

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 59)

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Members of the Board

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

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

Members of the Board as at 31st December 2016



P V L Nandasiri

B.Sc.,(Pub.Admin.) LLB, FCA, FTII, AIB

Mr. Nandasiri, Chairman of the Board from 2015 June to 2017 April and the Director, Legal and Compliance at the Central Bank of Sri Lanka. He is also the Chief Compliance Officer of the Central Bank of Sri Lanka and counts over 28 years in service at the Central Bank of Sri Lanka. His wide range of experience includes banking and financial regulations and accounting.



D N R Siriwardena

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

Mr. Siriwardena, the Registrar General of Companies counts over 28 years at the Department of Registrar of Companies. He also serves as an ex-officio council member of the Institute of Chartered Accountants of Sri Lanka, Insurance Board of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.



L L S Wickremasinghe

FCA, FMAAT

Mr. Wickremasinghe, the President of the Institute of Chartered Accountants of Sri Lanka He is a partner of B.R. De Silva & Co. serves as a Board Member of the Confederation of Asia and Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA). He is the Chairman of the Improvement in Transparency, Accountability and Governance Committee of SAFA. He also serves as the current Technical Advisor to the Chairman of the Board of International Federation of Accountants (IFAC) and he is a Commission Member of the Securities Exchange Commission of Sri Lanka (SEC).



A Herath

B.Sc. MBA, MAFE, FCA

Mr. Herath, a Senior Partner at Ernst & Young, Sri Lanka and Maldives is the immediate 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 Asian Pacific Accountants (CAPA). He also serves as a Director in some corporate entities, and as members of several regulatory bodies and statutory committees.



Ms. K Dahanayake

B.Com (Sp), PGDM, M.pub.mgp, FTII

Ms. Dahanayake, the Commissioner General of Inland Revenue counts over 35 years of service at the Department of Inland Revenue. She is a fellow member of the Sri Lanka Institute of Taxation and a Board Member of the Public Sector Wing (ABFASL) of the Institute of Chartered Accountants of Sri Lanka.



V P Wijegunawardane

BA(Hons), MA

Mr. Wijegunawardane is the Director General of the Securities and Exchange Commission of Sri Lanka. He counts over 10 years of experience in investment analysis. 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 over 10 years and has provided leadership through many key initiatives in the development and reform of the capital market.



W W J C Perera

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

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

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



S N Jayasinghe

FCMA (UK)

Mr. Jayasinghe, the Group Director - Finance, of Ceylon Biscuits Group of Companies, counts over 26 years of experience in the finance field. He has served on the Global Board of the Chartered Institute of Management Accountants (CIMA) of UK, for a three year term and is a Past President of CIMA Sri Lanka. He is 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 2016



P L C Peiris
FCA, Attorney-at-Law

Mr. Peiris, the Managing Partner of PLC Law Chambers, counts over 21 years of experience in investment banking, finance and law. He is a professional in law and finance, and he is a Passed Finalist of the Chartered Institute of Management Accountants (CIMA) of UK. Currently he serves as a Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka and is a delegate member of the Bar Council of the Bar Association of Sri Lanka.



Ms. N Sivapragasam
FCA, FCMA (UK)

Ms. Sivapragasam is the Chief Financial Officer of the Aitken Spence Group and serves on Boards 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 in several other regulatory bodies and committees.

Observer of the Board - Treasury Representative



A de Vas Gunasekara
FCA, FSCMA

Mr. Gunasekara is the Deputy General Manager, Finance of Sampath Bank PLC. He counts over 22 years of post qualifying experience, including 17 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 an Accountant at Finlay's PLC.



M R V R Meepura
MBS, Bsc HRM, ACA

Mr. Meepura, Director of Department of Public Enterprises counts over 18 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 2016

Chairman of the Statutory Accounting Standards Committee



DT S H Mudalige
FCA, FCCA, FCPA

Mr. Mudalige, Partner at PricewaterhouseCoopers - Sri Lanka is a past President of the Institute of Chartered Accountants of Sri Lanka, (CA Sri Lanka). He counts over 26 years of experience in public accounting practice and in industry in Sri Lanka and overseas. Previously, he has been a commissioner of the Securities and Exchange Commission of Sri Lanka and the Deputy Chairman of the Financial Systems Stability Consultative Committee of the Central Bank of Sri Lanka.

Chairman of the Statutory Auditing Standards Committee



S. Rajapakse
MBA, FCA

Mr. Rajapakse, Past President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is the Managing Partner of BDO Partners. He is also a Council member of the University of Sri Jayewardenepura and serves as Director and the Audit Committee Chairman in some entities.

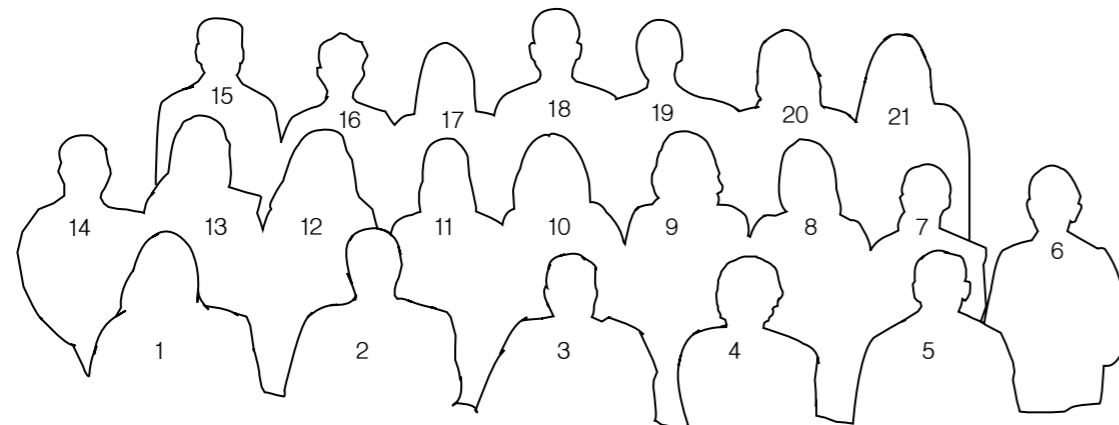
Director General



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

Ms. Geeganage, the Director General of SLAASMB has over 35 years of experience in the fields of financial and business management, in leading State Sector Organizations and auditing in a firm of Chartered Accountants. She has served in the Governing Council of the Association of Accounting Technicians of Sri Lanka (AAT) and in Boards of Directors of several subsidiaries and investee companies of a leading commercial public enterprise. She is a life member of the Association of Professional Bankers of Sri Lanka.

Staff of the Board



- | | |
|-------------------------------|------------------------------------|
| 1. Mrs. Asha Ahamath | 11. Ms. Hafsa B Razzak |
| 2. Mrs. Anusha I Mohotti | 12. Mrs. Dilinika Menmendaarachchi |
| 3. Ms. Wasantha J K Geeganage | 13. Mrs. Randima De Silva |
| 4. Mrs. Gayani L Perera | 14. Mrs. L Wathsala Mallawarachchi |
| 5. P S B Ekanayake | 15. K. Rasika S Bandara |
| 6. Ms. M Surani T Fernando | 16. Mrs. F Shiromi Abeykoon |
| 7. Mrs. Imalka Iddamalgoda | 17. Ms. R A Nadeeshani Manodika |
| 8. Ms. Ishari M Silva | 18. H S U P Jayawardena |
| 9. Mrs. Monita N Bandara | 19. Mrs. D M Nilanthi Dandeni |
| 10. Ms. M Lakmalie Hewage | 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, Board Secretary

Mrs. Asha Ahamath

FCA
Technical Manager

Mrs. Monita N Bandara

FCA, (SL), ACA (E&W), BB Mgt (Acc) Sp.
Technical Manager

Ms. Hafsa B Razzak

ACA, ACMA
Technical Manager

Ms. W G Eranga Amarasie

FCA, B.Sc. (Acc) sp. (Hons.), MBS
Technical Manager

Ms. M Lakmalie Hewage

ACA, ACMA
Technical Manager

Mrs. Imalka Iddamalgoda

ACA, B.Sc. (Fin) Sp.
Technical Manager

Mrs. Dilinika Menmendaarachchi

ACA, B.Sc. (Acc) Sp. (Hons.)
Assistant Technical Manager

Mrs. Kalani Hettiarachchi

ACA, B.Sc. (Acc) Sp. (Hons.)
Assistant Technical Manager

Mrs. Randima De Silva

ACA, B.Sc. (Acc) Sp. (Hons.)
Assistant Technical Manager

Ms. Ishari Manushka Silva

ACA, BBA (Acc) Sp. (Hons.)
Assistant Technical Manager

Mrs. D M Nilanthi Dandeni

ACA, BBA (Acc) Sp. (Hons.)
Assistant Technical Manager

Mrs. L Wathsala Mallawarachchi

ACA, B.Sc. (Acc) Sp. (Hons.)
Assistant Technical Manager

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 No 58 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, reviewing 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 Institute of Chartered Accountants of Sri Lanka. In order to make recommendations and assist the Institute to adopt such standards, an Accounting Standards Committee and an Auditing Standards Committee has been established under the Act. The Institute of Chartered Accountants of Sri Lanka adopts Accounting Standards based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB). Similarly the Auditing Standards adopted are based on the International Standards on Auditing (ISAs) developed by the International Auditing and Assurance Standards Board (IAASB). Presently, the Institute has adopted nearly 36 Auditing Standards and 42

Accounting Standards 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. Special Government Assistance

SLAASMB received a budgetary allocation of Rs. 100 million from the proposal No. 289 of the National Budget, 2016 to strengthen and develop its activities. The said funds were granted by the Hon. Minister of Finance to SLAASMB to expand its technical and financial capacity, extend its scope of activities and to make amendments to the statute to facilitate planned expansions.

Using the said resources, the staff of SLAASMB was trained on complex accounting issues, new audit approaches including thematic and firm-wide reviews, descriptive reporting to auditors, on the new audit report, ethics and on primary dealer operations by international as well as local resource persons. Further, the staff capacity was enhanced through the provision of training on communication, motivation and on XBRL, the international standard for digital business reporting.

Further, amendments to the legislation which was not subjected to amendments during the past 20 years was submitted to the Ministry during the year. The legislative amendments relating to the monitoring of audit firms and monitoring the Public Sector financial statements were also included in the amendments. Further, as preparatory measures on the proposed monitoring of the Public Sector financial statements, preliminary arrangements relating to expansion of the office premises were carried out during the year.

3. Review of Financial Statements

3.1 Methodology followed on Reviews

The financial statement reviews are conducted to ensure compliance by SBEs with Sri Lanka Accounting Standards. The required action on non-compliances is determined based on materiality of the non-compliance. SLAASMB mainly focuses on non-compliances relating to recognition and measurement issues. 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. However, where such deviation makes the financial statements misleading, legal action is instigated based on the statute.

3.2 Highlights of Review of Financial Statements

As at 31 December 2016, 1,485 SBEs had been identified for monitoring under the Act. During the year, 1,536 sets of financial statements from 1,412 SBEs were received and reviews of 731 sets of financial statements relating to 678 SBEs were completed compared with the planned number of 720 sets of financial statements for the year. During 2016, the staff underwent comprehensive training on regulating accounting and auditing standards, with the aim of enhancing the technical capacity to perform the reviews in a more robust manner. SLAASMB reviewed 1,122 sets of financial statements relating to 1,068 SBEs during the previous year.

3.3 Performance Statistics of the Board

Item	2013	2014	2015	2016
1 No. of SBEs Identified (as at period end)	1,358	1,353	1,140	1,485
2. Financial statements received				
No of statements	1,322	1,371	1,430	1,536
No. of SBEs	1,248	1,289	1,345	1,412
3. Review of financial statements				
No. of reviews	751	1,200	1,122	731
No. of SBEs	708	1,151	1,068	678
4. Corrective Actions				
Compliant				
No. of financial statements	309	498	553	436
No of SBEs	280	483	534	417
Compliant with observations				
No. of financial statements	438	697	567	291
No of SBEs	424	674	541	262
Non Compliant (Undertakings and Directions)				
No. of financial statements	4	5	2	4
No of SBEs	4	5	2	4
5. Corrective action as a % of No. of SBEs				
Compliant	39%	42%	50%	61%
Compliant with observations	60%	58%	50%	38%
Non Compliant (Undertakings and Directions)	1%	-	-	1%

3.4. The corrective action taken during the year 2016 revealed 61% of SBEs as being compliant while 38% being compliant with observations. The number of SBEs compliant with observations was high during the preceding years due to the implementation of a number of new accounting standards from 1 January 2012.

3.5. 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 four specified business enterprises (SBEs). Undertakings obtained from SBEs resulted in corrections to net profits/equity amounting to Rs. 1.91 billion. (see page No 19 for observations made on the review of financial statements and page No 21 for undertakings obtained during 2016). The undertakings would be followed up for compliance in the subsequent annual financial statements.

3.6. Where an identified non-compliance with Sri Lanka Accounting Standards was material but not significant as to require the use of statutory provisions, such non-compliance was communicated in the form of a letter of assistance. During the year, 294 letters of assistance were issued to encourage those SBEs to improve their systems for financial reporting.

4. Inspection of Audits

During the year, 99 audits carried out by 14 firms of practicing Chartered Accountants were inspected, compared with the 91 audits carried out by 29 firms which were inspected during the preceding year. The audit files on which the inspections were carried out during the year were selected on a risk-based approach. Since most of the risk-based audits had been concentrated among a few firms, the number of firms of which the audits were subjected for inspection during 2016 declined compared with 2015.

Consequent to comprehensive training sessions conducted by an International Consultant, the audit inspection approach was widened towards the end of the third quarter of the year. In the revised methodology, specific focus is made on identifying the significant risks relating to the audits, prior to conducting the inspections and in-depth inspections are carried out where risks have been identified. The said capacity building was made possible by the budgetary allocation by the National Budget, 2016, to strengthen and develop SLAASMB.

As a result of the significant non-compliances observed during the audit inspections, SLAASMB issued directions to 2 SBEs requiring these SBEs to have the financial statements re-audited. The inspections during the year resulted in observing deficiencies in 55 audits conducted by 12 firms compared with the 56 audits conducted by 29 firms during 2015. Significant concerns were communicated to the relevant audit firms (See page No 34 for details of audit reviews).

Further, resulting from the said capacity building, SLAASMB has planned to enhance the quality of audit inspections by expanding its focus towards thematic inspections and firm-wide quality inspections in 2017.

5. Investigations

Touchwood Investments PLC had made an application to the Court of Appeal during the year 2007 to quash the decisions of the Board that the valuation of the biological assets of the company in its financial statements for the years ended 31 March 2005 and 2006 were clearly unreliable and therefore to refer the said matter to the Attorney General. The application was allowed by the Court of Appeal in 2010.

Based on a winding up petition filed by a creditor for failing to pay his dues, Commercial High Courts of Colombo appointed a liquidator during 2014 for Touchwood Investments PLC. The entity is under liquidation at present. As the liquidator had informed the Supreme Court that he supports the appeal filed by SLAASMB against the judgment of the Court of Appeal, on 29 March 2016, the Supreme Court decided to set aside the judgment of the Court of Appeal.

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

Since meeting the undertaking given to the COPE on reviewing financial statements of all SBEs during the past two years, SLAASMB considers moving towards a risk based selection of financial statements for reviews in the future as being a better means of enhancing the quality of findings on non-compliances. SLAASMB also considers reviewing all SBEs within a period of 3-5 years, covering all regulated entities annually, high risked private entities every 3 years and low risked private entities every 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.

Further, based on the new audit inspection approach on which the staff received training by an international consultant with regulatory exposure, the audit inspections to be performed from 2017 would be more in-depth inspections which would be approached through risk identification. Due to the nature of the focus, the audit inspections would involve detailed planning and reporting of each audit. SLAASMB

also plans to conduct thematic reviews and firm reviews in 2017.

7. Assistance to the Standards Setter

7.1. In terms of the current arrangement with the Ministry of Finance, SLAASMB continued to provide an annual grant of Rs. 2.5 million to the Institute of Chartered Accountants of Sri Lanka to facilitate the work of the Accounting Standards Committee and the Auditing Standards Committee as adoption of high quality standards facilitate the proper discharge of the functions of SLAASMB.

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

- a) Existing Sri Lanka Accounting Standards were compared against respective standards on the International Financial Reporting Standards (IFRS) 2016 consolidated without early application edition. This publication was approved by the Council of the Institute (CA Sri Lanka) in the year 2016 and is being gazetted.
- b) One Sri Lanka Accounting Standard and amendments to six existing Sri Lanka Accounting Standards are in the process of being gazetted. Of these, amendments to three standards are to be effective from 1 January 2017.
- c) Comprehensive series of seminars and workshops have been conducted by CA Sri Lanka as awareness programs on the accounting standards among different stakeholder groups.
- d) The Statutory Auditing Standards Committee is in the process of deliberating the 2015 handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements published by the International Federation of Accountants (IFAC)

and the Council of CA Sri Lanka has approved to adopt these new and revised Sri Lanka Auditing Standards to be effective for audits of financial statements for periods ending on or after 31 March, 2018.

- e) CA Sri Lanka has also conducted a series of awareness programs on the new and revised auditing standards for practicing members, finance executives and audit committee members.

8. International Relations

8.1. 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.
- 8.2. The staff of SLAASMB represented Sri Lanka in the sessions of the Intergovernmental Group of Experts on International Standards of

Accounting and Reporting (ISAR). Accepting an invitation by the ISAR Secretariat, SLAASMB's participant delivered a presentation as a panellist on IFRS 16- Leases at its technical workshop.

8.3. SLAASMB was successful in inviting the International Forum of Independent Audit Regulators (IFIAR) to host its 2018 workshop in Sri Lanka. IFIAR conducts similar workshops annually and they are attended by the member regulators representing approximately 50 jurisdictions.

8.4. The staff also participated in the international sessions which facilitated refreshing the principles of international accounting and auditing standards, awareness of latest standards, up-to-date developments in standards and the direction of the future developments. These sessions also provided practical guidance on application of principles by way of cases and interpretations and means of establishing international relations to foster knowledge sharing opportunities. The special government assistance provided during 2016 for capacity building enabled all technical staff to be provided international exposure in these areas.

9. Human Resources

9.1. Staff

As at the end of 2016, SLAASMB had a staff of 21 of which 15 were Chartered Accountants. The total technical staff comprised of the Director General, 2 Deputy Director Generals, 6 Technical Managers and 6 Assistant Technical Managers. Of the technical staff, 6 were employed on a contractual basis while 9 were employed on a permanent basis. The increase in staff strength was facilitated by the implementation of the incentive pay scheme which was based on an approval received from

the Ministry on the recommendation of the Salaries and Cadre Commission. The staff had international exposure on areas relating to financial reporting, auditing and regulation by attending conferences, workshops and training programmes on 19 occasions during the year. Of these, 12 sessions were provided through the special funds provided by the government to enhance the capacity building of the staff.

9.2. External Panel of Reviewers

In order to comply with the recommendations of the COPE, SLAASMB continued to engage external reviewers to review financial statements received in its attempt to increase the number of financial statements being reviewed. As the panel of such external reviewers engaged in 2011 had reduced to 3 at the beginning of the year, the review panel was increased to 21 during the latter half of the year. The technical staff of the Board conducted a workshop on the review mechanism to the newly engaged reviewers. Of the financial statement reviews completed during the year, reviewers had completed the preliminary reviews of 113 sets of financial statements. Rs.1.9 million was paid to the external reviewers during the year. The finalization of the reviews carried out by the external reviewers which includes obtaining additional information, seeking agreements for corrections and issuing observation letters are carried out by the technical staff of SLAASMB.

10. Governance

10.1. In terms of the statute, the Board consists of 3 ex-officio members and 10 members appointed by the Minister of Finance 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, Institute of Chartered Accountants of 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.

10.2. Mr. P V L Nanadasiri, Director, Legal and Compliance of the Central Bank of Sri Lanka, continued to serve as the Chairman during the year. As nominations were not received from the Federation of Chambers of Commerce and Industry of Sri Lanka and University Grants Commission, 2 positions of the Board remained vacant as at the end of the year.

10.3. Messrs. A De Vas Gunasekara, S 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, W W J C Perera, and L L S Wickremasinge, who were also members of the Board, served as partners of firms of practicing accountants which audit some of the SBEs. Further, Messrs. D T S H Mudalige, S. Rajapakshe and M R V R Meepura, observers / invitees 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 SBE or its auditor. Such members do not participate in discussions on subjects relating to those SBEs.

10.4. Consequent to the Director General, Mr. Gamini Wijesinghe resigning from his position in November 2015 to accept the appointment as Auditor General, Ms. Wasantha Geeganage

assumed duties as the Director General with effect from 25 April 2016.

- 10.5.** The Board had 13 meetings during the year. The deliberations of the Board during the year covered performance of the staff in terms of overall operational indicators, action required to resolve significant technical issues related to entities under liquidation and litigation and approval to forward amendments to statutory provisions in the Act No. 15 of 1995. The Board also focussed on repercussions of issuing letters of comfort to SBEs, issues relating to non-compliances with standards by SBEs, approving financial statements, annual budget and the corporate plan of the Board. Further, the Board was engaged in reviewing different approaches on amending the staff remuneration scheme in order to attract suitable staff for technical functions.
- 10.6.** 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 by the staff supervised and guided by the two Deputy Director Generals and the Director General.

11. Financial Performance

The operating expenses of SLAASMB for the year was Rs. 94,050,511 compared to Rs. 69,158,863 for the previous year. The significant increase in operating expenses was due to expenses incurred on special capacity building budget amounting to Rs. 21,679,041. The increase in operating expenses (excluding expenses on capacity building) was 4.64% for the year. Staff costs during the year was Rs. 39,350,133 compared to Rs. 37,322,152 during the previous year which indicates an increase of 5.4% for the year. Staff costs constituted to be 54% of the operating expenses (excluding expenses on capacity building) of SLAASMB.

The expenses were financed out of funds provided by the Government. Alternatively, a cess can be levied from SBEs computed as a percentage of shareholders' equity or profit after tax which ever is higher as may be determined by the Hon. Minister of Finance under the Act to finance the expenditure of the Board. However, this option was not preferred by the Ministry of Finance and the cess which was proposed to be in operation for periods commencing on or after 1 January 2008 was withdrawn by the Hon. Minister on 7 October 2008.

1. Introduction

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) received a budgetary allocation from the proposal No. 289 of the National Budget, 2016 to strengthen and develop SLAASMB. In strengthening the regulatory functions, the need to strengthen the legislation by incorporating the identified amendments to the statute, capacity building of the staff to expand the inspection activities, and to provide required infrastructure facilities to accommodate the planned expansion were identified as core areas. The activities performed by utilizing these funds are described below.

2. Amendments to the legislation

The existing legislation had not been amended since its enactment in 1995. However, during the past 16 years of active operations, SLAASMB faced many difficulties in exercising the regulatory powers vested by the statute on regulating financial statements and audits. Some of the said complexities include, difficulties in obtaining financial statements in the absence of a specific deadline in the legislation for submission of financial statements, inability to publish information on non-compliances due to legislation not specifically permitting publishing of information, non-availability of a penalty system for offences that do not require legal action and barriers to publicize findings. SLAASMB prioritized the need to amend the legislation and the identified amendments to the legislation were approved by the Board and submitted to the Ministry of Finance during the year. Further, mechanisms to strengthen the monitoring of audits and monitoring the Public Sector financial statements were also introduced in the amendments.

3. Renovation/ Expansion to Premises

With the proposed amendments to the Act, the need to have a dedicated staff to monitor public sector was identified and additional office space was sourced from the 1st floor of the building housing the current office. Further, initial activities involved in selecting an architectural consultant for initial planning commenced during the year.

4. Capacity Building

4.1. Overview

As a key element of SLAASMB's talent management, focus was made on training to ensure the development, continuous learning and career enhancement of its staff and development and continuous learning of its external review panel, to enhance effectiveness of the review process. Further, capacity building of three core stakeholder groups was also focused in order to strengthen the compliance with accounting and auditing standards.

4.2. Capacity building of the staff

SLAASMB continued its commitment to training and development of its entire staff during the year, by arranging multiple educational programs and focusing on technical as well as soft skills development conducted by local and foreign experts, through internally conducted programs and by attending international conferences and workshops. SLAASMB makes every effort to ensure their staff is competent and is up-to-date in their knowledge with a sound awareness of new developments in the finance and auditing spheres at all times to enhance the capability of the staff in order to meet the requirements as effective regulators.

Utilization of Funding under Supplementary Budgetary Allocation 2016

Overall, the year was filled with a host of activities around enhancing technical knowledge and improving quality on audit reviews. It also comprised of other related developments such as training on work-life balance and stress management, IT related programs and business communication, all of which supports the staff to develop their knowledge and to add value to the monitoring mechanism, by performing effectively. Brief description about the capacity building is described below.

4.2.1. Accounting Standards Regulation

Due to the complexities associated with financial transactions in the modern world and the practical issues relating to its application, technical staff was given one week's comprehensive training on new developments in accounting standards by a foreign consultant. They were exposed to new thinking with guidance on approaching the issues with a holistic view and a business sense, in the light of each complicated transaction. The sessions discussed the rationale behind applying standard requirements to different business transactions which is crucial to monitoring compliance with accounting standards.

The technical staff was also given international exposure on some of the complex aspects faced in monitoring financial statements. The staff attended training on areas related to derivatives and hedging with focus on fair value hedges and cash flow hedges, fair value measurement which discussed practical challenges in measurement of fair values of financial assets that do not have an active market, upcoming changes in IFRS's along with the opportunity to gain insights into new IFRSs from a standard setter's perspective as well as from the regulators perspective. They also participated in a session

on financial instruments, which facilitated the understanding of the application of financial instrument standard in complex financial transactions and the accounting treatments and provided an understanding of the approaches different countries have taken.

The technical staff received in-depth training on the functions of primary dealers and on the existing controls imposed by the non-bank supervision division of the Central Bank. The benefit of attending this session conducted by the Central Bank of Sri Lanka was not limited to enhancing the knowledge on the technical perspective as it became a platform for Central Bank officers and the SLAASMB technical team to gain an understanding about the practical difficulties faced by regulators.

A staff member was also given exposure in participating in an international conference on fraud examination. This assisted in enhancing awareness of advanced ratio analysis techniques used in detecting fraud, correlating financial ratios with specific fraud schemes and utilization of ratios involving nonfinancial data which could be used in monitoring financial statements.

4.2.2. Auditing Standards Regulation

Staff was provided training by a former audit regulator from the United Kingdom. This session which expanded for three weeks focused on areas for improvement in the existing audit monitoring mechanism, new developments such and thematic inspections and firm-wide inspections and on different levels of reporting. The session included on the job training to all staff members with real-time audit inspections conducted with the guidance of the consultant. Resulting from the comprehensive sessions, the audit inspection methodology in practice

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was analyzed and modified to align with the inspection approaches practiced by global regulators.

Participation at the United Nations Working Group of Experts on International Standards of Accounting and Reporting (ISAR) enabled SLAASMB's representative to gain exposure on global perspectives of key foundations required for implementation of monitoring of compliance and enforcement of accounting and audit requirement for high quality reporting.

Similarly, participation at the 2016 workshop of the International Forum of Independent Audit Regulators (IFIAR) enabled the staff to possess a better understanding of global regulatory mechanisms with the ability to share the knowledge effectively with global regulators. Two staff members were given exposure on the regulatory mechanism of audit inspections practiced in the USA by participating at the conference organized by the Public Company Accounting Oversight Board which was incorporated under the Sarbanes-Oxley Act. Attendance at these two sessions facilitates the staff of SLAASMB to be a part of the global network of regulators from which knowledge and experience could be exchanged continuously.

Staff was given training on forensic auditing as a means of being prepared to face the global advancement in the auditing field. The scientific methods and techniques which enables to investigate frauds discussed at the sessions resulted in enhancing the knowledge base on fraud investigation benefiting both the regulating of financial statements as well as audits.

4.2.3 Other capacity building programs

The technical and administration staff was given training on business communication skills by the British Council in order to improve the level of written and spoken English. The session arranged for the technical team is expected to impact their skills at meetings and in negotiations, favourably.

Considering the global demand for integrated reporting, two technical staff were provided the facilities to receive on-line training on the eXtensible Business Reporting Language (XBRL) which is the global standard for exchanging business information. Considerable number of regulators across the globe, including the US Securities & Exchange Commission (SEC), has mandated XBRL as the required electronic reporting format and this certificate course on XBRL has enabled the staff to identify values in these global practices.

With the initiation taken by SLAASMB to introduce new management information system during the year, the IT Administrator was provided training on server virtualization aiming at analyzing low cost virtual versions.

4.3 Capacity building of external review panel

In complying with the recommendations of the COPE, SLAASMB continued to engage external reviewers to conduct preliminary reviews of financial statements received in its attempt to increase the number of financial statements being reviewed. Due to external review panel comprising of only 3 reviewers at the beginning of 2016, review panel was enhanced to 21 by mid 2016. In order to the enhance the efficiency of

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the reviews, capacity building of these reviewers was carried out in the form of a workshop and on-the job training for six months.

4.4 Capacity building of stakeholder groups

SLAASMB organized interactive training programs on specific aspects of audit quality and audit report to three of its core stakeholders, namely, financial sector regulators including technical staff of SLAASMB, chair persons of audit committee's and partners and managers of audit firms. Separate comprehensive sessions were conducted by a foreign consultant, a former member of International Auditing and Assurance Standards Board (IAASB) who was instrumental in the development of the Audit Quality Framework developed by IAASB on this framework and on the new auditor reporting standard which is to be effective for audits of financial statements in Sri Lanka in 2018. Apart from dissemination of knowledge, the session for regulators functioned as a platform to enhance inter-regulatory corporation. Further, the participants from audit committees and the audit firms were up-dated on the findings of SLAASMB's regulatory activities by the two Deputy Director Generals. The public awareness sessions were well applauded by the separate groups and requests were made by them to conduct similar sessions on a more frequent basis, since audit quality is best achieved in an environment where there is support from and appropriate interactions among participants in the financial reporting supply chain.

Observations made on Review of Financial Statements during 2016

1. Undertakings obtained to make the required corrections

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) obtained undertakings from four specified business enterprises (SBEs) to make corrections in the financial statements. These undertakings resulted in corrections to net profits/equity amounting to Rs. 1.91 billion.

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

- Failure to make allowances in respect of doubtful receivables from related parties (Reference; LKAS 39 paragraph 58)
- Failure to prepare and present consolidated financial statements (Reference; LKAS 27 paragraphs 9 and 10)
- Failure to recognise liabilities for taxes in default (Reference; Conceptual Framework paragraph 4.4)

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 enterprises, by letter, without extensive inquiries, so that enterprises 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 on which the Sri Lanka Accounting Standards (prefixed SLFRS/LKAS) had been complied with by SBEs with issues observed are set out below.

- Failure to disclose information relating to the nature of the related party relationship as well as information about the transactions with related parties – in 88 SBEs including 22 in SME sector. (Reference; LKAS 24 paragraphs 17 and 18; SME section 33 paragraphs 33.9 and 33.10)
- Failure to disclose the nature and extent of risks arising from financial instruments to which the entity is exposed, at the end of the reporting period – in 24 SBEs. (Reference; SLFRS 7 paragraphs 31, 36 and 37)
- Failure to disclose valuation techniques used, inputs used in fair value measurements, quantitative information about the significant unobservable inputs used, significant adjustments made for the inputs and fair value hierarchy for each class of assets and liabilities measured at fair value – in 34 SBEs (Reference; SLFRS 13 paragraphs 91 and 93)
- Failure to disclose the effective date of the revaluation, method and significant assumptions used in the valuation and carrying value of the property plant and equipment that would have been recognised had the asset been carried under the cost model – in 28 SBEs (Reference; LKAS 16 paragraph 77)

Observations made on Review of Financial Statements during 2016

Undertaking Obtained during the year 2016

- Failure to recognise deferred tax liabilities – in 22 SBEs including 5 in SME sector (Reference; LKAS 12 paragraphs 15, 20 and 24 and SME Section 29 paragraph 29.15)
- Failure to recognise impairment losses at the end of each reporting period when objective evidence exist, that a financial asset or group of financial assets is impaired – in 48 SBEs including 5 in SME sector. (Reference; LKAS 39 paragraph 58, LKAS 36 paragraph 9 and SME Section 11 paragraph 11.21)
- Failure to apply the selected accounting policy (i.e., revaluation model), to the entire class of property plant and equipment and failing to perform regular revaluations when the fair values of the revalued assets differ materially from its carrying amounts – in 13 SBEs. (Reference; LKAS 16 paragraphs 29 and 34)
- Failure to adopt actuarial valuation method to measure all material post- employment benefits and to determine the present value of its defined benefit obligation by using projected unit credit method – in 14 SBEs. (Reference; LKAS 19 paragraphs 56, 57 and 67)

1. Sierra Construction (Private) Ltd

Sierra Construction (Private) Ltd had not reduced the carrying value of receivables from a related party to its recoverable amount in the financial statements for the year ended 31 March 2014. The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to recognize the loss on impairment of receivables from the said related party in the financial statements for the year ended 31 March 2016. This resulted in a decrease in the net assets of the entity by Rs. 117 million.

2. Akbar Brothers (Private) Ltd

Akbar Brothers (Private) Ltd had not presented consolidated financial statements by consolidating the financial statements of its subsidiaries for the year ended 31 March 2015. The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to present consolidated financial statements for the year ended 31 March 2016.

3. Adamjee Lukmangee & Sons (Private) Ltd

Adamjee Lukmangee & Sons (Private) Ltd had not presented consolidated financial statements by consolidating the financial statements of its subsidiaries for the year ended 31 March 2015. The auditors had qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to present consolidated financial statements for the year ended 31 March 2016.

4. Development Lotteries Board

Development Lotteries Board had not recognized a liability of Rs. 1.8 billion in respect of taxes in default in the financial statements for the year ended 31 December 2014. The auditors had not qualified their opinion on this issue.

Subsequent to the inquiries made by SLAASMB, the entity undertook to recognize a financial liability in respect of the taxes in default in the financial statements for the year ended 31 December 2015.

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2016 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
1	AB Securitas (Pvt) Ltd	31 March 2015
2	Abans Finance PLC	31 March 2015
3	Ace Power Embilipitiya (Pvt) Ltd	31 March 2015
4	ACL Cables PLC	31 March 2016
5	ACL Kelani Magnet Wire (Pvt) Ltd	31 March 2015
6	ACL Plastics PLC	31 March 2015
7	Adamjee Lukmanjee (Pvt) Ltd	31 March 2015
8	AIA Insurance Lanka PLC	31 December 2014
9	AIA Insurance Lanka PLC	31 December 2015
10	AIG Insurance Ltd	31 December 2015
11	Airport Garden Hotel (Pvt) Ltd	31 March 2016
12	Aitken Sepnce (Garments) Ltd	31 March 2015
13	Aitken Spence Apparels (Pvt) Ltd	31 March 2015
14	Aitken Spence Cargo (Pvt) Ltd	31 March 2015
15	Aitken Spence Hotel Holdings PLC	31 March 2016
16	Aitken Spence Hotels Ltd	31 March 2015
17	Aitken Spence PLC	31 March 2016
18	Aitken Spence Property Developments (Pvt) Ltd	31 March 2015
19	Aitken Spence Travels (Pvt) Ltd	31 March 2015
20	Akbar Brothers Exports (Pvt) Ltd	31 March 2015
21	Alhambra Hotels Ltd	31 March 2016
22	Allianz Life Insurance Lanka Ltd	31 December 2015
23	Alpha Apparels Ltd	31 December 2015
24	Alpha Industries (Pvt) Ltd	31 March 2015
25	Alufab PLC	31 March 2016
26	Alumex PLC	31 March 2016
27	Amana Asset Management Ltd	31 December 2015
28	Amana Takaful PLC	31 December 2013
29	Amana Takaful PLC	31 December 2014
30	Amaya Leisure PLC	31 March 2016
31	Amazon Trading (Pvt) Ltd	31 March 2016
32	American Education Centre Ltd	31 December 2015
33	AMW Capital Leasing and Finance PLC	31 December 2015
34	Anilana Hotels and Properties PLC	31 March 2016
35	Aqua Packaging (Private) Ltd	31 March 2015
36	Arpico Ataraxia S&P SL 20 Index Fund	31 March 2015

	Specified Business Enterprise	Financial Year End
37	Arpico Ataraxia Sri Lankan Bond Fund	31 March 2015
38	Arpico Finance Company PLC	31 March 2015
39	Arpico Finance Company PLC	31 March 2016
40	Arpico Insurance PLC	31 December 2015
41	Arpimalls Development Company (Pvt) Ltd	31 March 2015
42	Asha Phillip Securities Ltd	31 March 2015
43	Asia Asset Finance PLC	31 March 2015
44	Asia Asset Finance PLC	31 March 2016
45	Asia Siyaka Commodities PLC	31 March 2016
46	Asian Alliance Insurance PLC	31 December 2015
47	Asian Hotel and Propeties PLC	31 March 2016
48	Asian Paints (Lanka) Ltd	31 March 2016
49	Assetline Leasing Company Ltd	31 March 2015
50	Assetline Securities (Pvt) Ltd	31 March 2016
51	ASTRUE Alpha Fund	31 March 2015
52	ASTRUE Gilt-Edged Fund	31 March 2015
53	ASTRUE Money Market Fund	31 March 2015
54	Autodrome PLC	31 March 2015
55	Bank of Ceylon	31 December 2015
56	Bartleet Religare Securities (Pvt) Ltd	31 March 2016
57	Benji Ltd	31 December 2015
58	Bluescope Lysaght Lanka (Pvt) Ltd	31 March 2015
59	Bogala Graphite Lanka PLC	31 December 2015
60	Bogawantalawa Tea Estates PLC	31 March 2015
61	Brandix Textiles Ltd	31 March 2016
62	British Overseas (Pvt) Ltd	31 March 2015
63	British Overseas (Pvt) Ltd	31 March 2016
64	Browns Beach Hotels PLC	31 March 2016
65	Bureau Veritas Consumer Products Service Lanka (Pvt) Ltd	31 December 2015
66	C M Holdings PLC	31 March 2015
67	C.W.Mackie PLC	31 March 2016
68	Candor Asset Management (Pvt) Ltd	31 December 2015
69	Candor Equities Ltd	31 December 2015
70	Capital Alliance Income Fund	31 March 2016
71	Capital Alliance Balanced Fund	31 March 2016

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2016 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
72	Capital Alliance Corporate Treasury Fund	31 March 2015
73	Capital Alliance Corporation Debt and Gilt Trading Fund	31 March 2016
74	Capital Alliance Finance PLC	31 March 2015
75	Capital Alliance Gilt Fund	31 March 2016
76	Capital Alliance Gilt Money Market Fund	31 March 2015
77	Capital Alliance Gilt Trading Fund	31 March 2016
78	Capital Alliance High Yield Fund	31 March 2015
79	Capital Alliance Investment Grade Fund	31 March 2015
80	Capital Alliance Ltd	31 March 2016
81	Capital Alliance Medium Risk Debt Fund	31 March 2015
82	Capital Alliance Quantitative Equity Fund	31 March 2015
83	Cargills Bank Ltd	31 December 2015
84	Cargills Quality Confectionaries (Pvt) Ltd	31 March 2016
85	Cargo Boat Development Company PLC	31 March 2015
86	CBL Foods International (Pvt) Ltd	31 March 2015
87	CBL Natural Food (Pvt) Ltd	31 March 2016
88	CCS Lanka (Pvt) Ltd	31 December 2015
89	CEAT Kelani International Tyres (Pvt) Ltd	31 March 2016
90	Central Developments Ltd	31 March 2016
91	Central Industries PLC	31 March 2016
92	Ceybank Asset Management Ltd	31 March 2015
93	Ceybank Unit Trust	31 March 2015
94	Ceylon Biscuits Ltd	31 March 2016
95	Ceylon Cold Stores PLC	31 March 2016
96	Ceylon Financial Sector Fund	31 December 2014
97	Ceylon Gilt Edged Fund	31 December 2014
98	Ceylon Guardian Investment Trust PLC	31 March 2016
99	Ceylon Income Fund	31 December 2014
100	Ceylon Index Fund	31 December 2014
101	Ceylon Investment PLC	31 March 2016
102	Ceylon IPO Fund	31 December 2014

	Specified Business Enterprise	Financial Year End
103	Ceylon Leather Products PLC	31 March 2015
104	Ceylon Shipping Corporation Ltd	31 March 2014
105	Ceylon Steel Corporation Ltd	31 December 2015
106	Ceylon Tea Brokers PLC	31 March 2016
107	Ceylon Tea Marketing (Pvt) Ltd	31 March 2016
108	Ceylon Tea Services PLC	31 March 2016
109	Ceylon Tobacco Company PLC	31 December 2015
110	Ceylon Tourism Fund	31 December 2014
111	CF Insurance Brokers (Pvt) Ltd	31 December 2015
112	Chatham Holdings (Pvt) Ltd	31 March 2015
113	Chemanex PLC	31 March 2015
114	Chemanex PLC	31 March 2016
115	Chemcel (Pvt) Ltd	31 March 2015
116	Chevron Ceylon Ltd	31 December 2015
117	Chevron Lubricants Lanka PLC	31 December 2015
118	CIC Dairies (Pvt) Ltd	31 March 2016
119	CIC Feeds (Pvt) Ltd	31 March 2016
120	CIC Holdings PLC	31 March 2015
121	CIC Poultry Farms Ltd	31 March 2016
122	CIC Seeds (Pvt) Ltd	31 March 2016
123	Citizens Development Business Finance PLC	31 March 2015
124	CKT Apparel (Pvt) Ltd	31 March 2016
125	Coats Thread Exports (Pvt) Ltd	31 December 2015
126	Coco Palm Beach (Pvt) Ltd	31 March 2015
127	Colombo Dockyard PLC	31 December 2015
128	Colombo Fort Investments PLC	31 March 2016
129	Colombo Investment Trust PLC	31 March 2016
130	Colombo Power (Pvt) Ltd	31 December 2014
131	Colombo Stock Exchange	31 December 2015
132	Commercial Bank of Ceylon PLC	31 December 2015
133	Commercial Credit and Finance PLC	31 March 2014
134	Commercial Credit and Finance PLC	31 March 2015
135	Commercial Development Company PLC	31 December 2015
136	Comtrust ADL Mudarabah Fund	31 March 2015
137	Comtrust Asset Management (Pvt) Ltd	31 March 2016
138	Comtrust Gilt Edged Fund	31 March 2015

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2016 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
139	Comtrust Money Market Fund	31 March 2015
140	Continental Insurance Lanka Ltd	31 December 2015
141	Convenience Foods (Lanka) PLC	31 March 2016
142	Cooplife Insurance Ltd	31 December 2015
143	CPC (Lanka) Ltd	31 March 2015
144	Crescent I Fund	31 March 2015
145	David Pieris Motor Company (Lanka) Ltd	31 March 2016
146	De La Rue Lanka Currency and Security Print (Pvt) Ltd	31 March 2015
147	Dialog Axiata PLC	31 December 2015
148	Dialog Broadband Networks (Pvt) Ltd	31 December 2015
149	Dialog Television (Pvt) Ltd	31 December 2014
150	Diesel & Motor Engineering PLC	31 March 2016
151	Dipped Products PLC	31 March 2015
152	Distilleries Company of Sri Lanka PLC	31 March 2015
153	Dolphin Hotels PLC	31 March 2015
154	Dolphin Hotels PLC	31 March 2016
155	DP Global Ventures (Pvt) Ltd	31 March 2015
156	DP Logistics (Pvt) Ltd	31 March 2015
157	DPMC Assetline Holdings (Pvt) Ltd	31 March 2015
158	DSL Lanka (Pvt) Ltd	31 March 2016
159	Durdans Heart Centre (Pvt) Ltd	31 March 2016
160	East West Properties PLC	31 March 2016
161	E-Channelling PLC	31 March 2015
162	Elastomeric Engineering Company Ltd	31 December 2015
163	Emerchemie NB (Ceylon) Ltd	31 March 2015
164	Enterprise Ceylon Capital (Pvt) Ltd	31 March 2015
165	Equity Two PLC	31 March 2016
166	ETA Melco Engineering (Pvt) Ltd	31 December 2015
167	Etisalat Lanka (Pvt) Ltd	31 December 2015
168	Expelogix (Pvt) Ltd	31 March 2016
169	Expolanka Holdings PLC	31 March 2015
170	F L C Hydro Power PLC	31 March 2015
171	Finetex (Pvt) Ltd	31 December 2014
172	Finlay Cold Storage (Pvt) Ltd	31 December 2015
173	Finlays Colombo PLC	31 March 2015
174	Finlay Properties (Pvt) Ltd	31 December 2015

	Specified Business Enterprise	Financial Year End
175	First Capital Equities (Pvt) Ltd	31 March 2016
176	First Capital Treasuries Ltd	31 March 2015
177	GAC Marine Services (Pvt) Ltd	31 December 2014
178	Gamma Pizzakraft Lanka (Pvt) Ltd	31 March 2016
179	George Steuart Finance PLC	31 March 2015
180	Gestetner of Ceylon PLC	31 March 2016
181	Global Star Logistic (Pvt) Ltd	31 March 2015
182	Gold Coin Feedmills (Lanka) Ltd	31 December 2015
183	Golden Sun Resort (Pvt) Ltd	31 March 2016
184	GTB Steel Corporation (Pvt) Ltd	31 March 2015
185	Guardian Acuity Fixed Income Fund	31 December 2014
186	Guardian Acuity Money Market Gilt Fund	31 December 2015
187	Guardian Capital Partners PLC	31 March 2016
188	Habarana Lodge Ltd	31 March 2016
189	Hanwella Rubber Products Ltd	31 March 2016
190	Hapag-Lloyd Lanka (Pvt) Ltd	31 March 2015
191	Haycarb PLC	31 March 2016
192	Hayleys Electronics Lighting (Pvt) Ltd	31 March 2015
193	Hayleys Fabric PLC	31 March 2016
194	Hayleys Fiber PLC	31 March 2016
195	Hemas Manufacturing (Pvt) Ltd	31 March 2015
196	Hemas Pharmaceuticals (Pvt) Ltd	31 March 2016
197	Hemas Travels (Pvt) Ltd	31 March 2015
198	Hi Fashion Holdings (Pvt) Ltd	31 March 2016
199	HNB Assurance PLC	31 December 2014
200	HNB Assurance PLC	31 December 2015
201	Hotel Developers (Lanka) PLC	31 March 2015
202	Hovael Construction (Pvt) Ltd	31 March 2015
203	Hunas Falls Hotels PLC	31 March 2016
204	HVA Foods PLC	31 March 2016
205	Indocean Developers (Pvt) Ltd	31 March 2015
206	International College of Business and Technology Ltd	31 December 2015
207	International Construction Consortium (Pvt) Ltd	31 March 2015
208	International Distillers Ltd	31 March 2015
209	J. L. Morison Son & Jones (Ceylon) PLC	31 March 2015

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2016 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
210	J.B. Securities (Pvt) Ltd	31 March 2016
211	Jay Jay Childrenswear Lanka (Pvt) Ltd	31 March 2015
212	Jaykay Marketing Services (Pvt) Ltd	31 March 2015
213	JB Vantage Money Market Fund	31 December 2015
214	JB Vantage Value Equity Fund	31 December 2015
215	Jinasena New Technology Holdings (Pvt) Ltd	31 March 2016
216	John Keells Computer Services (Pvt) Ltd	31 March 2016
217	John Keells Holdings PLC	31 March 2015
218	John Keells Hotels PLC	31 March 2016
219	John Keells Office Automation (Pvt) Ltd	31 March 2015
220	John Keells PLC	31 March 2016
221	John Keells Warehousing (Pvt) Ltd	31 March 2015
222	John Keells Residential Properties (Pvt) Ltd	31 March 2016
223	John Keells Stock Brokers (Pvt) Ltd	31 March 2016
224	Kahawatte Plantations PLC	31 December 2014
225	Kahawatte Plantations PLC	31 December 2015
226	Kalpitiya Beach Resort PLC	31 March 2015
227	Kandalama Hotels (Pvt) Ltd	31 March 2015
228	Keells Food Products PLC	31 March 2016
229	Kegalle Plantations PLC	31 March 2016
230	Kelani Cables PLC	31 March 2016
231	Kelani Tyres PLC	31 March 2016
232	Kelsey Developments PLC	31 March 2015
233	Kelsey Homes (Pvt) Ltd	31 March 2015
234	Kotmale Dairy Products (Pvt) Ltd	31 March 2015
235	Kotmale Holdings PLC	31 March 2015
236	Kotmale Products Ltd	31 March 2015
237	Kramski Lanka (Pvt) Ltd	31 March 2016
238	Lakdhanavi Ltd	31 March 2015
239	Lake House Printers and Publications PLC	31 March 2015
240	Lanka Ashok Layland PLC	31 March 2016
241	Lanka Bell Ltd	31 March 2016
242	Lanka Commodity Holdings (Pvt) Ltd	31 March 2015
243	Lanka Hospitals Corporation PLC	31 December 2015

	Specified Business Enterprise	Financial Year End
244	Lanka IOC PLC	31 March 2016
245	Lanka Island Resorts Ltd	31 March 2016
246	Lanka Leather Fashion (Pvt) Ltd	31 March 2016
247	Lanka Marine Services (Pvt) Ltd	31 March 2016
248	Lanka Orix Leasing Company PLC	31 March 2014
249	Lanka Orix Leasing Company PLC	31 March 2015
250	Lanka Phosphate Ltd	31 March 2015
251	Lanka Salt Ltd	31 December 2015
252	Lanka Securities (Pvt) Ltd	31 December 2015
253	Lanka Tiles PLC	31 March 2016
254	Lanka Ventures PLC	31 March 2016
255	Lanka Walltiles PLC	31 March 2016
256	Laxapana Batteries PLC	31 March 2016
257	LB Finance PLC	31 March 2015
258	Lee Hedges PLC	31 March 2016
259	Life Insurance Corporation (Lanka) Ltd	31 December 2014
260	Link Natural Products (Pvt) Ltd	31 March 2016
261	Litro Gas Lanka Ltd	31 December 2015
262	Logiwiz Ltd	31 March 2015
263	LTL Galvanizers (Pvt) Ltd	31 March 2015
264	LTL Transformers (Pvt) Ltd	31 March 2015
265	LVL Energy Fund Ltd	31 March 2016
266	Mahaweli Reach Hotels PLC	31 March 2016
267	Mainettech Lanka (Pvt) Ltd	31 December 2015
268	Maliban Milk Products (Pvt) Ltd	31 March 2016
269	Marawila Resorts PLC	31 March 2016
270	MAS Active Trading (Pvt) Ltd	31 December 2015
271	Mas Intimates (Pvt) Ltd	31 December 2015
272	MBSL Insurance Co. Ltd	31 December 2015
273	MBSL Savings Bank Ltd	31 December 2014
274	Melsta Regal Finance Ltd	31 March 2015
275	Mercantile Produce Brokers (Pvt) Ltd	31 March 2015
276	Mercantile Shipping Company PLC	31 March 2016
277	Metecno Lanka (Pvt) Ltd	31 December 2015
278	Metropolitan Resource Holdings PLC	31 March 2015
279	Milford Holdings (Pvt) Ltd	31 March 2015
280	Millenium Housing Developers PLC	31 March 2015
281	Mobitel (Pvt) Ltd	31 December 2015

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2016 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
282	Moceti International (Pvt) Ltd	31 March 2016
283	Nation Lanka Equities (Pvt) Ltd	31 March 2015
284	Nation Lanka Equities (Pvt) Ltd	31 March 2016
285	National Asset Management Ltd	31 December 2015
286	National Development Bank PLC	31 December 2015
287	Nations Trust Bank	31 December 2012
288	Nations Trust Bank	31 December 2013
289	Nations Trust Bank	31 December 2014
290	Navara Securities (Pvt) Ltd	31 March 2016
291	Nawaloka Hospitals PLC	31 March 2016
292	NDB Capital Holdings Ltd	31 December 2015
293	NDB Wealth Management Ltd	31 December 2015
294	NDB Wealth Islamic Money Plus Fund	31 December 2015
295	Nestle Lanka PLC	31 March 2015
296	New Nawaloka Hospitals (Pvt) Ltd	31 March 2016
297	Next Manufacturing (Pvt) Ltd	31 January 2016
298	Nilkamal Eswaran Plastic (Pvt) Ltd	31 March 2016
299	Ninewells Care Mothers & Baby Hospital (Pvt) Ltd	31 March 2015
300	Nirmalapura Wind Power (Pvt) Ltd	31 March 2015
301	Norfolk Foods (Pvt) Ltd	31 March 2016
302	Noritake Lanka Porcelain (Pvt) Ltd	31 December 2015
303	Noyon Lanka (Pvt) Ltd	31 December 2015
304	NSB Fund Management Company Ltd	31 December 2015
305	Ocean Lanka (Pvt) Ltd	31 December 2015
306	Orient Finance PLC	31 March 2015
307	Orient Motor Company Ltd	31 March 2016
308	Packages Lanka (Pvt) Ltd	31 March 2015
309	Palm Garden Hotel PLC	31 December 2013
310	Palm Garden Hotel PLC	31 December 2015
311	Pan Asia Banking Corporation Ltd	31 December 2015
312	Panasian Power PLC	31 March 2015
313	Paranthan Chemicals Co. Ltd	31 December 2014
314	Pegasus Hotels of Ceylon PLC	31 March 2016
315	Pelwatte Dairy Industries Ltd	31 March 2015
316	People's Insurance Ltd	31 December 2014
317	People's Leasing & Finance PLC	31 March 2014

	Specified Business Enterprise	Financial Year End
318	People's Leasing & Finance PLC	31 March 2016
319	Perera & Sons Bakers (Pvt) Ltd	31 March 2016
320	Periceyl (Pvt) Ltd	31 December 2015
321	PH Resorts (Pvt) Ltd	31 March 2015
322	Pharmaco (Pvt) Ltd	31 March 2015
323	Piramal Glass Ceylon PLC	31 March 2016
324	Premium Exports Ceylon (Pvt) Ltd	31 December 2015
325	Property Development PLC	31 December 2015
326	Prym Intimates Lanka (Pvt) Ltd	31 December 2015
327	Quality Seed Company (Pvt) Ltd	31 March 2015
328	Recogen (Pvt) Ltd	31 March 2015
329	Regency Teas (Pvt) Ltd	31 March 2015
330	Regnis (Lanka) PLC	31 December 2015
331	Regnis Appliances (Pvt) Ltd	31 December 2015
332	Renuka Agri Foods PLC	31 March 2015
333	Renuka City Hotel PLC	31 March 2015
334	Resources Development Consultants (Pvt) Ltd	31 March 2016
335	Richard Peiris Rubber Compounds Ltd	31 March 2015
336	Richard Pieris & Company PLC	31 March 2016
337	Richard Pieris Exports PLC	31 March 2016
338	Richard Pieris Finance Ltd	31 March 2016
339	Richard Pieris Natural Foams Ltd	31 March 2015
340	Richard Pieris Tyre Company Ltd	31 March 2016
341	Royal Ceramics Lanka PLC	31 March 2015
342	Royal Palms Beach Hotels PLC	31 March 2016
343	RPC Polymers (Pvt) Ltd	31 March 2015
344	Sampath Bank PLC	31 December 2015
345	Sampath Centre Ltd	31 December 2015
346	Samsom International PLC	31 March 2015
347	Samson International PLC	31 March 2016
348	SANASA Development Bank PLC	31 December 2015
349	Sancity Hotels & Properties Ltd	31 March 2016
350	Sathosa Motors PLC	31 March 2016
351	SC Securities (Pvt) Ltd	31 December 2015
352	Seashells Hotels (Pvt) Ltd	31 March 2016
353	Semini Motors (Pvt) Ltd	31 March 2015
354	Senkadagala Finance PLC	31 March 2015

List of Specified Business Enterprises (SBE's) of which Financial Statements Reviewed during 2016 were complaint with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
355	Sentinel Realty (Pvt) Ltd	31 March 2015
356	Serendib Land PLC	31 March 2015
357	Seylan Bank PLC	31 December 2015
358	SG Logistics (Pvt) Ltd	31 March 2015
359	Sierra Cables PLC	31 March 2016
360	Sigiriya Village Hotels PLC	31 March 2016
361	Singer (Sri Lanka) PLC	31 December 2015
362	Singer Industries (Ceylon) PLC	31 December 2015
363	Sirio Ltd	31 December 2015
364	Siyapatha Finance PLC	31 December 2015
365	Smithkline Beecham (Pvt) Ltd	31 December 2014
366	South Asia Gateway Terminals (Pvt) Ltd	31 March 2016
367	Southern Spars International (Pvt) Ltd	31 December 2014
368	Sri Lanka Telecom PLC	31 December 2015
369	Sri Ramco Lanka (Pvt) Ltd	31 March 2015
370	Sri Ramco Roofings Lanka (Pvt) Ltd	31 March 2015
371	Stafford Motor Company (Pvt) Ltd	31 March 2015
372	Standard Capital PLC	31 March 2015
373	Stretchline (Pvt) Ltd	31 December 2015
374	Sunshine Healthcare Lanka Ltd	31 March 2016
375	Swisstek (Ceylon) PLC	31 March 2016
376	Tal Lanka Hotels PLC	31 March 2016
377	Talawakelle Tea Estates PLC	31 March 2016
378	Tangerine Beach Hotels PLC	31 March 2016
379	Taprobane Securities (Pvt) Ltd	31 March 2016
380	Tea Smallholder Factories PLC	31 March 2016
381	Tea Tang (Pvt) Ltd	31 December 2015
382	Tess Agro PLC	31 March 2016
383	Texlan Center (Pvt) Ltd	31 December 2014
384	Textprint Lanka (Pvt) Ltd	31 December 2015
385	Textured Jersey Lanka PLC	31 March 2016
386	The Church of Jesus Christ of Latter Day Saints Ceylon (Guarantee) Ltd	31 December 2014
387	The Colombo International School (Sri Lanka) Ltd	31 March 2015
388	The Kandy Hotels Co (1938) PLC	31 March 2016
389	The Kingsbury PLC	31 March 2016
390	The Lighthouse Hotel PLC	31 March 2016

	Specified Business Enterprise	Financial Year End
391	The Overseas School of Colombo (Guarantee) Ltd	31 July 2015
392	The Royal Heritage Hotel (Pvt) Ltd	31 March 2015
393	The Swadeshi Industrial Works PLC	31 March 2015
394	The Wheelworks (Pvt) Ltd	31 March 2015
395	Three Acre Farms PLC	31 December 2015
396	TKS Securities (Pvt) Ltd	31 March 2016
397	Tokyo Cement Company (Lanka) PLC	31 March 2016
398	TOYO Cushion Lanka (Pvt) Ltd	31 March 2015
399	Toyota Lanka (Pvt) Ltd	31 March 2015
400	Trade Finance & Investments PLC	31 March 2016
401	Trans Asia Hotels PLC	31 March 2016
402	Transnational Lanka Records Solutions (Pvt) Ltd	30 June 2015
403	Trischel Fabric (Pvt) Ltd	31 December 2015
404	Tropic Frozen Foods (Pvt) Ltd	31 March 2015
405	Tuffline Ltd	31 March 2015
406	TVS Automotives (Pvt) Ltd	31 March 2016
407	UB Finance Company Ltd	31 March 2016
408	UGA Escapes (Pvt) Ltd	31 March 2016
409	Ultratech Cement Lanka (Pvt) Ltd	31 March 2016
410	Uni Dil Packaging Ltd	31 March 2015
411	Uni Dil Packaging Ltd	31 March 2016
412	Unichela (Pvt) Ltd	31 December 2014
413	Unichela (Pvt) Ltd	31 December 2015
414	Unilever Lipton Ceylon Ltd	31 December 2014
415	Union Assurance PLC	31 December 2015
416	Union Chemicals Lanka PLC	31 December 2015
417	Unisons Capital Leasing Ltd	31 March 2016
418	United Motors Lanka PLC	31 March 2016
419	United Tobacco Processing (Pvt) Ltd	31 December 2015
420	Vallibel One PLC	31 March 2016
421	Virtusa (Pvt) Ltd	31 March 2015
422	Visionfund Lanka Ltd	31 March 2015
423	Waldock Mackenzie Ltd	31 December 2015
424	Waterfront Properties (Pvt) Ltd	31 March 2016
425	West Coast Power (Pvt) Ltd	31 March 2015
426	WNS Global Services (Pvt) Ltd	31 March 2016
427	World Duty Free Group Lanka Ltd	31 December 2015
428	YKK Lanka (Pvt) Ltd	31 March 2016
429	York Arcade Holdings PLC	31 March 2016

List of SBE's of which Financial Statements reviewed during 2016 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
1	Abans Electricals PLC	31 March 2015
2	Abans Environmental Services (Pvt) Ltd	31 December 2014
3	Abans PLC	31 March 2014
4	Access Engineering PLC	31 March 2016
5	Access International (Pvt) Ltd	31 March 2015
6	Ace Power Embilipitiya (Pvt) Ltd	31 March 2014
7	ACME Printing & Packaging PLC	31 March 2015
8	ACME Printing & Packaging PLC	31 March 2016
9	Acuity Partners (Pvt) Ltd	31 December 2014
10	Acuity Securities Ltd	31 December 2015
11	Acuity Stockbrokers (Pvt) Ltd	31 December 2015
12	Adam Capital PLC	31 March 2014
13	Adam Capital PLC	31 March 2015
14	Adamjee Lukmanjee & Sons (Pvt) Ltd	31 March 2015
15	Agarapatana Plantations Ltd	31 March 2016
16	Agriculture Insurance Scheme	31 December 2014
17	AgStar PLC	31 March 2016
18	AIDA Gems and Jewellery (Pvt) Ltd	31 March 2015
19	Akbar Brothers (Pvt) Ltd	31 March 2013
20	Allied Properties Ltd	31 December 2015
21	American & Efir Lanka (Pvt) Ltd	30 September 2014
22	American & Efir Lanka (Pvt) Ltd	30 September 2015
23	Arpico Ataraxia Cash Management Trust Fund	31 March 2015
24	ASCOT Holdings PLC	31 March 2015
25	Asia Broadcasting Corporation (Pvt) Ltd	31 March 2015
26	Asia Pacific Institute of Information Technology Lanka (Pvt) Ltd	31 December 2015
27	Asia Securities (Pvt) Ltd	31 March 2016
28	Asian Finance Ltd	31 March 2015
29	Associated Ceat (Pvt) Ltd	31 March 2016
30	Bairaha Farms PLC	31 March 2015
31	Balangoda Plantations PLC	31 December 2014
32	Bartleet Finance PLC	31 March 2015
33	BASF Lanka (Pvt) Ltd	31 December 2015
34	Bata Shoe Company of Ceylon Ltd	31 December 2015
35	Beruwala Resorts PLC	31 March 2016

	Specified Business Enterprise	Financial Year End
36	Bimputh Finance PLC	31 March 2015
37	Blue Diamonds Jewellery Worldwide PLC	31 March 2015
38	Blue Ocean Residencies (Pvt) Ltd	31 March 2014
39	Building Materials Corporation Ltd	31 December 2013
40	CT Holdings PLC	31 March 2016
41	Capital Alliance Securities (Pvt) Ltd	31 March 2015
42	Capital Trust Securities (Pvt) Ltd	31 March 2016
43	Captain Steel (Pvt) Ltd	31 March 2015
44	Cargills Agrifoods Ltd	31 March 2015
45	Cargills Quality Dairies (Pvt) Ltd	31 March 2015
46	Cargills Quality Foods Ltd	31 March 2015
47	CEG Education Holdings (Pvt) Ltd	31 December 2015
48	Certis Lanka Security Solutions (Pvt) Ltd	31 March 2015
49	Ceybank Century Growth Fund	31 March 2015
50	Ceylinco Ltd	31 March 2014
51	Ceylon Asset Management Co. Ltd	31 December 2014
52	Ceylon Auto Industrial (Pvt) Ltd	31 March 2015
53	Ceylon Beverage Holdings PLC	31 March 2016
54	Ceylon Bulbs and Electricals Ltd	31 March 2015
55	Ceylon Electricity Board	31 December 2014
56	Ceylon Fertilizer Co. Ltd	31 March 2015
57	Ceylon Hospitals PLC	31 March 2014
58	Ceylon Hospitals PLC	31 March 2015
59	Ceylon Hospitals PLC	31 March 2016
60	Ceylon Hotels Corporations PLC	31 March 2015
61	Ceylon Petroleum Corporation	31 December 2013
62	Ceylon Petroleum Corporation	31 December 2014
63	Ceylon Petroleum Storage Terminals Ltd	31 December 2013
64	Ceylon Petroleum Storage Terminals Ltd	31 December 2014
65	Ceylon Paper Sacks Ltd	31 March 2013
66	Ceylon Printers PLC	31 December 2015
67	Ceylon Warehouse Complex (Pvt) Ltd	31 December 2013
68	Ceylon Warehouse Complex (Pvt) Ltd	31 December 2015
69	Chilaw Finance PLC	31 March 2015
70	Chilaw Finance PLC	31 March 2016

List of SBE's of which Financial Statements reviewed during 2016 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
71	Citihealth Imports (Pvt) Ltd	31 March 2016
72	Coats Thread Lanka (Pvt) Ltd	31 December 2015
73	Colombo City Holdings PLC	31 March 2016
74	Colombo Fort Hotels Ltd	31 March 2015
75	Comtrust Equity Fund	31 March 2015
76	Co-operative Leasing Co. Ltd	31 March 2015
77	Crystal Martin Central (Pvt) Ltd	31 December 2014
78	Crystal Martin Ceylon (Pvt) Ltd	31 December 2014
79	Crystal Martin Garments (Pvt) Ltd	31 December 2014
80	CT Land Development PLC	31 March 2015
81	D R Home Appliances (Pvt) Ltd	31 March 2015
82	Damro Company (Pvt) Ltd	31 March 2015
83	Darley Butler & Co Ltd	31 March 2016
84	David Pieris Automobiles Ltd	31 March 2015
85	David Pieris Motor Co. Ltd	31 March 2015
86	Dean Fosters (Pvt) Ltd	31 March 2015
87	Development Lotteries Board	31 December 2014
88	Development Holdings (Pvt) Ltd	31 December 2015
89	DFCC Bank PLC	31 December 2015
90	Diana Trading Company (Pvt) Ltd	31 March 2015
91	Dickwella Resorts (Pvt) Ltd	31 March 2015
92	Dickwella Resorts (Pvt) Ltd	31 March 2016
93	Diethelm Travel Lanka (Pvt) Ltd	31 March 2015
94	Diethelm Travel Lanka (Pvt) Ltd	31 March 2016
95	DPL Plantations (Pvt) Ltd	31 March 2014
96	DPL Plantations (Pvt) Ltd	31 March 2015
97	DR Industries (Pvt) Ltd	31 March 2014
98	Dunamis Capital PLC	31 March 2015
99	Eastern Development Enterprises (Pvt) Ltd	31 March 2015
100	Eastern Merchants PLC	31 March 2015
101	Eden Hotel Lanka PLC	31 March 2016
102	Energizer Lanka Ltd	30 September 2014
103	Energy Lanka Holdings Ltd	31 December 2015
104	Equity One PLC	31 March 2016
105	Expolanka (Pvt) Ltd	31 March 2015
106	Expolanka Freight (Pvt) Ltd	31 March 2015
107	Expolanka Teas (Pvt) Ltd	31 March 2015

	Specified Business Enterprise	Financial Year End
108	EZY Distribution (Pvt) Ltd	31 March 2015
109	Farmer's Pension & Social Security Benefit Scheme	31 December 2014
110	Fashion Bug Lanka (Pvt) Ltd	31 March 2016
111	Favourite Garments (Pvt) Ltd	31 March 2015
112	First Capital Asset Management Ltd	31 March 2015
113	First Capital Holdings PLC	31 March 2016
114	First Guardian Equities (Pvt) Ltd	31 December 2014
115	Fishermen's Pension and Social Benefit Scheme	31 December 2014
116	Fits Aviation (Pvt) Ltd	31 March 2015
117	Galadari Hotels (Lanka) PLC	31 December 2015
118	Gamani and Brothers (Pvt) Ltd	31 March 2014
119	Global Intimates (Pvt) Ltd	31 March 2015
120	GP De Silva & Sons International (Pvt) Ltd	31 March 2013
121	Grossart (Pvt) Ltd	31 March 2015
122	Harcourts (Pvt) Ltd	31 March 2014
123	Harischandra Mills PLC	31 March 2015
124	Hatton National Bank PLC	31 December 2015
125	Hayleys Consumer Products Ltd	31 March 2015
126	Hayleys Plantations Services (Pvt) Ltd	31 March 2015
127	Hayleys PLC	31 March 2016
128	HDFC Bank of Sri Lanka	31 December 2014
129	HDFC Bank of Sri Lanka	31 December 2015
130	Hemas Capital Hospital (Pvt) Ltd	31 March 2016
131	Hemtours (Pvt) Ltd	31 March 2016
132	Hirdaramani Industries (Pvt) Ltd	31 March 2015
133	Hirdaramani International Exports (Pvt) Ltd	31 March 2015
134	Hirdaramani Mercury Apparel (Pvt) Ltd	31 March 2016
135	HJS Condiments Ltd	31 March 2016
136	Hotel Sigiriya PLC	31 March 2015
137	Hunter & Company PLC	31 March 2016
138	Industrial Asphalts (Ceylon) PLC	31 March 2015
139	Inter Brush Lanka Ltd	31 March 2015
140	Intertea (Pvt) Ltd	31 December 2015
141	Isuru Leasing Co. Ltd	31 March 2013
142	Isuru Leasing Co. Ltd	31 March 2014

List of SBE's of which Financial Statements reviewed during 2016 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
143	Isuru Leasing Co. Ltd	31 March 2015
144	J- Cey Tea (Pvt) Ltd	31 March 2015
145	J.F & I Packaging (Pvt) Ltd	31 March 2015
146	Jada Resort and Spa (Pvt) Ltd	31 December 2014
147	Janashakthi Insurance PLC	31 December 2015
148	Kalamazoo Systems PLC	31 March 2015
149	Kanrich Finance Ltd	31 March 2014
150	KBSL Information Technologies Ltd	31 March 2015
151	Keppel CT Developments (Pvt) Ltd	31 December 2015
152	Koggala Manufacturing (Pvt) Ltd	31 March 2015
153	Kotagala Plantations PLC	31 March 2015
154	Lady Lochore Loan Fund	31 December 2014
155	Lanka Aluminium Industries PLC	31 March 2015
156	Lanka Aluminium Industries PLC	31 March 2016
157	Lanka Cement PLC	31 December 2013
158	Lanka Ceramic PLC	31 March 2015
159	Lanka Milk Foods (CWE) PLC	31 March 2015
160	Lanka Mineral Sands Ltd	31 December 2014
161	Lankem Ceylon PLC	31 March 2015
162	Laugfs Eco Sri (Pvt) Ltd	31 March 2016
163	LB Finance PLC	31 March 2013
164	LB Finance PLC	31 March 2014
165	Liberty Holding Ltd	31 December 2014
166	Lion Brewery Ceylon PLC	31 March 2016
167	Litro Gas Terminal Lanka (Pvt) Ltd	31 December 2014
168	Loadstar (Pvt) Ltd	31 March 2015
169	Logiventures (Pvt) Ltd	31 March 2015
170	LOLC Micro Credit Ltd	31 March 2015
171	LOLC Micro Credit Ltd	31 March 2016
172	Mackwoods Energy PLC	31 March 2015
173	Madulsima Plantations PLC	31 December 2014
174	Mascons (Pvt) Ltd	31 March 2015
175	Melbourne Textile Washing Plant (Pvt) Ltd	31 March 2015
176	Merchant Bank of Sri Lanka & Finance PLC	31 December 2015
177	Miami Clothing (Pvt) Ltd	31 March 2015

	Specified Business Enterprise	Financial Year End
178	Miami Exports (Pvt) Ltd	31 March 2015
179	Microsoft Sri Lanka (Pvt) Ltd	31 March 2015
180	Millennium Information Technologies (Pvt) Ltd	31 March 2014
181	Millennium Information Technologies (Pvt) Ltd	31 December 2013
182	Millennium IT Software (Pvt) Ltd	31 March 2016
183	Millers Ltd	31 March 2015
184	MTD Walkers PLC	31 March 2016
185	Muller & Phipps (Ceylon) PLC	31 March 2015
186	Multi Finance PLC	31 March 2013
187	Multi Finance PLC	31 March 2014
188	N-Able (Pvt) Ltd	31 March 2015
189	Nation Lanka Finance PLC	31 December 2015
190	NDB Securities (Pvt) Ltd	31 March 2015
191	New Nawaloka Medical Centre (Pvt) Ltd	31 March 2015
192	Ninewells Care Mother & Baby Hospital (Pvt) Ltd	31 March 2014
193	Nivasie Developers Malabe (Pvt) Ltd	31 December 2014
194	Northern Power Company (Pvt) Ltd	31 March 2015
195	Office Equipment PLC	31 March 2016
196	On`ally Holdings PLC	31 March 2015
197	Orient Garments PLC	31 December 2014
198	Packwell Lanka (Pvt) Ltd	31 March 2015
199	Paragon Ceylon PLC	31 March 2014
200	Paranthan Chemicals Co. Ltd	31 March 2015
201	Penguin Sportswear (Pvt) Ltd	31 March 2016
202	Peoples Finance PLC	31 March 2015
203	People's Merchant Finance PLC	31 December 2013
204	People's Merchant Finance PLC	31 December 2014
205	Perfetti Van Melle Lanka (Pvt) Ltd	31 December 2013
206	Phoenix Industries Ltd	31 December 2014
207	Piyestra Furniture (Pvt) Ltd	31 March 2013
208	Polytex Garments Ltd	31 December 2015
209	Prime Lands (Pvt) Ltd	31 December 2013
210	Printcare PLC	31 December 2015
211	Printcare Universal (Pvt) Ltd	31 March 2015
212	Procter & Gamble Lanka (Pvt) Ltd	31 March 2016

List of SBE's of which Financial Statements reviewed during 2016 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
213	Pulses Splitting & Processing Industry (Pvt) Ltd	31 March 2015
214	Pussalla Meat Producers (Pvt) Ltd	31 March 2015
215	Pussellawa Plantations Ltd	31 March 2015
216	Qualitea Ceylon (Pvt) Ltd	31 March 2015
217	Radiant Gems International PLC	31 March 2015
218	Raigam Wayamba Salterns PLC	31 March 2016
219	Ramboda Falls PLC	31 March 2016
220	Reckitt Benckiser (Lanka) Ltd	31 December 2015
221	Renuka Holdings PLC	31 March 2015
222	Resus Energy PLC	31 March 2015
223	Rhino Roofing Products Ltd	31 March 2015
224	Richard Pieris Distributors Ltd	31 March 2016
225	Rosewood (Pvt) Ltd	31 March 2016
226	Schneider Electric Lanka (Pvt) Ltd	31 December 2015
227	Senok Trade Combine (Pvt) Ltd	31 March 2015
228	Serendib Hotels PLC	31 March 2016
229	Serendib Engineering Group PLC	31 March 2015
230	Shanbe Jeans Corporation (Pvt) Ltd	31 March 2015
231	Sierra Construction (Pvt) Ltd	31 March 2014
232	Silueta (Pvt) Ltd	31 December 2015
233	Singworld Lanka (Pvt) Ltd	31 December 2015
234	Sinhaputhra Finance PLC	31 March 2015
235	Sino Lanka (Pvt) Ltd	31 March 2014
236	SMB Leasing PLC	31 December 2014
237	SMB Leasing PLC	31 December 2015
238	SMB Securities (Pvt) Ltd	31 December 2015
239	Softlogic Information Technologies (Pvt) Ltd	31 March 2015
240	Softlogic Stockbrokers (Pvt) Ltd	31 March 2015
241	Somerville Stock Brokers (Pvt) Ltd	31 March 2015
242	Speville Ceylon (Pvt) Ltd	31 December 2013
243	Spice of Life (Pvt) Ltd	31 March 2015
244	Sri Lanka Ayurvedic Drugs Corporation	31 December 2014
245	Sri Lanka Broadcasting Corporation	31 December 2014
246	Sri Lanka Cashew Corporation	31 December 2014
247	Sri Lanka Export Credit Insurance Corporation	31 December 2014

	Specified Business Enterprise	Financial Year End
248	Sri Lanka Institute of Textile & Apparel	31 December 2013
249	Sri Lanka Institute of Textile & Apparel	31 December 2014
250	Sri Lanka Insurance Corporation Ltd	31 December 2014
251	Sri Lanka Land Reclamation and Development Corporation	31 December 2012
252	Sri Lanka Land Reclamation and Development Corporation	31 December 2013
253	Sri Lanka Rupavahini Corporation	31 December 2014
254	Sri Lanka Savings Bank Ltd	31 December 2014
255	Sri Lanka State Trading (General) Corporation Ltd	31 March 2015
256	State Mortgage and Investment Bank	31 December 2014
257	State Pharmaceuticals Corporation of Sri Lanka	31 December 2012
258	State Pharmaceuticals Corporation of Sri Lanka	31 December 2013
259	State Printing Corporation	31 December 2012
260	State Printing Corporation	31 December 2014
261	State Timber Corporation	31 December 2014
262	State Timber Corporation	31 December 2015
263	Sumiko Lanka Hotels (Pvt) Ltd	31 March 2013
264	Sunagro Lifescience Ltd	31 March 2015
265	Sunshine Holdings PLC	31 March 2015
266	Suntea (Pvt) Ltd	31 December 2015
267	Swarnamahal Financial Services PLC	31 March 2015
268	Swedish Trading Company (Pvt) Ltd	31 March 2014
269	Taprobane Holdings PLC	31 March 2015
270	Texpro Industries Ltd	31 March 2016
271	Texpro Industries Ltd	31 March 2015
272	Textile International Colombo (Pvt) Ltd	31 December 2014
273	The Nuwara Eliya Hotels Co. PLC	31 March 2016
274	TKS Finance Ltd	31 March 2016
275	Tokyo Super Cement Company Lanka (Pvt) Ltd	31 March 2015
276	Trillium Residencies Ltd	31 March 2014
277	Trillium Residencies Ltd	31 March 2015
278	Tropic Fishery (Pvt) Ltd	31 March 2015
279	Union Assurance General Ltd	31 December 2015

List of SBE's of which Financial Statements reviewed during 2016 were compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
280	Union Bank of Colombo PLC	31 December 2015
281	Usui Lanka (Pvt) Ltd	31 December 2014
282	Vechenson (Pvt) Ltd	31 March 2015
283	Vidullanka PLC	31 March 2016
284	Vocational Training Authority of Sri Lanka	31 December 2013
285	Vogue Jewellers (Pvt) Ltd	31 March 2016
286	VT Manufacturing (Pvt) Ltd	31 March 2015
287	W.M. Mendis & Co. Ltd	31 March 2015
288	Walkers Piling (Pvt) Ltd	31 March 2015
289	Watawala Plantations PLC	31 March 2015
290	Watawala Plantations PLC	31 March 2016
291	Wealth Trust Securities Ltd	31 March 2016
292	Young an International Lanka (Pvt) Ltd	31 December 2013

Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2016

Listed companies which have not submitted financial statements for the year ended 31 December 2015:

- Agalawatte Plantations PLC
- Lanka Cement PLC *
- Vanik Incorporation PLC **

Listed Companies which have not submitted financial statements for the year ended 31 March 2016:

- Entrust Securities PLC **
- Standard Capital PLC
- Miramar Beach Hotels PLC **
- PC Pharma PLC **
- PC House PLC **
- Pelwatte Sugar Industries PLC
- Central Investment & Finance PLC **

Public Sector entities which have not submitted financial statements for the year ended 31 December 2015:

- Building Materials Corporation Limited
- Central Engineering Consultancy Bureau
- Ceylon Ceramic Corporation
- Ceylon Electricity Board
- Ceylon Fisheries Corporation
- Ceylon Petroleum Corporation
- Coconut Cultivation Board
- Employees Trust Fund Board
- Janatha Estates Development Board
- Local Loans & Development Fund
- National Film Corporation
- National Livestock Development Board
- National Water Supply & 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 Ayurvedic Drugs Corporation
- Sri Lanka Land Reclamation & Development Corporation
- Sri Lanka Handicrafts Board
- Sri Lanka Institute of Textile & Apparel
- Sri Lanka Standards Institution
- Sri Lanka Broadcasting Corporation
- Sri Lanka Rupavahini Corporation
- Sri Lanka Savings Bank
- State Development & Construction Corporation
- State Engineering Corporation of Sri Lanka
- State Timber Corporation
- State Pharmaceuticals Corporation of Sri Lanka
- The Co-operative Wholesale Establishment
- Urban Development Authority
- Vocational Training Authority of Sri Lanka

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

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

* *Currently on Default Board of Colombo Stock Exchange (CSE)*

** *Currently on Default Board of Colombo Stock Exchange (CSE) and not functioning*

Observations Made on Audit Reviews during 2016

1. Introduction

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) changed its approach to audit inspections (previously referred to as audit reviews) to a more risk-based, comprehensive approach since September 2016. This change is mainly attributable to the extensive exposure gained by the technical staff from an International Consultant with hands-on-experience in audit regulations in the United Kingdom.

The previous approach which was practiced during the first nine months of the year facilitated the staff engaged in the reviews, to obtain an understanding of the level of overall compliance with the auditing standards by the auditor, when performing the audit under inspection. However, the revised approach facilitates a more in-depth inspection, and involves carrying out detailed planning on the extent of inspections, on the identified high risk areas.

2. Inspection Findings

SLAASMB inspected 99 audits carried out by 14 firms during the year 2016 compared with 91 audits carried out by 29 firms during the previous year. Audits inspected included 81 audits carried out by 4 firms which are members of international networks. 6 audits inspected were carried out by 5 firms which conduct audits of less than 10 Specified Business Enterprises (SBEs). 58% of audits were identified to be not in compliance with the Sri Lanka Auditing Standards while 41% of audits were found to be compliant. Further, based on the inspections, suggestion for improvements in relation to 8 audits was communicated to 3 firms. The suggestions are expected to assist the auditors to improve their future audits.

3. Directions to re-audit

During the year, significant non-compliances were observed in two audits and SLAASMB issued directions to these SBE's requiring them to get their financial statements re-audited. These companies were required to publish and circulate copies of the re-audited financial statements to all the parties who had received the annual report for such year.

4. Referred for investigations

Consequent to the audit inspection, 1 audit was referred for investigation due to the significance of the risks identified.

5. Observations made on audit inspections

Deficiencies were identified in 55 audits conducted by 12 firms. The departures from Sri Lanka Auditing Standards detected were communicated to the respective firms in the form of letters of assistance. The main findings are as follows.

5.1. Failure to obtain sufficient appropriate audit evidence

Audit working paper files of 34 audits did not consist of evidence of performing audit procedures to obtain sufficient appropriate audit evidence relating to financial statement assertions.

Deficiencies included:

- Failure to perform audit procedures to test certain financial statement assertions.

Examples:

- To ensure a property development company had not entered into several sales agreements relating to a single plot of land.

Observations Made on Audit Reviews during 2016

- Existence of impairment indicators relating to micro finance loans.

- Existence of related parties by obtaining direct confirmations.

- Existence, accuracy and completeness relating to valuation of inventories by being present at the physical verification, verifying accuracy and completeness of the inventory values and performing audit procedures on the entity's final inventory records.

- Existence of trade receivables and fixed deposits and the accuracy of carrying amounts.

- Accuracy of the classification of loans and receivables into age buckets to determine the appropriateness of its impairment.

- Existence of the additions made to property, plant and equipment and to gem stocks.

- Existence of trade payables and the accuracy of carrying values.

- Occurrence of a cash transaction by ascertaining the business rationale with regard to a related journal entry.

- Accuracy and completeness of revenue by verifying prices in the sales invoices.

- Completeness and existence of bank balances when the amounts in the bank reconciliation had differed from the balances in the general ledger and when bank confirmations had reflected certain balances not reflected in the financial statements.

- Not assessing the technical capability of the audit engagement team to evaluate IT related documents and to conclude the system to be effective, without the assistance of the IT experts.

- Not performing any audit procedures to cover the period subsequent to the interim period in relation to items in the statement of comprehensive income, gross written premium, revenue and cost of sales.

- Failure to perform additional audit procedures when audit evidence displays existence of material misstatements.

- Failure to make any branch visits when such branches were key contributors in the company's operations.

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

Failure to provide evidence of adopting quality control procedures for the audit engagements were observed in 10 audits.

Deficiencies included;

- Failing to establish any system of quality control.
- Not appointing an engagement quality control reviewer (EQCR) despite the engagement being of an entity listed in the stock exchange.
- EQCR not being involved in planning, execution and control of the audit.
- EQCR failing to perform objective evaluations of the significant judgments and conclusions reached by the audit team.
- Signing the working papers on a date subsequent to the date of signing the audit report.
- Modifying electronic based working papers between the date of calling for the audit inspection and the date of the inspection.
- Not establishing whether the independence requirement has been fulfilled in an audit engagement.

Observations Made on Audit Reviews during 2016

5.3. Lack of evidence of communications with those charged with governance

Failure to provide evidence of communications with those charged with governance, in particular, with the audit committee was observed in 9 audits. Absence of evidence on communication with the audit committees regarding the overview of the planned scope, and timing of the audit was a common feature. Further, some audit inspections did not have evidence on communication of significant issues identified during the audit with those charged with governance.

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

Non compliances relating to identifying and assessing the risks of material misstatements were observed in 12 audits, Further, 9 audits had failed to respond appropriately to the risks identified and assessed.

Deficiencies observed included the following;

- Failure to obtain an understanding of the entity and its internal controls and to evaluate the design and implementation of controls.
- Failure to identify significant risks in order to apply more focused and comprehensive audit procedures.
- Failure to evaluate the changes made to the IT system during the financial year.

5.5. Deficiencies in audit sampling

Non-compliances relating to audit sampling were observed in 20 audits.

The observations include;

- Failure to establish the basis of selecting the samples for testing, in order to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures.
- Failing to select the items in a sample giving each sampling unit in the population a chance of getting selected.
- Failure to perform appropriate audit procedures on each item in the sample selected.
- Failure to evaluate the sample results to determine whether the use of sampling has provided a reasonable basis when arriving at the conclusions about the population.

5.6. Accounting estimates including fair value accounting estimates and related disclosures

Failure to test how management had used accounting estimates and the input data on which such estimates had been based, were observed in 13 audits.

Deficiencies included;

- Failure to independently examine the sources used to obtain inputs used in calculating the cost of equity, considered in the impairment testing model of goodwill.
- Failure to evaluate the reasonableness of the significant assumptions made by the management when determining the fair value of property.

5.7. The auditor's responsibilities relating to fraud in an audit of financial statements

In 22 audits, the auditor has failed to identify and assess the risk of material misstatements of the financial statements due to fraud.

Observations made on Audit Reviews during 2016

The observations include;

- Deficiencies in designing and performing audit procedures relating to testing of journal entries.

Examples;

- o Failure to test the journal entries at the end of the reporting period
- o Failure to select the sample of journal entries based on the characteristics of fraudulent journal entries
- Failure to perform audit procedures except for testing a few journal entries to identify the risks related to management override of controls.

5.8. Other observations

- In the audits of group financial statements, auditor had failed to obtain any audit evidence relating to consolidation adjustments, financial information of the components and of the consolidation process, to express an opinion on the group financial statements.
- Audit documentation of some of the files inspected did not provide adequate evidence on performing analytical procedures at the planning stage, to identify the areas of potential risk and to corroborate conclusions formed during the audit of individual components of the financial statements and lacked any documentation of the overall audit strategy and of the audit plan.
- In some audits, the auditor has failed to evaluate whether the results of the external confirmation procedures provided relevant and reliable audit evidence or whether further audit evidence was necessary.
- Some auditors have not obtained sufficient appropriate audit evidence about whether the related party relationships and transactions had

been appropriately identified, accounted for and/ or disclosed in the financial statements.

6. Future Inspection focus

6.1. Aligning with the global perspectives, SLAASMB recognized the need to enhance audit quality. In initiating this need, the staff engaged in audit inspections was provided comprehensive training by two foreign consultants with a wide-array of experience and expertise in the regulatory environment in the United Kingdom. Consequent to the capacity building, SLAASMB focused on a risk based approach to inspections comprising of detailed planning and in-depth inspections. In furthering this aim, in 2017, SLAASMB expects to conduct discussions with audit firms to understand the processes in practice and is expected to perform thematic inspections on identified themes. Thematic inspections will assist the auditors to enhance the quality of the audits, especially in the areas of focus. Further, SLAASMB expects to commence the conduct of firm-wide inspections in 2017. Since the statute of SLAASMB is being amended, SLAASMB plans to conduct the firm-wide inspections on firms which volunteer to be inspected.

6.2. As audit quality is best achieved in an environment where there is support from and appropriate interactions among participants in the financial reporting supply chain, SLAASMB identified the need to enhance the public awareness of the participants of the audit environment on the drivers of audit quality. As an initial measure, SLAASMB conducted separate workshops on the new Audit Report to be effective from 2018 and on the Framework for Audit Quality developed by the International Auditing and Assurance Standards Board (IAASB) to the financial sector regulators, auditors and audit committees who are directly associated with the performance of the audits of SBEs.

Performance Scorecard

SLAASMB uses the Performance Scorecard to plan its annual performance. The plan for 2016, actual for 2016 and plan for 2017 are given below;

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

Goals	Measures	2016 Plan	2016 Actual		2017 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	720 sets of financial statements	731 sets of financial statements	102	720 sets of financial statements (Note 1)
	Inspect audits to determine compliance with Sri Lanka Auditing Standards	100 audits	99 audits	99	100 audits (Note 2)

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

Goals	Measures	2016 Plan	2016 Actual		2017 Plan
			Number	As a % of plan	
Collection of financial statements	Number of financial statements received	1,410	1,536 (Note 3) (Number of SBE's 1,412)	109	1,485

Performance Scorecard

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

Goals	Measures	2016 Plan	2016 Actual		2017 Plan
			Number	As a % of plan	
Employee performance	Achieve targeted performance points for the year (Note 4)	35,868	30,739 (Note 5)	86	29,484
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	48 Presentations on Standards	13 presentations on Standards (15 hours)	27	48
			24 days of training on Accounting, Auditing and Regulatory aspects (168 hours) (Note 6)		
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	1.6 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

To enhance effectiveness of the financial statements reviews, reviews are to be conducted focusing on industry-wise specialization.

Note 2

Consequent to comprehensive capacity building programs conducted for the technical staff under the supplementary budgetary allocation in 2016 to strengthen and develop SLAASMB, audit inspections conducted in 2017 will focus on a more in-depth approach and on thematic inspections and firm-wide inspections.

Note 3

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

Note 4

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

Note 5

The performance points of the two Deputy Director Generals' have been excluded since their involvement in the review function has been at a more strategic level.

Note 6

Number of in-house presentations was reduced due to the number of in-house training sessions conducted by external resource persons under the supplementary budgetary allocation in 2016 to strengthen and develop SLAASMB. Twenty four (24) days of training were provided to each technical staff on complex accounting issues, audit approaches on thematic and firm-wide inspections, reporting to auditors, the new audit report, ethics and primary dealer operations by international as well as local resource persons.



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TRE/C/SLAASMB/FS/2016 } මගේ අංකය }
எனது இல. } } உமது இல. }
My No. } } Your No. }
දිනය } 28 August 2017 }
திகதி } Date }

The Chairman,
Sri Lanka Accounting and Auditing Standards Monitoring Board

Report of the Auditor General on the Financial Statements of Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2016 in terms of Section 14(2)(C) of the Finance Act No. 38 of 1971

The audit of financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016, the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 33(2) of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(C) of the Finance Act appear in this Report. A detailed report in terms of Section 13(7)(a) of the Finance Act was sent to the Chairman of the Board on 27 June 2017.

1.2 Management's Responsibility for the Financial Statements

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

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

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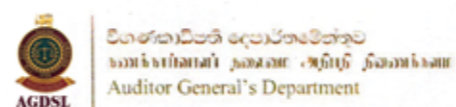
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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
Auditor General's Department

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810) . Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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



2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

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

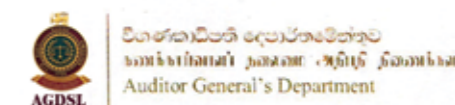
The approval of the Board of Directors had not been obtained even as at 31 July 2017 by the Board for the Manual of Procedures prepared in terms of Paragraph 9.14 of Public Enterprises Circulars No. PED/12 dated 02 June 2003.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the Government grants, which are the main income of the Board had been increased by Rs. 24,891,648 or 35 per cent and the recurrent expenditure by Rs. 24,891,648 or 36 per cent as compared with the preceding year. The provision received for the special capacity building programmes amounting Rs. 21,679,041 and the recurrent expenditure incurred had caused to these increases.

In analyzing the financial results in the year under review with the 04 preceding years, even though there was no a surplus or a deficit of the Board for the every year when



consideration of employees' remuneration and the depreciation for the non-current assets, a contribution of Rs. 18,926,728 had been occurred in the year 2012. The contribution had increased continuously in the years later on and it had been Rs.48,869,249 in the year 2016.

4. Operating Review

4.1 Performance

In accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 the function of the Board shall be to monitor the compliance with Sri Lanka Accounting and Auditing Standards, by specified business enterprises.

The following observations were made in respect of the progress of the investigation of the financial statements of the specified business enterprises according to the information furnished to audit.

(a) It was revealed in audit that the number of specified business enterprises in the country had not been identified by the Board even as at 30 June 2017 and a suitable mechanism for that also had not been identified and implemented .

(b) Even though 1,527 and 1,681 financial statements received in the years 2015 and 2016 respectively the number of financial reports investigated in those years were only 1,122 and 731 respectively. So that it was observed that an investigation had not been carried out by the Board in respect of the all financial statements received during the year. Due to the received duplicates , the institutions which were not the specified business enterprises and the number of financial statements relating to the preceding years were 66, 79, and 124 respectively within the 1,681 financial statements received to the Board during the year 2016 , the number of financial statements received were only 1,412 in the year under review for the year 2015. Accordingly, it could not be observed in audit that the activities of investigation of financial statements are being carried out efficiently by the Board.

- (c) Instead of the checking of accounts by random method existed earlier, by creating a method for checking the financial statements of every institutions by the Board, a sum of Rs. 65,000 had been paid as a monthly incentive for that amounting Rs. 11,921,000 during the year under review up to the officers of Technical Manager of the Board. However, the Board had functioned to investigate about 65 per cent from the financial statements received once in a 3 years and once in a 5 years by selecting by the random method .
- (d) It was observed that the regular Manuals / Guidelines , Check Lists/ Advice Notes had not been introduced to the internal and external investigators by the Board at the investigations to confirm the financial statements whether those were prepared in accordance with Sri Lanka Accounting and Auditing Standards. Therefore, as a result of non-revealing of any manner for showing whether complying or not-complying of the certain financial statements with Sri Lanka Accounting and Auditing Standards , it was complicated in audit in respect of the compliances of preparation of financial statements and audit .
- (e) Although 30 days time period had been offered to the external investigators for the investigation of financial statements, delays from 03 days to 32 days beyond that period were observed . Similarly, it was shown the instances of the handed over financial statements handing over again to the Board without investigating. However, the Board had informed the audit as it was proposed to charge certain percentage from the fee as a fine for these delays in future.
- (f) Accordingly , as it was revealed in the checking of files included the financial statements for the examination of the progress (including the follow up actions) of the investigation of financial statements, due to the instances of responses not received for the disclosures of investigation thereon furnished by the Board , the instances of equal disclosures sent to the related institutions in several years and non-receiving of the responses as those were corrected and the technical problems and delays in obtaining information ,the instances of not finalizing the investigation activities were shown.

- (g) The financial statements relating to prior several years had been in the financial statements received in the year 2016 and future measures had not been taken against the institutions which had not functioned on time or carried out follow up actions in terms of the Act, thus spending several years in respect of the submission of financial statements.
- (h) A sum of Rs. 100 million had been provided by the Budget Proposals for the year under review to strengthen the Sri Lanka Accounting and Auditing Standards Monitoring Board by technical and financial resources, to broaden the activities of the Institution and the scope, to review the relevant Act and to introduce an information system . However, even though more than 20 years of period was lapsed by this after the existing Act established, recommended revisions relating to that were furnished to the Ministry; the revised Act had not been forwarded for the approval of the Cabinet even as at 31 July 2017 and introducing of a new information system for reporting of which identified information while reviewing had not been carried out .
- (i) According to the Directive 11 of the Committee on Public Enterprises held on 19 September 2012 , since the lack of sufficient awareness of the society regarding the Board even though a direction had been given as action should be taken for the social awareness, adequate steps had not been taken for that even by 30 June 2017.

4.2 Management Activities

The requirement of obtaining human resources for the monitoring of the government sector and also office space should be obtained for that purpose had been identified according to the revision of Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. Nevertheless, even though the act had not been revised, as an implementation of the matters mentioned there, according to the building agreement No. 1079 of 16 December 2016 the Board and the external parties entered into; a sum of Rs. 1,740,960 or a value equal to the amount of 06 month rent had been paid as a refundable security deposit on 20 December 2016 , that floor had not been occupied for the above mentioned activities up to 30 June 2017.

4.3 Staff Administration

The following observations are made.

- (a) Recruitments had been made on contract basis for the 03 posts of higher management level, a Senior Level post and 02 posts of Tertiary Level belonging to the approved cadre of the Board from the year 2009 and it was observed that the payments are being made more than the approved remunerations with higher benefits for the permanent posts of those 03 higher management level posts .
- (b) Two Deputy Director General posts had been maintained by extending the contract time period by a year and once in a three months respectively even by 30 June 2017.
- (c) Even though a succession plan should be available in every institutions in the event of filling vacancies of specially in management levels in terms of Paragraph 9.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003, the Board had not performed so planned .
- (d) Similarly in accordance with the Paragraph 9.7 of the “d” of above mentioned Circular , even though the payment of salaries and allowances should be based on an approved Scheme of Recruitments and Promotions the Board had not so performed in respect of 03 posts.

5. Accountability and Good Governance

5.1 Budgetary Control

Being variances in budgeted and actual income and expenditure items ranging from 11 per cent to 117 per cent in the year under review, it was observed that a weakness shown in carrying out the budget estimate as a financial control mechanism.

6. Systems and Controls

Deficiencies in the systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls	Observations
-----	-----
(a) Investigation on financial statements	Non-investigation of financial statements timely with proper Guidelines .
(b) Staff Administration	Improperness in Schemes of Recruitment and filling of vacancies.



H.M. Gamini Wijesinghe
Auditor General

Statement of Financial Position

As at	Note	31-Dec-16 Rs.	31-Dec-15 Rs.
ASSETS			
Non - Current Assets			
Property, plant and equipment	3	30,435,576	30,874,340
Deposits	4	6,879,736	5,138,775
Net defined benefit asset	9	-	259,859
		37,315,312	36,272,974
Current Assets			
Inventories	5	576,865	521,125
Accounts receivable	6	3,177,666	1,869,420
Cash and cash equivalents	7	2,110,767	1,492,926
		5,865,297	3,883,471
Total Assets		43,180,609	40,156,445
LIABILITIES			
Non - Current Liabilities			
Deferred income - government grants	8	37,208,854	36,272,974
Defined benefit obligations	9	106,458	-
		37,315,312	36,272,974
Current Liabilities			
Deferred income - government grants	10	2,290,471	923,935
Accounts payable	11	3,574,826	2,959,536
		5,865,297	3,883,471
Total Liabilities		43,180,609	40,156,445

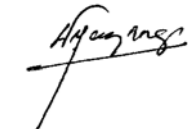
The notes appearing on pages 52 to 58 form an integral part of the financial statements.

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

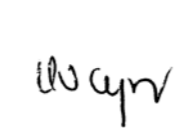
These financial statements were approved by the Board and signed on their behalf



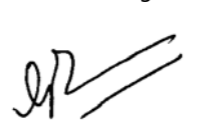
Chairman



Director General
11th July 2017



Members Signature



Finance and Administration Manager

Statement of Financial Performance and Other Comprehensive Income

For the year ended 31 December	Note	31-Dec-16 Rs.	31-Dec-15 Rs.
Revenue			
Government grants	12	96,550,511	71,658,863
Less: Grants released to the Institute of Chartered Accountants of Sri Lanka		2,500,000	2,500,000
		94,050,511	69,158,863
Operating Expenses			
Board Members' allowances		(1,552,500)	(745,333)
Auditor's remuneration	13	(163,180)	(196,242)
Staff costs	14	(39,350,133)	(37,322,152)
Fuel and lubricants		(1,547,910)	(1,423,720)
Press notices		(718,034)	(740,650)
Rent and building service charges		(6,234,891)	(6,121,671)
Depreciation and amortisation expenses	3	(9,519,116)	(9,835,358)
Electricity		(1,457,899)	(1,363,186)
Professional fees to reviewers		(940,000)	(1,130,000)
International memberships		(1,596,780)	(1,113,833)
Books and periodicals		(897,565)	(1,078,530)
International travel		(2,503,394)	(3,024,736)
Training and development		(799,130)	(847,805)
License and insurance		(822,572)	(734,539)
Stationery		(790,041)	(636,657)
Expenses on special capacity building programmes	15	(21,679,041)	-
Other administration expenses	16	(3,478,325)	(2,844,451)
		-	-
Other Comprehensive Income			
Gain /(loss) on remeasurement of the defined benefit obligation		333,157	1,335,222
Government grant related to remeasurement of defined benefit obligation		(333,157)	(1,335,222)
		-	-
Net surplus / (deficit) for the year		-	-

The notes appearing on pages 52 to 58 form an integral part of the financial statements.

Statement of Changes in Net Assets

	Accumulated Fund Rs.
Balance as at 31 December 2014	-
Net surplus/deficit for the year	-
Balance as at 31 December 2015	-
Net surplus/deficit for the year	-
Balance as at 31 December 2016	-

The notes appearing on pages 52 to 58 form an integral part of the financial statements.

Cash Flow Statement

	Note	31-Dec-16 Rs.	31-Dec-15 Rs.
<i>For the year ended 31 December</i>			
Cash flows from operating activities			
Net surplus / (deficit) for the year		-	-
Adjustments for;			
Government grants received during the year		98,519,770	67,317,275
Deferred government grants transferred to total comprehensive income	12	(96,217,354)	(70,323,641)
Grants received in the form of non-current assets	3	(7,390,000)	-
Depreciation	3	9,519,116	9,835,358
Loss on disposal of office equipment		7	1
Interest received on investment in gratuity fund		(358,981)	(93,172)
Defined benefit obligation	14.1	418,240	(549,338)
Excess of income over expenditure / (expenditure over income) before working capital changes		4,490,798	6,186,483
(Increase) / decrease in rent deposit		(1,740,960)	-
(Increase) / decrease in inventories		(55,740)	60,485
(Increase) / decrease in accounts receivable		(1,308,246)	(233,887)
Increase / (decrease) in accounts payable		615,291	(1,495,113)
<i>Net cash flows from operating activities</i>		2,001,143	4,517,968
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,690,360)	(1,359,685)
Investment in gratuity fund		-	(2,700,000)
Interest received on investment in gratuity fund		307,058	110,689
<i>Net cash flows</i>		617,841	568,972
Cash flows from financing activities			
Net increase / (decrease) in cash and cash equivalents		617,841	568,972
Cash and cash equivalents at the beginning of the year		1,492,926	923,954
Cash and cash equivalents at the end of the year	7	2,110,767	1,492,926

The notes appearing on pages 52 to 58 form an integral part of the financial statements.

1. Corporate Information

The financial statements of Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2016 were authorised for issue by a resolution of the Members of the Board on 11th July 2017. Sri Lanka Accounting and Auditing Standards Monitoring Board is a Statutory Board established by Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The function of the Board is to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of specified business enterprises under the provisions of Sri Lanka Accounting and Auditing Standards Act No.15 of 1995. The Board employed 15 employees on permanent basis and 6 employees on contract basis as at 31 December 2016 (15 on permanent basis and 5 on contract basis as at 31 December 2015).

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 date of the Statement of Financial Position

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 straightline basis, over the estimated useful lives of the assets as follows.

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

Depreciation is provided in the year of purchase and in the year of sale based on the period used, with full depreciation being provided in the month of purchase and no depreciation being provided in the month of sale.

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

Inventories

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

Accounts Receivable

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

Cash and Cash Equivalents

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

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

Accounts Payable

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

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 recognized.

Government grants utilized to acquire assets that will be expensed in subsequent periods are recognized 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 recognized 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-16 Rs.	31-Dec-15 Rs.	31-Dec-16 Rs.	31-Dec-15 Rs.	31-Dec-16 Rs.	31-Dec-15 Rs.	31-Dec-16 Rs.	31-Dec-15 Rs.	31-Dec-16 Rs.	31-Dec-15 Rs.
Cost										
At beginning of the year	43,770,000	45,070,000	9,360,745	8,770,395	10,630,338	9,865,503	3,126,300	3,121,800	66,887,383	66,827,698
Additions	7,390,000	-	1,125,835	590,350	499,926	764,835	64,599	4,500	9,080,360	1,359,685
Disposals	-	(1,300,000)	(1,476,960)	-	-	-	-	-	(1,476,960)	(1,300,000)
Transfer	-	-	(25,623)	-	25,623	-	-	-	-	-
At end of the year	51,160,000	43,770,000	8,983,997	9,360,745	11,155,887	10,630,338	3,190,899	3,126,300	74,490,783	66,887,383
Accumulated Depreciation										
At beginning of the year	15,253,500	7,799,499	8,034,715	7,208,698	9,631,099	9,431,342	3,093,729	3,038,145	36,013,043	27,477,684
Depreciation for the year	8,357,165	8,754,000	860,722	826,017	2,57,851	199,757	43,379	55,584	9,519,116	9,835,358
Depreciation on disposals	-	(1,299,999)	(1,476,953)	-	-	-	-	-	(1,476,953)	(1,299,999)
At end of the year	23,610,665	15,253,500	7,418,484	8,034,715	9,888,950	9,631,099	3,137,108	3,093,729	44,055,206	36,013,043
Written Down Value at end of the year	27,549,335	28,516,500	1,565,513	1,326,030	1,266,937	999,239	53,791	32,571	30,435,576	30,874,340

As at	31-Dec-16 Rs.	31-Dec-15 Rs.
4. Deposits (Non-current)		
Rent deposit	6,879,736	5,138,775
5. Inventories		
Stationery	576,864	521,125
6. Accounts Receivable		
Prepayments	3,147,666	1,789,420
Deposits	30,000	80,000
	3,177,666	1,869,420
7. Cash and Cash Equivalents		
Cash on hand and in bank	2,110,767	1,492,926

Notes to the Financial Statements

As at

8. Deferred Income - Government Grants (Non-current)

	31-Dec-16 Rs.	31-Dec-15 Rs.
Balance at the beginning of the year	36,272,974	41,516,827
Grants received and utilised to acquire non-current assets	1,690,360	1,359,685
Grants received in the form of non-current assets	7,390,000	-
Grants received and invested in gratuity fund	-	2,700,000
Increase of deposit (non-current)	1,740,960	-
Depreciation and amortisation expenses for the year	(9,519,116)	(9,835,358)
Interest received on gratuity fund	358,981	93,172
Loss on disposal of office equipment	(7)	(1)
Change in defined benefit obligation for the year	(725,298)	438,649
Balance at the end of the year	37,208,854	36,272,974

Represented by

Property, plant and equipment	30,435,576	30,874,340
Deposit (non-current)	6,879,735	5,138,775
Excess of gratuity fund / (Provision for gratuity)	(106,458)	259,859
	37,208,854	36,272,974

9. Defined Benefit Obligations

Balance at the beginning of the year	3,992,430	4,431,079
Charge for the year	574,972	429,260
Interest for the year	483,483	467,313
Actuarial gains / losses	(333,157)	(1,335,222)
	4,717,728	3,992,430
Payments during the year	-	-
	4,717,728	3,992,430
Gratuity Fund (Note 9.1)	(4,611,270)	(4,252,289)
Balance at the end of the year	106,458	(259,859)

Present value of the obligation was measured using the following as assumptions.

Expected salary increment	10%	10%
Discount / interest rate	12.11%	10.94%
Staff turnover factor	9%	9%

The liability for gratuity is funded.

Notes to the Financial Statements

As at	31-Dec-16 Rs.	31-Dec-15 Rs.
9.1 Gratuity Fund		
Balance at the beginning of the year	4,252,289	1,459,117
Investments made during the year	-	2,700,000
Interest earned during the year	358,981	93,172
Payments during the year	-	-
Balance at the end of the year	4,611,270	4,252,289
10. Deferred Income - Government Grants (Current)		
Balance at the beginning of the year	923,935	(1,313,552)
Increase / (decrease) in inventories and accounts receivable	1,363,985	173,401
Increase / (decrease) in cash and cash equivalents	617,841	568,972
(Increase) / decrease in accounts payables	(615,290)	1,495,114
Balance at the end of the year	2,290,471	923,935
Represented by		
Inventories	576,865	521,125
Accounts receivable	3,177,666	1,869,420
Cash and cash equivalents	2,110,767	1,492,926
Less: accounts payable	(3,574,826)	(2,959,536)
	2,290,471	923,935
11. Accounts Payable		
Auditors' remuneration	160,000	150,000
Grants payable to Institute of Chartered Accountants of Sri Lanka	-	1,250,000
Professional fees payable to reviewers	230,000	110,000
Staff incentive payable	1,014,000	949,000
Other payables	2,170,826	500,536
	3,574,826	2,959,536

Notes to the Financial Statements

As at	31-Dec-16 Rs.	31-Dec-15 Rs.
12. Government Grants		
Government Grants received during the year	75,099,770	67,317,275
Government Grants received during the year for special capacity building	23,420,000	-
Grants received in the form of non-current assets	(7,390,000)	-
Grants used to increase rent deposit	(1,740,960)	-
Grants used for capital expenditure	(1,690,360)	(1,359,685)
Grants invested in gratuity fund	-	(2,700,000)
Grants used to finance net current assets	(1,366,536)	(2,237,486)
Depreciation and amortisation expenses for the year	9,519,116	9,835,358
Interest received on gratuity fund	(358,981)	(93,172)
Loss on disposal of office equipment	7	-
Defined benefit liability for the year	1,058,455	896,573
Grants shown in the Statement of Financial Performance	96,550,511	71,658,863
Grant related to remeasurement of defined benefit liability shown in Other Comprehensive Income	(333,157)	(1,335,222)
Total grants transferred to total comprehensive income shown in the Statement of Cash Flows	96,217,354	70,323,641
13. Auditors' Remuneration		
Current year	160,000	150,000
(Over) / under provisions in the previous years	3,180	46,242
	163,180	196,242
14. Staff Costs		
Staff remuneration	16,367,231	16,492,887
Employees' provident fund	2,166,026	2,142,546
Employees' trust fund	541,506	535,638
Defined benefit obligation (Note 14.1)	751,397	785,884
Vehicle rent and payment to driver	1,001,901	771,915
Staff incentive	11,921,000	11,561,767
Health insurance	528,243	418,977
Staff welfare	719,984	611,299
Other staff benefits	5,352,845	4,001,239
	39,350,133	37,322,152
14.1 Defined Benefit Obligation		
Charge for the year	574,972	429,260
Net interest for the year	176,425	356,624
	751,397	785,884
Actuarial gains / losses disclosed as Other Comprehensive Income	(333,157)	(1,335,222)
Total Defined Benefit Obligation included in the Statement of Cash flows	418,240	(549,338)

Notes to the Financial Statements

As at	31-Dec-16 Rs.	31-Dec-15 Rs.
15. Expenses on Special Capacity Building programmes		
Expansion of premises	627,297	-
Staff training and development	10,678,146	-
Workshop on audit inspections	3,865,548	-
Workshop on financial reporting	1,755,542	-
Public awareness	3,754,358	-
Training for reviewers	998,150	-
	21,679,041	-
16. Other Administration Expenses		
Annual report	353,563	280,510
Computer maintenance	203,433	207,766
Equipment maintenance	186,861	357,876
Telephone	584,959	560,610
Vehicle maintenance	597,541	295,615
Office expenses	462,159	328,739
Legal and professional fees	331,200	13,800
Internal audit fees	156,500	146,686
Sundry expenses	602,109	652,849
	3,478,325	2,844,451

17. Capital Commitments

The Board had approved to design and construct the 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 2015 - Nil)

18. Contingent Liabilities

There were no contingent liabilities as at 31 December 2016 (as at 31 December 2015 - Nil).

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

There were no material events after the date of the Statement of Financial Position necessitating any adjustments or disclosure in the financial statements.

Specified Business Enterprises

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

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

Name of Organization

Sri Lanka Accounting and
Auditing Standards Monitoring Board

Legal Form

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

Country of Incorporation

Sri Lanka

Head Office

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Colombo 3
Telephone: 011 2301210
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E-mail: slaasmb@slt.net.lk

Website

www.slaasmb.gov.lk

Auditors**External Auditor**

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

Internal Auditor

Edirisinghe & Company
45, Braybrooke Street,
Colombo 2

Bankers

Bank of Ceylon

Legal Advisers

Attorney General
Attorney General's Department
Colombo 12

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Standards Monitoring Board**

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