Strengthening Financial Reporting Integrity

Overview of Functions, Regulatory Findings, and Enforcement Actions

SLAASMB

Sri Lanka Accounting and Auditing Standards Monitoring Board

Our Vision

"Achieve a high level of reliability and stakeholder confidence in financial statements of public interest entities in Sri Lanka."

Regulatory Mandate

Statutory Foundation

The Act

Established under the **Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995**.

Legal Status

A Statutory Board under the **Ministry of Finance**, functioning as an independent regulator.

Primary Goal

To monitor compliance with Accounting and Auditing Standards to enhance reliability of financial statements.

Governing Board & Independence

Board Composition

- The Board consists of **13 members** appointed by the Minister of Finance, representing key regulatory and professional bodies.
- Includes representatives from Central Bank, SEC, Registrar of Companies, and CA Sri Lanka.

True Independence

- To ensure impartiality, the majority of the Board consists of non-practicing members.
- Currently, only **3 out of 13** members are practicing auditors, preventing professional self-regulation bias.

Scope: Specified Business Enterprises (SBEs)

Category	Description
Listed Companies	All companies listed on the Colombo Stock Exchange (CSE).
Regulated Entities other than Listed Entities	Licensed Commercial Banks, Insurance Companies, and Finance Companies. Leasing Companies, Stockbrokers, Unit Trusts, Factoring Companies
Large Scale Private Entities	Turnover > Rs. 500Mn, Gross Assets > Rs. 300Mn, Shareholders' equity > Rs. 100Mn, Liabilities to Banks and FI > Rs. 100 Mn, No of employees >1000 (Gazette No. 1074/7 – 07 April 1999)
Public Corporations	Specific large-scale state-owned enterprises involved in commercial activities.

Regulatory Functions of the Board

Financial Statements Review

Monitoring compliance with SLFRS/LKAS by Specified Business Enterprises.

Audit Inspection

Monitoring compliance with SLAuS by auditors of SBEs to ensure high audit quality.

Enforcement

Taking corrective actions including imposing penalties for non-compliance with standards.

Compliance with Accounting Standards

Focus on Transparency

- SLAASMB reviews audited financial statements to ensure they present a "true and fair view" in accordance with Sri Lanka Accounting Standards.

- Uses a risk-based approach combined with random sampling to select entities for detailed technical review.

Monitoring Compliance with Auditing Standards

Audit Inspections

Inspections focus on the audit methodology and the evidence gathered by auditors. This includes:

- Evaluation of internal controls and risk assessment.
- Audit documentation and gathering of sufficient appropriate evidence.
- Ensuring compliance with Sri Lanka Auditing Standards

Guilty of an Offence Under the Act

Noncompliance with standards as per Sec 6 and 7

(Sec 27.a)

Non submission of financial statements as per Sec 25

(Sec 27.a)

Knowingly submitting false information

(Sec 27.b)

Failure to appear before the Board

(Sec 27.c)

Refuse to answer any question

(Sec 27.c)

Refuse to produce books/documents in possession/ control

(Sec 27.c)

Conviction

- Fine up to Rs. 500,000/- (Sec.27)
- Imprisonment of max. 05 Years (Sec 27.2)

Enforcement & Legal Consequences

Powers

- Call for financial statements/information from SBEs and/or Auditors of SBEs
- Carryout investigations
- Summon any Director, Officer, or auditor of SBE
- Inform relevant Professional Body – on violation of SLASs/SLAuS by its members (Sec. 29)
- Inform other regulatory authorities, including IRD, SEC (Sec. 30)

Enforcement Actions

- Severe non-compliance can lead to compounding of offenses (Sec 28.1), heavy fines, or reporting to the Attorney General for criminal proceedings.
- Direct to reaudit, republish or correct in the next FY (Sec. 28.2a)
- Issuing warning Letters to SBEs and Auditors

Relationships with Other Institutions

- SLAASMB is a member of the International Forum of Independent Audit Regulators (IFIAR), adopting global best practices.

- Working closely with other regulators: SEC,CBSL and IRCSL other institutions (CA Sri Lanka and Department of IR) to strengthen the financial reporting framework in Sri Lanka.

Strengthening Financial Reporting Integrity

Financial Statements Reviews

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Financial Statements Reviews

- Sri Lanka Accounting and Auditing Standards Monitoring Board conducts comprehensive reviews of financial statements to ensure that SBEs comply with the Sri Lanka Accounting Standards (SLASs).

Key Areas of Review

- ***Recognition and Measurement***
  Assessing whether transactions and events are recognized, measured, and recorded accurately in accordance with the applicable financial reporting framework.
- ***Presentation and Disclosure***
  Evaluating whether financial statements are presented transparently and provide a true and fair view to stakeholders through adequate disclosures and clear presentation practices.

Financial Statements Reviews -2025

- **Regular Reviews**

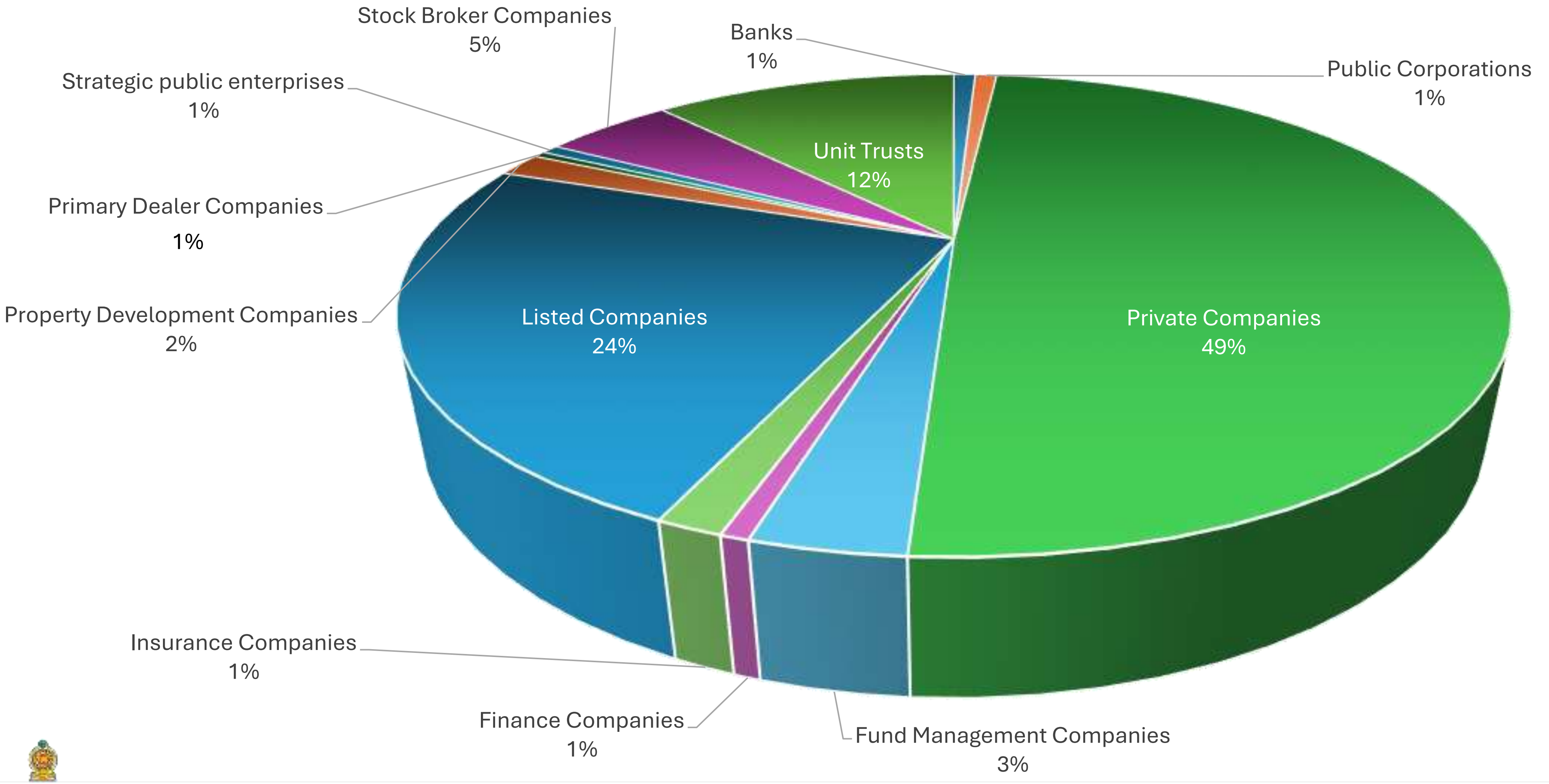
By adopting a risk-based approach, reviews focus on the integrity of recognition, measurement, presentation, and disclosure requirements in financial reporting.

- **Theme Focused Reviews**

By adopting a risk-based approach, reviews are conducted on pre-determined themes to enable in-depth assessments of critical Accounting Standards requirements and enhance the quality, transparency, and reliability of corporate financial reporting.

- *Ex:-Related Party Disclosures (LKAS 24), Presentation of Financial Statements (LKAS 1) and Income Tax disclosures (LKAS 12)*

Sectorial Representation of Financial Statements Reviews- 2025



Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Recognition of ECL: SLFRS 9, Financial Instruments Para 5.5.1 to 5.5.4	Failure to recognize a loss allowance for expected credit losses for financial assets for which there have been significant increases in credit risk or credit Impairment indicators exist. *Ex:* ➢ *No expected credit loss (ECL) allowance has been recognized for receivable balances subject to pending legal action.*	To recognize a loss allowance for ECL on a financial asset that is measured at amortised cost or at FVOCI, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Review the useful life of an asset: LKAS 16, Property, Plant and Equipment Para 50 & 51	Failure to allocate the depreciable amount on a systematic basis over its useful life reflecting the asset's usage pattern and failure to review the useful life at each financial year-end. *Ex.* ➢ *The existence of fully depreciated assets still in use*	The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The useful lives of assets shall be reviewed at least at each financial year-end. If expectations differ, the change shall be accounted for as a change in accounting estimate in accordance with LKAS 8.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Subsequent measurement of investment properties: LKAS 40, Investment Property Para 30 and 40	Failure to choose single accounting policy and to apply that to <u>all of its investment properties</u>. *Ex:* ➢ *IP consist of lands and buildings. Lands measured using cost model and buildings measured using fair value model.* Failure to measure investment properties at FV at the reporting date, resulting in the carrying amount not reflecting current market conditions *Ex:* ➢ *Although the entity has elected the fair value model for investment properties, the properties have not been re-measured to fair value at the reporting date since an older date.*	• Choose either the FV model or the cost model as its accounting policy and to apply that policy consistently to all of its investment properties. • When measuring investment property at FV, in accordance with SLFRS 13 the FV shall reflect, among other factors, rental Income from current leases and other assumptions that market participants would use when pricing the property under <u>current market conditions</u>.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Fair value measurements : SLFRS 13, Fair value Para 22 & 61	The cash flow projections used in the discounted cash flow valuation do not reflect reasonable and supportable assumptions and therefore may not represent fair value based on market participant assumptions.	Fair value measurements shall be based on assumptions that market participants would use when pricing an asset or liability. Valuation techniques and inputs used shall be appropriate and shall maximise the use of relevant observable inputs.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Recognizing deferred tax assets and liabilities: LKAS 12,Income tax Para 15, 24, & 34	Failure to consider all Temporary Differences in the Recognition of Deferred Tax Assets and Deferred Tax Liabilities.	A deferred tax liability shall be recognized for taxable temporary differences. A deferred tax asset shall be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Revenue Disclosures SLFRS 15, Revenue from Contracts with Customers Para 110, 114 & 119	Failure to make adequate disclosures to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customers.	An entity shall provide sufficient disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and related cash flows arising from contracts with customers.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Risks arising from financial instruments: SLFRS 7, Financial Instruments: Disclosures Para 31	Failure to provide adequate disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.	• Disclosures should focus on the nature and extent of risks arising from financial instruments (FI) and how such risks are managed by the entity. • These risks typically include, but are not limited to, credit risk, liquidity risk, and market risk.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Risks arising from financial instruments: SLFRS 7, Financial Instruments: Disclosures Para 35B, 35H, 35K, 35M & 35N	Failure to provide adequate disclosures that enables users to understand the effect of **credit risk** on the amount, timing and uncertainty of future cash flows to assess the entity's **credit risk exposure** and the changes in the loss allowance with reasons for those changes.	Entity shall provide disclosures that enable users to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Risks arising from financial instruments : SLFRS 7, Financial Instruments: Disclosures Para 39	Failure to disclose a maturity analysis for financial liabilities that shows the remaining contractual maturities and how the entity manages the **liquidity risk** inherent in those financial liabilities.	An entity shall disclose information that enables users of financial statements to evaluate the nature and extent of liquidity risk arising from financial liabilities.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Risks arising from financial instruments : SLFRS 7, Financial Instruments: Disclosures Para 40	Failure to disclose a **sensitivity analysis for each type of market risk** to which the entity is exposed at the end of the reporting period; the methods and assumptions used in preparing the sensitivity analysis; and changes from the previous period in the methods and assumptions used with the reasons for such changes.	An entity shall disclose a sensitivity analysis for each type of market risk to which it is exposed at the reporting date.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Basis of preparation of the FS and accounting policies: LKAS 1,Presentation of Financial Statements Para 16 , 112 and 117	• Not giving explicit and unreserved statement of compliance with SLFRSs in the notes to the financial statements. • Inadequate disclosures relating to the basis of preparation of the Financial statements and significant accounting policies, including the measurement bases and other relevant accounting policies applied.	• An entity whose financial statements comply with SLFRSs to make an explicit and unreserved statement of such compliance in the notes. • Notes to the FS needs to present information on: ✓ the basis of preparation of FS, ✓ significant accounting policies

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Disclosure relating to Fair value hierarchy and the fair value measurement: SLFRS 13, Fair Value Measurement Para 91 & 93	Failure to make adequate disclosures relating to valuation techniques used, inputs to the valuation techniques, quantitative information about significant unobservable inputs used, significant adjustments made to the inputs and the level of the fair value hierarchy for each class of assets and liabilities measured in the statement of financial position or disclosed at fair value. *Ex:* *Valuation reports indicate use of the market approach for fair valuing the plant and machinery, however required fair value disclosures are not provided in the financial statements.*	At a minimum, an entity shall disclose: ✓ The level of the fair value hierarchy ✓ The valuation techniques and inputs used in fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy ✓ For Level 3 fair value measurements: Quantitative information about significant unobservable inputs used.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Defined Benefit Obligation: LKAS 19, Paragraph 145 (a)	Sensitivity analyses for each significant actuarial assumption have not been disclosed.	Disclose sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at that date.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Effects of leases: SLFRS 16, Leases Para 51 & 58	Information required to assess the effect of leases on the lessee's financial statements has not been sufficiently disclosed. *Ex:* ➢ *Failure to disclose a maturity analysis of undiscounted lease liabilities.*	Lessees shall disclose information that enables users of the financial statements to assess the effect of leases on the lessee's financial position, financial performance, and cash flows.
Statement of Cash Flows: LKAS 7 Para 11	Not presenting cash flows from operating, investing, and financing activities in a manner most appropriate to the nature of the entity's business.	Present cash flows from operating, investing, and financing activities in a manner most appropriate to the entity's business.

Observations

Area of Observation	**Financial Reporting Deficiency**	**Standards Requirement**
Tax réconciliation: LKAS 12,Income Taxes Para 81(c)	Failure to disclose the relationship between tax expense and accounting profit *Ex:* ➢ *Significant increases in disallowable expenses compared to the previous year have not been adequately explained.*	Entity needs to provide an explanation of the relationship between tax expense and accounting profit.
Tax losses: LKAS 12 Para 82	Failure to disclose the evidence supporting the recognition of deferred tax assets arising from tax losses. *Ex:* ➢ *Recognizing a deferred tax asset when the company is having carried forward tax losses and not disclosing nature of the evidence supporting the recognition.*	Entity is required to disclose the nature of evidence supporting the recognition of deferred tax assets arising from tax losses.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
LKAS 12, Income Taxes Para 81(e)	Failure to disclose information on deductible temporary differences and unused tax losses for which no deferred tax asset is recognized.	An entity shall disclose the amount of deductible temporary differences and unused tax losses and unused tax credits for which no deferred tax asset is recognized.
Deferred tax assets and liabilities: LKAS 12 Para 81 (g)	Failure to disclose the amount of deferred tax assets and liabilities recognized in respect of each type of temporary difference and in respect of each type of unused tax losses and tax credits.	An entity shall disclose the amount of deferred tax assets and deferred tax liabilities recognized in the statement of financial position for each type of temporary difference and, in respect of unused tax losses and unused tax credits, the amount of deferred tax assets recognized.

Observations

Area of Observation	Financial Reporting Deficiency	Standards Requirement
Disclosures for revalued PPE LKAS 16 Para 77	Disclosures relating to the revaluation of PPE has not been made.	When PPE are stated at revalued amounts, the following disclosures need to made: a) effective date of the revaluation; b) whether an independent valuer was involved; c) carrying amount under the cost model for each revalued class of PPE; d) revaluation surplus, change for the period and restrictions on the distribution to shareholders.

Observations

Area of observation	Financial Reporting Deficiency	Standards Requirement
Disclosures on Related Parties: LKAS 24, Para 18	Failure to make adequate disclosures relating to information about the transactions, outstanding balances and their terms and conditions with each type of related parties.	Disclose the nature of the RP relationship, information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the FS.

Strengthening Financial Reporting Integrity

Audit Inspections

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Categorization of Audit Findings

- A grading system for findings arising from each audit inspection.
- Findings which are not pervasive is categorized into the following categories based on the sufficiency and quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed.

Grade	Nature of observation
A	Important or extensive additional procedures would have been necessary to determine whether the financial statements were fairly stated and free of material misstatement
B	Significant departures from auditing standards were identified but were unlikely to have resulted in a potential financial statement misstatement or potential reissuance or withdrawal of audit reports (where permitted) related to the financial period audited
C	Improvements could be made to the audit approach in future periods but are not considered significant departures from auditing standards
D	Minor or no deficiencies were identified

Observations

Audit Area	Audit Deficiency	Standards Requirement
Initial Audit Engagements-Opening Balances	• Audit procedures performed were inadequate • Insufficient evidence obtained on opening balances • No modified opinion issued despite the limitation • Additional procedures were necessary to confirm fair presentation *Ex:* ➢ *Audit evidence were not obtained regarding whether the opening balances contained misstatements through adequate audit procedures, nor had expressed a modified opinion on the financial statements.*	To obtain sufficient appropriate audit evidence about whether opening balances contain misstatements that materially affect the current period's financial statements and appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Communications with Those Charged With Governance (TCWG)	• Failure to communicate the planned scope and timing of the audit. • The absence of evidence of the auditor having effective and adequate two-way communication with TCWG in the audit working paper file. • Failure to communicate directly with TCWG where necessary. • Failure to communicate KAMs to TCWG on a timely basis prior to their inclusion in the auditor's report. Ex: ➢ *Limited or No evidence in AWP for the Communications the auditor had with TCWG.* ➢ *Meetings the auditor had with AC is not evident from the AWP*	The auditor is required; • To communicate the responsibilities of the auditor in relation to the FS and audit • To provide an overview of the planned scope and timing of audits • To provide timely observations significant and relevant to their responsibility to oversee the financial reporting process, going concern of the entity, the matters that the auditor has determined as KAM and • To promote an effective two-way communication between the auditor and TCWG

Observations

Audit Area	Audit Deficiency	Standards Requirement
Auditor's Report	• Audit evidence obtained in a later date than the Auditor's Report date. *Ex:* ➢ *Date of the audit working papers indicated a date after the audit report date* • Failure to provide proper description for the matter giving rise to the modification to the audit opinion. *Ex:* ➢ *The amounts disclosed for the Company and the Group have been inter-changed in the basis for qualified opinion.*	• Audit evidence is necessary to support the auditor's opinion. • To form auditor's opinion based on the evaluation of the conclusions drawn from the audit evidence obtained.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Auditor's Report	• Failure to inform the users of the auditor's report that the auditor has considered, when forming the opinion, the effect of events and transactions of which the auditor became aware and occurred up to the date that management has accepted the preparation of financial statements. Ex: ➢ *The auditor's report was dated prior to the authorization of the financial statements by the Board of Directors.*	• Auditor/s report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements. • Evidence must confirm that: ✓ All financial statements and disclosures are fully prepared ✓ Management has accepted responsibility for the financial statements

Observations

Audit Area	Audit Deficiency	Standards Requirement
Testing of Journal Entries	• Failure to obtain an understanding of the journal entry recording process and controls implemented over the journal entries. • Failure to plan and perform audit procedures with an objective of capturing the characteristics of fraudulent journal entries or other adjustments, non standard journal entries etc. • No evidence of the basis used to select one journal entry as the sample *Ex:* ➢ *Out of 250 JEs posted during the weekends, only one entry selected and obtained information from the mgt* • No evidence of the auditor testing the General IT controls over configuration of access rules, access administration, monitoring of user access rights, super user activities etc.	To test journal entries in response to the risk of fraud paying special attention to fraudulent journal entries.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Audit Evidence	• Not obtained audit evidence by performing the planned audit procedures. *Ex:* ➢ *Planned to obtain external confirmation but not done.* • Absence of evidence on how the contradictory audit evidence was resolved.	• To perform designed audit procedures • When contradictory audit evidence was identified, the auditor is required to appropriately evaluate and resolve that matter by determining what modifications or additions to audit procedures are necessary and the auditor’s final conclusion regarding a significant matter needs to be documented.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Audit of accounting estimates	• Failure to obtain sufficient appropriate audit evidence to support management's assumptions used to forecast. •Failure to perform the designed audit procedure to obtain audit evidence appropriately. Ex: ➢ *Failure to identify the arithmetical errors in the VIU computation.* ➢ *Not verifying information used in deriving management's forecasted revenue growth rates.* ➢ *Not obtaining sufficient appropriate audit evidence to support management's assumption that no significant changes had occurred* ➢ *Not obtained sufficient appropriate audit evidence to support management's assumptions of cash flow forecasts in determining the recoverable amounts of the subsidiaries based on the VIU*	To obtain sufficient appropriate audit evidence about whether accounting estimates and related disclosures in the financial statements are reasonable in the context of the applicable financial reporting framework

Observations

Audit area	Audit Deficiency	Standards Requirement
Use of the going concern basis of accounting in the preparation of the financial statements	• Failure to obtain sufficient appropriate audit evidence to corroborate and support management's assumptions used in preparation of cash flow forecasts of CGUs to assess the Company's ability to continue as a going concern	• To obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. • To conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. • To determine the implications for the auditor's report.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Membership number of the Engagement Partner	• Failure to include the correct membership number of engagement partner who was responsible for the audit of financial statements of the respective listed entity.	The CA Sri Lanka membership number of the engagement partner to be included in the auditor's report on financial statements of **listed entities** unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (SLAuS 700)

Observations

Audit Area	Audit Deficiency	Standards Requirement
KAMs	• Absence of evidence on the auditor's decision-making process in determining KAMs. • Failure to describe the key audit matters using an appropriate subheading. • Incorrect references to the Notes	To document the matters that required significant auditor attention as determined by the Auditing Standards and the rationale for the auditor's determination as to whether or not each matter is a KAM.

Observations

Audit Area	Audit Deficiency	Standards Requirement
EQCR	• Failure to appoint an engagement quality control reviewer for audit of financial statements of a listed entity	To engage an EQCR to perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the audit report.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Documentation	• Failure to reflect the determined materiality amount in the overall audit plan.	To determine materiality for the financial statements as a whole and performance materiality for the purpose of assessing the risk of material misstatements and determine the nature, timing and extent of further audit procedures and to document those amounts in the audit documentation.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Sample Selection	• No evidence was provided to justify the basis and the method used to select the sample to perform test of details. *Ex:* ➢ *Select one journal entry as the sample and whether the sample selected was representative of the population.*	• To consider the purpose of the audit procedures and the characteristics of the population from which the sample will be drawn. • To select items for the sample in such a way that each sampling unit in the population has a chance of selection.

Observations

Audit Area	Audit Deficiency	Standards Requirement
Auditor's responses to assessed risks	• An appropriate cut-off testing on revenue had not been performed focusing on different series of invoices generated for different streams of revenue. • Not evaluating whether the audit evidence obtained provides insights about the risk of material misstatements due to fraud and whether there is a need to perform additional or different audit procedures *Ex:* ➢ *Not evaluating whether there is a need to perform additional or different audit procedures when there are missing invoice numbers.*	To design and implement appropriate responses to address the assessed risk of material misstatements in order to obtain sufficient appropriate audit evidence.

Suggestions for Improvements

- ✓ With the aim of improving the audit quality, when suggestions for improvements are identified, they are communicated to the auditor.
- ✓ The auditor is expected to improve on the suggestions when conducting their audits in the future.

Suggestions for Improvements

- Obtain sufficient appropriate audit evidence in relation to the related company's ability to provide continuous financial support by evaluating the financial position and performance of such related company through reliable information sources.
- Select suitable samples to test controls that have been identified and obtain audit evidence by performing the designed audit procedure.
- Focus on the conditions existed at the planning stage when assessing the risk at the planning stage.
- When a new system is implemented, test the discontinuation of the old system.
- Ensure the accuracy of the system generated reports.

Suggestions for Improvements

- Give due consideration to the selection of relevant information from comparable peers and appropriately document the conclusions reached.
- When letter of support from ultimate parent Company is obtained, evaluate financial capacity in relation to the ability of ultimate parent company to provide financial support.
- Improve the audit documentation without providing contradictory information on controls identified.

Other Measures taken by SLAASMB to Enhance Audit Quality

- Communicating Findings of Audit Inspections to Audit Committees
- Communicating Findings of Audit Inspections to Stakeholders of SLAASMB
- Contributed towards the information gathering activities of the IFIAR and participated in its routine surveys.

Regulatory Enforcements and Legal Actions

- **Failure to audit the financial statements in accordance with SLAuS.**

Proceeding with legal action against a Public Limited Company (PLC) and its External Auditors.

Regulatory Enforcements and Legal Actions

- **Accounting Deficiencies and Erroneous Reporting**

Action is being taken against a Financial Services Provider following advice from the Attorney General.

- Failure to maintain proper books of accounts.
- Publication of financial statements for the year 2021 containing incomplete and erroneous information.

SLAASMB is currently reviewing the matter with the Attorney General to finalize the initiation of legal proceedings.

Regulatory Enforcements and Legal Actions

- **Misapplication of Accounting Standards**

The matter was referred to the Attorney General's Department during 2025.

Regarding non-compliance with LKAS 28, Investments in Associates and Joint Ventures.

Incorrect recognition of an investment as an associate and the subsequent application of the equity method during the 2022, 2023, and 2024 financial years.

Thank You

Any suggestions

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SLAASMB
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