



SLAASMB

**Sri Lanka Accounting and Auditing
Standards Monitoring Board**

Regulatory Activity Report for the year 2020

1. Regulatory Activities during 2020

1.1 Introduction

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), was established under Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 as the independent accounting and auditing regulator in the country. The Act empowers SLAASMB to monitor compliance with Sri Lanka Accounting Standards by economically significant entities termed as Specified Business Enterprises (SBEs), when preparing their annual financial statements and to monitor compliance by the auditors of these SBEs with Sri Lanka Auditing Standards, when conducting audits of these financial statements.

Compliance with the Sri Lanka Accounting Standards by the preparers of financial statements of SBEs and compliance with Sri Lanka Auditing Standards by the auditors, when conducting the audit of these financial statements results in enhancing the reliability of the financial reporting in the country and contributes towards the capital market development.

1.2 Impact on COVID 19 on regulatory mechanism of SLAASMB

The COVID 19 pandemic control measures imposed by the Health Authorities lead to challenges in finalizing the financial statements and the completion of the audits. The impact was also witnessed in the physical delivery of the annual audited financial statements to SLAASMB and on the practice of audit inspections taking place in the presence of the audit team. Further, contacting the SBEs when seeking additional information due to work from home arrangements of the staff of SBEs and of SLAASMB and access restrictions faced by some audit firms and their staff, made SLAASMB to revisit the review mechanisms leading to changing the practices adopted, in order to maximize the use of available IT infrastructure.

As a result, these new opportunities were seen to have been maximized with the staff utilizing electronic medium to perform reviews, access reports, generate letters, conduct technical discussions, up date records and to conduct audit inspections and meetings with SBEs.

However, due to inherent limitations in accessing financial statements which are of large volumes and in obtaining additional information from SBEs and auditors, SLAASMB adopted diverse measures to ensure coverage of financial statements are maintained as planned, which are detailed under the sections on the review of financial statements and inspection of audits, in this report.

Similarly, the capacity building activities of the staff were also catered through virtual sessions, maximizing on the technological advancements while ensuring safety of staff and the stakeholders at all times.

Accordingly, the regulatory activities performed by SLAASMB during the year when discharging the said statutory functions, are described below.

1.3 Receipt of annual audited financial statements by SLAASMB

All entities meeting the definition of SBEs in the schedule to the Act are vested with the responsibility to submit their annual audited financial statements to SLAASMB, in order to adhere to its primary regulatory compliance. In an attempt to receive the due financial statements, SLAASMB publish notices reminding SBEs of the said obligation through paper advertisements and sending periodic reminders to the SBEs which have been identified.

As at 31 December 2020, SLAASMB has identified 1,657 entities as SBEs. During the year, 1,194 SBEs have submitted audited financial statements to SLAASMB reflecting a reduction compared with the 1,521 SBEs which had submitted financial statements during 2019. The factors resulting in the decline in numbers includes delays in receiving financial statements from listed entities due to extensions given by the Colombo Stock Exchange to submit financial statements in consideration of the COVID 19 impact and SLAASMB deferring the timing of close follow up on submission of financial statements by SBEs, giving due consideration to the closure of offices of the SBEs and the consequential delays in finalizing the preparation of financial statements and audits. It also includes delays in resumption of postal service due the COVID 19 pandemic prevailing in the country.

1.4 Review of financial statements

During the year, SLAASMB was successful in completing reviews of 732 sets of financial statements of 694 SBEs in comparison with the 720 sets of financial statements completed in 2019.

SLAASMB made a concerted effort to maintain the number of financial statement reviews at the levels similar to 2019 by effectively utilizing the technical capabilities and available IT infrastructure within the remote working environment. Despite having a lesser number of inspection staff compared with 2019, SLAASMB approached the review mechanism by changing the composition of categories of SBEs reviewed and introducing thematic financial statement reviews for SBEs with a lower anticipated risk.

Findings on the review of financial statements during the year 2020 are detailed in section 2.4 of the report.

1.5 Inspection of audits

During the year, 27 audits carried out by 7 firms of practicing Chartered Accountants were inspected, compared with the 33 audits carried out by 7 firms which were inspected during 2019. The lower number of inspection staff available during the year and the decision made during the 1st wave of the pandemic to defer the commencement of audit inspections to periods subsequent to 1 August 2020, resulted in reducing the number of regular audit inspections conducted in 2020. Amidst the said constraints, SLAASMB was successful in its attempt to initiate the conduct of the regular audit inspections remotely, through Microsoft Teams during the 2nd wave of the pandemic.

Further, the effect of the need for social distancing and access restrictions on having direct contact when performing thematic audit inspections, resulted in SLAASMB re-evaluating the decision to pursue with the thematic audit inspections during 2020. Thereby with the requirement to dedicate additional time to review the appropriateness of audit procedures performed by auditors when addressing the effect of COVID 19 on the operations of the entities audited, the inspections were limited to Regular audit inspections.

As a result, Thematic audit inspections were not conducted during the year in comparison with 12 thematic audit inspections conducted during 2019. However, during the year SLAASMB finalized the findings of the Thematic audit inspections conducted in 2018 and published the Report.

Findings from regular audit inspections during 2020 are detailed in section 3.4 of this report and findings from thematic audit inspections are detailed in section 3.5.2 of the report.

1.6 Knowledge enhancement and public awareness

Technical competency of inspection staff is a key in the successful discharge of regulatory duties of SLAASMB. As a result, staff was given training opportunities through virtual sessions. The said training covered aspects such as developments in standards, new financial products in the commercial world and soft skills. Staff also attended meetings and sessions conducted by the International organizations in which SLAASMB held membership, as and when, such meetings were conducted virtually.

SLAASMB shared the regulatory findings at a virtual session organized by the Ceylon Chamber of Commerce and has been publishing information relating to regulatory procedures in the SLAASMB Website with the aim of keeping the stakeholders informed. Further, the Thematic Audit Inspection Report issued during the year was shared with the key stakeholder groups, namely, SBEs, their Audit Committee Chairs and the auditors with the expectation

that the contents will be used as a guiding tool in moving towards improved financial reporting.

The staff of SLAASMB served as resource personnel in the program organized by the Ceylon Chamber of Commerce to its members and at the 6th International Conference for Accounting Researchers and Educators (ICARE) organized by the University of Kelaniya as a part of SLAASMB's outreach on knowledge sharing.

1.7 Future focus

With the impact of the current pandemic situation envisaged to continue in the immediate future, focus is planned towards improved use of information technology in regulatory functions. SLAASMB also expects to make a concerted effort towards maintaining an interactive dialogue with the stakeholders throughout the year, as means of facilitating knowledge sharing.

2. Review of financial statements during 2020

2.1. Financial Statement monitoring by SLAASMB

During the year, Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) completed the reviews of 732 sets of financial statements from 694 SBEs. Of the total reviewed, 45% of SBEs represented regulated entities while 55% were private entities. Higher number of reviews being on private entities was a result of maximising limited resources during the long duration of lockdown-lead restrictive access to financial statements and to SBEs, caused by stringent health and safety measures taken by the Government.

In this process, SLAASMB made every attempt to ensure the SBEs reviewed represented all categories specified in the Act and cyclical coverage was made of private sector SBEs as far as practicable.

Selection of financial statements for monitoring by SLAASMB is carried out on an industry focused risk criteria. The review function on the financial statements take place as a comprehensive review termed as a Regular review of financial statements or as a theme focused review termed as a Thematic review of financial statements.

2. 2 SLAASMB's Regulatory support to SBEs

In the midst of the COVID 19 pandemic, witnessing the hassle encountered by SBEs to proceed with timely preparation of financial statements and submission to regulatory authorities, SLAASMB modified its procedures on submission of financial statements, calling for and receiving information and communication processes as detailed in the

website, as a temporary measure, to enable all SBEs to comply with the regulatory requirements.

2.3. Results of monitoring compliance with Sri Lanka Accounting Standards

During the year, SLAASMB obtained undertakings from two SBEs to make the required corrections in the preparation and presentation of financial statements, where material deviations from the Sri Lanka Accounting Standards were detected. The review findings during the year 2020 revealed 1% of the financial statements reviewed as being non-compliant, 59% of financial statements reviewed being compliant and 40% of the financial statements being compliant with improvements communicated by letters of assistance. The improvements have been communicated by letters of assistance in respect of 293 sets of financial statements with the aim of improving their future financial reporting.

2.4 Findings on review of financial statements

2.4.1 Undertakings obtained from SBEs to make the required corrections

Based on the materiality of the deviations from Sri Lanka Accounting Standards, SLAASMB obtained undertakings from two SBEs to make corrections in the preparation and presentation of financial statements.

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

- Failure to correctly identify the amounts by which financial statement line items are affected in the current reporting period due to the application of SLFRS 15 as compared with LKAS 18. (Reference; SLFRS 15 paragraph C3 (b) of Appendix C)
- Failure to use possible multiple fair value techniques, in assessing the recoverable value of investment in associate using fair value less cost to sell method prescribed in LKAS 36. (Reference; SLFRS 13 paragraph B40)

2.4.2 Communication of Improvements to enhance compliance with standards

Departures from Sri Lanka Accounting Standards detected, which were not material as to require the use of procedures using statutory provisions, were informed to SBEs, as improvements, by letters, without extensive inquiries, so that the SBEs could, where necessary, improve on the compliance, on their own.

The main findings relating to which improvements were communicated to SBEs in the form of letters of assistance are set out below;

- Not making adequate disclosures at the end of the reporting period, on the nature and extent of risks arising from financial instruments to which, the entity is exposed and of quantitative and qualitative information about the amounts arising from expected credit losses – in 83 SBEs
(Reference; SLFRS 7 paragraphs 31 to 42)
- Not making adequate disclosures relating to the nature of the related party relationships as well as information about the transactions with related parties – in 76 SBEs including 18 in SME sector
(Reference; LKAS 24 paragraph 18 and SME Section 33 paragraph 33.9)
- Not adequately disclosing the relationship between tax expense and accounting profit and of evidence to support recognition of deferred tax assets on tax losses –in 68 SBEs including 25 in SME sector
(Reference; LKAS 12 paragraph 81 and SME Section 29 paragraph 29.32)
- Not making adequate disclosures relating to valuation techniques used, inputs to the valuation techniques, quantitative information about significant unobservable inputs used, significant adjustments made to the inputs and the fair value hierarchy, for each class of assets and liabilities measured at fair value – in 65 SBEs
(Reference; SLFRS 13 paragraphs 91 and 93)
- Not considering all taxable temporary differences when recognizing deferred tax liabilities or, recognizing deferred tax assets in relation to carried forward tax losses irrespective of the extent of availability of future taxable profits to utilize such unused tax losses – in 40 SBEs including 13 in SME sector
(Reference; LKAS 12 paragraphs 15, 24,34 and 48 and SME Section 29 paragraph 29.12)
- Not making adequate disclosures in relation to the basis of preparation of the financial statements and the specific accounting policies and/or significant accounting policies which comprise of the measurement bases and other accounting policies, that are relevant for an understanding of the financial statements– in 35 SBEs
(Reference; LKAS 1 paragraphs 112 and 117)
- Not recognizing a loss allowance for expected credit losses on a Financial asset that is measured at amortized cost when impairment indicators exist or not recognizing impairment losses at the end of each reporting period when there are objective evidence of impairment in respect of a financial asset or group of financial assets – in 17 SBEs including 5 in SME sector
(Reference; SLFRS 9 paragraph 5.5.1 and SME Section 11 paragraph 11.21)

- Not measuring the expected credit losses of a financial instrument to reflect the time value of money – in 16 SBEs
(Reference; SLFRS 9 paragraph 5.5.17)
- Not disclosing all relevant information relating to revaluation of property plant and equipment – in 28 SBEs including 13 in SME sector
(Reference; LKAS 16 paragraphs 77 and SME Section 17 paragraph 17.33)
- Not performing regular revaluations when fair values of revalued assets differ materially from the carrying amounts – in 10 SBEs
(Reference; LKAS 16 paragraphs 31)
- Not estimating the recoverable amount of an asset when indication of impairment exist at the end of the reporting period – in 9 SBEs including 2 in SME sector
(Reference; LKAS 36 paragraph 8 and 9 and SME Section 27 paragraph 27.5)
- Not recognizing depreciation of an asset from the time the asset has been available for use or the depreciation method being used not reflecting the pattern in which the asset's future economic benefits are expected to be consumed by the entity – in 9 SBEs
(Reference; LKAS 16 paragraphs 55 and 60)
- Not preparing financial statements in compliance with Sri Lanka Accounting Standards and not taking all necessary measures to ensure the financial statements are audited in accordance with Sri Lanka Auditing Standards, with the object of presenting a true and fair view of the financial performance and financial condition – in 8 SBEs
(Reference; Act No 15 of 1995 Section 6 (1)).

3. Inspection of audits of financial statements during 2020

3.1. Audit monitoring by SLAASMB

As described in the introduction, one of the two core functions of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) is to monitor compliance with Sri Lanka Auditing Standards by the auditors of Specified Business Enterprises (SBEs), when they conduct audits of the financial statements of SBEs. SLAASMB approach the monitoring function by inspecting a sample of audits of general purpose financial statements to ascertain compliance with Sri Lanka Auditing Standards in the conduct of the audit.

This audit monitoring activity of SLAASMB is performed with the objective of improving audit quality in the audit market environment. Quality audit in turn contributes towards improved financial reporting activity which helps to build investor confidence and support the capital market development. Focused on the far reaching benefits of enhanced audit

quality, SLAASMB has taken several initiatives to improve the monitoring mechanism by adopting global best practices in to existing processes.

Audit monitoring is performed by SLAASMB as engagement specific Regular audit inspections and Theme specific audit inspections which focus on a comprehensive review of a predetermined theme throughout the audit. SLAASMB selects audits for inspection considering a risk based approach as well as a random selection approach. However, as a means of continuous improvement, during the year, SLAASMB ventured into developing a new risk-based selection approach to select audits for inspection, which is expected to be adopted from 2021.

3.2 Impact on COVID 19 on auditing

The effects of the health and safety measures imposed with the aim of curtailing the spread of the COVID 19 pandemic has had its effects on the audit industry as well. Mobility restrictions and remote work environment caused many auditors to perform the audits from remote locations.

Remote-based conduct of audits requires high dependency on information technology. This is evident in countries with developed IT infrastructure systems which have moved towards conducting the audits remotely. However, in Sri Lanka, the auditors have had to face many challenges when conducting audits based on available IT infrastructure. This situation has given new opportunities to audit firms to move towards investing more on digitalizing audit methodologies. Globally, members of international networks too have been pursuing on the journey of digitalization of their audit methodologies. This move is being witnessed as a current trend at the international level.

The impact was also experienced as time pressure by the auditors when meeting reporting deadlines. However, extensions to reporting timelines of listed entities granted by the Colombo Stock Exchange had no doubt assisted the auditors in this respect.

In general, all auditors have faced challenges in the conduct of the audits in aspects such as remote auditing, time constraints, availability of information, and physical access to management. Difficulties in gathering audit evidence due to limited physical accesses resulted in auditors receiving information in digital form instead of the usual paper form. High dependency of non-physical form of evidence requires use of auditors' professional judgement in to diverse aspects of the audit and requires the auditor to perform additional procedures to ensure the validity of such audit evidence.

Entities having to perform remote operations, deviating from the regular internal control procedures also forced auditors to closely monitor the control measures taken by the entities.

In addition, the impact of the pandemic on the operating environment of entities increased the audit risk associated with the valuation of assets (such as impairment of assets, expected credit losses on the financial assets and recoverability of deferred tax assets) and in assessing the completeness of liabilities. Further, auditors have been required to be alert on evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern due to the impact of COVID 19 pandemic to the businesses. Accordingly, the above challenges have required the auditors to exercise significant amount of professional judgment, remain skeptical and focus on ethical responsibility when carrying out audits during this challenging period.

3.3 Enforcement actions

Based on the severity of the observations made during the inspections, SLAASMB adopts diverse measures in its effort to make the auditors to improve themselves in order to achieve the objective of improving the audit quality environment in Sri Lanka.

When regular audit inspections result in observing non-compliances with Sri Lanka Auditing Standards which are not material as to require further action under the statute, such deficiencies are communicated to the audit firms by letters of assistance termed as "Letters of Observations". When improvements are required in audits to improve audit quality, such improvements are communicated as suggestions for improvements. In addition, when the auditor is observed to have failed to exercise the fundamental ethical principles of professional competence and due care in the conduct of an audit of a SBE, a letter of warning is issued to the audit firm with approval of the Board, requiring the said firm to act diligently and in accordance with the requirements of applicable auditing standards, when conducting audits of financial statements, in the future. Further, based on the significance of the issues, where necessary, SLAASMB refer the deviations to the Attorney General for advice and where the deficiencies are in the audit quality, such matters are directed to CA Sri Lanka and to any other financial sector regulator as applicable.

During 2020, one audit inspection has been referred to Attorney General of which the proceedings are in-progress.

3.4 Findings from regular audit inspections

During the year, regular audit inspections were conducted on 27 audit engagements carried out by 7 audit firms compared with 33 audit engagements conducted by 7 firms during 2019. The total number of audits inspected were lower than in 2019 mainly due to the lower number of inspection staff being available during 2020. Further, due to the requirements of social distancing and access restrictions on having direct contact when performing thematic audit inspections, the plan to perform thematic audit inspections were re-evaluated. Thereby with the requirement to dedicate additional time to review the appropriateness of audit procedures

performed by auditors when addressing the effect of COVID 19 on the operations of the entities audited, the inspections were limited to Regular audit inspections.

Further, during the year, SLAASMB finalized the findings of the thematic audit inspection conducted in 2018 and published its Report.

3.4.1 Letters of Assistance

As referred in Enforcement actions, when findings on non-compliances with standards are not material as to require further action under the statute, such deficiencies are communicated to the audit firms by letters of assistance termed as “Letters of Observations”. Such deficiencies were identified in 4 audit engagements conducted by 4 firms.

Significant deficiencies communicated include:

3.4.1.1 Failure to express an appropriate audit opinion

Failure by the auditor to express an appropriate audit opinion was observed in the following instance;

- When the financial statements had contained significant non-compliances with Sri Lanka Accounting Standards, the auditor had concluded that the financial statements are prepared in all material respects, in accordance with Sri Lanka Accounting Standards.

3.4.1.2 Failure to obtain sufficient appropriate audit evidence

Failure by the auditor to obtain sufficient appropriate audit evidence were observed as follows:

- Not performing substantive procedures appropriately in relation to identifying and evaluating unusual variances in the comparison of revenue with the previous year, to assess accuracy of the revenue cut-off, and failure to verify the occurrence, completeness and valuation of revenue.
- Not performing adequate audit procedures to verify the fair value of land and buildings focusing on, evaluating the competence, capabilities and objectivity of the management’s expert, obtaining an understanding of the work of the expert, and evaluating the appropriateness of that expert’s work as audit evidence for the relevant assertions

3.4.1.3 Failure to perform adequate audit procedures relating to accounting estimates including fair value accounting estimates

Failure by the auditor to obtain sufficient appropriate audit evidence on fair value estimates was observed in the following instance;

- Not performing appropriate audit procedures to ensure completeness of data used in concluding an assumption used for impairment computation of a finance company.

3.4.2 Suggestions for Improvements

When improvements are required in audits to improve audit quality, such improvements are communicated as suggestions for improvements.

During the year, suggestions for improvements relating to 10 audit engagements were communicated to 6 firms. The auditors of such firms are expected to improve on the areas identified in their future audits.

Suggestions for improvements communicated during the year include;

- To consider other information gathered during the risk assessment to understand and evaluate the results of analytical procedures performed as a risk assessment procedure, when data aggregated at a higher level has been used in such analytical procedures.
- To assess reasons for unusual circumstances reflected in the audit sample, by making further inquiries in order to identify possible material misstatements.
- When selecting an audit sample, to consider the specific purpose to be achieved and the characteristics of the population from which the sample is to be drawn.
- To adequately challenge the assumptions used by management in order to ensure the reasonableness of accounting estimates made by the entity
- To adequately document all audit procedures performed, in the audit working papers in order to support the ascertaining of management's assertions and to maintain the understandability of the audit approach
- To ensure that the conclusions drawn from each of the audit procedures performed corresponds with the respective audit procedures and evidence obtained is documented in the working papers.

- When revenue is presented as a single line item in the financial statements, to evaluate the aggregate impact of deviations identified in relation to cut-off of revenue categories, which were below the materiality level when considered individually.
- To document the reasons for deviations from the samples designed at the planning level.

3.5 Thematic Audit Inspections

3.5.1 Focus of the theme

The Thematic audit inspections commenced in 2017 by SLAASMB continued to focus on firms' policies and procedures in respect of a specific area or aspect of the audit, by inspecting selected audit engagements of such firm. With the findings of all inspections being reported together, the report includes a comparison of findings and highlights good practices and areas of common weaknesses relating to the selected theme or specific area.

During 2020, SLAASMB issued the report of the thematic audit inspections conducted among 19 audits of 5 firms during 2018 on the theme, Auditor's communication with Those Charged with Governance (TCWG) in the audit of financial statements of listed entities. The said theme was identified to be appropriate considering the effective two-way communication between the auditor and TCWG and its contribution towards enhancing the capital market development in the country. In the inspection process, SLAASMB obtained feedback of the Audit Committee chairs of the auditee entities, to gain insights to the timeliness and effectiveness of the said two-way communication.

3.5.2 Findings from thematic audit inspections

The findings of the thematic audit inspection conducted during 2018 are included in the detailed report of the thematic audit inspections issued during 2020 and published in the website www.slaasmb.gov.lk

SLAASMB, being the regulator monitoring compliance with accounting standards and auditing standards, advocates good communication between the three parties, namely the auditor, regulator and TCWG. Considering the improvements envisaged by adopting the good practices identified during the inspections, SLAASMB has shared copies of the Thematic Audit Inspection Report issued during 2020, with all the audit firms, Chairpersons of listed entities and the Chairpersons of Audit Committees of listed entities.

The salient features identified from the Thematic Audit Inspection Report issued during 2020 relating to auditors' effective communication with TCWG are as follows.

3.5.3 Key inspection findings on making the two-way communication effective

- **Consideration of appropriate person as TCWG-** Auditor's professional judgement in determining the appropriate persons to be considered as TCWG, and consistency in such determination is a key to good two-way communication.
- **Importance of establishing the communication process early-** Establishing the communication process at the planning stage helps in enhancing the effectiveness of two-way communication
- **Impact of entity's governance structure on communication-** The entity's governance structure affects the method of communication and matters to be communicated. Accordingly, the method of communication and matters to be communicated are essentially not determined based on firm's policies and procedures.
- **Use of Engagement Letter-** Engagement letter is used as the main tool to communicate auditor's responsibilities towards the financial statement audit. Separate engagement letters are used for non-audit services.
- **Methods of communication** -Meetings, presentations and letters are common methods of communication during different stages of the audit.
- **Insights of TCWG** -Active involvement of TCWG at such meetings and presentations are useful for effective two-way communication and contributes towards effective decision making of both parties.
- **Evidence of the two-way communication-** Meeting minutes maintained by the auditor or extracts of the minutes maintained by the entity is a key to provide evidence of the two-way communication had during the audit.

3.5.4 Highlights from Audit Committee discussions

- Entity's governance structure and regulatory influence affects effective discharging of duties and responsibilities by the Audit Committee. Regulated entities and entities which are not dominated by individuals, provide more independence to the Audit Committee to exercise their judgements
- Audit Committee plays a major role in relation to the appointment of the auditor, determining of audit fee, obtaining non-audit services, and ensuring auditor independence is maintained.

- Active involvement of Audit Committee throughout the audit process and meeting auditors without the presence of the management, contributes towards minimizing the audit expectation gap
- Chairing of Audit Committees by persons with financial acumen contributes significantly towards effective functioning of the Audit Committees

3.6 Other measures taken by SLAASMB to enhance audit quality

3.6.1 Communicating findings of audit inspections to Audit Committees

In order to assist the Audit Committees of the entities listed in the Colombo Stock Exchange to perform their duties effectively, during the year, SLAASMB commenced communicating outcomes of the audit inspections to the Audit Committees. This measure is expected to provide insights to the Audit Committee on the quality of the audit of the companies' financial statements.

3.6.2 International Affiliations to support audit quality

3.6.2.1 SLAASMB has been a member of the International Forum of Independent Audit Regulators (IFIAR) since its first plenary meeting held in 2007. During the year, SLAASMB has been participating at meeting of IFIAR conducted virtually and in fulfilling IFIAR's information requirements and participating in routine surveys.

3.6.2.2 SLAASMB has been a members of the Consultative Advisory Group of the International Auditing and Assurance Standards Board (IAASB) since 2007 and a member of the Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) since 2009. During the year, SLAASMB has been contributing to the meetings held remotely on deliberations on standards relating to Auditing and Ethics.

3.6.3 Participation at IFIAR's 25 % reduction initiative

IFIAR has been committed towards improving audit quality on a global basis and in 2019, IFIAR has implemented a new 25% reduction target initiative to monitor changes in the rate of audits inspected with findings, considering the findings of the survey in 2019 as the base year for comparison.

The Global Public Policy Committee (GPPC) firms which includes BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG and PricewaterhouseCoopers, have agreed with IFIAR on

measuring results of findings against a reduction of at least 25% over the next four years, relating to the listed public interest entity (PIE) engagements, with one or more finding.

Accordingly, SLAASMB has undertaken to submit to IFIAR the relevant findings from inspections finalized during the survey period, relating to the local firms of the said international networks on an annual basis commencing from 2019.