and to recognize the retirement benefit obligation in respect of all employees for the year ended 31 December 2016 and to recognise a deferred tax asset/liability for all deductible/ taxable temporary differences for the year ended 31 December 2016.

6. Sri Lanka Export Credit Insurance Corporation

Sri Lanka Export Credit Insurance Corporation had failed to account for export credit insurance contracts as either insurance contracts or as financial guarantee contracts in the financial statements for the year ended 31 December 2016.

The auditors had not qualified their opinion on these issues.

Subsequent to the inquiries made by SLAASMB, the entity

undertook to recognise the export credit insurance contracts as insurance contracts and to perform liability adequacy test in the financial statements for the year ending 31 December 2018

7. Sri Lanka Transport Board

Sri Lanka Transport Board (SLTB) had not maintained proper books of accounts for the year ended 31 December 2013 and as a result, the SLTB had failed to prepare its audited financial statements in a true and fair manner.

The auditor had expressed an adverse opinion on these financial statements.

Due to the significance of the issues identified during the financial statements review, SLAASMB issued a Direction to SLTB to take all necessary measures to ensure that proper books of accounts are maintained with the object of presenting a true and fair view of the financial performance and financial position of such enterprise.

8. Span Engineering (Pvt) Ltd

Span Engineering (Pvt) Ltd had not recognised revenue, cost of sales and inventory on construction of apartments based on the percentage of completion method in the financial statements for the year ended 31 March 2016.

The Company had also failed to recognise a provision in relation to the retirement

benefit obligation for employees who had less than 5 years of service as at 31 March 2016 and had failed to present the minimum disclosures in relation to the related party transactions entered during the year ended 31 March 2016.

The auditors had not qualified their opinion on these issues.

Subsequent to the inquiries made by SLAASMB, the entity undertook to use the percentage of completion method to recognize revenue, cost of sales and inventory on construction of apartments, to recognize the retirement benefit obligation in respect of all employees, and to provide disclosures in relation to the related party transactions in the financial statements for the year ended 31 March 2017.

Observations made on Audit Inspections during 2017

1. Introduction

During the year 2017, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) focused on the need to improve audit quality and changed its inspection strategy to a more risk-based approach.

The new approach commences with the inspection team focusing on identifying high risk areas though detailed evaluation of the industry, business and the financial statements. As an initiative to improve audit quality, SLAASMB commenced this risk-based inspection approach during the last quarter of 2016. Consequent to identifying the related risk, the inspection scope is narrowed down and an in-depth inspection is conducted. The new approach is focused on aligning with audit inspection methodologies and practices adopted by global audit regulators.

In furthering this changed focus SLAASMB commenced thematic inspections during 2017, carrying out in-depth inspections on selected themes across a number of audits.

These changes in audit inspections and the thematic inspections was facilitated by the training given to the inspection staff by a foreign consultant under the financial assistance granted for special capacity building during 2016.

SLAASMB inspected 100 audits carried out by 13 firms during

the year 2017 compared with 99 audits carried out by 14 firms during the previous year. The 100 audit inspections comprised of 85 audit inspections and 15 thematic inspections. The audits inspected during the year included 75 audits carried out by 5 firms which are members of international networks and 5 audits carried out by 5 firms which conducts audits of less than 10 Specified Business Enterprises (SBEs).

Based on the inspection findings, non-compliances which were material but not significant as to require further action under the statute were communicated as letters of assistance. However, based on the severity of the findings, SLAASMB took more stringent measures, namely issuing warning letters to firms, referring to CA Sri Lanka and issuing directions to SBEs requiring them to get their financial statements re-audited and to republish the financial statements. In this process of attempting to enhance the audit quality throughout the audit industry, areas for improvement were communicated to some firms during the year.

2. Directions to re-audit

During the year 2017, SLAASMB issued directions to 2 SBEs to have their financial statements re-audited as a result of the significance of non-compliances observed during the audit inspections carried out. These SBEs were required to publish and circulate copies of the re-

audited financial statements of the same year for which the audit inspections had been carried out, to all the parties that had received the annual report of such year.

Directions were issued to the following SBEs:

2.1 Adam Capital PLC

Consequent to the auditor of Adam Capital PLC, A. I. Macan Markar & Co, disagreeing with the findings of the inspection of the audit of the financial statements for the year ended 31 March 2016, and failure by the auditor to substantiate the reasons for such non-compliances from the audit workings, the Board issued a Direction requesting the Company to re-audit the said financial statements. However, due to an issue regarding the additional costs of such re-audit, the matter has been referred to the Attorney General for advice regarding action to be taken on the auditor.

2.2. Fairway Holdings (Pvt) Ltd

Based on the findings of the inspection of the audit of financial statements of Fairway Holdings (Pvt) Ltd for the year ended 31 March 2016, the auditor, Nusith Kumaratunga & Co., had failed to conduct the audit with adequate professional competence and due care. The auditor having accepted the non-compliances has informed that steps are being taken to regularize the deviations. However, considering the significance of the misstatements, the Board has issued a Direction to the Company to re-audit and re-publish the financial

Observations made on Audit Inspections during 2017

statements for the year ended 31 March 2016.

3. Follow up action on Directions issued during the pervious year

Agalawatte Plantations PLC

Consequent to the Direction issued by the Board to Agalawatte Plantations PLC to get their financial statements for the year ended 31 March 2014 re-audited and re-published, the re-audit performed by another engagement partner of its auditor, Hulugalle Samarasinghe & Co., had disclaimed the opinion on the financial statements on which an unqualified opinion had been issued previously. This matter has been referred to the Attorney General for legal advice regarding action to be taken against the management of the Company and has referred the misconduct of the auditor to CA Sri Lanka.

4. Observations made on audit inspections

Deficiencies were identified in 43 audits conducted by 13 firms. The departures from Sri Lanka Auditing Standards detected were communicated to the respective firms in the form of letters of assistance.

The main findings are as follows.

4.1. Failure to obtain sufficient appropriate audit evidence

Sufficient appropriate audit evidence had not been obtained from substantive procedures and from tests

of controls to support the financial statement assertions in 32 audits.

Deficiencies included:

- Failure to perform any audit procedures to test the financial statement assertions relating to placements with banks, consolidation adjustments, reverse repurchase agreements, borrowings, sundry income, investment in subsidiary, allowance for impairment of loans and receivables and contingent liabilities.
- Failure to perform any audit procedures to test certain financial statement assertions.

Examples:

- o Not performing audit procedures to evaluate the appropriateness of the work of the management's expert by considering relevance and reasonableness of the expert's findings or conclusions and their consistency with other audit evidence.
- o Failure to ascertain the appropriateness of the credentials of the valuer engaged by the company to value its property, plant and equipment.
- o Failure to ensure adequacy of the valuation of investment properties, despite the existence of indications of uncertainties over probability of future economic benefits flowing to the company, from such properties.

- o Failure to ensure accuracy and completeness by performing audit procedures to resolve the inconsistency between the management representation and confirmation by a related party, in respect of a balance receivable from the related party.
- o Failure to ensure completeness and accuracy of sales of a property development company, by performing audit procedures to assess the reasons for non-execution of transfer of property deeds, when the full amount had been paid by the customer.
- o Failure to verify the accuracy of the allocation and re-allocation of securities throughout the time period of reverse repo and repo agreements, in the operations of a primary dealer.
- Failure to perform audit procedures to examine the scope and the competence of the internal auditor in relation to Information Technology General Controls (ITGC) when obtaining an assurance on ITGC based on internal auditor's work.
- Not performing planned substantive audit procedures on account balances
- Failure to perform additional audit procedures when audit evidence provided insights of material misstatements.

Observations made on Audit Inspections during 2017

- Not performing further audit procedures to resolve the inconsistencies of the audit evidence obtained from different sources.

4.2. Failure in the Auditor's Responsibilities Relating to Risk of Fraud in an Audit of Financial Statements

The auditor had failed to focus the audit in relation to risk of fraud in 16 audits.

Deficiencies included:

- Failure to perform audit procedures to test the appropriateness of journal entries in the general ledger focusing on fraud risk

Examples

- o Failure to maintain professional skepticism in relation to journal entry procedures
- o Not evaluating the appropriateness of the persons authorized to pass journal entries, as part of control testing
- o Failure to test the journal entries to address fraud risk
- o Failure to select the sample of journal entries based on the characteristics of fraudulent journal entries
- o Failure by the auditor to exercise due care when identifying the risk indicators of passing backdated journal entries
- o Failure to test the journal entries passed by an entity within the period

- o Failure to identify the scope, nature, time and extent of audit procedures to be performed on the journal entries

- Failure to consider risk of "management override of controls" in deciding the extent of audit procedures to be performed, despite the auditor identifying the existence of such risk
- Failure to consider the presumption of existence of fraud risk, in revenue

4.3. Failure to respond to the assessed risks

Failure to respond appropriately to risks identified was observed in 11 audits.

Deficiencies included ;

- Failure to evaluate the impact of the deficiencies on control risk identified by IT auditors.
- Failure to perform test of controls when the test of controls form part of the audit strategy
- Failure to identify critical controls in performing test of controls
- Not performing additional audit procedures relating to exceptions identified
- When the result of a test of control was not satisfactory, performing a substantive audit procedure similar to such test of control
- Despite planning to perform test of controls, failure to

perform audit procedures on key processors to obtain evidence of operating effectiveness of controls

4.4. Failure to test accounting estimates including fair value accounting estimates and related disclosures

Failure to appropriately test how the management had used accounting estimates and the data on which such estimates had been based, were observed in 11 audit inspections.

Deficiencies included;

- Failure to perform audit procedures on estimation of goodwill recognized on business combinations
- Failure to assess the judgment for accounting estimates that may have high estimation uncertainty
- Inability by the auditor to independently evaluate and assess the reasonability of inputs used and significant assumptions made by the management, when determining the fair value of assets
- Failure by the auditor to evaluate whether the methodologies adopted and significant assumptions made by the management are reasonable, when evaluating loans and receivables on collective basis for impairment
- Failure to ensure the completeness of the source data used by the companies as inputs, in

Observations made on Audit Inspections during 2017

arriving at the loss given default rate calculations, when evaluating loans and receivables on collective basis for impairment

- Failure to test the calibration of the valuation model used to value consumable biological assets to ensure the valuation technique reflects current market conditions

4.5. Non compliances relating to understanding and assessment of risk of material misstatements

Non compliances relating to identifying and assessing the risks of material misstatements were observed in 8 audits.

Deficiencies observed includes;

- Failure to perform audit procedures to understand the information system including the related business processors relevant to financial reporting.
- Failure to identify significant risks from all possible risks in order to apply more focused and comprehensive audit procedures.
- Failure to apply professional skepticism in identification of risk indicators as a risk that requires special audit consideration, such as significant increase in cash in hand balance as at the yearend
- Failure to evaluate the changes made to the IT system during the financial year.

- Failure to exercise professional judgment in identifying and validating key internal controls relevant to the financial statement assertions.

4.6. Failure to establish and maintain a system of quality control

Evidence of adopting appropriate quality control procedures for audit engagements was not available in 6 audits.

Deficiencies included;

- Not appointing an engagement quality control reviewer (EQCR), despite the high audit risks associated with the engagement.
- Lack of adequate involvement of the EQCR in planning, execution and completion of the audit despite the engagement being of a listed company
- Failure by EQCR to perform an objective evaluation of the significant judgments and the conclusions reached by the audit team
- Reviewing audit areas with high risk on a date subsequent to the audit report date
- Inadequate involvement of engagement partner in directing, supervising and performing the audit engagement, evidenced by time utilization on the engagement and by the observations made on non-compliances with Auditing Standards by SLAASMB

4.7. Absence of evidence on the basis of selecting the samples

Non-compliances relating to audit sampling were identified in 6 audits.

The observations included;

- Failure to achieve the objective of sampling.
- Failure to establish the basis of selecting the samples for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures.
- Not selecting samples from the population, giving an equal chance for every item to get selected
- Deviating the method of sample selection, from the documented sample selection method
- Failure to perform appropriate audit procedures on each item in the selected sample
- Failure to evaluate the sample results, to determine whether, the use of sampling, has provided a reasonable basis when arriving at conclusions about the population

4.8. Other observations

- Inspection of some audits revealed failure by the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or

Observations made on Audit Inspections during 2017

error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

- In certain audits, the auditors had not maintained professional skepticism throughout the audits and had failed to exercise due care when drafting the audit opinions, which were found to be inappropriate.
- More common findings included failures to design suitable analytical procedures to test intended assertions and not performing additional audit procedures when the outcomes of the analytical procedures had indicated inconstancy in the relationships between variables tested.
- Some of the common observations of audits of group financial statements include failure by auditors to obtain any audit evidence relating to consolidation adjustments and on how opinion relating to financial statements of subsidiaries had been reached. They also include failure to obtain sufficient appropriate audit evidence from component auditors and failure to evaluate the information communicated by the component auditors.
- Similarly, lack of adherence to proper administrative procedures from the planning of the audit up to

assembling the final audit file were also observed which included drawbacks in timely assembly of the file, maintaining confidentiality, safe custody, integrity, accessibility and irretrievability of the engagement documentation.

- Some auditors had not obtained sufficient appropriate audit evidence about whether the related party relationships and transactions had been appropriately identified, accounted for and/or disclosed in the financial statements.

5. Suggestions for improvements

Suggestions for improvements were given in relation to 13 audits carried out by 4 audit firms as a measure to encourage such auditors to improve their future audits.

6. Letter of warning

A warning letter was issued during the year to an auditor for wilfully misleading SLAASMB by submitting audit documentation which had a date subsequent to the date of the inspection.

7. Thematic inspections

SLAASMB carried out thematic inspections on the themes of Involvement of Engagement Quality Control Reviewer and Communications with Those Charged with the Governance for a sample of 15 audits

representing 6 audit firms. The Report on observations will be issued during 2018.

8. Firm-wide quality inspections

SLAASMB plans to conduct firm-wide quality inspections commencing from early 2018. During the year the staff were engaged in preparing the detailed plans and questionnaires and formats required for the firm-wide quality inspections.

This was made possible by the exposure given to the staff during 2016 under the extensive training conducted by an International Consultant with hands-on experience in audit regulations in the United Kingdom. The firm-wide quality inspections will be carried out on the firms which volunteer to be subject to such inspections until firm-wide inspections become mandatory by the Statute, which is currently in the process of being revised. In recognition of the contribution made by these firms towards enhancing audit quality in the audit environment, names of the firms which volunteer to be subjected to firm-wide inspections will be published by SLAASMB with the respective reports being released to each firm individually.

Performance Scorecard

SLAASMB uses the Performance Scorecard to plan its annual performance. The plan for 2017, actual for 2017 and plan for 2018 are given below;

Financial statement user Perspective: *To achieve our vision, how should financial statements users see us?*

Goals	Measures	2017 Plan (Revised)	2017 Actual		2018 Plan
			Number	As a % of plan	
Financial Statements of SBE's to present a true and fair view	Review financial statements to determine compliance with Sri Lanka Accounting Standards	511 sets of financial statements	518 sets of financial statements	101	525 sets of financial statements
	Review audits to determine compliance with Sri Lanka Auditing Standards	100 audits (Including 15 thematic inspections)	100 audits (Including 15 thematic inspections)	100	100 audits (Including 15 thematic inspections) 4 firm wide quality inspections

Regulated entity Perspective: *To achieve our vision, how should regulated institutions see us?*

Goals	Measures	2017 Plan	2017 Actual		2018 Plan
			Number	As a % of plan	
Collection of financial statements	Number of financial statements received	1,559	1,479 (Number of SBE's) 1,643 (Number of financial statements) (Note 1)	94.9	1,559

Performance Scorecard

Internal Process Perspective: *To satisfy our stakeholders' what internal process must we excel at?*

Goals	Measures	2017 Plan	2017 Actual		2018 Plan
			Number	As a % of plan	
Employee performance	Achieve targeted performance points for the year (Note 2)	29,484	28,719 (Note 3)	97	28,296
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	48 presentations on Standards	48 (Note 4)	100	48
Timely Response	Attend to complaints, clarifications sought and information received	Within an average of 5 days excluding the date of receipt and date of response	3.4 days excluding the date of receipt and date of response	-	Within an average of 5 days excluding the date of receipt and date of response

Note 1

Receipt of the financial statements issued in respect of previous years' due to action taken to follow up.

Note 2

Performance points are based on the nature and extent of work required to complete the tasks.

Note 3

Complexity of issues and possible issues identified resulted in more time to be spent on technical discussions.

Note 4

This includes participation at the training sessions conducted by British Council and presentations on methodology by the six big audit firms.

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2017 were compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year end
1	Abans Electricals PLC	31 March 2016
2	Abans Finance PLC	31 March 2016
3	Abans PLC	31 March 2016
4	Access Engineering PLC	31 March 2017
5	ACL Plastics PLC	31 March 2016
6	ACL Plastics PLC	31 March 2017
7	ACME Printing & Packaging PLC	31 March 2017
8	Acuity Securities Ltd	31 December 2016
9	Acuity Stockbrokers (Pvt) Ltd	31 December 2016
10	Agarapatana Plantations Ltd	31 March 2017
11	Agio Tobacco Processing Company (Pvt) Ltd	31 December 2015
12	AIA Insurance Lanka PLC	31 December 2016
13	Aitken Spence Hotel Holdings PLC	31 March 2017
14	Aitken Spence PLC	31 March 2017
15	Allianz Insurance Lanka Ltd	31 December 2015
16	Allianz Life Insurance Lanka Ltd	31 December 2016
17	Alufab PLC	31 March 2017
18	Alumex PLC	31 March 2017
19	Amana Candor Shariah Balanced Fund	31 December 2015
20	Amana Candor Shariah Income Fund	31 December 2015
21	Amana Capital Ltd	31 December 2016
22	Amana Takaful Life Ltd	31 December 2015
23	Amana Takaful PLC	31 December 2015
24	Amana Takaful PLC	31 December 2016
25	Amaya Leisure PLC	31 March 2017
26	AMW Capital Leasing and Finance PLC	31 December 2016
27	Arpico Ataraxia Sri Lankan Bond Fund	31 March 2016
28	Arpico Insurance PLC	31 December 2016
29	Asia Asset Finance PLC	31 March 2017
30	Asia Siyaka Commodities PLC	31 March 2017
31	Asian Alliance General Insurance Ltd	31 December 2015
32	Asiri Hospital Holdings PLC	31 March 2016
33	Asiri Surgical Hospital PLC	31 March 2015
34	Asiri Surgical Hospital PLC	31 March 2016
35	Assetline Leasing Company Ltd	31 March 2017
36	Assetline Securities (Pvt) Ltd	31 March 2017

	Specified Business Enterprise	Financial Year end
37	ASTRUE Alpha Fund	31 March 2016
38	ASTRUE Gilt-Edged Fund	31 March 2016
39	ASTRUE Money Market Fund	31 March 2016
40	Bairaha Farms PLC	31 March 2017
41	Bank of Ceylon	31 December 2016
42	Bansei Royal Resorts Hikkaduwa PLC	31 March 2016
43	Bartleet Religare Securities (Pvt) Ltd	31 March 2017
44	Blue Ocean Residencies (Pvt) Ltd	31 March 2016
45	Bogala Graphite Lanka PLC	31 December 2016
46	BPPL Holdings PLC	31 March 2017
47	BRAC Lanka Finance PLC	31 March 2016
48	BRAC Lanka Finance PLC	31 March 2017
49	British Overseas (Pvt) Ltd	31 March 2017
50	Browns Beach Hotels PLC	31 March 2017
51	Browns Capital PLC	31 March 2016
52	Browns Hydro Power PLC	31 March 2016
53	C M Holdings PLC	31 March 2016
54	C T Real Estate (Pvt) Ltd	31 March 2016
55	Candor Equities Ltd	31 December 2016
56	Candor Growth Fund	31 December 2015
57	Candor Money Market Fund	31 December 2015
58	Capital Alliance Gilt Fund	31 March 2017
59	Capital Alliance Balanced Fund	31 March 2017
60	Capital Alliance Corporate Debt and Gilt Trading Fund	31 March 2017
61	Capital Alliance Corporate Treasury Fund	31 March 2016
62	Capital Alliance Gilt Money Market Fund	31 March 2016
63	Capital Alliance Gilt Trading Fund	31 March 2017
64	Capital Alliance High Yield Fund	31 March 2016
65	Capital Alliance Income Fund	31 March 2017
66	Capital Alliance Investment Grade Fund	31 March 2016
67	Capital Alliance Investments Ltd	31 March 2016
68	Capital Alliance Ltd	31 March 2017
69	Capital Alliance Medium Risk Debt Fund	31 March 2016
70	Capital Alliance Quantitative Equity Fund	31 March 2016
71	Capital Alliance Securities (Pvt) Ltd	31 March 2016
72	Cargills Bank Ltd	31 December 2016

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2017 were compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year end
73	Cargo Boat Development Company PLC	31 March 2016
74	Cargo Boat Development Company PLC	31 March 2017
75	CEAT Kelani Radials (Pvt) Ltd	31 March 2016
76	Central Developments Ltd	31 March 2017
77	Central Industries PLC	31 March 2017
78	Ceybank Asset Management Ltd	31 March 2016
79	Ceybank Century Growth Fund	31 March 2016
80	Ceybank Unit Trust Fund	31 March 2016
81	Ceylon and Foreign Trades PLC	31 March 2015
82	Ceylon and Foreign Trades PLC	31 March 2016
83	Ceylon Asset Management Company Ltd	31 December 2015
84	Ceylon Cold Stores PLC	31 March 2017
85	Ceylon Financial Sector Fund	31 December 2015
86	Ceylon Gilt Edged Fund	31 December 2015
87	Ceylon Guardian Investment Trust PLC	31 March 2017
88	Ceylon Income Fund	31 December 2015
89	Ceylon Index Fund	31 December 2015
90	Ceylon Investment PLC	31 March 2017
91	Ceylon IPO Fund	31 December 2015
92	Ceylon Leather Products PLC	31 March 2016
93	Ceylon Leather Products PLC	31 March 2017
94	Ceylon Shipping Corporation Ltd	31 March 2015
95	Ceylon Tea Brokers PLC	31 March 2017
96	Ceylon Tobacco Company PLC	31 December 2016
97	Ceylon Tourism Fund	31 December 2015
98	Chevron Lubricants Lanka PLC	31 December 2016
99	CIC Holdings PLC	31 March 2016
100	CIC Holdings PLC	31 March 2017
101	Citizens Development Business Finance PLC	31 March 2016
102	CM Holdings PLC	31 March 2017
103	Colombo Dockyard PLC	31 December 2016
104	Colombo Fort Investments PLC	31 March 2017
105	Colombo Investment Trust PLC	31 March 2017
106	Colombo Stock Exchange	31 December 2016
107	Colombo Trust Finance PLC	31 March 2017
108	Commercial Bank of Ceylon PLC	31 December 2016

	Specified Business Enterprise	Financial Year end
109	Commercial Credit and Finance PLC	31 March 2016
110	Commercial Development Company PLC	31 December 2016
111	Commercial Leasing & Finance PLC	31 March 2016
112	Comtrust ADL Mudarabah Fund	31 March 2016
113	Comtrust Asset Management (Pvt) Ltd	31 March 2017
114	Comtrust Equity Fund	31 March 2016
115	Comtrust Gilt Edged Fund	31 March 2016
116	Comtrust Money Market Fund	31 March 2016
117	Continental Insurance Lanka Ltd	31 December 2016
118	Convenience Foods (Lanka) PLC	31 March 2017
119	Co-operative Insurance Company Ltd	31 December 2015
120	Crescent I Fund	31 March 2016
121	CT CLSA Securities (Pvt) Ltd	31 March 2017
122	CT Land Development PLC	31 March 2016
123	De La Rue Lanka Currency and Security Print (Pvt) Ltd	31 March 2016
124	Diesel & Motor Engineering PLC	31 March 2017
125	Dilmah Ceylon Tea Company PLC	31 March 2017
126	Dilmah Property Developments (Pvt) Ltd	31 March 2016
127	Dipped Products PLC	31 March 2017
128	Dolphin Hotels PLC	31 March 2017
129	Dunamis Capital PLC	31 March 2016
130	Eastern Merchants PLC	31 March 2016
131	E-Channelling PLC	31 March 2016
132	Eden Hotel Lanka PLC	31 March 2017
133	Enterprise Ceylon Capital (Pvt) Ltd	31 March 2016
134	Equity One Limited	31 March 2017
135	Equity Two PLC	31 March 2017
136	Expolanka Holdings PLC	31 March 2016
137	Fairfirst Insurance Ltd	31 December 2016
138	Finlays Colombo Ltd	31 December 2016
139	First Capital Asset Management Ltd	31 March 2016
140	First Capital Treasuries PLC	31 March 2016
141	Gestetner of Ceylon PLC	31 March 2017
142	Guardian Acuity Equity Fund	31 December 2016
143	Guardian Acuity Money Market Fund	31 December 2015
144	Guardian Acuity Money Market Gilt Fund	31 December 2016

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2017 were compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year end
145	Guardian Capital Partners PLC	31 March 2017
146	Harischandra Mills PLC	31 March 2016
147	Haycarb PLC	31 March 2017
148	Hayleys Fabric PLC	31 March 2017
149	Hayleys Fibre PLC	31 March 2017
150	Hedges Court Residencies (Pvt) Ltd	31 March 2016
151	HNB Assurance PLC	31 December 2016
152	HNB General Insurance Ltd	31 December 2015
153	HNB General Insurance Ltd	31 December 2016
154	Hotel Developers (Lanka) PLC	31 December 2015
155	Hunas Falls Hotels PLC	31 March 2017
156	ICC Housing (Pvt) Ltd	31 March 2016
157	Ideal Finance Ltd	31 March 2016
158	Ideal Finance Ltd	31 March 2017
159	Independent Television Network Ltd	31 December 2015
160	Isuru Leasing Company Ltd	31 March 2016
161	J L Morison Son & Jones (Ceylon) PLC	31 March 2017
162	Janashakthi General Insurance Ltd	31 December 2015
163	Janashakthi General Insurance Ltd	31 December 2016
164	Janashakthi Insurance PLC	31 December 2016
165	JB Securities (Pvt) Ltd	31 March 2017
166	JB Vantage Money Market Fund	31 December 2016
167	JB Vantage Value Equity Fund	31 December 2016
168	John Keells Holdings PLC	31 March 2017
169	John Keells Hotels PLC	31 March 2017
170	John Keells PLC	31 March 2017
171	John Keells Stock Brokers (Pvt) Ltd	31 March 2017
172	Kahawatte Plantations PLC	31 December 2016
173	Kandalama Hotels (Pvt) Ltd	31 March 2016
174	Kanrich Finance Ltd	31 March 2016
175	Keells Food Products PLC	31 March 2017
176	Kelani Cables PLC	31 March 2017
177	Kelani Tyres PLC	31 March 2017
178	Kelani Valley Plantations PLC	31 March 2015
179	Kelani Valley Plantations PLC	31 March 2016
180	Kelsey Developments PLC	31 March 2016
181	Kelsey Homes (Pvt) Ltd	31 March 2017

	Specified Business Enterprise	Financial Year end
182	Lake House Printers & Publishers PLC	31 March 2016
183	Lanka Aluminium Industries PLC	31 March 2017
184	Lanka Ceramic PLC	31 March 2016
185	Lanka Ceramic PLC	31 March 2017
186	Lanka Commodity Holdings (Pvt) Ltd	31 March 2016
187	Lanka Milk Foods (CWE) PLC	31 March 2016
188	Lanka Securities (Pvt) Ltd	31 December 2016
189	Lanka Tiles PLC	31 March 2017
190	Lanka Ventures PLC	31 March 2017
191	Lanka Walltiles PLC	31 March 2017
192	Laxapana Batteries PLC	31 March 2017
193	LB Finance PLC	31 March 2016
194	Life Insurance Corporation (Lanka) Ltd	31 December 2015
195	Lion Brewery (Ceylon) PLC	31 March 2017
196	LOLC Life Assurance Ltd	31 December 2016
197	Mahaweli Reach Hotels PLC	31 March 2017
198	Malwatte Valley Plantations PLC	31 December 2013
199	Malwatte Valley Plantations PLC	31 December 2015
200	Malwatte Valley Plantations PLC	31 December 2016
201	Marawila Resorts PLC	31 March 2017
202	Maturata Plantations Ltd	31 March 2015
203	MBSL Insurance Company Ltd	31 December 2016
204	Mercantile Shipping Company PLC	31 March 2017
205	Merchant Bank of Sri Lanka & Finance PLC	31 December 2016
206	Millennium Housing Developers PLC	31 March 2016
207	MTD Walkers PLC	31 March 2016
208	Muller & Phipps (Ceylon) PLC	31 March 2017
209	Multi Finance PLC	31 March 2017
210	NAMAL Acuity Value Fund	31 March 2016
211	NAMAL Gilt Fund	31 March 2016
212	NAMAL Growth Fund	31 March 2016
213	NAMAL High Yield Fund	31 March 2016
214	NAMAL Income Fund	31 March 2016
215	NAMAL IPO Fund	31 March 2016
216	NAMAL Money Market Fund	31 March 2017
217	Namunukula Plantations PLC	31 March 2015
218	Namunukula Plantations PLC	31 March 2016

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2017 were compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year end
219	National Asset Management Ltd	31 December 2016
220	National Equity Fund	31 March 2016
221	Nations Trust Bank PLC	31 December 2016
222	Natwealth Securities (Pvt) Ltd	31 December 2015
223	Navara Securities (Pvt) Ltd	31 March 2017
224	NDB Wealth Gilt-Edged Fund	31 December 2015
225	NDB Wealth Growth and Income Fund	31 December 2015
226	NDB Wealth Growth Fund	31 December 2015
227	NDB Wealth Income Fund	31 December 2015
228	NDB Wealth Islamic Money Plus Fund	31 December 2015
229	NDB Wealth Management Ltd	31 December 2016
230	NDB Wealth Money Fund	31 December 2015
231	NDB Wealth Money Plus Fund	31 December 2016
232	Nestle Lanka PLC	31 December 2016
233	Newest Capital Ltd	31 March 2017
234	Nivasie Developers Malabe (Pvt) Ltd	31 March 2016
235	NSB Fund Management Company Ltd	31 December 2016
236	Office Equipment PLC	31 March 2017
237	On'ally Holdings PLC	31 March 2017
238	Orient Insurance Ltd	31 December 2015
239	Overseas Realty (Ceylon) PLC	31 December 2015
240	Pan Asia Banking Corporation PLC	31 December 2016
241	Panasian Power PLC	31 March 2016
242	People's Insurance PLC	31 December 2015
243	People's Leasing & Finance PLC	31 March 2017
244	People's Merchant Finance PLC	31 March 2016
245	Piramal Glass Ceylon PLC	31 March 2017
246	Printcare PLC	31 March 2016
247	Property Development PLC	31 December 2016
248	Pussellawa Plantations Ltd	31 March 2016
249	Quenby Lanka Prints (Pvt) Ltd	31 March 2016
250	Ramboda Falls PLC	31 March 2016
251	Regnis (Lanka) PLC	31 December 2016
252	Renuka Agri Foods PLC	31 March 2016
253	Renuka City Hotels PLC	31 March 2016
254	Renuka Foods PLC	31 March 2015
255	Renuka Foods PLC	31 March 2016

	Specified Business Enterprise	Financial Year end
256	Renuka Foods PLC	31 March 2017
257	Resus Energy PLC	31 March 2016
258	Richard Pieris Exports PLC	31 March 2017
259	Rockland Distilleries (Pvt) Ltd	31 March 2015
260	Royal Palms Beach Hotels PLC	31 March 2017
261	RPC Polymers (Pvt) Ltd	31 March 2016
262	Sampath Bank PLC	31 December 2016
263	Samson Compounds (Pvt) Ltd	31 March 2016
264	Samson International PLC	31 March 2017
265	SANASA Development Bank PLC	31 December 2016
266	Sathosa Motors PLC	31 March 2017
267	SC Securities (Pvt) Ltd	31 December 2016
268	Selinsing PLC	31 March 2015
269	Selinsing PLC	31 March 2017
270	Senkadagala Finance PLC	31 March 2016
271	Serendib Engineering Group PLC	31 March 2016
272	Serendib Finance Ltd	31 March 2016
273	Serendib Hotels PLC	31 March 2017
274	Serendib Land PLC	31 March 2017
275	Seylan Bank PLC	31 December 2016
276	Shalimar (Malay) PLC	31 March 2015
277	Shalimar (Malay) PLC	31 March 2017
278	Short Term LKR Treasury Fund	31 December 2015
279	Singer (Sri Lanka) PLC	31 December 2016
280	Singer Finance (Lanka) PLC	31 March 2016
281	Singer Industries (Ceylon) PLC	31 December 2016
282	Sithma Development (Pvt) Ltd	31 December 2014
283	Sithma Development (Pvt) Ltd	31 December 2016
284	Siyapatha Finance PLC	31 December 2016
285	SMB Leasing PLC	31 December 2016
286	SMB Securities (Pvt) Ltd	31 December 2016
287	Softlogic Holdings PLC	31 March 2016
288	Softlogic Stockbrokers (Pvt) Ltd	31 March 2016
289	Sri Lanka Insurance Corporation Ltd	31 December 2015
290	Sri Lanka Telecom PLC	31 December 2016
291	Stromme Microfinance Asia (Guarantee) Ltd	31 December 2016
292	Summit Finance PLC	31 March 2016

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2017 were compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year end
293	Swarnamahahal Financial Services PLC	31 March 2016
294	Swisstek (Ceylon) PLC	31 March 2017
295	TAL Lanka Hotels PLC	31 March 2017
296	Talawakelle Tea Estates PLC	31 March 2017
297	Tangerine Beach Hotels PLC	31 March 2017
298	Taprobane Holdings PLC	31 March 2016
299	Tea Smallholder Factories PLC	31 March 2017
300	Teejay Lanka PLC	31 March 2017
301	The Autodrome PLC	31 March 2016
302	The Autodrome PLC	31 March 2017
303	The Colombo Fort Land & Building PLC	31 March 2016
304	The Fortress Resort PLC	31 March 2017
305	The Kandy Hotels Co. (1938) PLC	31 March 2017
306	The Kingsbury PLC	31 March 2017
307	The Lanka Hospital Corporation PLC	31 December 2016
308	The Lighthouse Hotel PLC	31 March 2017
309	The Nuwara Eliya Hotels Co. PLC	31 March 2017
310	Three Acre Farms PLC	31 December 2016
311	TKS Securities (Pvt) Ltd	31 March 2017
312	Tokyo Cement Company (Lanka) PLC	31 March 2017
313	Trans Asia Hotels PLC	31 March 2017
314	UB Finance Company Ltd	31 March 2017
315	Union Assurance General Ltd	31 December 2016
316	Union Assurance PLC	31 December 2016
317	Union Chemicals Lanka PLC	31 December 2016
318	Unisons Capital Leasing Ltd	31 March 2017
319	United Motors Lanka PLC	31 March 2017
320	VisionFund Lanka Ltd	31 March 2016
321	Watawala Plantations PLC	31 March 2017
322	Waterfront Properties (Pvt) Ltd	31 March 2017
323	WealthTrust Securities Ltd	31 March 2017
324	York Arcade Holdings PLC	31 March 2017

List of SBE's of which Financial Statements reviewed during 2017 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
1	ACL Cables PLC	31 March 2017
2	Agricultural and Agrarian Insurance Board -Fishermen's Pension and Social Security Benefit Scheme	31 December 2015
3	Agriculture Insurance Scheme	31 December 2016
4	AgStar PLC	31 March 2017
5	Airport & Aviation Services (Sri Lanka) Ltd	31 December 2015
6	Aitken Spence Plantation Managements PLC	31 March 2016
7	Alliance Finance Company PLC	31 March 2015
8	Alliance Finance Company PLC	31 March 2016
9	Amana Bank PLC	31 December 2016
10	Arpico Ataraxia Cash Management Fund	31 March 2016
11	Arpico Ataraxia S&P SL 20 Index Fund	31 March 2016
12	Arpico Finance Company PLC	31 March 2017
13	Ascot Holdings PLC	31 March 2016
14	Asha Phillip Securities Ltd	31 March 2017
15	Asia Capital PLC	31 March 2013
16	Asia Capital PLC	31 March 2014
17	Asia Securities (Pvt) Ltd	31 March 2017
18	Asian Hotels and Properties PLC	31 March 2017
19	Associated Motor Finance Company PLC	31 March 2016
20	Associated Motor Finance Company PLC	31 March 2017
21	Balangoda Plantations PLC	31 December 2015
22	Beruwala Resorts PLC	31 March 2017
23	Bimpuh Finance PLC	31 March 2016
24	Blue Mountain Properties (Pvt) Ltd	31 March 2015
25	Bogawantalawa Tea Estates PLC	31 March 2016
26	C T Properties Limited	31 March 2016
27	C.W Mackie PLC	31 March 2017
28	Candor Asset Management (Private) Ltd	31 December 2016
29	Capital Trust Securities (Pvt) Ltd	31 March 2017
30	Cargills (Ceylon) PLC	31 March 2015

	Specified Business Enterprise	Financial Year End
31	Cargills (Ceylon) PLC	31 March 2016
32	Cargills (Ceylon) PLC	31 March 2017
33	Central Engineering Consultancy Bureau	31 December 2012
34	Ceylinco General Insurance Ltd	31 December 2015
35	Ceylinco General Insurance Ltd	31 December 2016
36	Ceylinco Insurance PLC	31 December 2015
37	Ceylinco Insurance PLC	31 December 2016
38	Ceylinco Life Insurance Ltd	31 December 2015
39	Ceylinco Life Insurance Ltd	31 December 2016
40	Ceylon Fertilizer Co. Ltd	31 March 2016
41	Ceylon Grain Elevators PLC	31 December 2015
42	Ceylon Hospitals PLC	31 March 2017
43	Ceylon Hotels Corporation PLC	31 March 2016
44	Chemanex PLC	31 March 2017
45	City Housing & Real Estate Co. PLC	31 March 2016
46	Co- Operative Leasing Company Limited	31 March 2016
47	Coconut Cultivation Board	31 March 2014
48	Colombo City Holdings PLC	31 March 2017
49	Cooplif Insurance Limited	31 December 2016
50	Dankotuwa Porcelain PLC	31 March 2014
51	Development Lotteries Board	31 December 2015
52	Dialog Axiata PLC	31 December 2016
53	Distilleries Company of Sri Lanka PLC	31 March 2016
54	E.B.Creasy & Company PLC	31 March 2016
55	East West Properties PLC	31 March 2017
56	Elpitiya Plantations PLC	31 March 2016
57	Employees' Trust Fund Board	31 December 2014
58	First Capital Equities (private) Limited	31 March 2017
59	First Capital Holdings PLC	31 March 2017
60	First Guardian Equities (Pvt) Limited	31 December 2015
61	Galadari Hotels (Lanka) PLC	31 December 2016
62	Hapugastenne Plantations PLC	31 December 2015
63	Hatton National Bank PLC	31 December 2016
64	Hayleys Advantis Limited	31 March 2016

List of SBE's of which Financial Statements reviewed during 2017 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
65	Hayleys PLC	31 March 2017
66	Hemas Holdings PLC	31 March 2016
67	Hikkaduwa Beach Resort PLC	31 March 2015
68	Hikkaduwa Beach Resort PLC	31 March 2017
69	HNB Grameen Finance Limited	31 March 2016
70	Horana Plantations PLC	31 March 2015
71	Horana Plantations PLC	31 March 2016
72	Hotel Sigiriya PLC	31 March 2016
73	Hunter & Co. PLC	31 March 2017
74	Industrial Asphalts (Ceylon) PLC	31 March 2016
75	Janatha Estates Development Board	31 December 2013
76	John Keells Holdings PLC	31 March 2016
77	Kalamazoo Systems PLC	31 March 2016
78	Kanrich Finance Limited	31 March 2015
79	Kegalle Plantations PLC	31 March 2017
80	Kotagala Plantations PLC	31 March 2016
81	Kotmale Holdings PLC	31 March 2016
82	Kotmale Holdings PLC	31 March 2017
83	Lady Lochore Loan Fund	31 December 2015
84	Lanka Ashok Leyland PLC	31 March 2017
85	Lanka Phosphate Limited	31 March 2016
86	Lankaputhra Development Bank	31 December 2012
87	Lankaputhra Development Bank	31 December 2013
88	Lankaputhra Development Bank	31 December 2015
89	Lankem Ceylon PLC	31 March 2016
90	Lankem Developments PLC	31 March 2016
91	Lee Hedges PLC	31 March 2017
92	Link Engineering (Private) Limited	31 March 2015
93	Link Engineering (Private) Limited	31 March 2016
94	LOLC Finance PLC	31 March 2016
95	LOLC Finance PLC	31 March 2017
96	LOLC General Insurance Limited	31 December 2016

	Specified Business Enterprise	Financial Year End
97	LOLC Securities Limited	31 March 2016
98	LOLC Securities Ltd	31 March 2017
99	Lucky Lanka Milk Processing Company PLC	31 March 2016
100	Mackwoods Energy PLC	31 March 2016
101	Madulsima Plantations PLC	31 December 2015
102	Madulsima Plantations PLC	31 December 2016
103	Maersk Lanka (Private) Limited	31 December 2015
104	Maga Engineering (Pvt) Ltd	31 March 2016
105	Maskeliya Plantations PLC	31 December 2014
106	Maskeliya Plantations PLC	31 December 2015
107	Maskeliya Plantations PLC	31 December 2016
108	Melsta Regal Finance Limited	31 March 2016
109	Mercantile Investments and Finance PLC	31 March 2016
110	Metropolitan Resource Holdings PLC	31 March 2016
111	Miami Clothing (Pvt) Ltd	31 March 2016
112	Mireka Capital Land (Pvt) Ltd	31 December 2015
113	Mireka Homes (Pvt) Ltd	31 December 2015
114	MJF Properties (Pvt) Ltd	31 March 2016
115	Multi Finance PLC	31 March 2015
116	Multi Finance PLC	31 March 2016
117	Nation Lanka Equities (Pvt) Ltd	31 March 2017
118	Nation Lanka Finance PLC	31 March 2016
119	National Livestock Development Board	31 December 2013
120	National Livestock Development Board	31 December 2014
121	National Lotteries Board	31 December 2013
122	National Lotteries Board	31 December 2015
123	National Paper Co. Ltd	31 March 2014
124	National Wealth Corporation (Pvt) Ltd	31 December 2015
125	Nawaloka Hospitals PLC	31 March 2017
126	NDB Securities (Pvt) Ltd	31 December 2016
127	Ocean View Development Company (Pvt) Ltd	31 December 2015

List of SBE's of which Financial Statements reviewed during 2017 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
128	Palm Garden Hotels PLC	31 March 2016
129	Paranthan Chemicals Co. Ltd	31 December 2016
130	Peace Haven Resort Ltd	31 March 2014
131	Peace Haven Resort Ltd	31 March 2015
132	Pegasus Hotels of Ceylon PLC	31 March 2017
133	Perpetual Treasuries Ltd	31 March 2016
134	Platinum Realty Investments (Private) Limited	31 March 2016
135	Prime Lands (Pvt) Ltd	31 March 2016
136	Prime Lands Residencies (Pvt) Ltd	31 March 2016
137	R I L Property PLC	31 March 2017
138	Radiant Gems International PLC	31 March 2016
139	Regional Development Bank	31 December 2013
140	Regional Development Bank	31 December 2014
141	Regional Development Bank	31 December 2015
142	Renuka Holdings PLC	31 March 2016
143	Royal Ceramics Lanka PLC	31 March 2017
144	Sanasa Development Bank PLC	31 December 2016
145	Sarvodaya Development Finance Ltd	31 March 2016
146	Sarvodaya Development Finance Ltd	31 March 2017
147	Seylan Developments PLC	31 December 2014
148	Seylan Developments PLC	31 December 2016
149	Sierra Cables PLC	31 March 2017
150	Sigiriya Village Hotels PLC	31 March 2017
151	Sino Lanka (Private) Limited	31 March 2016
152	Softlogic Capital PLC	31 March 2015
153	Softlogic Capital PLC	31 March 2016
154	Softlogic Finance PLC	31 March 2014
155	Softlogic Finance PLC	31 March 2015
156	Softlogic Finance PLC	31 March 2016
157	Softlogic Life Insurance PLC	31 December 2016
158	Somerville Stock Brokers (Pvt) Ltd	31 March 2016
159	Sri Lanka Bureau of Foreign Employment	31 December 2015
160	Sri Lanka Cashew Corporation	31 December 2013
161	Sri Lanka Cement Corporation	31 December 2014

	Specified Business Enterprise	Financial Year End
162	Sri Lanka Cement Corporation	31 December 2015
163	Sri Lanka Export Credit Insurance Corporation	31 December 2015
164	Sri Lanka Handicrafts Board	31 December 2013
165	Sri Lanka Land Reclamation & Development Corporation	31 December 2014
166	Sri Lanka Rupavahini Corporation	31 December 2015
167	Sri Lanka Standards Institution	31 December 2015
168	Stafford Motor Company (Pvt) Ltd	31 March 2016
169	Standard Capital PLC	31 March 2016
170	State Mortgage & Investment Bank	31 December 2015
171	State Pharmaceuticals Corporation of Sri Lanka	31 December 2014
172	Sunshine Holdings PLC	31 March 2016
173	Taprobane Securities (Pvt) Ltd	31 March 2017
174	The Co-operative Wholesale Establishment	31 December 2011
175	The National Film Corporation of Sri Lanka	31 December 2014
176	The Standard Credit Finance Ltd	31 March 2016
177	Trade Finance and Investments PLC	31 March 2017
178	Udapussellawa Plantations PLC	31 December 2014
179	Udapussellawa Plantations PLC	31 December 2015
180	Urban Development Authority	31 December 2012
181	Urban Development Authority	31 December 2013
182	Urban Development Authority	31 December 2014
183	Vallibel Plantation Management Limited	31 March 2015
184	Waskaduwa Beach Resort PLC	31 March 2016
185	Waskaduwa Beach Resort PLC	31 March 2017

Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31st December 2017

Listed companies which have not submitted financial statements for the year ended 31 December 2016 :

- Agalawatte Plantations PLC
- Vanik Incorporation PLC **

Listed Companies which have not submitted financial statements for the year ended 31 March 2017 :

- Entrust Securities PLC **
- Standard Capital PLC
- Miramar Beach Hotels PLC **
- PC House PLC **
- Pelwatte Sugar Industries PLC **
- Central Investment and Finance PLC **
- Adam Capital PLC
- Anilana Hotels and Properties Ltd
- Adam Investments PLC
- Janashakthi PLC
- Ceylon and Foreign Trades PLC
- Mackwoods Energy PLC

Public Sector entities which have not submitted financial statements for the year ended 31 December 2016 :

- Building Materials Corporation Limited
- Central Engineering Consultancy Bureau

- Ceylon Ceramic Corporation
- Ceylon Electricity Board
- Ceylon Fisheries Corporation
- Ceylon Petroleum Corporation
- Development Lotteries Board
- Employees Trust Fund Board
- Janatha Estates Development Board
- Local Loans and Development Fund
- National Film Corporation
- National Livestock Development Board
- National Water Supply and Drainage Board
- National Institute of Business Management
- National Lotteries Board
- National Insurance Trust Fund
- Paddy Marketing Board
- Sri Jayewardenepura General Hospital
- Sri Lanka Cement Corporation
- Sri Lanka Bureau of Foreign Employment
- Sri Lanka Transport Board
- Sri Lanka Ayurvedic Drugs Corporation
- Sri Lanka Land Reclamation and Development Corporation
- Sri Lanka Handicrafts Board
- Sri Lanka Institute of Textile and Apparel
- Sri Lanka Standards Institution

- Sri Lanka Broadcasting Corporation
- Sri Lanka Rupavahini Corporation
- Sri Lanka Savings Bank
- State Development and Construction Corporation
- State Engineering Corporation of Sri Lanka
- State Timber Corporation
- State Pharmaceuticals Corporation of Sri Lanka
- The Co-operative Wholesale Establishment
- Urban Development Authority

Public Sector entities which have not submitted financial statements for the year ended 31 March 2017 :

- National Paper Company Ltd
- Ceylon Shipping Corporation
- Ceylon Fertilizer Co. Ltd

**** Default Board at Securities Exchange Commission of Sri Lanka and non operational**

Activities relating to Standard Setting by CA Sri Lanka during the year 2017

The main activities carried out during the year in relation to revision of accounting and auditing standards were as follows:

a.) Issuing of the Sri Lanka Accounting Standards Bound Volume for 2017, which incorporates the latest version of the standards based on the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and gazetting of the changes from the previous Bound Volume.

b.) Amending following existing Sri Lanka Accounting Standards and gazetting the amended Standards.

- Annual Improvements to SLFRSs - 2016

SLFRS 1 - First-time Adoption of International Financial Reporting Standards (effective from 01 January 2018)

LKAS 28 - Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value (effective from 01 January 2018)

SLFRS 12 - Disclosure of Interests in Other Entities: Clarification of the scope of the Standard (effective from 01 January 2017)

- Amendments to IAS 40 - Investment Property regarding transfers of investment property (effective from 01 January 2018)
- Amendments to SLFRS 9 - Financial Instruments and LKAS 28 Investments in

Associates and Joint Ventures (effective from 01 January 2019)

c) Issuing of the Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements and gazetting the SoAT.

d) Issuing the Financial Reporting Guideline on Impairment of Available-for-Sale (AFS) Equity Investments.

e) Accounting Standards Committee responding by way of submitting comments to the following Exposure Drafts and discussion papers issued by the International Accounting Standards Board;

- Annual Improvements 2015 - 17 cycle
- Narrow Scope Amendments to IAS 16 - Property, Plant and Equipment
- Request for Information on IFRS13-Fair value measurement, Post Implementation Review

Further, deliberating the following Exposure Drafts within the Committee;

- Definition of Materiality
- Accounting Policies and Accounting Estimates

In addition, the Committee has provided its contribution by responding to the survey conducted by the Asian-Oceanian Standard-Setters Group (AOSSG) on IFRS for SMEs.

f) Deliberation of the following pronouncements issued by the International Accounting Standards Board by the

Accounting Standards Committee, being in progress as at 31st December 2017:

- Materiality Practice Statement
- IFRS 17 *Insurance Contracts*

g) Conducting comprehensive series of seminars and workshops by CA Sri Lanka as awareness programs on the Sri Lanka Accounting Standards among different stakeholder groups.

h) Finalising the Sri Lanka Auditing Standards 2017 Bound Volume and the changes to Sri Lanka Auditing Standards to be effective for audits of financial statements for periods ending on or after 31 March, 2018 which are being gazetted.

i) Auditing Standards Committee responding by way of submitting the comments to the following Exposure Drafts, discussion papers and other recent developments;

- ED 540 - Auditing Accounting Estimates and Related Disclosures
- Discussion Paper on Exploring the Demand for Agreed -Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards

- Deliberating on the new reporting standards including drafting guidance on the format of the report by the Committee

j) Conducting awareness programs on the new and revised auditing standards among different stakeholder groups by CA Sri Lanka.

Report of the Auditor General



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

TRE/A/SLAASMB/1/17/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

24 July 2018

The Chairman

Sri Lanka Accounting and Auditing Standards Monitoring Board

Report of the Auditor General on the Financial Statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2017 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board ("the Board") for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance and other comprehensive income, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 33(2) of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this Report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 -1810). Those

අංක 306/72, පොල්දො පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

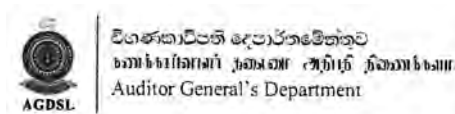
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Report of the Auditor General



Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give true and fair view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

A Manual of Procedures had not been prepared and obtained the approval of the Board of Directors thereof even as at 31 December 2017 as requested by paragraph 9.14 of the Public Enterprises Circulars No. PED/12 dated 02 June 2003

Report of the Auditor General



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Auditor General's Department

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Government grants was the main income source of the Board and it had decreased by Rs. 9,698,229 or 10 per cent during the year under review as compared with the preceding year. However, the under mentioned recurrent expenditure incurred in the year under review had significantly increased between the ranging from 59 per cent to 104.3 per cent as compared with previous year.

Expenditure Category	Total Expenditure		Increase	
	2017	2016		
	Rs.	Rs.	Rs.	Percentage
Rental & building service charges	11,191,842	6,234,891	4,956,951	79.5
Professional fees to reviewers	1,920,000	940,000	980,000	104.3
International travel	3,994,965	2,503,394	1,491,571	59.6

In the year 2016 a special budget allocation for capacity building purposes had been provided and a part of professional fees had been paid by utilizing that special budget allocation provided for previous year.

4. Operating Review

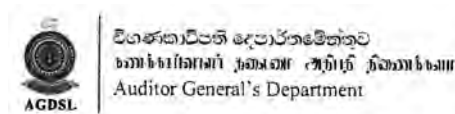
4.1 Performance

According to Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the main function of the Board is to monitor the compliance with Sri Lanka Accounting Standards and Auditing Standards by the Specified Business Enterprises (SBEs).

The following observations are made in this regard.

- (a) It was observed that the Board had failed to identify the total number of specified business enterprises in operations within the country even as at 31 March 2018.

Report of the Auditor General



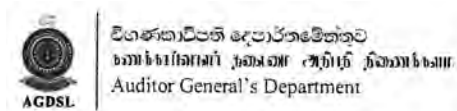
- (b) According to the information made available to audit, the Board had reviewed only 518 Financial Statements during the year 2017 in order to ensure the compliance with Sri Lanka Accounting Standards and Auditing Standards by the SBEs and it comprised the financial statements received relating to the years 2015 and prior to that, and for the years 2016 and 2017.
- (c) Follow-up actions relating to some SBEs had not been taken by the Board on the finding which already communicated with those SBEs.

4.2 Management Activities

The following observations are made.

- (a) The Board had entered into an agreement with the Ceylon Bible House for obtaining the first floor of the existing building on rental basis for the period of four years with effect from 01 January 2017. However, it was observed that the Board had failed to utilize the entire floor area for the intended purpose, and instead that area had been utilized for some other temporary activities of the Board until 31 March 2018. Therefore, the amount of Rs. 5,695,341 incurred thereon during the year under review had become an uneconomic expenditure.
- (b) The Board had received 15 laptop computers valued at Rs. 1,575,000 from the Information and Communication Technology Agency of Sri Lanka (ICTA) during the year under review for the purpose of study, design, development and implementation of a Management Information System (MIS) for the Board (A Memorandum of Understanding had been signed between the Board and the ICTA). However, according to the explanations provided by the Board, the development and implementation of the system had not been completed due to the budgetary constraints of the ICTA.

Report of the Auditor General



4.3 Staff Administration

The following observations are made.

- (a) Recruitments had been made on contract basis for 03 posts of higher management level, a senior level post and 02 posts of tertiary level belonging to the approved cadre of the Board since 2009 and it was observed that the payments are being made more than the approved remunerations with higher benefits for the permanent posts of those 03 higher management level posts.
- (b) The Board had not prepared a Succession Plan in terms of Paragraph 9.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003.


5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budgeted and the actual income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.2 Annual Action Plan

An Annual Action Plan by including setout targets expecting to be achieved quarterly basis and the officers responsible for those targets had not been prepared by the Board in terms of Public Finance Circular No. 01/2014 dated 17 February 2014


W.P.C. Wickramaratne
Auditor General (Acting)

Statement of Financial Position

As at	Note	31-Dec-17 Rs.	31-Dec-16 Rs.
ASSETS			
Non - Current Assets			
Property, plant and equipment	3	24,567,695	30,435,576
Deposits	4	6,979,736	6,879,736
		31,547,431	37,315,312
Current Assets			
Inventories	5	516,831	576,864
Accounts receivable	6	3,376,423	3,177,666
Cash and cash equivalents	7	7,927,900	2,110,767
		11,821,154	5,865,297
Total Assets		43,368,585	43,180,609
LIABILITIES			
Non - Current Liabilities			
Deferred income - government grants	8	30,256,006	37,208,854
Defined benefit obligations	9	1,291,425	106,458
		31,547,431	37,315,312
Current Liabilities			
Deferred income - government grants	10	1,124,759	2,290,471
Deferred income - IFIAR Workshop	11	6,719,098	-
Accounts payable	12	3,977,297	3,574,826
		11,821,154	5,865,297
Total Liabilities		43,368,585	43,180,609

The notes appearing on pages 45 to 52 form an integral part of the financial statements.

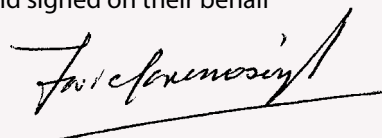
Members of the Board of Sri Lanka Accounting and Auditing Standards Monitoring Board are responsible for the preparation and presentation of these financial statements

These financial statements were approved by the Board and signed on their behalf


Chairman


Director General

27 February 2018


Member



Finance and Administration Manager

Statement of Financial Performance and Other Comprehensive Income

As at	Note	31-Dec-17 Rs.	31-Dec-16 Rs.
Revenue			
Government grants	13	86,852,282	96,550,511
Less: Grants released to the CA Sri Lanka		2,500,000	2,500,000
		84,352,282	94,050,511
Operating Expenses			
Board Members' allowances		(1,253,250)	(1,552,500)
Auditor's remuneration	14	(160,000)	(163,180)
Staff costs	15	(42,351,100)	(39,350,133)
Fuel and lubricants		(1,659,290)	(1,547,910)
Press notices		(435,225)	(718,034)
Rent and building service charges		(11,191,842)	(6,234,891)
Depreciation and amortisation expenses	3	(9,769,265)	(9,519,116)
Electricity		(1,391,243)	(1,457,899)
Professional fees to reviewers		(1,920,000)	(940,000)
International memberships		(1,778,911)	(1,596,780)
Books and periodicals		(1,186,311)	(897,565)
International travel		(3,994,965)	(2,503,394)
Training and development		(982,649)	(799,130)
License and insurance		(1,005,800)	(822,572)
Stationery		(659,804)	(790,041)
Expenses on special capacity building programmes	16	-	(21,679,041)
Other administration expenses	17	(4,612,627)	(3,478,325)
		-	-
Other Comprehensive Income			
Gain /(loss) on remeasurement of the defined benefit obligation		(454,840)	333,157
Government grants related to remeasurement of defined benefit obligation		454,840	(333,157)
		-	-
Net surplus / (deficit) for the year		-	-

The notes appearing on pages 45 to 52 form an integral part of the financial statements.

Statement of Changes in Net Assets

	Accumulated Fund Rs.
Balance as at 31 December 2015	-
Net surplus/deficit for the year	-
Balance as at 31 December 2016	-
Net surplus/deficit for the year	-
Balance as at 31 December 2017	-

The notes appearing on pages 45 to 52 form an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 December	Note	2017 Rs.	2016 Rs.
Cash flows from operating activities			
Net surplus / (deficit) for the year	-	-	
Adjustments for;			
Government grants received during the year		78,656,000	98,519,770
Deferred government grants transferred to total comprehensive income	13	(87,307,122)	(96,217,354)
Grants received in the form of non-current assets	3	(1,575,000)	(7,390,000)
Depreciation	3	9,769,265	9,519,116
Loss on disposal of office equipment		1	7
Interest on investment in gratuity fund		(455,461)	(358,981)
Defined benefit obligations	15.1	1,184,967	418,240
Excess of income over expenditure / (expenditure over income) before working capital changes		272,650	4,490,798
(Increase) / decrease in deposits		(100,000)	(1,740,960)
(Increase) / decrease in inventories		60,034	(55,740)
(Increase) / decrease in accounts receivable		(198,757)	(1,308,246)
Increase / (decrease) in accounts payable		402,471	615,291
Registration fees received for IFIAR Workshop		6,719,098	-
Net cash flows from operating activities		7,155,496	2,001,143
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,793,824)	(1,690,360)
Interest received on investment in gratuity fund		455,461	307,058
Net cash flows		5,817,133	617,841
Cash flows from financing activities			
		-	-
Net increase / (decrease) in cash and cash equivalents		5,817,133	617,841
Cash and cash equivalents at the beginning of the year		2,110,767	1,492,926
Cash and cash equivalents at the end of the year	7	7,927,900	2,110,767

The notes appearing on pages 45 to 52 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate Information

The financial statements of Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2017 were authorised for issue by a resolution of the Members of the Board on 27 February 2018. Sri Lanka Accounting and Auditing Standards Monitoring Board is a Statutory Board established by Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The function of the Board is to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of specified business enterprises under the provisions of Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Board employed 15 permanent employees, 6 employees on contract basis and 1 employee on temporary basis as at 31 December 2017 (15 permanent and 5 on contract basis as at 31 December 2016).

2. Significant Accounting Policies

Basis of Preparation

The financial statements of the Board are prepared under the historical cost convention in conformity with Sri Lanka

Public Sector Accounting Standards for Accrual Basis of Accounting.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Events after the reporting date

All material events after the date of the Statement of Financial Position are considered and appropriate adjustments or disclosure made in the financial statements, where necessary.

Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is charged to the Statement of Financial Performance, on a straight-line basis, over the estimated useful lives of the assets as follows.

Description	Estimated Useful Life
Motor Vehicles	5 Years
Office Equipment	4 Years
Furniture, Fixtures & Fittings	6-10 Years
Books and Publications	3 Years

Depreciation is provided in the year of purchase and in the year of sale based on

the period used, with full depreciation being provided in the month of purchase and no depreciation being provided in the month of sale.

Items other than books and publications purchased at a cost not exceeding Rs. 7500/-, all Accounting Standards and Auditing Standards, and other publications with a cost not exceeding Rs.1000/- are expensed in the year of purchase.

Inventories

Inventories are valued at lower of cost and net realisable value. The cost of the inventories is arrived at by using the first-in, first-out (FIFO) basis.

Accounts Receivable

Accounts Receivable are stated at the amounts estimated to be realised, and where necessary, allowance is made in the financial statements, for bad and doubtful debts.

Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are carried at cost.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

Accounts Payable

Liabilities for Accounts Payable are carried at the amount of cash and cash equivalents expected to be paid.

Notes to the Financial Statements

Defined Benefit Costs

The defined benefit obligation for retiring gratuities payable under the Payment of Gratuity Act No.12 of 1983 recognised in the Statement of Financial Position, represent the present value of the defined benefit obligation. All actuarial gains and losses are recognised immediately in the Statement of Financial Performance and Other Comprehensive Income.

Government Grants

Grants received from the General Treasury of the Government of Sri Lanka are recognised as income in the period in which the related costs are recognised.

Government grants utilised to acquire assets that will be expensed in subsequent periods are recognised as deferred income. Government Grants represented by other assets including cash and cash equivalents, less liabilities (other than liabilities on account of the Grants received) are recognised as liabilities.

Notes to the Financial Statements

3. Property, Plant and Equipment

As at	Motor Vehicles		Office Equipment		Furniture, Fixtures & Fittings		Library Books		Total	
	31-Dec-17 Rs.	31-Dec-16 Rs.	31-Dec-17 Rs.	31-Dec-16 Rs.	31-Dec-17 Rs.	31-Dec-16 Rs.	31-Dec-17 Rs.	31-Dec-16 Rs.	31-Dec-17 Rs.	31-Dec-16 Rs.
Cost										
At beginning of the year	51,160,000	43,770,000	8,983,997	9,360,745	11,155,887	10,630,338	3,190,899	3,126,300	74,490,783	66,887,383
Additions	-	7,390,000	3,552,858	1,125,835	341,027	499,926	7,500	64,599	3,901,385	9,080,360
Disposals	-	-	(28,990)	(1,476,960)	-	-	-	-	(28,990)	(1,476,960)
Transfer	-	-	-	(25,623)	-	25,623	-	-	-	-
At end of the year	51,160,000	51,160,000	12,507,865	8,983,997	11,496,914	11,155,887	3,198,399	3,190,899	78,363,178	74,490,783
Accumulated Depreciation										
At beginning of the year	23,610,665	15,253,500	7,418,484	8,034,715	9,888,950	9,631,099	3,137,108	3,093,729	44,055,207	36,013,043
Depreciation for the year	8,432,000	8,357,165	952,372	860,722	358,744	257,851	26,149	43,379	9,769,265	9,519,116
Depreciation on disposals	-	-	(28,989)	(1,476,953)	-	-	-	-	(28,989)	(1,476,953)
Transfer	-	-	(25,620)	-	25,620	-	-	-	-	-
At end of the year	32,042,665	23,610,665	8,316,247	7,418,484	10,273,314	9,888,950	3,163,257	3,137,108	53,795,483	44,055,206
Written Down Value at end of the year										
	19,117,335	27,549,335	4,191,618	1,565,513	1,223,600	1,266,937	35,142	53,791	24,567,695	30,435,576

Notes to the Financial Statements

As at	31-Dec-17 Rs.	31-Dec-16 Rs.
4. Deposits (Non-current)		
Rent deposit	6,879,736	6,879,736
Safety Locker deposit	100,000	-
	6,979,736	6,879,736
5. Inventories		
Stationery	516,831	576,864
6. Accounts Receivable		
Prepayments	2,899,773	3,147,666
Deposits	30,000	30,000
Prepayments -IFIAR Inspection workshop 2018 (Note 7.1)	446,650	-
	3,376,423	3,177,666
7. Cash and Cash Equivalents		
Cash in hand and at bank	484,452	2,110,767
Cash at Bank-IFIAR Inspection workshop 2018 (Note 7.1)	7,443,448	-
	7,927,900	2,110,767
7.1 SLAASMB is to host the 2018 Inspection Workshop of the International Forum of Independent Audit Regulators (IFIAR), in Sri Lanka in February 2018. Cash at bank relates to the fees received from international participants and the contribution by SLAASMB. Registration fee received is shown as Deferred Income. Prepayments are expenses incurred and advances paid in relation to workshop related activities.		
8. Deferred Income - Government Grants (Non-current)		
Balance at the beginning of the year	37,208,854	36,272,974
Funds of capacity building budget utilised to acquire non-current assets	532,561	-
Grants received and utilised to acquire non-current assets	1,793,824	1,690,360
Grants received in the form of non-current assets	1,575,000	7,390,000
Increase of deposit (non-current)	100,000	1,740,960
Depreciation and amortisation expenses for the year	(9,769,265)	(9,519,116)
Interest received on gratuity fund	455,461	358,981
Loss on disposal of office equipment	(1)	(7)
Change in defined benefit obligations for the year	(1,640,428)	(725,298)
	30,256,006	37,208,854
Represented by		
Property, plant and equipment	24,567,695	30,435,576
Deposit (non-current)	6,979,736	6,879,736
(Provision for gratuity) / Excess of Gratuity Fund	(1,291,425)	(106,458)
	30,256,006	37,208,854

Notes to the Financial Statements

As at	31-Dec-17 Rs.	31-Dec-16 Rs.
9. Defined Benefit Obligations / (Asset)		
Balance at the beginning of the year	4,717,728	3,992,430
Charge for the year	696,832	574,972
Interest for the year	488,756	483,483
Actuarial gains / losses	454,840	(333,157)
	6,358,156	4,717,728
Payments during the year	-	-
	6,358,156	4,717,728
Gratuity Fund (Note 9.1)	(5,066,731)	(4,611,270)
Balance at the end of the year	1,291,425	106,458
Present value of the obligation was measured using the following assumptions.		
Expected salary increment	10%	10%
Discount / interest rate	12.11%	10.94%
Staff turnover factor	9%	9%
The liability for gratuity is partly funded.		
9.1 Gratuity Fund		
Balance at the beginning of the year	4,611,270	4,252,289
Investments made during the year	-	-
Interest recieved during the year	455,461	358,981
Payments during the year	-	-
Balance at the end of the year	5,066,731	4,611,270
10. Deferred Income - Government Grants (Current)		
Balance at the beginning of the year	2,290,471	923,934
Increase / (decrease) in inventories and accounts receivable	138,724	1,363,986
Increase / (decrease) in cash and cash equivalents	5,817,133	617,841
(Increase) / decrease in deferred income and accounts payable	(7,121,569)	(615,290)
	1,124,759	2,290,471
Represented by		
Inventories	516,831	576,864
Accounts receivable	3,376,423	3,177,666
Cash and cash equivalents	7,927,900	2,110,767
Less: Deferred income - IFIAR Inspection Workshop 2018	(6,719,098)	-
Less: Accounts payable	(3,977,297)	(3,574,826)
	1,124,759	2,290,471

Notes to the Financial Statements

<i>As at</i>	31-Dec-17 Rs.	31-Dec-16 Rs.
11. Deferred Income - IFIAR Inspection Workshop 2018		
Participant's fee received for IFIAR Inspection workshop 2018 (Note 7.1)	6,719,098	-
12. Accounts Payable		
Auditors' remuneration	320,000	160,000
Grants payable to CA Sri Lanka	1,250,000	-
Professional fees payable to reviewers	260,000	230,000
Staff incentive payable	1,014,000	1,014,000
Other payables	1,133,297	2,170,826
	3,977,297	3,574,826
<i>For the year ended 31 December</i>	31-Dec-17 Rs.	31-Dec-16 Rs.
13. Government Grants		
Government Grants received during the year	78,656,000	75,099,770
Government Grants received during the year for capacity building	-	23,420,000
Grants received in the form of non-current assets	(1,575,000)	(7,390,000)
Grants used to increase rent deposit	-	(1,740,960)
Grants used to increase other deposits	(100,000)	-
Grants used for capital expenditure	(1,793,824)	(1,690,360)
Grants used to finance net current assets	1,165,713	(1,366,536)
Depreciation and amortisation expenses for the year	9,769,265	9,519,116
Interest received on gratuity fund	(455,461)	(358,981)
Loss on disposal of office equipment	1	7
Defined benefit liability for the year	1,185,588	1,058,455
Grants shown in the Statement of Financial Performance	86,852,282	96,550,511
Grant related to remeasurement of defined benefit liability shown in the Other Comprehensive Income	454,840	(333,157)
Total grants transferred to total comprehensive income shown in the Statement of Cash Flows	87,307,122	96,217,354
14. Auditors' Remuneration		
Current year	160,000	160,000
(Over) / under provisions in previous years	-	3,180
	160,000	163,180

Notes to the Financial Statements

<i>For the year ended 31 December</i>	31-Dec-17 Rs.	31-Dec-16 Rs.
15. Staff Costs		
Staff remuneration	19,208,809	16,367,231
Employees' provident fund	2,519,477	2,166,026
Employees' trust fund	565,502	541,506
Defined benefit obligations (note 15.1)	730,127	751,397
Vehicle rent and payment to driver	1,512,489	1,001,901
Staff incentive	12,168,000	11,921,000
Health insurance	518,379	528,243
Staff welfare	849,060	719,984
Other staff benefits	4,279,256	5,352,845
	42,351,100	39,350,133
15.1 Defined Benefit Obligations		
Charge for the year	696,832	574,972
Net interest for the year	33,295	176,425
	730,127	751,397
Actuarial gains / losses disclosed as Other Comprehensive Income	454,840	(333,157)
Total Defined Benefit Obligation included in the Statement of Cash flows	1,184,967	418,240
16. Expenses on Special Capacity Building Programmes		
Expansion of premises	-	627,297
Staff training and development	-	10,678,146
Workshop on audit inspections	-	3,865,548
Workshop on financial reporting	-	1,755,542
Public awareness	-	3,754,358
Training for reviewers	-	998,150
	-	21,679,041
17. Other Administration Expenses		
Annual report	357,002	353,563
Computer maintenance	180,508	203,433
Equipment maintenance	231,060	186,861
Telephone	658,273	584,959
Vehicle maintenance	1,614,599	597,541
Office expenses	501,432	462,159
Legal and professional fees	308,383	331,200
Internal audit fees	170,500	156,500
Sundry expenses	590,870	602,109
	4,612,627	3,478,325

Notes to the Financial Statements

18. Capital Commitments

The Board had approved The design and construction of interior of the new office premises rented out with effect from 1 January 2017. However, no commitments have been made as yet. (As at 31 December 2016 - nil)

19. Related Party Transactions

M/s Aitken Spence Travels (Pvt) Limited has been selected through the government procurement process as the event Manager to Facilitate the IFIAR 2018 Inspection Workshop. Ms Nilanthi Sivapragasam, member of the Board, is the Chief Financial Officer of the Aitken Spence Group. Total contracted fee of the Event Manager is Rs. 980,000+ taxes.

20. Contingent Liabilities

There were no contingent liabilities as at 31 December 2017. (As at 31 December 2016 - nil)

21. Events after the Date of the Statement of Financial Position

There were no material events after the reporting date necessitating any adjustments or disclosure in the financial statements.

Specified Business Enterprises

The following have been defined as specified business enterprises by the Act and the regulations made under the Act:

- Licensed banks.
- Companies authorised to carry on insurance business.
- Companies carrying on leasing business.
- Factoring Companies.
- Finance Companies.
- Companies licensed to carry on business as stockbrokers of stockdealers.
- Companies licensed to operate unit trust.
- Fund Management Companies.
- Companies licensed to operate a stock exchange.
- Companies listed in a Stock Exchange.
- Other Companies -
 - (a) which have an annual turnover in excess of Rupees 500 Million ;
 - (b) which at the end of the previous financial year, had shareholders' equity in excess of Rupees 100 Million;
 - (c) which at the end of the previous financial year, had gross assets in excess of Rupees 300 Million;
 - (d) which at the end of the previous year, had liabilities to banks and other financial institutions in excess of Rupees 100 Million;
 - (e) which have a staff in excess of 1,000 employees.
- Public Corporations engaged in the sale of goods or the provision of services.
- A group of companies, anyone of which falls within any of the above categories. For this purpose, a group of companies' means a holding company and its subsidiaries, the accounts of which have to be consolidated under the Companies Act.

Notes

Name of Organization
Sri Lanka Accounting and
Auditing Standards Monitoring Board

Legal Form
A Statutory Board established by
Sri Lanka Accounting
and Auditing Standards
Act No.15 of 1995

Country of Incorporation
Sri Lanka

Head Office
3rd Floor,
293, Galle Road,
Colombo 3
Telephone: 011 2301210
Fax: 011 2301211
E-mail: slaasmb@sltnet.lk

Website
www.slaasmb.gov.lk

Auditors
External Auditors
The Auditor General
Auditor General's Department
No. 306/72, Polduwa Road
Battaramulla

Internal Auditors
Edirisinghe & Company
45, Braybrooke Street,
Colombo 02

Banker
Bank of Ceylon

Legal Advisers
Attorney General
Attorney General's Department
Colombo 12

