

Annual Report 2018



SLAASMB

Sri Lanka Accounting and Auditing
Standards Monitoring Board

Enhancing Reliability

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 60)

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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	
D N R Siriwardena <i>BA (Hons.), LLB, Attorney-at-Law</i> Registrar General of Companies	Ex-Officio Member	
A. N. Guruge <i>BSc, B. Admin</i> Commissioner General - Department of Inland Revenue	Ex-Officio Member (w.e.f. 19 November 2018)	
D M L I Dissanayake <i>BSc (Sp), B. Admin</i> Commissioner General - Department of Inland Revenue	Ex-Officio Member (up to 14 November 2018)	
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>	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 2018



R A A Jayalath

B Com (Sp), MBA, MA Econ, FCA

Mr. Jayalath, Chairman of the Board 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 29 years of service at the Central Bank of Sri Lanka.



D N R Siriwardena

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

Mr. Siriwardena joined the Department of Registrar of Companies in 1988. Currently he is working as the Registrar General of Companies. He has over 31 years of experience in the Department of Registrar of Companies. Mr. Siriwardena is an ex-officio member of the Institute of Chartered Accountants of Sri Lanka, an ex-officio member of the Insurance Regulatory Commission of Sri Lanka and also an ex-officio member of the Securities and Exchange Commission of Sri Lanka.



A. Nadun Guruge

BA, Bsc

Mr Guruge, the Commissioner General of Inland Revenue counts over 35 years of service at the Department of Inland Revenue. He is a graduate of Sri Jayawardenapura University in the stream of Business Administration and obtained a degree in Bachelor of Commerce. Further he has successfully completed Diploma in Strategic Management and Leadership at Greenwich School of Business and Finance, United Kingdom and a Diploma for English Professionals at National Institute of Business Management. He is also a fellow Member of Association of Public Finance Accountants of Sri Lanka (APFASL).



V P Wijegunawardane

BA(Hons), MA(Financial Economics)

Mr. Wijegunawardane is the Director General of the Securities and Exchange Commission of Sri Lanka. He also holds the International Capital Markets qualification from the Securities and Investment Institute, London. He has had exposure in Investment Analysis and Fund Management for over 11 years and has provided leadership through many key initiatives in the development and reform of the capital market.

Members of the Board

as at 31st December 2018



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 21 years of experience in auditing, assurance services, forensic investigations and taxation.

He is a Board Member of the Confederation of Asian 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, a Senior Partner at Ernst & Young, Sri Lanka and Maldives is a Past President of the Institute of Chartered Accountants of Sri Lanka. He is a member of the Professional Accountancy Organisation Development Committee of the International Federation of Accountants (IFAC) and of the Confederation of Asian Pacific Accountants (CAPA). He also serves as a Director in many Boards of corporate entities, and as members of several regulatory bodies and statutory committees.



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 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 is the Group Director - Finance, of Ceylon Biscuits Limited Group of Companies counting over 28 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 also a Past President of CIMA Sri Lanka. He is presently the 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 2018



P L C Peiris *FCA, Attorney-at-Law*

Mr. Peiris, the Managing Partner of PLC Law Chambers counts over 23 years of experience in Investment banking, Finance and Law. Being a professional in law and finance, he is also a Passed Finalist of the Chartered Institute of Management Accountants of UK (CIMA). Currently, he serves as a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka and a delegate member of the Bar Council of the Bar Association of Sri Lanka.



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

Ms. Sivapragasam is the Chief Financial Officer of the Aitken Spence Group and serves on the Board of several companies in the Group. She is the Chairperson of the Financial Reporting Faculty of the Institute of Chartered Accountants of Sri Lanka and serves in the Council of the Sri Lanka Institute of Directors and several other regulatory bodies and committees.

**Observer of the Board -
Treasury Representative**



A de Vas Gunasekara *FCA, FSCMA*

Mr. Gunasekara is the Group Chief Financial Officer of Sampath Bank PLC. He counts over 24 years of post-qualifying experience including 19 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 at Asian Alliance Insurance PLC and as Accountant at Finlay's PLC.



M R V R Meepura
MBS, Bsc HRM, ACA

Mr. Meepura, Director of the Department of Public Enterprises, counts over 20 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 2018

Chairman of Statutory Auditing Standards Committee



Suren Rajakarier

FCA, FCMA, FCCA

Mr. Rajakarier, Partner at KPMG Sri Lanka, counts over 31 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 Ernst and Young. He is also the Head of Assurance and Professional Practice and Director in - charge of Banking and Financial Services Practice at Ernst and Young.

Mr. Jayesinghe having over 36 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 37 years of experience in the field of auditing, financial and business management in a firm of Chartered Accountants and in leading State Sector Organizations respectively. 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 also holds the life membership of the Association of Professional Bankers of Sri Lanka.

Board appointed Sub-Committees

Audit Committee

Mr. L L S Wickremasinghe - Chairman

Ms. N Sivapragasam - Member

Mr. M V R Meepura - Member

Remuneration Committee

Mr. R A A Jayalath - Chairman

Mr. N Jayasinghe -Member

Mr. M R V Meepura -Member

Technical Sub-Committee

Ms. N Sivapragasam - Chairperson

Mr. M Jayasinghe - Member

Mr. N Jayasinghe - Member

Mr. A De Vas Gunasekara - Member

IT Steering Committee

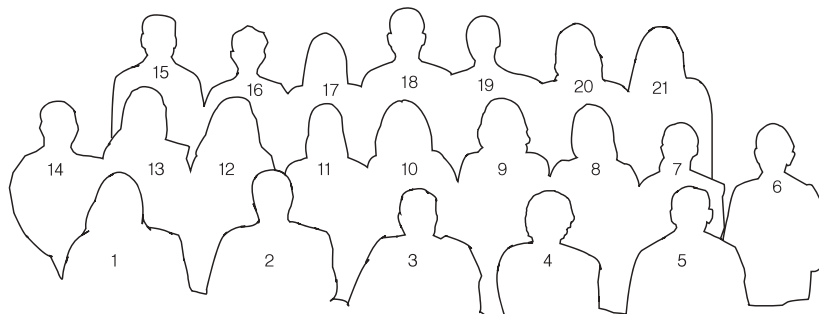
Mr. R A A Jayalath - Chairman

Mr. W W J C Perera - Member

Mr. A Herath - Member

Mr. N Jayasinghe - Member

Staff who was in service during 2018



- 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 Iddamaloda

- 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 Amarasie
- 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

Mrs. Asha Ahamath

FCA
Director Technical

Mrs. Monita N Bandara

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

Ms. Hafsa Banu Razzak

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

Ms. W G Eranga Amarasi

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

Ms. Mahesha 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. Lalani Wathsala Mallawarachchi

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

Review of Activities 2018

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 60 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 to 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 Auditing Standards developed by the International Auditing and Assurance Standards Board (IAASB). Presently, the Institute 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 noncompliance. 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. When deviations contravene the provisions of the statute, but the contravention is not of a serious nature, a Direction is issued by the Board. 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 2018, SLAASMB has identified 1,579 entities meeting the criteria laid down by the Act. No 15 of 1995 termed as SBEs for monitoring under the Act. During the year, 1,456 SBEs had submitted 1,566 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. Under this approach, the inspection

Review of Activities 2018

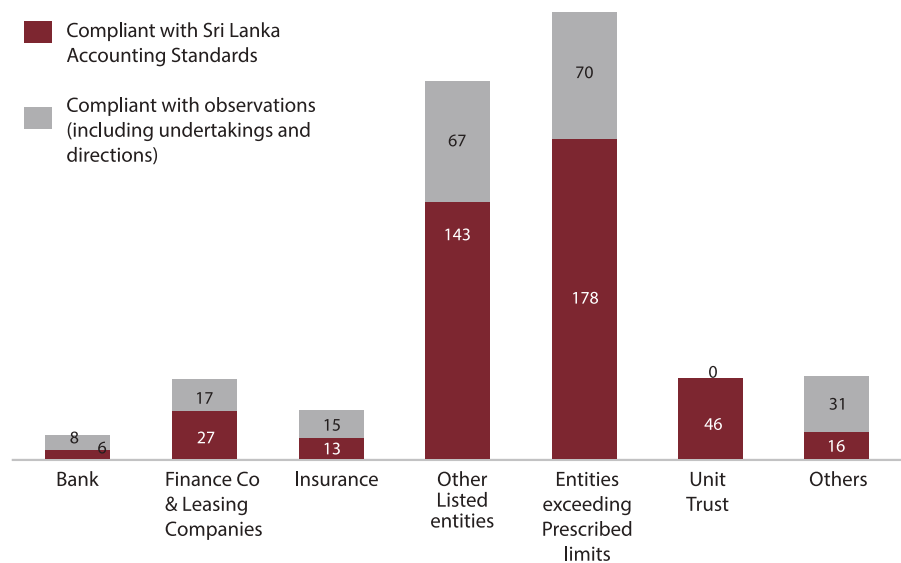
commences with the identification of high risk areas of audits and are conducted in-depth on these high risk areas. This new approach has resulted in enabling identification of deviations from auditing standards in the conduct of audits. However, such inspections take approximately 4-5 days to conclude. As the total number of staff engaged in performing the review functions remained static since 2013, due to more time being spent on performing audit inspections with the aim of enhancing the audit quality environment, the time available to review financial statements reduced. Since the quality audit reduces the risk of material misstatements in financial statements, selection of financial statements for review criteria included at high risk entities being reviewed annually while the review of other financial statements being covered on a cyclical basis.

Further, with SLAASMB hosting the 2018 IFIAR Inspection workshop in Colombo from 20 -22 February 2018, the staff was engaged in performing activities related to the workshop. Due to these reasons, SLAASMB 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 638 sets of financial statements relating to 608 SBEs were completed compared with the planned number of 625 sets of financial statements for the year. SLAASMB reviewed 518 sets of financial statements relating to 459 SBEs during 2017, the year, in which the new approach was adopted.

Findings of Financial Statement Reviews during 2018-sector wise



Review of Activities 2018

2.3 Performance Statistics of the Board

Item	Performance under the previous review methodology			Performance under the new review methodology	
	2014	2015	2016	2017	2018
1 No. of SBEs Identified (as at period end)	1,353	1,140	1,485	1,559	1,579
2 Financial statements received					
No of statements (including financial statements relating to multi years)	1,371	1,430	1,536	1,643	1,566
No. of SBEs	1,289	1,345	1,412	1,479	1,456
3 Review of financial statements					
No. of reviews	1,200	1,122	731	518	638
No. of SBEs	1,151	1,068	678	459	606
4 Corrective Actions					
Compliant					
No. of financial statements	498	553	436	324	430
No of SBEs	483	534	417	306	413
Compliant with observations					
No. of financial statements	697	567	291	185	202
No of SBEs	674	541	262	150	193
Non Compliant					
(Undertakings and Directions)	5	2	4	9	6
No. of financial statements	5	2	4	9	6
No of SBEs					
5 Corrective action as a % of No. of SBEs reviewed					
Compliant	42%	50%	61%	66%	68%
Compliant with issues	58%	50%	38%	32%	31%
Non Compliant	-	-	1%	2%	1%
(Undertakings and Directions)					

2.4 The corrective action taken during the year 2018 revealed 68% of SBEs as being compliant, 31% being compliant with observations and 1% 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 five SBEs of which four were listed entities and one was a private entity. Undertakings obtained from SBEs resulted in corrections to net profits/equity amounting to Rs. 1.1

billion. These undertakings would be followed up for compliance in the subsequent annual financial statements. (see page 16 for observations made on the review of financial statements and page 18 for undertakings obtained and directions issued during 2018).

2.6 A direction was issued to a Licensed Commercial Bank to make certain adjustments with the implementation of SLFRS 9 and to disclose the said fact in the interim financial statements with the objective of presenting a true and fair view.

2.7 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, 199 letters of assistance were issued to encourage those SBEs to improve their systems for financial reporting.

3 . Inspection of Audits

3.1 During the year, 50 audits carried out by 10 firms of practicing Chartered

Review of Activities 2018

Accountants were inspected, compared with the 100 audits carried out by 13 firms which were inspected during the preceding year. The number of audit inspections reduced due to the commencement of firmwide quality inspections on a voluntary basis. The 50 audit inspections conducted during the year included 19 thematic inspections compared with 15 thematic inspections conducted during 2017.

- 3.2** Two warning letters were issued during the year to two auditors, requiring the said firms to act diligently and in accordance with the requirements of applicable auditing standards when conducting audits of financial statements, in the future.
- 3.3** The audit files on which the inspections were carried out during the year were selected on a risk-based approach. However, plans are being made to design a process to determine the most suitable risk-base for adoption during 2019.
- 3.4** The inspections during the year resulted in observing deficiencies in 12 audits conducted by 9 firms compared with the 43 audits conducted by 13 firms during 2017. Significant concerns were communicated to the relevant audit firms (See page 19 for details of audit inspections).
- 3.5** Apart from the risk based approach to audit inspections, SLAASMB continued thematic inspections during the year on the theme Communications with Those

Charged with Governance. During the year 19 thematic inspections were conducted on audits of 5 firms compared with 15 thematic inspections conducted on audits of 6 firms during 2017.

4. Investigations

Adam Capital PLC
Consequent to the predecessor auditor of Adam Capital PLC issuing 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 and its present auditor issuing an unqualified opinion on the audit of the financial statements for the year ended 31 March 2016, SLAASMB observed non-compliance with Auditing Standards by the said present auditor and a direction was issued by the Board requesting the Company to re-audit the said financial statements. With the Company not willing to bare additional costs of a re-audit, the matter is being currently discussed with the Attorney General.

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 2018 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 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

The Accounting Standards Committee and the Auditing Standards Committee of the CA Sri Lanka established under Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 makes recommendations and assists CA Sri Lanka in adopting accounting and auditing standards.

Review of Activities 2018

During the year 2018, the activities performed by the two Committees included the issue of the Sri Lanka Accounting Standards Bound Volume 2018 and Sri Lanka Auditing Standards Bound Volume 2017, issue of narrow scope amendments to the Sri Lanka Accounting Standard for Small and Medium Sized Entities, amending and gazetting existing Sri Lanka Accounting Standards scheduled to be effective in 2019 and 2020 including translation of such pronouncements into Sinhala and Tamil languages, responding to the Exposure drafts and discussion papers, deliberating on IFRSs and the amendments issued by the International Accounting Standards Board and conducting awareness programs on standards. In terms of the current arrangement with the Ministry of Finance and Mass Media, SLAASMB has increased the annual grant paid to CA Sri Lanka to Rs. 4 million in 2018 to partly finance the cost of facilitating activities of the two Committees and the adoption of Sri Lanka 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 at the sessions of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (ISAR).

7.3 SLAASMB hosted the 2018 Inspection Workshop of the International Forum of Independent Audit Regulators (IFIAR) in Sri Lanka from 20-22 February 2018. SLAASMB held the Inauguration ceremony of the Workshop on 19 February 2019 under the distinguished

patronage of Minister of Special Assignments, Dr. Sarath Amunugama. The Governor of the Central Bank of Sri Lanka, Dr. Indrajit Coomaraswamy was the guest of honour. Chairman of IFIAR, Mr. Brian Hunt and Executive Director of the IFIAR Secretariat in Japan, Mr. Carl Renner were also present.

110 participants from 40 jurisdictions attended the workshop in Colombo. Three staff members of SLAASMB contributed to the workshop as speakers at break-out sessions. Having the workshop in Sri Lanka provided an opportunity for all technical staff to participate at an IFIAR workshop. In total, four prominent local speakers made presentations at the plenary sessions. The workshop enabled 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. The workshop concluded with a positive note.

8 Human Resources

8.1 Staff

SLAASMB had a total staff of twenty one as at the end of 2018, of which fourteen were Chartered Accountants. The total technical staff comprised of the Director General, one Deputy Director General, six Directors and six Assistant Directors. Of the technical staff, five were employed on a contractual basis while nine were employed on a permanent basis.

Review of Activities 2018

The staff had international exposure on areas relating to financial reporting, auditing and regulation by attending conferences, workshops and training programmes on 8 occasions during the year. Further, all technical staff were given the opportunity to attend the 2018 IFIAR Inspection workshop which was hosted in Colombo by SLAASMB.

8.2 External Panel of Reviewers

As measures to comply with the recommendations of the COPE, SLAASMB continued to engage 12 external reviewers to review financial statements received in its attempt to increase the number of financial statements being reviewed.

With the aim of enhancing the quality of the reviews conducted by the external reviewers, an evaluation on the review quality of the reviews performed by the external reviewers are conducted on a periodic basis. Based on the results of the evaluation of reviewers the reviewers' services are continued or discontinued. This also enables identification of areas for improvement in reviewers. Of the financial statement reviews completed during the year, reviewers had completed the preliminary reviews of 108 sets of financial statements. The external reviewers had conducted preliminary reviews of 141 sets of financial statements and Rs.2.298 million was incurred during the year in respect of the services of external reviewers. The finalization of

the reviews carried out by the external reviewers which includes obtaining additional information, seeking agreements for corrections and 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 530 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 continued to serve as the Chairman

of the Board during 2018. 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 through out 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. Mr. H M A Jayasinghe, M R V R Meepura and Mr. T J S Rajakarier, invitees/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 Aitken Spence Travels (Pvt) Ltd was selected as the event manager for the 2018 IFIAR Inspection workshop held in Colombo. Ms. Nilanthi Sivapragasam, member of the Board is the Chief Financial Officer of the Aitken Spence group in which Aitken Spence Travels (Pvt) Ltd is a subsidiary. Rs. 1,099,414 was

Review of Activities 2018

paid during the year to Aitken Spence Travels (Pvt) Ltd as event management fees.

9.5 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 focused on issues relating to non-compliances with standards by SBEs and by auditors, approving annual financial statements, annual budget and the action plan of the Board. The Board was also engaged in reviewing different approaches to enhancing the efficiency and effectiveness of the review mechanisms supported by the awareness of global practices learnt through knowledge sharing made possible by hosting of the 2018 IFIAR Inspection workshop in Colombo. Further, the Board was engaged in reviewing different approaches on amending the staff remuneration scheme in order to attract suitable staff for technical functions.

9.6 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 during the year, by the staff supervised and guided by the two Deputy Director Generals and the Director General.

10. Financial Performance

During the year, SLAASMB's main source of financing continued to be from funds provided by the Government. Although SLAASMB's activities are financed through Government funds, as an alternative, 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.

The operating expenses of SLAASMB for the year amounted to Rs. 90,138,101 compared with Rs. 84,352,282 of the previous year. The increase in operating expenses was mainly attributable to increase in staff costs, subscription for international organizations and local and international expenses related to capacity building of the staff. Of the operational expenses, staff costs during the year amounted to Rs.44,084,317 compared to Rs. 42,351,100 during the previous year, indicating a marginal increase of 4% from previous year. Further, the staff costs of SLAASMB constituted to be 49% of the operating expenses, depicting a trend similar to 2017.

SLAASMB incurred a total cost of Rs. 11,654,353 when

hosting the 2018 IFIAR Inspection workshop in Colombo in February 2018. The main source of funds for the workshop was through participant's fees received in United States Dollars. Further, Rs. 1,175,000 was granted by the Treasury for the event at the time the Cabinet of Ministers granted approval for SLAASMB to host the event. After meeting the expenses related to the workshop, SLAASMB returned Rs. 1,165,586 to the Treasury, being the net income from hosting the 2018 IFIAR Inspection workshop in Colombo.

11. Development of Management Information System (MIS)

Consequent to SLAASMB identifying the pressing need for a MIS to smoothen its review functions in 2015, The Information Communication Technology Agency (ICTA) facilitated the development of a MIS for SLAASMB with the ICTA's offer to accommodate the development costs within the ICTA's budget of 2016- 2017. However, at the stage of awarding the contact to the developer, ICTA informed of their inability to finance the said development activity out of their budget. As a result SLAASMB had to seek a facilitator and to re-commence the systems development with another developer. Consequent to deliberations made, the Board is considering possibilities of seeking the assistance of the University of Moratuwa to facilitate the development project. Accordingly, at present, discussions are taking place with the University of Moratuwa.

Observations made on Review of Financial Statements during 2018

1. Undertakings obtained to make the required corrections

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) obtained undertakings from five specified business enterprises (SBEs) to make corrections in the financial statements. These undertakings resulted in corrections to net profits/ equity amounting to Rs. 1.1 billion.

Further, a direction was issued to a Licensed Commercial Bank to make certain adjustments with the implementation of SLFRS 9 and to disclose the said fact in the interim financial statements with the object of presenting a true and fair view.

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.

- Failure to make adequate allowances for impairment of the investment in associate when impairment indicators exist (Reference; LKAS 36 paragraph 8)
- Failure to make adequate allowances for impairment of financial assets when impairment indicators exist (Reference; LKAS 39 paragraphs 59 and 63)
- Incorrect recognition of income tax liability and corresponding deferred tax

asset in relation to loans written-off which had been fully claimed when recognizing deferred tax liabilities (Reference; LKAS 12 paragraph 5 and LKAS 37 paragraph 10)

- Failure to recognise biological assets and measure at fair value. (Reference; LKAS 41 paragraph 12)
- Failure to measure investment properties at fair values by considering restrictions/characteristics specific to such investment properties (Reference; LKAS 40 paragraph 40)

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 Specified Business Enterprises (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 make adequate disclosure 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 value - in 61 SBEs (Reference; SLFRS 13 paragraphs 91 and 93)

- Failure to make adequate disclosure at the end of the reporting period, on the nature and extent of risks arising from financial instruments to which, the entity is exposed - in 29 SBEs (Reference; SLFRS 7 paragraphs 31, 36 and 37)
- Failure to recognise adequate impairment allowances when objective evidence exist at the end of each reporting period on impairment of a financial asset or group of financial assets - in 23 SBEs (Reference; LKAS 36 paragraph 8 and LKAS 39 paragraphs 58 and 63)
- Failure to make adequate disclosure relating to the nature of the related party relationships as well as information about the transactions with related parties - in 21 SBEs (Reference; LKAS 24 paragraph 18)
- Failure to consider all taxable temporary differences when recognizing deferred tax liabilities - in 18 SBEs (Reference; LKAS 12 paragraphs 15 and 24)

Observations made on Review of Financial Statements during 2018

- Failure to make adequate disclosure in relation to the significant accounting policies which comprise of the measurement base and other accounting policies that are relevant for an understanding of the financial statements - in 16 SBEs
(Reference; LKAS 1 paragraph 117)
- Failure to adequately disclose the relationship between tax expense and accounting profit and evidence to support recognition of deferred tax on tax losses - in 15 SBEs
(Reference; LKAS 12 paragraph 81)
- Failure to make adequate disclosure on the effects of changes in the assumptions used to measure insurance assets and liabilities, that had a material effect on the financial statements - in 11 SBEs
(Reference; SLFRS 4 paragraphs 37)
- Failure to perform regular revaluations when the fair values of revalued assets differ materially from the carrying amounts - in 8 SBEs
(Reference; LKAS 16 paragraphs 31 and 34)

Undertakings obtained and Directions issued during the year 2018

1. Kalpitiya Beach Resorts PLC

Kalpitiya Beach Resorts PLC had failed to recognise impairment of the investment in its associate, Colombo Land & Development Company PLC as required by LKAS 36. Accordingly, the net assets of the entity were overstated in the financial statements for the year ended 31 March 2017.

The auditors had not qualified their opinion on this issue.

Subsequent to inquiries made by SLAASMB, the entity undertook to make the impairment allowance in relation to the investment in its associate, to reflect the investment at its recoverable value in the financial statements for the year ended 31 March 2018. As a result, the net assets of the entity has reduced by Rs. 176 million.

2. Central Finance Company PLC

Central Finance Company PLC failed to assess the impairment allowance in accordance with the requirements of LKAS 39. Accordingly, the entity had overstated the loans and receivables as at 31 March 2017.

The auditors had not qualified 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 in the summarized quarterly financial statements for the 9 months ended 31 December

2017. As a result, the net assets of the entity as at 31 December 2017 reduced by Rs.895 million.

3. Sarvodaya Economic Enterprises Development Services (GTE) Limited

Sarvodaya Economic Enterprises Development Services (GTE) Limited had failed to classify the teak plantation as biological assets and to measure such assets at fair value in accordance with the requirements of LKAS 41. Accordingly, the biological assets were understated in the financial statements for the year ended 31 March 2017.

The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to carry out a valuation of the teak plantation, and to recognize a gain/loss in the financial statements in accordance with LKAS 41 for the year ended 31 March 2018, based on such valuation. As a result, the net assets of the entity has increased by Rs 20.7million in the financial statements for the year ended 31 March 2018.

4. Commercial Credit and Finance PLC

Commercial Credit and Finance PLC had incorrectly recognized the income tax liability and corresponding deferred tax asset in relation to loans written-off which had been fully claimed in the company's tax returns. Accordingly, the current tax

liabilities and deferred tax assets were overstated as at 31 March 2017 and 31 March 2018.

The auditors had not qualified their opinion on this issue. Subsequent to the inquiries made by SLAASMB, the entity undertook to make the adjustments in the summarised financial statements for the quarter ended 30th September 2018 in accordance with LKAS 37 and LKAS 12. As a result the current tax liability and the corresponding deferred tax asset of the entity has been reduced by Rs. 1,905 million as at 30 September 2018.

5. The Finance Company PLC

The Finance Company PLC had failed to measure its investment properties by considering restrictions/ characteristics specific to such investment properties in the financial statements for the year ended 31 March 2017.

The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to reflect the investment properties at appropriate fair values in the financial statements for the year ended 31 March 2019 in accordance with LKAS 40.

6. Union Bank of Colombo PLC

Union Bank of Colombo PLC had failed to use appropriate loss given default (LGD) rates when estimating the collective impairment allowance for all incurred losses for the loan portfolios

Undertakings obtained and Directions issued during the year 2018

in accordance with the requirements of LKAS 39 in the financial statements for the year ended 31 December 2016.

Entity had not recognised financial assets on the basis of similar risk characteristics and had used a common loss given default (LGD) rate for the entire loan portfolio. Further, by using a five year observation period to monitor all default customers, the entity has not used recent observable data of historical loss experience to reflect current circumstances/ conditions.

The auditors had not qualified their opinion on this issue.

Subsequent to the direction issued by SLAASMB, the entity agreed to make the required adjustments in the financial statements with the implementation of SLFRS 9 and to disclose the said fact in the interim financial statements for the quarters ending 30 June 2018 and 30 September 2018. As a result of changing the practices in accordance with the standards, the net assets will reduce.

Observations made on Audit Inspections during 2018

1. Introduction

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) continued to improve the risk based audit inspection approach adopted in 2016 as an initiative towards enhancing the audit quality in its endeavor to improve the audit quality environment, with the aim of enhancing reliability of the financial statements.

SLAASMB continued monitoring compliance with Sri Lanka Auditing Standards by conducting regular audit inspections and thematic inspections during the year. Further, as a measure to prepare the audit market for firm-wide quality inspections in the future, SLAASMB commenced firm-wide audit quality inspections since early 2018.

Accordingly, SLAASMB conducted a total of 50 inspections on audit engagements conducted by 10 audit firms during the year compared with 100 audit engagements conducted by 13 firms during the year 2017. The 50 inspections conducted on audit engagements comprised of 31 regular audit inspections approached through a risk based focus which enabled in-depth inspections into the predetermined specific areas and 19 thematic inspections. In comparison, the 100 inspections conducted in 2017 comprised of 85 regular audit inspections and 15 thematic inspections. The audits inspected during the year included 26 audits

carried out by 4 firms which are members of international networks.

2. Enforcements on non-compliances

Based on the severity of the findings of the inspections, SLAASMB adopted diverse measures in its effort of making the auditors to correct themselves in order to achieve the aim of improving the audit quality environment. During the year, measures such as issuing of letters of warning and letters of Observation continued along with follow up on compliance to previous Directions issued. 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. Based on the significance of the issue, during 2017, SLAASMB had referred the deficiencies to CA Sri Lanka and had issued a direction to an SBE requiring its financial statements to be re-audited and republished. The SBE had responded stating the practical difficulties in implementing the direction and the matter has been referred to the Attorney General and is awaiting a response.

2.1 Letter of Warning issued

During the year 2018, two letters were issued by SLAASMB to two audit firms warning the said firms on the failure to exercise the fundamental ethical principle of due care when conducting an audit of a SBE. Accordingly,

the Board issued letters of warning to KPMG and B V Fernando & Co requiring the said firms to act diligently and in accordance with the requirements of applicable auditing standards when conducting audits of financial statements, in the future.

2.2 Letters of Assistance issued

When regular audit inspections results in finding non-compliances with standards which are material but not significant as to require further action under the statute, such deficiencies are communicated to the audit firms as letters of assistance termed as "Letters of Observation". Such deficiencies were identified in 12 audit engagements conducted by 9 firms.

2.3 Suggestions for Improvements

Suggestions for improvements were communicated in relation to 7 audit engagements carried out by 2 firms. The auditors of such firms are expected to improve on the areas identified in their future audits.

3. Observations made on regular audit inspections

Significant deficiencies communicated by letters of assistance included:

3.1 Failure to ensure compliance with the applicable financial reporting framework

- Failure by the auditor to identify the incorrect recognition of the

Observations made on Audit Inspections during 2018

income tax liability and corresponding deferred tax asset in relation to loans written-off in a finance company, which had been fully claimed in the company's tax returns, resulting in overstatement of assets and liabilities.

- Failure to assess the existence of control over an investee company by a parent company and to identify the requirement to prepare and present consolidated financial statements.

3.2 Failure to obtain sufficient appropriate audit evidence

- Failure to assess the reasonableness of the forecast of revenue for the period hedged, the basis of assessing the highly probable sales and of the determination of the forecasted foreign currency exchange rates, when forecasted foreign currency revenue had been hedged against foreign exchange risk.

3.3 Failure to communicate with Those Charged With Governance (TCWG)

- Absence of evidence of any communication had with the Audit Committee in relation to the audit engagement of a registered finance company.

3.4 Failure to perform adequate audit procedures relating to the risk assessment

- Failure to perform tests of controls to obtain

sufficient appropriate audit evidence on the operating effectiveness of the controls of a registered finance company which uses an IT system for its operations. Certain controls were observed to have been identified for the Information System (IS) audit testing by the auditor. However, testing of certain application controls which specifically relates to automated controls like data validation, editing and processing have not been tested by the IS Audit team.

- Failure to perform an adequate level of risk assessment procedures when, the auditor had identified the system change which had taken place during the year, of a manufacturing company, as a specific risk, at the planning stage of the audit. The performance of the risk assessment procedures and the results of such procedures were not adequately evident from the audit working papers.
- Failure to respond to the risks identified despite the auditor planning to perform certain Tests of Controls (TOCs) and substantive procedures in relation to revenue, not identifying the key controls and not performing TOCs to ensure operating effectiveness of relevant controls. Significant lapses were also observed in relation to the substantive testing.

3.5 Failure to perform adequate audit procedures relating to accounting estimates including fair value accounting estimates and related disclosures

- Failure to adopt due care in ascertaining the accuracy of the ageing of loans and receivables when determining the adequacy of the impairment allowance of a finance company.
- Failure to verify the reasonableness of the fair value of property, plant and equipment on which a revaluation gain of Rs. 1.5 billion had been recognized.
- Not maintaining professional skepticism in auditing the accounting estimates in a bank by failing to identify the adoption of an inappropriate loss given default (LGD) rate which was not in accordance with the requirements of LKAS 39, when estimating the collective impairment allowance for all incurred losses of the loan portfolios. Further, the auditor had not recognized the bank's failure to group the loans and receivables on the basis of similar credit risk characteristics and had not identified the failure by the bank to use recent observable data of historical loss experience to reflect current circumstances and conditions.

Observations made on Audit Inspections during 2018

3.6 Failure to adequately address the risk of fraud in an audit of financial statements

- Failure to perform audit procedures on journal entries in response to risk of fraud.
- Failure to select an appropriate representative sample of journal entries to test the characteristics which the auditor had identified as susceptible to management override of controls and fraud.

4. Firm-wide audit quality inspections

As a part of the capital market development program implemented by the Government, proposals have been made to amend the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. A significant proposal in the amendments is to make the Sri Lanka Standards on Quality Control 1 (SLSQC1) mandatory, for auditors who audit financial statements of all specified business enterprises (SBEs).

While the Act No. 15 of 1995 is in the process of being amended, SLAASMB has requested audit firms which conduct audits of a significant number of SBEs to volunteer to be subject to an inspection on compliance with the requirements of SLSQC 1, as means of enhancing the audit quality of firms. Accordingly the firms, Ernst and Young and KPMG have volunteered and firm-wide quality inspections have taken place

on the said two firms on the topic 'Tone at the top and audit quality'. The field work of the said firms has been completed and the reports are expected to be issued in 2019.

Such process will enhance the readiness of both SLAASMB and of audit firms, enabling smooth functioning of the firm-wide quality inspections, when it becomes mandatory.

5. Thematic inspections

During 2018, SLAASMB conducted thematic inspections on the theme of Communication with Those Charged with the Governance, for a sample of 19 audits, representing 5 audit firms. Report on observations of the said thematic inspections conducted during 2018 is expected to be issued during 2019.

However, in 2017, SLAASMB conducted thematic inspections on two themes, namely on Engagement Quality Control Reviewer (EQCR) and Communications with Those Charged with Governance for a sample of 15 audits representing 6 audit firms. The reports on the findings of these two themes were published in July 2018 and are given on page 23.

Accordingly, the report on existence of effective engagement quality control review procedures was intended to promote a better understanding of the role of the EQCR in an audit engagement

and on how the EQCR can contribute to enhance audit quality. Similarly, the report on Communication with Those Charged with the Governance, focused on the effectiveness of the two-way communication between the auditor and those charged with governance.

The report of this inspection intends to foster better dialogue with Those Charged with Governance in order to enhance the audit quality.

Further, the thematic inspection reports include some suggestions for improvement on the adoption of the two themes.

6. Future focus

SLAASMB will continue to expand the activities in relation to audit inspections with the view of enhancing the audit quality. A new risk-based approach is expected to be developed in 2019 to guide SLAASMB on the selection and identification of high risk audits and key areas to focus during inspections. Further, regular public awareness sessions to enhance the audit quality are expected to be conducted to different stakeholders of the audit environment.

Thematic Review activities - 2018

Thematic Inspections

1. Introduction

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) commenced thematic inspections during 2017. The thematic inspections focus at firms' policies and procedures in respect of a specific area or aspect of the audit, by inspecting selected audit engagements of such firm. This enables comparisons among firms with a view to identifying both good practices and areas of common weaknesses in relation to the selected theme or specific area. The reports issued during 2018 on the thematic inspections carried out by SLAASMB during 2017 focused on the work performed by the engagement quality control reviewer (EQCR) and on auditor's communication with Those Charged with Governance (TCWG) in the audit of financial statements of listed companies.

2. Findings

The findings of the thematic inspections reported during 2018 are included in the detailed reports of the two Thematic Inspections conducted during 2017 published in the website www.slaasmb.gov.lk

3. Way forward

Considering the importance of the effective two-way communication between the auditor and TCWG and its contribution towards enhancing the capital market development, SLAASMB focused on continuing the thematic inspection on the theme 'Communication with TCWG' in the year 2018 as well.

Further, SLAASMB has sought feedback of the Audit Committee chairs of the auditees, to understand the timeliness and effectiveness of the two-way communication between the auditor and TCWG during 2018. The findings from the inspections are expected to induce the firms which were subject to such inspections as well as other firms which refer the report, to improve their policies and procedures in respect of a specific area or aspect on the audit on which the thematic inspection was focused.

Performance Scorecard

SLAASMB uses the Performance Scorecard to plan its annual performance. The plan for 2018, actual for 2018 and plan for 2019 are given below;

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

Goals	Measures	2018 Plan (Revised)	2018 Actual		2019 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	625 sets of financial statements	638 sets of financial statements	102	725 sets of financial statements
	Review audits to determine compliance with Sri Lanka Auditing Standards	- 50 audits (includes 19 thematic inspections)	- 50 audits (includes 19 thematic inspections)	100	50 audits (Including 15 thematic inspections)
		- 4 firm wide inspections	- 2 firm wide inspections <i>(Note 1)</i>		2 firm wide quality inspections

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

Goals	Measures	2018 Plan (Revised)	2018 Actual		2019 Plan
			Number	As a % of plan	
Collection of financial statements	Number of financial statements received	1,559	1,566 <i>(Note 2)</i> (Number of SBE's 1,456)	94.9	1,559

Performance Scorecard

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

Goals	Measures	2018 Plan	2018 Actual		2019 Plan
			Number	As a % of plan	
Employee performance	Achieve targeted performance points for the year (Note 3)	27,576	27,941	101	30,402
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	48 presentations on Standards	48 presentations on Standards	100	48 presentations on Standards
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	5 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

Only two audit firms volunteered to be subjected to a full scope firm wide inspection.

Note 2

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

Note 3

Performance points are based on the nature and extent of work required to complete the tasks. Complexity of issues and possible issues identified resulted in more time to be spent on technical discussions.

Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2018 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
1	A. Baur and Company (Pvt) Ltd	31 December 2017
2	Abans Electricals PLC	31 March 2017
3	Abans Finance PLC	31 March 2018
4	Abans PLC and Its Subsidiaries	31 March 2017
5	Ace Container Repairs (Pvt) Ltd	31 March 2017
6	Ace Containers (Pvt) Ltd	31 March 2017
7	Ace Distriparks (Pvt) Ltd	31 March 2017
8	Acuity Securities Ltd	31 December 2017
9	Acuity Stockbrokers (Pvt) Ltd	31 December 2017
10	Advantis Freight (Pvt) Ltd	31 March 2017
11	AEN Palm Oil Processing (Pvt) Ltd	31 March 2017
12	Agro Technica Ltd	31 March 2017
13	Ahungalla Holiday Resorts (Pvt) Ltd	31 March 2017
14	Ahungalla Resort Limited	31 March 2017
15	Airport & Aviation Services (Sri Lanka) Ltd	31 December 2016
16	Aitken Spence (Garments) Ltd	31 March 2017
17	Aitken Spence Plantation Management PLC	31 March 2017
18	Aitken Spence Travels (Pvt) Ltd	31 March 2018
19	Akbar Brothers Exports (Pvt) Ltd	31 March 2017
20	Akzo Nobel Paints Lanka (Pvt) Ltd	31 March 2017
21	Allianz Insurance Lanka Ltd	31 December 2017
22	Alpha Apparels Ltd	31 December 2017
23	Alufab PLC	31 March 2018
24	Alumex PLC	31 March 2018
25	Amana Candor Shariah Balanced Fund	31 December 2017
26	Amana Candor Shariah Income Fund	31 December 2016
27	Amazon Trading (Pvt) Ltd	31 March 2018
28	Ambewela Products (Pvt) Ltd	31 March 2017
29	AMW Capital Leasing & Finance PLC	31 March 2018
30	Ansell Textiles Lanka (Pvt) Ltd	30 June 2017
31	Aqua Packaging (Pvt) Ltd	31 March 2017
32	Arpico Ataraxia S&S SL 20 Index Fund	31 March 2017
33	Arpico Ataraxia Sri Lankan Bond Fund	31 March 2017
34	ASCOT Holdings PLC	31 March 2017
35	Asia Asset Finance PLC	31 March 2018
36	Asia Siyaka Commodities PLC	31 March 2018

	Specified Business Enterprise	Financial Year End
37	Asian Paints (Lanka) Ltd	31 March 2018
38	Asiri Hospital Holdings PLC	31 March 2017
39	Asiri Surgical Hospital PLC	31 March 2017
40	Associated Ceat (Pvt) Ltd	31 March 2017
41	ASTRUE Alpha Fund	31 March 2017
42	Astrue Gilt- Edged Fund	31 March 2018
43	Astrue Money Market Fund	31 March 2017
44	Avery Dennison Lanka (Pvt) Ltd	31 December 2016
45	Balangoda Plantations PLC	31 December 2016
46	Bank of Ceylon	31 December 2017
47	Bansei Royal Resorts Hikkaduwa PLC	31 March 2017
48	Benji Ltd	31 March 2017
49	Beruwala Holiday Resorts (Pvt) Ltd	31 March 2017
50	Bodyline (Pvt) Ltd	31 December 2017
51	Bogala Graphite Lanka PLC	31 December 2017
52	BPPL Holdings PLC	31 March 2017
53	Brac Lanka Finance PLC	31 March 2018
54	Bratex (Pvt) Ltd	31 December 2016
55	Browns Beach Hotels PLC	31 March 2018
56	Camso Loadstar (Pvt) Ltd	31 March 2018
57	Candor Equities Ltd	31 December 2017
58	Candor Growth Fund	31 December 2016
59	Candor Opportunities Fund	31 December 2017
60	Capital Alliance Gilt Money Market Fund	31 March 2017
61	Capital Alliance Investment Grade Fund	31 March 2017
62	Capital Alliance Investments Ltd	31 March 2017
63	Capital Alliance Ltd	31 March 2018
64	Capital Alliance Medium Risk Debt Fund	31 March 2017
65	Cargills Agrifoods Ltd	31 March 2017
66	Cargills Bank Ltd	31 December 2017
67	Cargo Boat Development Company PLC	31 March 2018
68	CCS Lanka (Pvt) Ltd	31 December 2016
69	Ceat Kelani Holdings (Pvt) Ltd	31 March 2017
70	Ceat Kelani International Tyres (Pvt) Ltd	31 March 2017
71	Central Industries PLC	31 March 2018
72	Ceybank Asset Management Ltd	31 March 2017
73	Ceybank Century Growth Fund	31 March 2017

Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2018 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
74	Ceylinco Life Insurance Ltd	31 December 2017
75	Ceylon Asset Management Company Ltd	31 December 2016
76	Ceylon Cold Stores PLC	31 March 2018
77	Ceylon Dollar Bond Fund	31 December 2017
78	Ceylon Financial Sector Fund	31 December 2016
79	Ceylon Gilt-Edged Fund	31 December 2016
80	Ceylon Grain Elevators PLC	31 December 2016
81	Ceylon Grain Elevators PLC	31 December 2017
82	Ceylon Guardian Investment Trust PLC	31 March 2018
83	Ceylon Hospitals PLC	31 March 2018
84	Ceylon Income Fund	31 December 2016
85	Ceylon Index Fund	31 December 2016
86	Ceylon Investment PLC	31 March 2018
87	Ceylon IPO Fund	31 December 2016
88	Ceylon Money Market Fund	31 December 2016
89	Ceylon Tea Brokers PLC	31 March 2018
90	Ceylon Tea Marketing (Pvt) Ltd	31 March 2017
91	Ceylon Tobacco Company PLC	31 December 2017
92	Ceylon Tourism Fund	31 December 2016
93	Chas. P. Hayley & Company (Pvt) Ltd	31 March 2017
94	Chemane PLC	31 March 2018
95	Chevron Ceylon Ltd	31 December 2016
96	Chevron Lubricants Lanka PLC	31 December 2017
97	CIC Agri Business (Pvt) Ltd	31 March 2017
98	CIC Agri Business (Pvt) Ltd	31 March 2018
99	CIC Feed (Pvt) Ltd	31 March 2017
100	CIC Grains (Pvt) Ltd	31 March 2017
101	CIC Poultry Farms Ltd	31 March 2017
102	CIC Seeds (Pvt) Ltd	31 March 2017
103	Cinnamon Hotel Management Ltd	31 March 2017
104	Cisco Specialty Packaging (Pvt) Ltd	31 March 2018
105	Citrus Leisure PLC	31 March 2015
106	Citrus Leisure PLC	31 March 2017
107	CKT Apparel (Pvt) Ltd	31 March 2018
108	CM Holdings PLC	31 March 2018
109	Coats Thread Exports (Pvt) Ltd	31 December 2016

	Specified Business Enterprise	Financial Year End
110	Colombo City Holdings PLC	31 March 2018
111	Colombo Fort Investments PLC	31 March 2018
112	Colombo Investment Trust PLC	31 March 2018
113	Colombo Land & Development Company PLC	31 December 2016
114	Colombo Land & Development Company PLC	31 December 2017
115	Colombo Trust Finance PLC	31 March 2018
116	Commercial Bank of Ceylon PLC	31 December 2017
117	Commercial Development Company PLC	31 December 2017
118	Comtrust ADL Mudarabah Fund	31 March 2017
119	Comtrust Equity Fund	31 March 2017
120	Comtrust Gilt Edged Fund	31 March 2017
122	Comtrust Money Market Fund	31 March 2017
122	Continental Insurance Lanka Ltd	31 December 2017
123	Convenience Foods (Lanka) PLC	31 March 2018
124	Co-operative Insurance Company Ltd	31 December 2017
125	Crescent I Fund	31 March 2017
126	CT CLSA Securities (Pvt) Ltd	31 March 2017
127	CT Holdings PLC	31 March 2017
128	CT Land Development PLC	31 March 2017
129	Culture Club Resorts (Pvt) Ltd	31 March 2018
130	D P L Premier Gloves Ltd	31 March 2017
131	Darley Butler & Company Ltd	31 March 2017
132	Dee Investments (Pvt) Ltd	31 March 2017
133	DHL Keells (Pvt) Ltd	31 March 2017
134	Dial Textile Industries (Pvt) Ltd	31 March 2016
135	Dialog Axiata PLC	31 December 2017
136	Dialog Broadband Networks (Pvt) Ltd	31 December 2017
137	DIC Lanka (Pvt) Ltd	31 December 2017
138	Diesel & Motor Engineering PLC	31 March 2018
139	Dilmah Ceylon Tea Company PLC	31 March 2018
140	Dipped Products PLC	31 March 2018
141	Distilleries Co. of Sri Lanka PLC	31 March 2017
142	Distilleries Co. of Sri Lanka PLC	31 March 2018
143	Dolphin Hotels PLC	31 March 2018
144	Dufry Shops Colombo Limited	31 December 2017
145	Dunamis Capital PLC	31 March 2017
146	E.B.Creasy & Co.PLC	31 March 2017

Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2018 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
147	EAM Textiles Mahiyanganaya (Pvt) Ltd	31 March 2018
148	eChannelling PLC	31 December 2016
149	Elastomereric Engineering Company Ltd	31 December 2016
150	Elpitiya Plantations PLC	31 March 2017
151	Emerchemie NB (Ceylon) Ltd	31 March 2017
152	Equity Investments Lanka Ltd	31 December 2017
153	Equity One Ltd	31 March 2018
154	Equity Two PLC	31 March 2018
155	Ericsson Telecommunications Lanka (Pvt) Ltd	31 December 2017
156	Expolanka (Pvt) Ltd	31 March 2017
157	Expoteas Ceylon (Pvt) Ltd	31 March 2017
158	Expoteas Ceylon (Pvt) Ltd	31 March 2018
159	EZY Distribution (Pvt) Ltd	31 March 2018
160	Fentons Ltd	31 March 2017
161	Finlay Cold Storage (Pvt) Ltd	31 December 2017
162	Finlay Colombo Ltd	31 December 2017
163	Finlay Properties (Pvt) Ltd	31 December 2017
164	First Capital Ltd	31 March 2017
165	Fonterra Brands Lanka (Pvt) Ltd	31 July 2016
166	Gamma Pizzakraft Lanka (Pvt) Ltd	31 March 2018
167	Gestetner of Ceylon PLC	31 March 2018
168	Good Hope PLC	31 March 2017
169	Grossart (Pvt) Ltd	31 March 2017
170	Guardian Acuity Money Market Gilt Fund	31 December 2017
171	Guardian Capital Partners PLC	31 March 2018
172	Habarana Walk Inn Ltd	31 March 2017
173	Hanwella Rubber Products Ltd	31 March 2018
174	Harischandra Mills PLC	31 March 2017
175	Hatton Plantations PLC	31 March 2018
176	Haycarb PLC	31 March 2018
177	Hayleylines Ltd	31 March 2017
178	Hayleys Agro Fertilizers (Pvt) Ltd	31 March 2017
179	Hayleys Fabric PLC	31 March 2018
180	Hayleys Fiber PLC	31 March 2018
181	Hayleys Lifesciences (Pvt) Ltd	31 March 2017
182	Hayleys Neluwa Hydro Power (Pvt) Ltd	31 March 2017

	Specified Business Enterprise	Financial Year End
183	Hemas Holdings PLC	31 March 2017
184	Hemas Holdings PLC	31 March 2018
185	Hemas Surgicals and Diagnostics (Pvt) Ltd	31 March 2018
186	Hirdaramani International Exports (Pvt) Ltd	31 March 2017
187	Hirdaramani Mercury Apparel (Pvt) Ltd	31 March 2018
188	HNB Assurance PLC	31 December 2017
189	HNB Grameen Finance Ltd	31 March 2017
190	Hotel Developers (Lanka) PLC	31 December 2016
191	Hutchison Telecommunication Lanka (Pvt) Ltd	31 December 2017
192	Ideal Finance Ltd	31 March 2018
193	Independent Television Network Ltd	31 December 2016
194	Indo-Malay PLC	31 March 2017
195	International Cosmetics (Pvt) Ltd	31 March 2017
196	Interocean Energy (Pvt) Ltd	31 March 2017
197	Investrust Gilt Edged Fund	31 March 2018
198	Investrust Growth Fund	31 March 2017
199	Investrust Income Fund	31 March 2018
200	Investrust Money Market Fund	31 March 2018
201	ISIN Lanka (Pvt) Ltd	31 December 2017
202	J B Financial (Pvt) Ltd	31 March 2017
203	JB Vantage Short Term Gilt Fund	31 December 2017
204	J-Cey Tea (Pvt) Ltd	31 March 2017
205	Jiffy Products S.L. (Pvt) Ltd	31 December 2016
206	John Keells Holdings PLC	31 March 2018
207	John Keells Hotels PLC	31 March 2018
208	John Keells PLC	31 March 2018
209	John Keells Stock Brokers (Pvt) Ltd	31 March 2018
210	Kahawatte Plantations PLC	31 December 2017
211	Kandyan Resorts (Pvt) Ltd	31 March 2018
212	Kanrich Finance Ltd	31 March 2017
213	Keells Food Products PLC	31 March 2018
214	Keells Realtors Ltd	31 March 2017
215	Kegalle Plantations PLC	31 March 2018
216	Kelani Cables PLC	31 March 2018
217	Kelani Tyres PLC	31 March 2018
218	Kelani Valley Plantations PLC	31 March 2017

Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2018 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
219	Kelsey Developments PLC	31 March 2018
220	Klevenberg (Pvt) Limited	31 March 2018
221	Kotagala Plantations PLC	31 March 2017
222	Kramski Lanka (Pvt) Ltd	31 March 2017
223	Kramski Lanka (Pvt) Ltd	31 March 2018
224	L B Finance PLC	31 March 2017
225	La Foretresse (Pvt) Ltd	31 March 2017
226	Lanka Aluminum Industries PLC	31 March 2018
227	Lanka Ashok Leyland PLC	31 March 2018
228	Lanka Century Investments PLC	31 March 2015
229	Lanka Century Investments PLC	31 March 2016
230	Lanka Century Investments PLC	31 March 2017
231	Lanka Dairies (Pvt) Ltd	31 March 2017
232	Lanka Industrial Estates Ltd	31 March 2017
233	Lanka IOC PLC	31 March 2017
234	Lanka IOC PLC	31 March 2018
235	Lanka Marine Services (Pvt) Ltd	31 March 2018
236	Lanka Milk Foods (CWE) PLC	31 March 2017
237	Lanka Salt Ltd	31 December 2016
238	Lanka Ventures PLC	31 March 2018
239	Lanka Walltile PLC	31 March 2018
240	Lankem Chemicals Ltd	31 March 2017
241	Laugfs Lubricants Ltd	31 March 2018
242	Laugfs Petroleum (Pvt) Ltd	31 March 2017
243	Laxapana Batteries PLC	31 March 2018
244	Lee Hedges PLC	31 March 2018
245	Lever Brothers (Exports & Marketing) Ltd	31 December 2016
246	Life Insurance Corporation (Lanka) Ltd	31 December 2017
247	Link Natural Products (Pvt) Ltd	31 March 2018
248	Lion Brewery (Ceylon) PLC	31 March 2018
249	Logiventures (Pvt) Ltd	31 March 2017
250	LOLC General Insurance Ltd	31 December 2017
251	LOLC Life Assurance Ltd	31 December 2017
252	Lotus Hydro Power PLC	31 March 2018
253	LTL Galvanizers (Pvt) Ltd	31 March 2018
254	LTL Transformers (Pvt) Ltd	31 March 2018
255	LVL Energy Fund PLC	31 March 2018

	Specified Business Enterprise	Financial Year End
256	M.S.J. Industries (Ceylon) (Pvt) Ltd	31 March 2017
257	Mabroc Teas (Pvt) Ltd	31 March 2018
258	Madulsima Plantations PLC	31 December 2017
259	Mahaweli Reach Hotels PLC	31 March 2018
260	Mainettech Lanka (Pvt) Ltd	31 December 2017
261	Maliban Milk Products (Pvt) Ltd	31 March 2018
262	Malwatte Valley Plantations PLC	31 December 2017
263	Marawila Resorts PLC	31 March 2018
264	Maskeliya Plantations PLC	31 March 2018
265	McLarens Lubricants Ltd	31 December 2017
266	Melbourne Textile Washing Plant (Pvt) Ltd	31 March 2017
267	Melsta Regal Finance Ltd	31 March 2018
268	Melstacorp PLC	31 March 2017
269	Mercantile Investments and Finance PLC	31 March 2017
270	Mercantile Investments and Finance PLC	31 March 2018
271	Mercantile Shipping Company PLC	31 March 2018
272	Merchant Bank of Sri Lanka & Finance PLC	31 December 2017
273	Millennium Housing Developers PLC	31 March 2017
274	Mireka Homes (Pvt) Ltd	31 December 2016
275	MJF Tea Gardens (Pvt) Ltd	31 March 2015
276	MJF Tea Gardens (Pvt) Ltd	31 March 2017
277	Mobitel (Pvt) Ltd	31 December 2017
278	Morisons PLC	31 March 2018
279	Mountain Hawk Express (Pvt) Ltd	31 March 2018
280	Muller & Phipps (Ceylon) PLC	31 March 2018
281	Multi Finance PLC	31 March 2018
282	Namal Acuity Value Fund	31 March 2017
283	Namal GILT Fund	31 March 2017
284	Namal Growth Fund	31 March 2017
285	Namal Income Fund	31 March 2017
286	Namal IPO Fund	31 March 2017
287	Namunukula Plantations PLC	31 March 2017
288	National Equity Fund	31 March 2017
289	National Wealth Corporation Limited	31 December 2016
290	Natwealth Securities Ltd	31 December 2017
291	NDB Wealth Gild-Edged Fund	31 December 2016
292	NDB Wealth Growth Fund	31 December 2016

Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2018 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
293	NDB Wealth Income Fund	31 March 2017
294	NDB Wealth Income Plus Fund	31 December 2016
295	NDB Wealth Islamic Money Plus Fund	31 December 2016
296	NDB Wealth Management Ltd	31 December 2017
297	NDB Wealth Money Fund	31 December 2016
298	Neluwa Cascade Hydro Power (Pvt) Ltd	31 March 2017
299	Neptune Papers (Pvt) Ltd	31 March 2017
300	Nestle Lanka PLC	31 December 2017
301	Next Manufacturing (Pvt) Ltd	31 July 2017
302	Nilkamal Eswaran Plastics (Pvt) Ltd	31 March 2018
303	Noratel International (Pvt) Ltd	31 March 2018
304	Noritake Lanka Porcelain (Pvt) Ltd	31 December 2016
305	Odel PLC	31 March 2017
306	Okanda Power Grid (Pvt) Ltd	31 March 2017
307	Omega Line Ltd	31 December 2017
308	On'ally Holdings PLC	31 March 2018
309	Orient Finance PLC	31 March 2016
310	Orient Insurance Ltd	31 December 2017
311	Orient Motor Company Ltd	31 March 2018
312	Orit Trading Lanka (Pvt) Ltd	31 December 2017
313	Pams Power (Pvt) Ltd	31 March 2017
314	Pan Asia Banking Corporation PLC	31 December 2017
315	Paradise Toys (Pvt) Ltd	31 March 2018
316	Pawan Danavi (Pvt) Ltd	31 March 2014
317	Pawan Danavi (Pvt) Ltd	31 March 2017
318	Pegasus Hotels of Ceylon PLC	31 March 2018
319	People's Insurance PLC	31 December 2017
320	People's Leasing & Finance PLC	31 March 2018
321	People's Merchant Finance PLC	31 March 2017
322	Perera and Sons Bakers (Pvt) Ltd	31 March 2018
323	Piramal Glass Ceylon PLC	31 March 2018
324	Plenty Foods (Pvt) Ltd	31 March 2018
325	Polytex Garments Ltd	31 December 2017
326	Premium Exports Ceylon (Pvt) Ltd	31 December 2016
327	Printcare Packaging (Pvt) Ltd	31 March 2018
328	Property Development PLC	31 December 2017
329	Prym Intimates Lanka (Pvt) Ltd	31 December 2016

	Specified Business Enterprise	Financial Year End
330	Raigam Wayamba Salterns PLC	31 March 2017
331	Ramboda Falls PLC	31 March 2018
332	Ravi Industries Ltd	31 March 2017
333	Readywear Industries (Pvt) Ltd	31 March 2017
334	Regency Teas (Pvt) Ltd	31 March 2018
335	Regnis (Lanka) PLC	31 March 2017
336	Renuka Agri Foods PLC	31 March 2017
337	Renuka City Hotels PLC	31 March 2018
338	Residence Peelawatte (Pvt) Ltd	31 March 2017
339	Resus Energy PLC	31 March 2017
340	Rhino Products Ltd	31 March 2018
341	Richard Peiris Tyre Co. Ltd	31 March 2017
342	Richard Peiris Tyre Co. Ltd	31 March 2018
343	Richard Pieris and Co. PLC	31 March 2017
344	Richard Pieris Exports PLC	31 March 2018
345	Richard Pieris Finance Ltd	31 March 2017
346	Richard Pieris Natural Foams Ltd	31 March 2017
347	Rileys (Private) Ltd	31 March 2017
348	Royal Palms Beach Hotel PLC	31 March 2018
349	Rubber Investment Trust Ltd	31 March 2017
350	Sampath Bank PLC	31 December 2017
351	Sanasa Development Bank PLC	31 December 2017
352	Sathosa Motors PLC	31 March 2018
353	Seemasahitha Sanasa Rakshana Samagama	31 December 2017
354	Selinsing PLC	31 March 2018
355	Senkadagala Finance PLC	31 March 2018
356	Serendib Engineering Group PLC	31 March 2017
357	Serendib Finance Ltd	31 March 2018
358	Serendib Hotels PLC	31 March 2018
359	Seylan Bank PLC	31 December 2017
360	Shlimar (Malay) PLC	31 March 2018
361	Short Term LKR Treasury Fund	31 December 2016
362	Siam City Cement Lanka Ltd	31 December 2017
363	Silueta (Pvt) Ltd	31 December 2016
364	Singer (Sri Lanka) PLC	31 March 2018
365	Singer Industries (Ceylon) PLC	31 December 2017

Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2018 - Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
366	Singhe Cement (Pvt) Ltd	31 December 2016
367	Sirio Ltd	31 December 2017
368	Sky Sport International (Pvt) Ltd	31 March 2017
369	Smart Shirts (Lanka) Ltd	31 December 2016
370	SMB Leasing PLC	31 December 2017
371	Smithkline Beecham (Pvt) Ltd	31 December 2016
372	Softlogic Communications (Pvt) Ltd	31 March 2017
373	Softlogic Life Insurance PLC	31 December 2017
374	Softlogic Retail (Pvt) Ltd	31 March 2017
375	Sojitz Kelanitissa (Pvt) Ltd	31 December 2016
376	South Asia Gateway Terminals (Pvt) Ltd	31 March 2017
377	South Asia Textiles Ltd	31 March 2017
378	Southern Petroleum (Pvt) Ltd	31 March 2018
379	Sri Lanka Shipping Company Ltd	31 March 2017
380	Sri Lanka Telecom PLC	31 December 2017
381	Sri Ramco Lanka (Pvt) Ltd	31 March 2018
382	Sri Ramco Roofings Lanka (Pvt) Ltd	31 March 2018
383	State Mortgage & Investment Bank	31 December 2016
384	Summit Finance PLC	31 March 2017
385	Sunpower Systems (Pvt) Ltd	31 March 2017
386	Sunshine Healthcare Lanka Ltd	31 March 2017
387	Swarnamahal Financial Services PLC *	31 March 2018
388	Swisstek (Ceylon) PLC	31 March 2018
389	Taj Lanka Hotels PLC	31 March 2018
390	Talawakelle Tea Estates PLC	31 March 2018
391	Tangerine Beach Hotel PLC	31 March 2018
392	Tea Smallholder Factories PLC	31 March 2018
393	Tea Tang (Pvt) Ltd	31 December 2017
394	Teejay Lanka PLC	31 March 2018
395	Textprint Lanka (Pvt) Ltd	31 December 2017
396	The Autodrome PLC	31 March 2018
397	The Colombo Fort Land & Building PLC	31 March 2017
398	The Fortress Resorts PLC	31 March 2018

	Specified Business Enterprise	Financial Year End
399	The Kandy Hotels Co. (1938) PLC	31 March 2018
400	The Kingsbury PLC	31 March 2018
401	The Light House Hotel PLC	31 March 2018
402	The Nuwara Eliya Hotels Co. PLC	31 March 2018
403	Three Acre Farms PLC	31 December 2017
404	TKS Finance Limited	31 March 2017
405	Tokyo Cement Company (Lanka) PLC	31 March 2018
406	Tokyo Super Cement Company Lanka (Pvt) Ltd	31 March 2018
407	Topaz Hotels Ltd	31 March 2017
408	Trans Asia Hotels PLC	31 March 2018
409	Trischel Fabric (Pvt) Ltd	31 December 2017
410	Tuffline Ltd	31 March 2017
411	UB Finance Company Ltd	31 March 2018
412	Ultratech Cement Lanka (Pvt) Ltd	31 March 2017
413	Uniliver Ceylon Services Ltd	31 December 2016
414	Uniliver Liption Ceylon Ltd	31 December 2016
415	Unimo Enterprises Ltd	31 March 2018
416	Union Assurance PLC	31 December 2017
417	Union Chemicals Lanka PLC	31 December 2017
418	Vallibel Finance PLC	31 March 2016
419	Vallibel Finance PLC	31 March 2017
420	Vallibel Finance PLC	31 March 2018
421	Vallibel Plantation Management Limited	31 March 2018
422	Venigross (Pvt) Ltd	31 March 2017
423	Virtusa (Pvt) Ltd	31 March 2017
424	VT Manufacturing (Pvt) Ltd	31 March 2017
425	Watawala Plantations PLC	31 March 2018
426	Whittall Bousted (Pvt) Ltd	31 March 2017
427	Whittall Boustead (Pvt) Ltd	31 March 2018
428	WNS Global Services (Pvt) Ltd	31 March 2017
429	YKK Lanka (Pvt) Ltd	31 March 2018
430	York Arcade Holdings PLC	31 March 2018

* The company has going concern issues and Non-compliance with Central Bank Regulations.

Financial Statements of SBE's reviewed during 2018 - Compliant with Observations Communicated

	Specified Business Enterprise	Financial Year End
1	A.B. Developments (Pvt) Ltd	31-Mar-2017
2	ACL Cables PLC	31-Mar-2018
3	ACL Plastics PLC	31-Mar-2018
4	ACME Printing & Packaging PLC	31-Mar-2018
5	Adam Capital PLC	31-Mar-2016
6	Adam Investments PLC	31-Dec-2014
7	Adam Investments PLC	31-Mar-2016
8	Agstar PLC	31-Mar-2018
9	Aitken Spence PLC	31-Mar-2018
10	Alliance Finance Company PLC	31-Mar-2017
11	Alliance Finance Company PLC	31-Mar-2018
12	Allianz Life Insurance Lanka Ltd	31-Dec-2017
13	Alpha Industries (Pvt) Ltd	31-Mar-2017
14	Amana Bank PLC	31-Dec-2017
15	Amana Takaful Life PLC	31-Dec-2017
16	Amana Takaful PLC	31-Dec-2017
17	Amaya Leisure PLC	31-Mar-2018
18	American & Efirid Lanka (Pvt) Ltd	30-Sep-2017
19	Amsafe Bridport (Pvt) Ltd	31-Dec-2017
20	Arpico Insurance PLC	31-Dec-2017
21	Arpitech (Pvt) Ltd	31-Mar-2017
22	Asha Phillip Securities Ltd	31-Mar-2018
23	Asian Hotels and Properties PLC	31-Mar-2018
24	Associated Motor Finance Company PLC	31-Mar-2018
25	Bairaha Farms PLC	31-Mar-2018
26	Balfour Beatty Ceylon (Pvt) Ltd	31-Dec-2017
27	Bartleet Religare Securities (Pvt) Ltd	31-Mar-2018
28	Beruwala Resorts PLC	31-Mar-2018
29	Bhagya Hydro Power (Pvt) Ltd	31-Mar-2015
30	Bhagya Hydro Power (Pvt) Ltd	31-Mar-2017
31	Bimpuh Finance PLC	31-Mar-2017
32	Blue Diamonds Jewellery Worldwide PLC	31-Mar-2016
33	Blue Diamonds Jewellery Worldwide PLC	31-Mar-2017
34	Bogawantalawa Tea Estates PLC	31-Mar-2017
35	Building Materials Corporation Ltd	31-Dec-2014
36	Built Element Ltd	31-Mar-2017
37	Bukit Darah PLC	31-Mar-2017
38	Capital Alliance Securities (Pvt) Ltd	31-Mar-2017
39	Carson Cumberbatch PLC	31-Mar-2017

	Specified Business Enterprise	Financial Year End
40	Central Finance Company PLC	31-Mar-2016
41	Central Finance Company PLC	31-Mar-2017
42	Ceylinco General Insurance Ltd	31-Dec-2017
43	Ceylon Agro Industries Ltd	31-Dec-2017
44	Ceylon and Foreign Trades PLC	31-Mar-2017
45	Ceylon Beverage Holdings PLC	31-Mar-2017
46	Ceylon Biscuits Ltd	31-Mar-2017
47	Ceylon Petroleum Corporation	31-Dec-2015
48	CIC Dairies (Pvt) Ltd	31-Mar-2017
49	CIC Holdings PLC	31-Mar-2018
50	Citizens Development Business Finance PLC	31-Mar-2017
51	Colombo Dockyard PLC	31-Dec-2017
52	Commercial Credit and Finance PLC	31-Mar-2017
53	Commercial Credit and Finance PLC	31-Mar-2018
54	Consolidated Business Systems Ltd	31-Mar-2017
55	Co-operative Leasing Company Ltd	31-Mar-2017
56	Cooplife Insurance Ltd	31-Dec-2017
57	Crystal Martin Ceylon (Pvt) Ltd	31-Dec-2017
58	D R Exports (Pvt) Ltd	31-Mar-2017
59	D R Home Appliances (Pvt) Ltd	31-Mar-2017
60	D. Samson & Sons (Pvt) Ltd	31-Mar-2017
61	DFCC Bank PLC	31-Dec-2016
62	Diethelm Travel Lanka (Pvt) Ltd	31-Mar-2017
63	DP Logistics (Pvt) Ltd	31-Mar-2017
64	Dutch Lanka Trailer Manufacturers Ltd	31-Mar-2018
65	Eastern Merchants PLC	31-Mar-2017
66	Emjay International (Pvt) Ltd	31-Mar-2017
67	Employees' Trust Fund Board	31-Dec-2016
68	Enterprise Ceylon Capital (Pvt) Ltd	31-Mar-2017
69	Eskimo Fashion Knitwear (Pvt) Ltd	31-Dec-2017
70	Expolanka Holdings PLC	31-Mar-2017
71	Fairfirst Insurance Ltd	31-Dec-2017
72	First Capital Equities (Pvt) Ltd	31-Mar-2018
73	First Guardian Equities (Pvt) Ltd	31-Dec-2017
74	Galadari Hotels (Lanka) PLC	31-Dec-2017
75	George Steuart & Company Ltd & its Subsidiaries	31-Mar-2017
76	Hapugastenne Plantations PLC	31-Dec-2017
77	Hatton National Bank	31-Dec-2017

Financial Statements of SBEs reviewed during 2018 - Compliant with Observations Communicated

	Specified Business Enterprise	Financial Year End
78	Hayleys Agriculture Holdings Ltd	31-Mar-2018
79	Hayleys Consumer Products Ltd	31-Mar-2018
80	Hayleys Electronics Lighting (Pvt) Ltd	31-Mar-2018
81	Hayleys Hydro Energy (Pvt) Ltd	31-Mar-2017
82	HDFC Bank of Sri Lanka	31-Dec-2016
83	Hemas Air Services (Pvt) Ltd	31-Mar-2017
84	Hemas Capital Hospital (Pvt) Ltd	31-Mar-2017
85	Hemas Pharmaceuticals (Pvt) Ltd	31-Mar-2017
86	Hemas Transportation (Pvt) Ltd	31-Mar-2017
87	Hirdaramani Clothing (Pvt) Ltd	31-Mar-2017
88	HNB General Insurance Ltd	31-Dec-2017
89	Hotel Sigiriya PLC	31-Mar-2017
90	Hovael Construction (Pvt) Ltd	31-Mar-2017
91	Hunas Falls Hotels PLC	31-Mar-2018
92	HVA Foods PLC	31-Mar-2017
93	Industrial Asphalts (Ceylon) PLC	31-Mar-2017
94	Janashakthi General Insurance Ltd	31-Dec-2017
95	Janashakthi Insurance PLC	31-Dec-2017
96	Janatha Estates Development Board	31-Dec-2014
97	Kalpitiya Beach Resort PLC	31-Mar-2017
98	Korean Spa Packaging (Pvt) Ltd and its Subsidiaries	31-Mar-2018
99	Kotmale Holdings PLC	31-Mar-2018
100	Lady Lochore Loan Fund	31-Dec-2016
101	Lake House Printers and Publishers PLC	31-Mar-2017
102	Lanka Canneries (Pvt) Ltd	31-Mar-2017
103	Lanka Commodity Holdings (Pvt) Ltd	31-Mar-2018
104	Lanka Maritime Services Ltd	31-Mar-2018
105	Lanka Phosphate Ltd	31-Mar-2017
106	Lanka Securities (Pvt) Ltd	31-Dec-2017
107	Lanka Tiles PLC	31-Mar-2018
108	Lankaputhra Development Bank Ltd	31-Dec-2017
109	Lankem Developments PLC	31-Mar-2017
110	LAUGFS Eco Sri (Pvt) Ltd	31-Mar-2017
111	LAUGFS Property Developers (Pvt) Ltd	31-Mar-2017
112	Lucky Lanka Milk Processing Company PLC	31-Mar-2017
113	Mackwoods Energy PLC	31-Mar-2017
114	Maliban Biscuit Manufactories (Pvt) Ltd	31-Mar-2017
115	Marangoni Industrial Tyres Lanka (Pvt) Ltd	31-Dec-2016

	Specified Business Enterprise	Financial Year End
116	MBSL Insurance Company Ltd	31-Dec-2017
117	McOcean Property Developers (Pvt) Ltd	31-Mar-2017
118	Metropolitan Resource Holdings Ltd	31-Mar-2017
119	Millenium Information Technologies (Pvt) Ltd	31-Dec-2017
120	Millers Ltd	31-Mar-2017
121	MIT Cargo (Pvt) Ltd	31-Mar-2018
122	National Institute of Business Management	31-Dec-2015
123	National Insurance Trust Fund Board	31-Dec-2015
124	Nawaloka Hospitals PLC	31-Mar-2018
125	Newest Capital Ltd	31-Mar-2018
126	Nobleswear (Private) Ltd	31-Mar-2017
127	Office Equipment PLC	31-Mar-2018
128	Orit Apparels Lanka (Pvt) Ltd	31-Dec-2017
129	Overseas Realty (Ceylon) PLC	31-Dec-2017
130	Palm Garden Hotels PLC	31-Mar-2017
131	Panasian Power PLC	31-Mar-2017
132	Paragon Ceylon PLC	31-Mar-2017
133	Paranthan Chemicals Company Ltd	31-Dec-2017
134	Peoples' Bank	31-Dec-2016
135	Pharmaco (Pvt) Ltd	31-Mar-2017
136	Phoenix Industries Ltd	31-Mar-2018
137	Printcare PLC	31-Mar-2017
138	Printcare Universal (Pvt) Ltd	31-Mar-2018
139	Regional Development Bank	31-Dec-2016
140	Regional Development Bank	31-Dec-2017
141	Renuka Capital PLC	31-Mar-2017
142	Renuka Holdings PLC	31-Mar-2017
143	Richard Pieris Distributors Ltd	31-Mar-2017
144	RM Holdings (Pvt) Ltd	31-Mar-2017
145	Royal Porcelain (Pvt) Ltd	31-Mar-2018
146	RPC Management Services (Pvt) Ltd	31-Mar-2017
147	Samson International PLC	31-Mar-2018
148	Sarvodaya Development Finance Ltd	31-Mar-2018
149	Sarvodaya Economic Enterprise Development Services (GTE) Ltd	31-Mar-2017
150	Sarvodaya Economic Enterprise Development Services (GTE) Ltd	31-Mar-2016
151	SC Securities (Pvt) Ltd	31-Dec-2017
152	Schneider Electric Lanka (Pvt) Ltd	31-Dec-2016

Financial Statements of SBEs reviewed during 2018 - Compliant with Observations Communicated

	Specified Business Enterprise	Financial Year End
153	Semini Motors (Pvt) Ltd	31-Mar-2017
154	Serendib Land PLC	31-Mar-2018
155	Seylan Developments PLC	31-Dec-2017
156	Siedles (Pvt) Ltd	31-Mar-2018
157	Sierra Cables PLC	31-Mar-2018
158	Sigiriya Village PLC	31-Mar-2018
159	Singer Finance Lanka PLC	31-Mar-2017
160	Singer Finance Lanka PLC	31-Mar-2018
161	Singhe Hospitals PLC	31-Mar-2017
162	Siyapatha Finance PLC	31-Dec-2017
163	Softlogic Information Technologies (Pvt) Ltd	31-Mar-2018
164	Softlogic Stockbrokers (Pvt) Ltd	31-Mar-2017
165	Sri Lanka Ayurvedic Drugs Corporation	31-Dec-2016
166	Sri Lanka Broadcasting Corporation	31-Dec-2016
167	Sri Lanka Bureau of Foreign Employment	31-Dec-2016
168	Sri Lanka Cashew Corporation	31-Dec-2016
169	Sri Lanka Insurance Corporation Ltd	31-Dec-2016
170	Sri Lanka Insurance Corporation Ltd	31-Dec-2017
171	Sri Lanka Land Reclamation and Development Corporation	31-Dec-2016
172	Sri Lanka Rupavahini Corporation	31-Dec-2016
173	Sri Lanka Standards Institution	31-Dec-2016
174	State Development & Construction Corporation	31-Dec-2015
175	State Pharmaceuticals Manufacturing Corporation of Sri Lanka	31-Dec-2016

	Specified Business Enterprise	Financial Year End
176	State Printing Corporation	31-Dec-2016
177	Sunshine Holdings PLC	31-Mar-2018
178	Swadeshi Industrial Works PLC	31-Mar-2016
179	Swadeshi Industrial Works PLC	31-Mar-2017
180	Taprobane Holdings PLC	31-Mar-2017
181	Tess Agro PLC	31-Mar-2017
182	The Finance Co. PLC	31-Mar-2016
183	The Finance Co. PLC	31-Mar-2017
184	The Lanka Hospitals Corporation PLC	31-Dec-2017
185	TKS Securities (Pvt) Ltd	31-Mar-2018
186	TVS Lanka (Pvt) Ltd	31-Mar-2018
187	Udapussellawa Plantations PLC	31-Dec-2017
188	Uni Dil Packaging Ltd	31-Mar-2018
189	United Motors Lanka PLC	31-Mar-2018
190	Urban Development Authority	31-Dec-2015
191	Vallibel One PLC	31-Mar-2017
192	Vallibel Power Erathna PLC	31-Mar-2016
193	Vallibel Power Erathna PLC	31-Mar-2017
194	Vauxhall Property Developments (Pvt) Ltd	31-Mar-2017
195	Vidullanka PLC	31-Mar-2017
196	Volanka (Pvt) Ltd	31-Mar-2017
197	Walkers Piling (Pvt) Ltd	31-Mar-2017
198	Wealthtrust Securities Ltd	31-Mar-2018
199	Wilton Metal Box Company (Pvt) Ltd	31-Mar-2017

Financial Statements of SBE's reviewed during - 2018 Referred to the Attorney General and to the CA Sri Lanka for further action

Specified Business Enterprise	Financial Year End	
PC Pharma PLC	31-Mar-2015	Referred to Attorney General
Lanka Cement PLC	31-Dec-2016	Referred to Attorney General
Sun Tan Beach Resorts Ltd	31-Mar-2018	Referred to CA Sri Lanka
Waskaduwa Beach Resort PLC	31-Mar-2018	Referred to CA Sri Lanka
TTEL Somerset Hydro Power (Pvt) Ltd	31-Mar-2018	Referred to CA Sri Lanka
Laugfs Maritime Services (Pvt) Ltd	31-Mar-2017	Referred to CA Sri Lanka
Hemas Hospitals (Pvt) Ltd	31-Mar-2017	Referred to CA Sri Lanka
AIA Insurance Lanka PLC	31-Dec-2017	Referred to IRCSL

Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2018

Listed companies which have not submitted financial statements for the year ended 31 December 2017 :

- Lanka Cement PLC *
- Vanik Incorporation PLC **

Listed Companies which have not submitted financial statements for the year ended 31 March 2018 :

- Adam Capital PLC*
- Adam Investments PLC*
- Ceylon & Foreign Trades PLC*
- Entrust Securities PLC *
- East West Properties PLC
- Huejay International Investment PLC*
- Standard Capital PLC*
- Miramar Beach Hotels PLC **
- PC Farma PLC *
- Radiant Gems International PLC
- Lucky Lanka Milk Processing Co. PLC*
- Mackwoods Energy PLC*

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

- Building Materials Corporation Limited
- Central Engineering Consultancy Bureau
- Ceylon Ceramic Corporation
- Ceylon Electricity Board

- Ceylon Fisheries Corporation
- Development Lotteries Board
- Janatha Estates Development Board
- 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 Transport Board
- Sri Lanka Land Reclamation and Development Corporation
- Sri Lanka Handicrafts Board
- Sri Lanka Institute of Textile and Apparel
- Sri Lanka Ports Authority
- State Development and Construction Corporation
- State Engineering Corporation of Sri Lanka
- State Pharmaceuticals Manufacturing Corporation of Sri Lanka
- State Mortgage and Investment Bank
- The Co-operative Wholesale Establishment
- Urban Development Authority

Public Sector entities which have not submitted financial statements for the year ended 31 March 2018 :

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

* *Trading Suspended at CSE*

** *Trading Suspended at CSE & Not functioning*

Activities relating to Standard Setting by CA Sri Lanka during the year 2018

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

- a)** Issuing of the Sri Lanka Accounting Standards Bound Volume 2018, which incorporates the latest version of the standards based on the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and gazetting the changes from the previous Bound Volume.
- b)** Issue of the narrow scope amendments to the Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs), upon the request of the Securities and Exchange Commission of Sri Lanka, to provide a relief on financial reporting for companies listed on the Empower Board.
- c)** Amending and gazetting the following existing Sri Lanka Accounting Standards during the year:
- Annual Improvements to SLFRSs – 2017 (effective from 01 January 2019)
 - Amendments to SLFRS 3 Business Combinations
 - Amendments to SLFRS 11 Joint Arrangements
 - Amendments to LKAS 12 Income Taxes
 - Amendments to LKAS 23 Borrowing Costs
- Prepayment Features with Negative Compensation Amendments to SLFRS 9 (effective from 01 January 2019)
 - Long-term Interests in Associates and Joint Ventures Amendments to LKAS 28 (effective from 01 January 2019)
 - Plan Amendment, Curtailment or Settlement Amendments to LKAS 19 (effective from 01 January 2019)
 - Amendments to the Conceptual Framework for Financial Reporting (effective from 01 January 2020)
- d)** Responding to the below Exposure Drafts and discussion papers issued by the IASB by the Accounting Standards Committee by way of submitting comments;
- Accounting Policies Changes - Proposed amendments to IAS 8 (effective from 01 January 2020)
 - Definition of Material - Proposed amendments to IAS 1 and IAS 8 (effective from 01 January 2020)
- e)** Deliberating on the following IFRSs and the Amendments issued by the IASB by the Accounting Standards Committee:
- IFRS 17 Insurance Contracts
 - Definition of a Business - Amendments to IFRS 3
 - Definition of Material - Amendments to IAS 1 and IAS 8
- f)** Conducting a comprehensive series of seminars and workshops as awareness programs on the Sri Lanka Accounting Standards among different stakeholder groups.
- g)** 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 currently in the process of being gazetted.
- h)** Responding by way of submitting comments to the below Exposure Drafts, discussion papers and other recent developments by the Auditing Standards Committee. Accordingly, the following pronouncements have been issued by the Auditing Standards Committee;
- Sri Lanka Auditing Standard (SLAuS) for the Audits of Non – Specified Business Enterprises (Non-SBEs)
 - Sri Lanka Related Services Practice Statement 4754 – Engagements to Report on the Compliance with Determinations 14 and 15 by the Insurance Regulatory Commission of Sri Lanka
 - Sri Lanka Standard on Assurance Engagement 3051 – Assurance Report for Licensed Finance Companies on Directors’ Statement on Internal Control

Report of the Auditor General



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

TRE/A/SLAASMB/1/18/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

09 August 2019

Chairman

Sri Lanka Accounting and Auditing Standards Monitoring Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board ("Board") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



Report of the Auditor General



1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high

Report of the Auditor General



level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

Report of the Auditor General



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

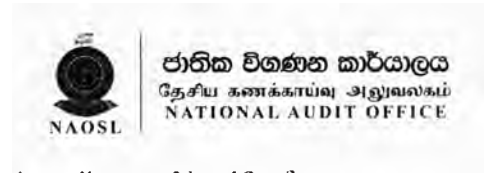
National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as

Report of the Auditor General



per the requirement of section 12 (f) of the National Audit Act. No. 19 of 2018 except for;

Reference to law/ direction	Description
(a) Sri Lanka Accounting and Auditing Standard Act No 15 of 1995 - Section 12 (1) (b) (v)	Even though a representative to the Board should be selected from a panel of three members from the names submitted by the Federation of Chamber of Commerce and Industry of Sri Lanka, the aforesaid representative was not yet appointed since the non-submission of names to the panel by the Federation.
(b) Sri Lanka Accounting and Auditing Standard Act No 15 of 1995 - Section 12 (1) (b) (vii)	Even though a person should be selected to the Board from a panel of three persons nominated by the University Grants Commission (UGC) established by the Universities Act, No. 16 of 1978, to represent the Departments Faculties and Postgraduate Institutes of Accounts or Business Management or Business Administration in Universities coming within its purview, the aforesaid representative has not been appointed.
(c) Circular No. PED/12 – Public Enterprises Guidelines for good governance - Paragraph 9.6	The formal performance appraisal system had not been introduced.
(d) Circular No. PED/12 – Public Enterprises Guidelines for good governance - Paragraph 9.14	A manual of procedures had not been approved by the Board even up to the date of audit.
(e) Public Finance Circular No. 01/2014 - paragraph 4	An annual action plan for the year 2018 had not been prepared by the Board in accordance with the circular instructions.

Report of the Auditor General



- to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

3. Other Matters

- (a) The Board had entered into a rent agreement with the Ceylon Bible House to utilize the first floor as an office for the period of four years with effect from 01 July 2017 and paid Rs. 4,149,492 as the rent for the year under review. However, it was observed that the Board was unable to utilize that floor area for the intended purpose, and the commencement of construction of internal partitioning was not yet started.
- (b) Though a Memorandum of understanding was signed between Sri Lanka Accounting and Auditing Standards Monitoring Board and Information and study Communication Technology Agency of Sri Lanka on 03 June 2016 for study, design, development and implementation of a Management Information System (MIS) for the Board, it was not yet completed.

(c) 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 Standard and Auditing Standards by the specified Business Enterprises (SBEs). The following observations are made in this regard.

- An appropriate mechanism had not been introduced or implemented by the Board for identifying SBEs.

Report of the Auditor General



The Board informed the audit that, after the new Companies Act No. 07 of 2007 coming into effect, the financial information relating to private entities could not be obtained from the Registrar of Companies since such private companies were not required to file their accounts.

- ii. The Board had entered into an agreement with the Internal Auditors to provide information requested by the Auditor General with related to the reviewing of financial statement from 2014 to 2018 at an agreed fee of Rs. 75,000 + VAT and reimbursement of actual expenses. Even though the details were submitted on 09 May 2019, it was not up to the expected level. It was observed that the necessary information related to the main operations were not readily available in the Board for review purposes due to the non-availability of the Management Information System.
- iii. Follow-up actions relating to some SBEs had not been taken by the Board on the findings which has already been communicated with those SBEs. The Board informed the audit that, the compliance to such observations is merely at their will and the feedback form was introduced to encourage the entities to respond as an indirect measure to induce them to improve compliance but the responding by SBE's to the said feedback form too is not mandatory.

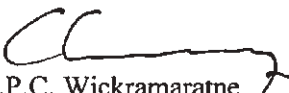
(d) Staff Administration

- i. There were 11 vacancies in the Board as at 31 March 2019 and out of which 08 vacancies were in senior level.
- ii. Further the post of Director General of Board has been vacant from 24 April 2019. However, the Board informed the audit that, a suitable candidate could not attached with the existing salary scale for that post because it is far below than the market salary for the technically competent senior Chartered Accountants.

Report of the Auditor General



- iii. Recruitments had been made on contract basis for 04 senior positions within the approved permanent cadre of the Board.
- iv. The Board had paid higher remuneration and extra benefits to the two employees who were recruited on contract basis which is contrary to the approval given by the Department of Management Service. The Board informed the audit that, the positions of Director General and Deputy Director General were filled on contract basis purely due to the inability to attached technically competent senior Chartered Accountants with required years of experience within the salary scale approved for these positions under the permanent cadre.


W.P.C. Wickramaratne
Auditor General.


Statement of Financial Position

As at	Note	31-Dec-18 Rs.	31-Dec-17 Rs.
ASSETS			
Non - Current Assets			
Property, plant and equipment	3	14,392,976	24,567,695
Deposits	4	6,979,736	6,979,736
		21,372,712	31,547,431
Current Assets			
Inventories	5	698,514	516,831
Accounts receivable	6	3,029,089	3,376,423
Cash and cash equivalents	7	39,328	7,927,900
		3,766,931	11,821,154
Total Assets		25,139,643	43,368,585
LIABILITIES			
Non - Current Liabilities			
Deferred income - government grants	8	18,653,237	30,256,006
Defined benefit obligations	9	1,187,774	1,291,425
		19,841,011	31,547,431
Current Liabilities			
Deferred income - government grants	10	-	1,124,759
Deferred income - IFIAR Workshop		-	6,719,098
Accounts payable	11	5,298,632	3,977,297
		5,298,632	11,821,154
Total Liabilities		25,139,643	43,368,585

The notes appearing on pages 49 to 55 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

29 January 2019



Member

Member



Director (Finance and Administration)

Statement of Financial Performance and Other Comprehensive Income

<i>For the year ended 31 December</i>	Note	2018 Rs.	2017 Rs.
Revenue			
Government grants	12	94,138,101	86,852,282
Less: Grants released to the Institute of Chartered Accountants of Sri Lanka		4,000,000	2,500,000
		90,138,101	84,352,282
Operating Expenses			
Board Members' allowances		(1,360,500)	(1,253,250)
Auditor's remuneration	13	(193,200)	(160,000)
Staff costs	14	(44,084,317)	(42,351,100)
Fuel and lubricants		(1,869,995)	(1,659,290)
Press notices		(551,356)	(435,225)
Rent and building service charges		(11,692,318)	(11,191,842)
Depreciation and amortisation expenses	3	(10,174,715)	(9,769,265)
Electricity		(1,304,175)	(1,391,243)
Professional fees to reviewers		(2,438,000)	(1,920,000)
International memberships		(2,595,809)	(1,778,911)
Books and periodicals		(1,341,583)	(1,186,311)
International travel		(4,675,184)	(3,994,965)
Training and development		(2,402,223)	(982,649)
License and insurance		(1,014,334)	(1,005,800)
Stationery		(677,056)	(659,804)
Other administration expenses	15	(3,763,336)	(4,612,627)
		-	-
Other Comprehensive Income			
Gain /(loss) on remeasurement of the defined benefit obligation		19,574	(454,840)
Government grants related to remeasurement of defined benefit obligation		(19,574)	454,840
		-	-
Net surplus / (deficit) for the year		-	-

The notes appearing on pages 49 to 55 form an integral part of the financial statements.

Statement of Changes in Net Assets

	Accumulated Fund Rs.
Balance as at 31 December 2016	-
Net surplus/deficit for the year	-
Balance as at 31 December 2017	-
Net surplus/deficit for the year	-
Balance as at 31 December 2018	-

The notes appearing on pages 49 to 55 form an integral part of the financial statements.

Cash Flow Statement

<i>For the year ended 31 December</i>	Note	2018 Rs.	2017 Rs.
Cash flows from operating activities			
Net surplus / (deficit) for the year		-	-
Adjustments for;			
Government grants received during the year		81,391,000	78,656,000
Deferred government grants transferred to total comprehensive income	12	(94,118,527)	(87,307,122)
Grants received in the form of non-current assets	3	-	(1,575,000)
Depreciation	3	10,174,715	9,769,265
Loss on disposal of office equipment		3	1
Interest on investment in gratuity fund		(425,339)	(455,461)
Defined benefit obligation	14.1	696,349	1,184,967
Excess of income over expenditure / (expenditure over income) before working capital changes		(2,281,799)	272,650
(Increase) / decrease in deposits		-	(100,000)
(Increase) / decrease in inventories		(181,683)	60,034
(Increase) / decrease in accounts receivable		347,335	(198,757)
Increase / (decrease) in accounts payable		1,321,334	402,471
Registration fees received for IFIAR Workshop		(6,719,098)	6,719,098
Net cash flows from operating activities		(7,513,911)	7,155,496
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1,793,824)
Investment in gratuity fund		(800,000)	-
Interest received on investment in gratuity fund/safety locker deposit		425,339	455,461
Net cash flows		(7,888,572)	5,817,133
Cash flows from financing activities			
		-	-
Net increase / (decrease) in cash and cash equivalents		(7,888,572)	5,817,133
Cash and cash equivalents at the beginning of the year		7,927,900	2,110,767
Cash and cash equivalents at the end of the year	7	39,328	7,927,900

The notes appearing on pages 49 to 55 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 2018 were authorised for issue by a resolution of the Members of the Board on 29 January 2019. 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 14 employees on permanent basis, 5 employees on contract basis and 2 employees on temporary basis as at 31 December 2018 (15 employees on permanent basis, 6 on contract basis and 1 on temporary basis as at 31 December 2017).

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. 7,500/-, all Accounting Standards and Auditing Standards and other publications with a cost not exceeding Rs.1,000/- 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.

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-18 Rs.	31-Dec-17 Rs.	31-Dec-18 Rs.	31-Dec-17 Rs.	31-Dec-18 Rs.	31-Dec-17 Rs.	31-Dec-18 Rs.	31-Dec-17 Rs.	31-Dec-18 Rs.	31-Dec-17 Rs.
Cost										
At beginning 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
Additions	-	-	-	3,552,858	-	341,027	-	7,500	-	3,901,385
Disposals	-	-	(174,654)	(28,990)	(76,501)	-	-	-	(251,155)	(28,990)
Transfers	-	-	-	-	-	-	-	-	-	-
At end of the year	51,160,000	51,160,000	12,333,211	12,507,865	11,420,413	11,496,914	3,198,399	3,198,399	78,112,022	78,363,178
Accumulated Depreciation										
At beginning 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	44,055,207
Depreciation for the year	8,432,000	8,432,000	1,397,420	952,372	320,267	358,744	25,028	26,149	10,174,715	9,769,265
Depreciation on disposals	-	-	(174,652)	(28,989)	(76,500)	-	-	-	(251,152)	(28,989)
Transfers	-	-	-	(25,620)	-	25,620	-	-	-	-
At end of the year	40,474,665	32,042,665	9,539,015	8,316,247	10,517,081	10,273,314	3,188,285	3,163,257	63,719,046	53,795,483
Written Down Value										
at end of the year	10,685,335	19,117,335	2,794,196	4,191,618	903,331	1,223,600	10,114	35,142	14,392,976	24,567,695

Notes to the Financial Statements

As at	31-Dec-18 Rs.	31-Dec-17 Rs.
4. Deposits (Non-current)		
Rent deposit	6,879,736	6,879,736
Safety Locker Deposit	100,000	100,000
	6,979,736	6,979,736
5. Inventories		
Stationery	698,514	516,831
6. Accounts Receivable		
Prepayments	2,739,670	2,899,773
Part payment made to Consultant	259,419	-
Deposits	30,000	30,000
Prepayments - relating to IFIAR Inspection Workshop 2018	-	446,650
	3,029,089	3,376,423
7. Cash and Cash Equivalents		
Cash on hand and in bank	39,328	484,452
Cash at Bank-IFIAR 2018 - relating to IFIAR Inspection Workshop 2018	-	7,443,448
	39,328	7,927,900
7.1 SLAASMB hosted the 2018 Inspection Workshop of the International Forum of Independent Audit Regulators (IFIAR), in Sri Lanka in February 2018. Final Income and Expenditure results are reflected in Note 16.		
8. Deferred Income - Government Grants (Non-current)		
Balance at the beginning of the year	30,256,006	37,208,854
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
Grants received in the form of non-current assets	-	1,575,000
Increase of deposit (non-current)	-	100,000
Grants received and invested in gratuity fund	800,000	-
Depreciation and amortisation expenses for the year	(10,174,715)	(9,769,265)
Interest received on gratuity fund	425,339	455,461
Loss on disposal of office equipment	(3)	(1)
Change in defined benefit obligation for the year	(1,121,689)	(1,640,428)
Balance at the end of the year	20,184,938	30,256,006
Transferred from Deferred Income - Government Grants (current)	(1,531,701)	-
	18,653,237	30,256,006
Represented by		
Property, plant and equipment	14,392,976	24,567,695
Deposit (non-current)	6,979,736	6,979,736
(Provision for gratuity) / Excess of Gratuity Fund	(1,187,774)	(1,291,425)
	20,184,938	30,256,006
Transferred from Deferred Income - Government Grants (current)	(1,531,701)	-
	18,653,237	30,256,006

Notes to the Financial Statements

As at	31-Dec-18 Rs.	31-Dec-17 Rs.
9. Defined Benefit Obligations / (Asset)		
Balance at the beginning of the year	6,358,156	4,717,728
Charge for the year	613,847	696,832
Interest for the year	527,415	488,756
Actuarial gains / losses	(19,574)	454,840
	7,479,844	6,358,156
Payments during the year	(2,432,051)	-
	5,047,793	6,358,156
Gratuity Fund (Note 9.1)	(4,022,968)	(5,066,731)
	1,024,825	1,291,425
PAYE of Gratuity payment payable	162,949	-
Balance at the end of the year	1,187,774	1,291,425
Present value of the obligation was measured using the following assumptions.		
Expected salary increment	10%	10%
Discount / interest rate	12.23%	12.11%
Staff turnover factor	9%	9%
The liability for gratuity is partly funded.		
9.1 Gratuity Fund		
Balance at the beginning of the year	5,066,731	4,611,270
Investments made during the year	800,000	-
Interest received during the year	425,339	455,461
Payments during the year	(2,269,102)	-
Balance at the end of the year	4,022,968	5,066,731
10. Deferred Income - Government Grants (Current)		
Balance at the beginning of the year	1,124,759	2,290,471
Increase / (decrease) in inventories and accounts receivable	(165,651)	138,724
Increase / (decrease) in cash and cash equivalents	(7,888,572)	5,817,133
(Increase) / decrease in deferred income and accounts payable	5,397,764	(7,121,569)
Balance at the end of the year	(1,531,701)	1,124,759
Transferred to Deferred Income - Government Grants (non-current)	1,531,701	-
	-	1,124,759
Represented by		
Inventories	698,514	516,831
Accounts receivable	3,029,089	3,376,423
Cash and cash equivalents	39,328	7,927,900
Less: Deferred income - IFIAR Workshop 2018	-	(6,719,098)
Less: accounts payable	(5,298,632)	(3,977,297)
Balance at the end of the year	(1,531,701)	1,124,759
Transferred to Deferred Income - Government Grants (non-current)	1,531,701	-
	-	1,124,759

Notes to the Financial Statements

As at	31-Dec-18 Rs.	31-Dec-17 Rs.
11. Accounts Payable		
Auditors' remuneration	320,000	320,000
Grants payable to Institute of Chartered Accountants of Sri Lanka	2,000,000	1,250,000
Professional fees payable to reviewers	735,000	260,000
Staff incentive payable	949,000	1,014,000
Other payables	1,294,632	1,133,297
	5,298,632	3,977,297
12. Government Grants		
Government grants received during the year	81,391,000	78,656,000
Grants received in the form of non-current assets	-	(1,575,000)
Grants used to increase other deposits	-	(100,000)
Grants received and invested in gratuity fund	(800,000)	-
Grants used for capital expenditure	-	(1,793,824)
Grants used to finance net current assets	2,656,459	1,165,713
Depreciation and amortisation expenses for the year	10,174,715	9,769,265
Interest received on gratuity fund	(425,339)	(455,461)
Loss on disposal of office equipment	3	1
Defined benefit liability for the year	1,141,262	1,185,588
Grants shown in the Statement of Financial Performance	94,138,101	86,852,282
Grant related to remeasurement of defined benefit liability shown in Other Comprehensive Income	(19,574)	454,840
Total grants transferred to total comprehensive income shown in Statement of Cash Flows	94,118,527	87,307,122
13. Auditors' Remuneration		
Current year	160,000	160,000
(Over) / under provisions in the previous years	33,200	-
	193,200	160,000

Notes to the Financial Statements

<i>For the year ended 31 December</i>	31-Dec-18 Rs.	31-Dec-17 Rs.
14. Staff Costs		
Staff remuneration	21,858,386	19,208,809
Employees' provident fund	2,780,709	2,519,477
Employees' trust fund	695,177	565,502
Defined benefit obligation (note 14.1)	715,923	730,127
Vehicle rent and payment to driver	1,218,240	1,512,489
Staff incentive	12,002,683	12,168,000
Health insurance	483,101	518,379
Staff welfare	780,029	849,060
Other staff benefits	3,550,068	4,279,256
	44,084,317	42,351,100
14.1 Defined Benefit Obligations		
Charge for the year	613,847	696,832
Net interest for the year	102,076	33,295
	715,923	730,127
Actuarial gains / losses disclosed as other comprehensive income	(19,574)	454,840
Total Defined Benefit Obligation included in the Statement of Cash flows	696,349	1,184,967
15. Other Administration Expenses		
Annual report	397,605	357,002
Computer maintenance	104,385	180,508
Equipment maintenance	154,360	231,060
Telephone	764,274	658,273
Vehicle maintenance	881,546	1,614,599
Office expenses	401,445	501,432
Secretarial fee	90,000	-
Legal and professional fees	128,628	308,383
Internal audit fees	170,000	170,500
Sundry expenses	671,093	590,870
	3,763,336	4,612,627

Notes to the Financial Statements

<i>For the year ended 31 December</i>	31-Dec-18 Rs.	31-Dec-17 Rs.
16. IFIAR Workshop 2018 -Income and Expenditure		
Income		
Participant's fee	11,584,015	-
Treasury Funds	1,175,000	-
Interest on call deposits	60,924	-
	12,819,939	-
Expenditure		
Event Management fee	1,099,414	-
Venue related expenses	4,851,312	-
Audio Visual related expenses	2,201,410	-
Others	3,502,217	-
	11,654,353	-
Income over Expenditure	1,165,586	-
Less: Excess Funds returned to Treasury	(1,165,586)	-
	-	-

17. Capital Commitments

The Board had approved the design and construction work 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 2017 - nil)

18. Related Party Transactions

The Event Manager selected through the government procurement process to facilitate the IFIAR 2018 Inspection Workshop is M/s Aitken Spence Travels (Pvt) Limited. Ms Nilanthi Sivapragasam, a member of the Board is the Chief Financial Officer of the Aitken Spence Group. Total fee paid to the Event Manager amounted to Rs.1,099,414/-.

19. Contingent Liabilities

There were no contingent liabilities as at 31 December 2018. (As at 31 December 2017 - nil)

20. 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.

Current status regarding the issues addressed in the Report of the Auditor General

Issue	Comment	Action Owner	Action taken	Current Status
Laws and directions				
(a) Nominations to appoint Board members were not received from the Federation of Chambers of Commerce and Industry	Nominations had not been received by the Ministry of Finance (MOF) during 2018. However no response has been received to-date.	Director General (DG)	Management made many attempts of follow up with the General Secretary of the Chambers of Commerce and Industry	Position of Board member representing the Chambers of Commerce and Industry remains vacant
(b) Nominations from University Grants Commission (UGC) was not received	UGC has not sent nominations in 2018. Board member representing UGC was nominated in July 2019.	DG	Board member representing UGC was nominated in July 2019.	Complied
(c) Formal performance appraisal system not introduced	Performance Appraisal form went through may revisions to suit the functions performed by the technical staff of SLAASMB.	DG	Performance Appraisal was communicated to the Staff	First appraisal will be conducted for the period 15 October 2019 to 31 December 2019.
(d) Procedure manual not approved by the Board	Subsequent to the Audit Committee approving the Procedure Manual on 16 May 2019, further amendments were identified by the Staff and the amended Procedure Manual was approved by the Board on 27 August 2019.	DG	Procedure Manual with Board approval was submitted to the Ministry of Finance on 19 September 2019	Complied
(e) Annual Action plan for 2018 not prepared	Annual action plan was given to auditors, but was not on a consolidated form.	DG	Annual Action Plan for 2020 is being prepared on a Consolidated Basis	Annual Action Plan for 2020 is being prepared on a Consolidated Basis
Other matters				
Renting of 1 st floor from 1 July 2017 and paying rent of Rs.4,149,492/- and not commencing construction work	Bid documents were approved by the Procurement Committee on 22 August 2019. Advertisement inviting bids is to be published on 1 September 2019.	DG	Advertisement inviting bids was published on 1 September 2019.	Bids are being evaluated by the State Engineering Corporation

Current status regarding the issues addressed in the Report of the Auditor General

Issue	Comment	Action Owner	Action taken	Current Status
Design, development and implementation of MIS by ICTA was not complete	ICTA was unable to provide the service due to an internal decision of the ICTA to withdraw from agreement.	DG	IT Steering Committee of the Board decided to engage a Consultant for the process of designing, developing and implementing of the MIS	Invitation for Expression of Interest to engage a Consultant was advertised in the news papers
Performance				
Absence of a mechanism to identify SBE's	Advertisements are published annually to draw the attention of management of SBE's of the need to submit financial statements to SLAASMB.	DG	Regulated entity lists are closely monitored with SLAASMB's data base of SBE's to identify SBE's.	Possible action to alert the management of SBE's are being taken within the available framework
Board entered in to an agreement with a private party to provide information on financial statement reviews from 2014 to 2018 requested by Auditor General on 26 February 2019. The exercise found that certain information was not available with the Board.	The said information was not accessible through an automated system and the data concerned was a large volume. Therefore this was given as a separate assignment to our internal auditors. Due to the technical staff not having time to assist the outsourced team they have been unable to find certain information in a readily available form. However, this information is available in all technical files which were reviewed.	DG	The said information is available in all technical files which were reviewed.	Steps are on the way to design, develop and implement a MIS which would provide such information in a readily available form

Current status regarding the issues addressed in the Report of the Auditor General

Issue	Comment	Action Owner	Action taken	Current Status
Follow up action was not taken by the Board relating to findings communicated to some SBE's	The said comment relates to not obtaining the completed feedback forms from SBE's when observations have been communicated. Completing this feedback form by SBE's is not mandatory as the observations are communicated to assist preparers to improve compliance.	DG	Completing this feedback form by SBE's is not mandatory as the observations are communicated to assist preparers to improve compliance.	Complied
Staff Administration				
Of the 11 vacancies in the Board, 8 were senior positions.	Please refer subject "DG post vacant since 24 April 2019" below Deputy Director – 6 posts Assistant Director Legal – 1 post : Scheme of Recruitment has not been approved by the Department of Management Services	DG	Reminder and justification sent on 21 August 2019 and 30 August 2019	Pending receipt of Approved Scheme of Recruitment from the Department of Management Services
DG post vacant since 24 April 2019	Interview for the post of DG was conducted in February 2019 and the expected remuneration of the suitable candidate was far above the salary scales applicable to SLAASMB. Due to inability to attract technically competent Chartered Accountants with over 20 years of post-qualified experience at the salary scales applicable, the Department of Management Services has recommended seeking Cabinet Approval for the Board to determine the remuneration of the DG	Board	Request to obtain Cabinet approval for the Board to determine the DG's remuneration was sent to the Ministry of Finance on 3 June 2019 and in the absence of responses, reminders were sent on 21 August 2019 and on 9 September 2019.	Pending obtaining Cabinet approval for the Board to determine the DG's remuneration

Current status regarding the issues addressed in the Report of the Auditor General

Issue	Comment	Action Owner	Action taken	Current Status
04 permanent cadre positions filled on contract basis	Due to inability to attract technically competent Chartered Accountants, appointments on contract basis were in accordance of approvals given by the Department of Management Services in 2007 and 2009.	Board	Complied	Complied
Higher remuneration and extra benefits paid to two positions recruited on contract basis	Salaries paid to DG and DDG positions prior to 2007 were approved by the Dept. of Management Services (DMS). However, when the salaries of SLAASMB were aligned under the circular no 30 of DMS in 2007, as the salaries already paid was higher, such staff were allowed to be placed on contract basis in accordance with approval in 2007 by Dept. of Management Services. This was purely due to the inability to attract technically competent Chartered Accountants with required years of experience within the salary scale approved for these positions under the permanent cadre.	Board	Complied	Complied

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.

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

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