2025

SLAASMB
Sri Lanka Accounting and Auditing Standards Monitoring Board

ANNUAL REPORT



Sri Lanka Accounting and Auditing Standards Monitoring Board
SLAASMB

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Chairperson's Review

For a quarter of a century, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) has served as the sole independent regulator responsible for monitoring the compliance of Specified Business Enterprises (SBEs) with Sri Lanka Accounting and Auditing Standards. This responsibility has remained central to strengthening transparency, accountability, and integrity in financial reporting, thereby supporting financial stability, market confidence, and the efficient functioning of Sri Lanka's economy.

Review of Performance and Key Achievements

During the year 2025, SLAASMB continued to discharge its statutory mandate in a challenging economic and operational environment. The organisation's regulatory and inspection activities contributed to improved compliance with accounting and auditing standards among SBEs, supporting the reliability of financial information used by investors, lenders, regulators, and other stakeholders. This, in turn, added economic value by promoting informed decision-making, reducing information risk, and reinforcing confidence in the financial system.

Key achievements during the year included the sustained execution of inspection and monitoring programmes, enhanced engagement with regulated entities and auditors, and continued improvements to internal governance and oversight processes. Service delivery was strengthened through more focused risk-based inspections, improved timeliness of regulatory interventions, and better coordination with local and international stakeholders. Despite resource constraints, SLAASMB maintained the quality and consistency of its regulatory outputs.

Governance, Challenges, and Organisational Development

The Board remained actively engaged throughout the year, providing oversight through regular meetings, performance reviews, and strategic deliberations. Significant challenges included attracting and retaining technically skilled personnel in a competitive market, managing resource limitations while maintaining inspection quality.

In response, strategic attention was directed towards strengthening technical capacity, developing leadership pipelines, enhancing Management Information Systems, and supporting legislative and regulatory reform initiatives aimed at improving the effectiveness of the regulatory framework.

Strategic Outlook, Sustainability, and Social Impact

Looking ahead, SLAASMB remains committed to strengthening the sustainability of its regulatory operations and ensuring alignment with international best practices. Strategic priorities include capacity building, prudent adoption of technology, and deeper collaboration with international standard-setters and regulatory bodies. These initiatives are expected to enhance regulatory efficiency, improve risk identification, and support long-term institutional resilience.

Beyond its regulatory mandate, SLAASMB recognises its broader social impact. By promoting high quality financial reporting and auditing, the organisation contributes to public trust, accountability, and good governance which are key foundations for sustainable economic development. Reliable financial information supports not only capital markets but also public interest outcomes, including fiscal discipline, responsible corporate behavior, and stakeholder confidence.

The Board remains confident that SLAASMB's continued focus on integrity, professionalism, and independence will enable the organisation to respond effectively to future challenges and uphold its role in safeguarding the public interest.

Acknowledgement

On behalf of the Board, I wish to express my sincere gratitude to the Board members and our dedicated staff for their unwavering commitment and professionalism throughout the year. I also extend my thanks to our stakeholders for their continued cooperation and trust. It is this collective dedication that ensures SLAASMB remains a resilient and effective guardian of financial integrity.



Ms. K. M. A. N. Daulagala
Chairperson - SLAASMB
27.02.2026

Director General's Review

The year 2025 marked a pivotal period of consolidation and forward-looking transition for the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB). As the nation's sole independent regulator tasked with overseeing compliance by Specified Business Enterprises (SBEs), the Board remained steadfast in its mission to uphold the integrity of the financial reporting ecosystem. Our efforts throughout the year were concentrated on three strategic pillars: strengthening technical proficiency, sharpening regulatory oversight, and expanding institutional capacity to meet the demands of an increasingly sophisticated global financial landscape.

For twenty-five years, SLAASMB has executed its mandate with unwavering professionalism and independence. This silver jubilee underscores our enduring contribution to the credibility of Sri Lankan financial markets and our role in fostering investor confidence. In 2025, this responsibility was discharged with particular resolve; despite the operational pressures stemming from the turnover of key technical personnel, the Board successfully leveraged its existing expertise, and efforts were made to recruit competent staff to ensure that monitoring standards remained uncompromised.

Performance Overview and Service Delivery

During the year, SLAASMB launched a series of strategic initiatives focused on fortifying regulatory effectiveness and optimizing service delivery. To enhance technical proficiency, the Board prioritized rigorous capacity building, with staff participating in 42 external seminars and workshops, complemented by 8 internal presentations focused on accounting and auditing standards as well as sustainability reporting. This was further bolstered by the introduction of knowledge-sharing sessions with selected audit firms, designed to deepen internal technical expertise and ensure preparedness for evolving methodologies. Despite staffing constraints and limited funding for overseas training, SLAASMB maintained high operational momentum, completing 472 financial statement reviews and 23 audit inspections. These activities have been instrumental in improving compliance, mitigating information risk, and enhancing the overall reliability of financial disclosures. Ultimately, these outcomes drive economic value creation by facilitating informed decision-making and reinforcing stakeholder trust in the national financial reporting framework

Challenges and Risk Management

Operationally, the organisation faced persistent challenges in attracting and retaining technically skilled personnel in a competitive labour market. Resource constraints, including reliance on government funding, affected the pace at which inspection coverage and capacity-building initiatives could be expanded. Strategic challenges included adapting regulatory approaches to rapid technological change, aligning SBE identification with evolving market conditions, and maintaining stakeholder confidence in a demanding operating environment.

Despite these challenges, SLAASMB maintained a strong governance framework throughout the year. Effective risk management practices, internal controls, internal audit functions, and ethics frameworks were strengthened and continuously reviewed to ensure transparency, accountability, and operational resilience. Compliance with applicable laws, regulations, and standards remained a core priority.

Strategic Direction and Future Outlook

Looking ahead, SLAASMB remains steadfast in its commitment to fortifying the sustainability and effectiveness of its regulatory mandate. Our forward-looking strategy centers on a transition toward a more agile, data-driven oversight model. Key priorities include the selective adoption of innovative technologies to modernize financial statement reviews and audit inspections, alongside the comprehensive enhancement of our Management Information Systems (MIS). By deepening our collaboration with international regulatory and standard setting bodies, we aim to ensure that our supervisory frameworks remain aligned with global best practices. These initiatives are designed to improve regulatory efficiency and support a strong risk based supervision approach, ensuring the Board remains responsive to the complexities of a modernizing financial landscape.

Beyond the execution of its statutory mandate, SLAASMB recognizes its fundamental role in safeguarding the public interest. We believe that the promotion of high quality financial reporting and auditing is not merely a technical requirement, but a vital contribution to the nation's socio-economic fabric. By championing the principles of sound corporate governance, accountability, and transparency, the Board's ultimate objective is to cultivate an environment of social trust, where reliable financial information serves as a catalyst for investment and long-term prosperity.

Acknowledgement

I would like to extend my heartfelt gratitude to the Board, management, and staff of SLAASMB for their exemplary professionalism and hard work during the year. My thanks also go to our stakeholders, whose ongoing cooperation remains vital to our success. Together, these collective efforts have ensured that the Board remains a resilient and effective institution, dedicated to upholding the integrity of the financial reporting framework.



Mr. Shantha Halloluwa
Director General – SLAASMB
27.02.2026

Overview of the Institutional Profile

i. Report of the Members of the Board

The Members of the Board are pleased to present their Report, together with the Audited Financial Statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), for the financial year ended 31 December 2025.

Principal Activities

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. There were no significant changes in the nature of the principal activities during the year under review.

Review of Operations and Financial Performance

The financial performance of the Board for the year under review is summarized below.

- The total operating expenditure of Rs. 100 million was fully funded by Government Treasury grants, resulting in no surplus or deficit for the year.
- The detailed financial performance is set out in the Financial Statements.
- The Members of the Board are satisfied with the overall performance of the Board during the year, considering prevailing economic conditions in Sri Lanka.

Accounting Policies and Compliance

The Financial Statements of the Board have been prepared in accordance with Sri Lanka Public Sector Accounting Standards.

Members of the Board Responsibility for Financial Reporting

The Members of the Board are responsible for ensuring that the Board maintains proper accounting records and that the Financial Statements present a true and fair view of the state of affairs of the Board.

The Members of the Board confirm that:

- Appropriate accounting policies have been selected and applied consistently;
- Reasonable and prudent judgments and estimates have been made;
- The Financial Statements have been prepared on a going concern basis.

The Members of the Board

The names of the Members of the Board who held office during the year are as follows:

- Ms. K M A N Daulagala (Chairperson)
- Ms. K A P De Silva (w.e.f. 24 September 2025)
- Ms. R P H Fernando (w.e.f. 1 March 2025)
- Mr. C Mendis (up to 9 October 2025)
- Mr. K A H Kuruppu
- Mr. T H Subasinghe
- Mr. S M S S Bandara
- Mr. P M Amarasiri
- Mr. N Goonewardena
- Ms. R M R D Rajapaksa
- Ms. A U Delage

There were the following changes in the members of the board during the year under review.

Ms. W A S Chandrasekara, Commissioner General of Inland Revenue retired from the post with effect from 28 February 2025 and his successor, Ms. R P H Fernando was appointed with effect from 1 March 2025.

Ms. K A P De Silva, Acting Registrar General of Companies was appointed with effect from 24 September 2025 to the Board.

Statutory Payments

The Members of the Board confirm that, to the best of their knowledge, the Board has complied with all statutory payments relating to taxes, levies, and other regulatory obligations as at the reporting date, or that adequate provisions have been made in the Financial Statements.

Compliance with Laws and Regulations

To the best of the knowledge and belief of the Members of the Board, the Board has not engaged in any activity, which contravenes Laws and regulations of the country.

Events after the Reporting Date

There were no material events subsequent to the reporting date that require adjustment to or disclosure in the Financial Statements.

Overview of the Institutional Profile

Going Concern

After making due inquiry, the Members of the Board have a reasonable expectation that the Board has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

Acknowledgement

The Members of the Board wish to place on record their appreciation of the contribution made by the employees, the Government of Sri Lanka, National Audit Office, and all other stakeholders for their continued support during the year.

For and on behalf of the Members of the Board



[Ms. K M A N Daulagala]
Chairperson
27.02.2026

ii. Key Business and Mandate

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

Since its inception, SLAASMB has operated as the statutory bedrock of Sri Lanka's financial reporting framework. For a quarter of a century, our mandate has been very clear to monitor and ensure the highest standards in the auditing and reporting of Specified Business Enterprises (SBEs).

Today, SLAASMB stands as a sophisticated, globally connected authority. Our evolution reflects a commitment to international best practices and proactive enforcement. Through meticulous monitoring and a focus on transparency, we do more than just regulate; we cultivate trust, safeguard the interests of all stakeholders, and ensure the integrity of Sri Lanka's business financial reporting framework on the global stage.

SLAASMB's mandate is to monitor compliance with the Sri Lanka Accounting and Auditing Standards in the preparation, presentation, and audit of financial statements of Specified Business Enterprises (SBEs). SLAASMB fulfills this mandate through a rigorous process: reviewing submitted financial statements, inspecting audits of SBEs, investigating instances of non-compliance, and taking corrective action against entities or auditors who fail to adhere to the prescribed standards.

Oversight Across Sri Lanka's Leading Businesses

Pursuant to the regulations established under the Incorporation Act, entities designated as Specified Business Enterprises (SBEs) including all listed companies, regulated financial institutions, and significant public or private corporations are required to fulfill their statutory financial obligations. To ensure highest levels of corporate transparency and for financial reporting to reflect a "true and fair view", all SBEs must prepare their annual statements strictly in accordance with Sri Lanka Accounting Standards. It is further required that these entities undergo independent audits compliant with Sri Lanka Auditing Standards, with a final requirement to submit all audited financial statements to the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) for its official review.

Powers and Enforcement

The Act imposes certain duties and obligations on Specified Business Enterprises and their directors, officers and auditors, the default of which would result in various penalties as described as offences in section 27 of the Act, extending to imprisonment of either description for a term not exceeding 5 years.

SLAASMB is empowered to call for documents, information and explanations from Directors, Managers and Auditors for the purpose of carrying out its functions. Where Financial Statements have not been prepared in accordance with Sri Lanka Accounting Standards, SLAASMB could require the entity to make corrections. Similarly, where the auditors had failed to comply with Sri Lanka Auditing Standards, SLAASMB could require the SBE to get the auditors to re-audit the financial statements or take action against the auditors under the powers of the Act. SLAASMB has initiated thematic audit inspections in Sri Lanka, in addition to regular audit inspections, with the aim of enhancing audit quality in the country in line with global best practices.

Global Footprint

To remain abreast of developments worldwide in financial reporting, auditing, and compliance monitoring, SLAASMB holds membership in several international organisations. These affiliations enable SLAASMB to obtain information and assistance from other global regulators and to carry out joint activities that benefit multiple regulatory authorities. SLAASMB has been a member of the International Forum of Independent Audit Regulators (IFIAR) since its

Overview of the Institutional Profile

ii. Key Business and Mandate (Contd...)

first plenary meeting in 2007. It is also a member of the Consultative Advisory Groups of the International Auditing and Assurance Standards Board (IAASB) since 2007 and of the Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) since 2009. Furthermore, SLAASMB hosted the IFIAR Inspection Workshop in Colombo in 2018, which was attended by 110 participants from 40 jurisdictions.

Sustaining Excellence

At the heart of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) is a diverse ecosystem of stakeholders ranging from financial statement preparers and auditors to peer regulators, the Government, and the general public. We believe that an informed stakeholder base is the cornerstone of a resilient economy. By proactively elevating the knowledge of our partners, we are forging a path toward unparalleled reliability in financial reporting. Through robust regulatory frameworks and unwavering oversight, SLAASMB remains a steadfast guardian of financial integrity by strengthening public trust and driving the sustainable economic growth of our nation.

iii. Vision, Mission Statement, Goals and Values of the Entity

Vision Statement

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

Mission Statement

"Provide an environment which promotes the presentation of true and fair view in general purpose financial statements of public interest entities in Sri Lanka."

Organisational Goal

"To enhance the quality of financial reporting by educating the stakeholders through findings on financial statement reviews and audit inspections."

Overview of the Institutional Profile

iii. Vision, Mission Statement, Goals and Values of the Entity (Contd...)

Values of the Entity

The Entity is guided by the following core values in achieving its mandate and strategic objectives:

1. Integrity: Act with honesty, fairness, and ethical responsibility in all our activities, ensuring that our decisions and actions uphold public trust and confidence in financial reporting.
2. Independence and Objectivity: Maintain independence from undue influence and exercise objective judgment in financial statement reviews and audit inspections, ensuring impartial and unbiased outcomes.
3. Transparency and Accountability: We promote transparency in financial reporting and regulatory processes and remain accountable to stakeholders for the effective discharge of our responsibilities.
4. Professional Excellence: We strive for the highest standards of technical competence and quality by continuously enhancing professional knowledge, skills, and practices in financial reporting and auditing.
5. Public Interest Focus: We act in the public interest by strengthening confidence in the financial statements of Public Interest Entities and safeguarding the interests of users of financial information.
6. Consistency and Fairness: We apply standards, policies, and regulatory actions consistently and fairly, ensuring equal treatment of all Specified Business Enterprises and audit firms.
7. Continuous Improvement: We are committed to continuous improvement by learning from inspection findings, stakeholder feedback, and emerging developments in accounting and auditing standards.
8. Collaboration and Education: We engage constructively with stakeholders, including preparers, auditors, and peer regulators, to promote awareness, understanding, and compliance with applicable standards.

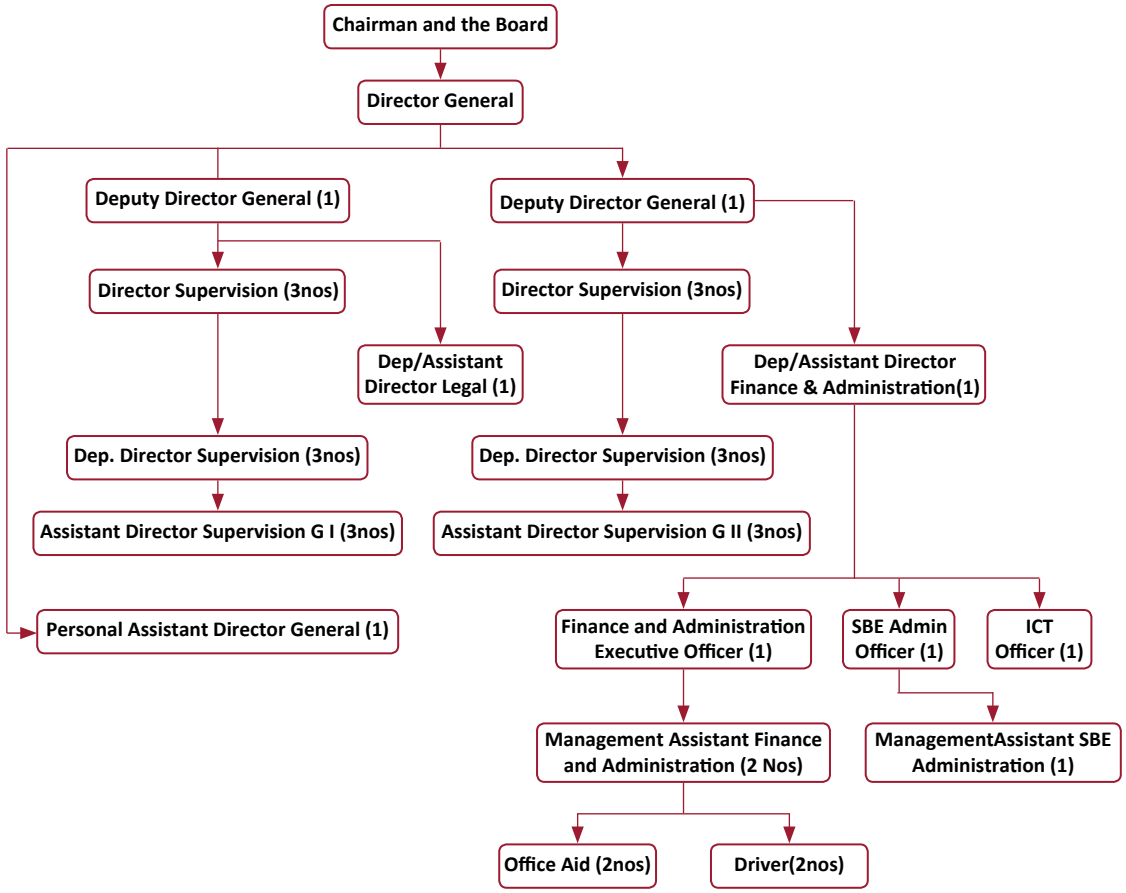
iv. Key Strategic Objectives

1. **Financial Reporting Compliance**
   To ensure a high degree of compliance with Sri Lanka Accounting Standards in the preparation and presentation of financial statements by Specified Business Enterprises (SBEs), by facilitating a 25% reduction in the repetitive non - compliances with standards relating to recognition and measurement issues, observed over the next three years.
2. **Audit Quality and Compliance**
   To ensure a high degree of compliance with Sri Lanka Auditing Standards in the conduct of Audits of financial statements of Specified Business Enterprises (SBEs) by auditors, by facilitating a 25% reduction in the repetitive non - compliances with standards identified by SLAASMB, over the next three years.

Overview of the Institutional Profile

v. Organisational Structure

Organisational Chart



Staff	Approved Cardre
Director General	1
Technical	
Deputy Director General	2
Director Supervision	6
Deputy Director Supervision	6
Asst. Director Supervision- Grade I	3
Asst. Director Supervision- Grade II	3
Finance and Administration	
Asst. Director Fin and Admin	1
Assistant Director Legal	1
SBE Administration Officer	1
ICT Officer	1
Fin. and Admin. Exe. Officer	1
Management Assistants	3
Personal Assistant to DG	1
Drivers	2
Office Aid	2
Total	**34**

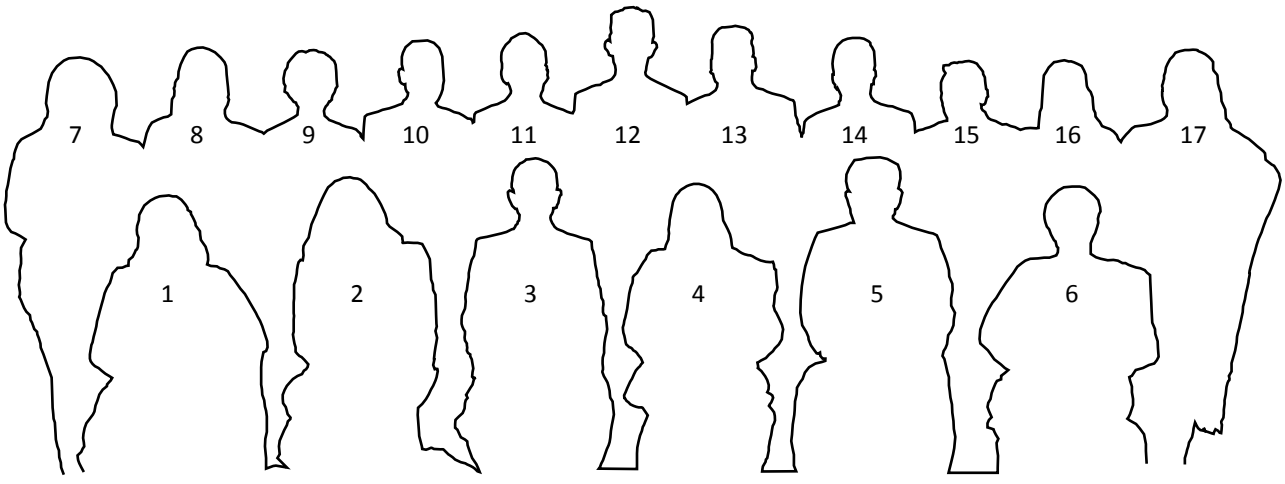
Overview of the Institutional Profile

v. Organisational Structure (Contd...)

Staff of the Board



1. Ms. Agra M. Dodamgoda
2. Ms. H.A. Kalani S Hettiarachchi
3. Mr. H K S Halloluwa
4. Ms. Asha Mubarak
5. Mr. Mahesh De Silva
6. Ms. Randima De Silva
7. Ms. Dumindha K. Guruwatte
8. Ms. Prasadi D. Weerasinghe.
9. Ms. M. Abeysekara
10. Mr. K. Rasika S. Bandara
11. Mr. Tharaka R Jayasekara
12. Mr. Pathum Bandara
13. Mr. K. V. G. P. Manoj Lakmal
14. Mr. K.H.P. Binara L. Amarasinghe
15. Mr. D.G. Sanka S Kumarasiri
16. Ms. U.D.N. Malshani
17. Ms. M. M. Abeysekara



Overview of the Institutional Profile

v. Organisational Structure (Contd...)

Supervision Staff of the Board as at 31 December 2025

Mr. H.K. Shantha Halloluwa
FCA, B. Sc(Acc) Sp. (Hons.) (USJP), MBA in Finance (USJP)
Director General

Ms. Asha Mubarak
FCA, MBA (Col)
Deputy Director General

Ms. H A Kalani S Hettiarachchi
FCA, ACCA, MBA (PIM_USJP), B.Sc (Acc) Sp (Hons.) (USJP)
Director Supervision

Ms. Agra M. Dodamgoda
FCA, MBA(USQ), PGDBF, BBA(Hons.)(Col).
Director Supervision

Ms. Randima De Silva
FCA, B. Sc(Acc) Sp. (Hons.) (USJP)
Director Supervision

Mr. Mahesh De Silva
FCA, M.Sc. Fin(USJP). B. Sc (USJP)
Director Supervision

Mr. K. H. P. Binara L. Amarasinghe
ACA, B.Com (Specialization in Acc. & Finance) (EUSL)
Assistant Director Supervision

Mr. T.R. Jayasekara
ACA, B. Com (Special) (USJP)
Assistant Director Supervision

Overview of the Institutional Profile

v. Organisational Structure (Contd...)

Roles and Responsibilities of Supervision Staff

The Supervision Staff of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) are central to the execution of the Board's statutory mandate. Their multidisciplinary roles encompass high-level regulatory oversight, technical advisory, and institutional governance.

The key responsibilities are categorized as follows:

1. Regulatory Oversight and Enforcement

The core function of the Supervision Staff is to maintain the integrity of the financial reporting ecosystem through rigorous monitoring:

- Compliance Reviews: Conducting detailed reviews of financial statements of Specified Business Enterprises (SBEs) to ensure strict adherence to Sri Lanka Accounting Standards.
- Audit Inspections: Performing comprehensive inspections of SBE audits to verify compliance with Sri Lanka Auditing Standards.
- Investigations and Enforcement: Identifying instances of non-compliance and spearheading investigations to initiate corrective actions or enforcement measures against entities and auditors who fail to meet prescribed standards.

2. Technical Excellence and Strategy

The staff serves as the Board's technical engine, ensuring that regulatory frameworks are both current and effective:

- Technical Advisory: Providing research-driven analysis and professional recommendations to Technical Committees regarding evolving accounting and auditing standards.
- Strategic Planning: Contributing to the formulation and monitoring of the Board's Strategic Plan and key performance indicators (KPIs).
- Monitoring: Monitoring emerging global developments in reporting standards to assess their potential impact on the local SBE landscape.

3. Institutional Support and Capacity Building

Beyond direct oversight, the staff ensures the Board's internal resilience and external influence:

- Knowledge Management: Designing and delivering internal and external training programs to enhance the technical depth of the profession.
- Statutory Reporting: Managing the preparation of Board papers, strategic management submissions, and the Annual Report.
- Stakeholder Engagement: Acting as a technical liaison between SLAASMB and professional bodies, international regulators, and other key stakeholders.

4. Governance and Ethics

The credibility of the Board relies on the professional conduct of its staff:

- Ethical Standards: Upholding the highest levels of confidentiality, independence, and professional ethics in all supervisory activities.
- Documentation and Rigor: Maintaining meticulous records and documentation in full alignment with national governance requirements.

Overview of the Institutional Profile

vi. Governance Structure

Members of the Board 2025

K M A N Daulagala *FCMA (UK), MBA (USJP), MSc in Financial and Business Economics University of Essex UK* Senior Deputy Governor - Central Bank of Sri Lanka	**Chairperson**
K A P De Silva *B.Com. (Colombo),MPA (USJP), M.Econ. (UoK)* Acting Registrar General of Companies	**Ex- Officio Member** (w.e.f.24 September 2025)
W A S Chandrasekara *B.Sc Business Admin (USJP), MA Econ (UoK)* Commissioner General of Inland Revenue	**Ex- Officio Member** (up to 28 February 2025)
R P H Fernando *Attorney-at-Law, MBA Tax (USJP), LLB (Col)* Commissioner General of Inland Revenue	**Ex- Officio Member** (w.e.f.1 March 2025)
Mr. C Mendis *Attorney - at – Law* Director General, Securities and Exchange Commission of Sri Lanka (up to 9 October 2025)	**Ex- Officio Member**
T H Subasinghe *FCA, CPFA (UK), FCMA, CISA (USA),MBA (Fin) (Col), LLB (Hons), Attorney-at-Law* President of CA Sri Lanka, Member of South Asian Federation of Accountants (SAFA), Member of Confederation of Asian and Pacific Accountants (CAPA), Managing Partner – Moore Aiyar	**Appointed Member** - Institute of Chartered Accountants of Sri Lanka
K A H Kuruppu *FCA, MBA (PIM), MSc Fin. Economics. (Col), B.Sc Accountancy (USJP)* Immediate past President of CA Sri Lanka, Advisor South Asian Federation of Accountants, Group Finance Director – David Pieries Group of Company	**Appointed Member** - Institute of Chartered Accountants of Sri Lanka
S M S S Bandara *FCA, MBA (Col), B.Sc (Acc. and Fin. Management) (USJP)* Past President - CA Sri Lanka, Partner – B R De Silva & Company	**Appointed Member** - Institute of Chartered Accountants of Sri Lanka
M Amarasiri *MBA, FCMA, CGMA, B.Sc (Eng)* Group Chief Financial Officer – ACL Cables PLC, Board member of Cable Solutions, Resus Energy PLC, Ethimale Plantations (Pvt) Ltd	**Appointed Member** - Chartered Institute of Management Accountants of UK Sri Lanka Division
N Goonewardena *Attorney-at-Law, CFA, ACA, ACMA* Precedent Partner – Nithya Partners	**Appointed Member** - Bar Association of Sri Lanka
R M R D Rajapaksa *FCMA(UK), CGMA, CFA* Independent Non -Executive Director – First Capital Holdings PLC, Asia Siyaka Commodities PLC, and Kelani Tyres PLC	**Appointed Member** - Ceylon Chamber of Commerce
A U Delage *FCA, ACMA, CGMA, B Sc. (Acc. and Fin Mgmt.) Hons (USJP), CPA* Chief Financial Officer – Hatton National Bank PLC, Member of Board Directors – Sithma Developments (Pvt) Ltd	**Appointed Member** - Sri Lanka Bank's Association
D Wiratunga *CCS* Secretarius (Pvt) Ltd	**Secretary to the Board**

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Profiles of Board Members as at 31 December 2025



Ms. K M A N Daulagala

FCMA (UK), MBA (USJP),
MSC in Financial and Business Economics University of Essex UK

Ms. Daulagala, Chairperson of the Board, is the Senior Deputy Governor at the Central Bank of Sri Lanka. She counts over 34 years of service at the Central Bank of Sri Lanka with exposure in the fields of finance, auditing, reserve management, regulation and supervision, macro prudential surveillance, human resource management and risk management.



Ms. K A P De Silva

B.Com. (Col),MPA (USJP), M.Econ. (UoK)

Mrs. Aravindi De Silva, is a Special Grade Officer of the Sri Lanka Accountancy Service and currently serves as the Chief Financial Officer of the Ministry of Trade, Commerce, Food Security and Cooperative Development. She is also serving as the Acting Registrar General of Companies.

She joined the Sri Lanka Accountancy Service in 1995 and has served in a number of key ministries, such as Ministry of Foreign Affairs, Ministry of Economic Development, Public Service Commission, Ministry of Cultural Affairs and Ministry of Industry. She is also a member of the Institute of Chartered Public Finance Accountants of Sri Lanka.



Ms. R P H Fernando

Attorney-at-Law, MBA Tax (USJP), LLB (Col)

Ms. Fernando is the Commissioner General of the Department of Inland Revenue of Sri Lanka. Ms. Fernando is an experienced tax professional with over 25 years of distinguished service at the Inland Revenue Department (IRD) of Sri Lanka. Throughout her career, she has acquired extensive expertise across the full spectrum of tax administration and compliance, including taxpayer registration, assessment, collection, and enforcement.

She has played a key role in tax policy formulation and has demonstrated strong proficiency in international taxation, legal interpretation of tax statutes, legislative drafting, and transfer pricing. Her professional experience also extends to complex cross-border tax matters, double taxation avoidance agreements, and dispute resolution in transfer pricing, making her a highly regarded resource in both technical and policy-oriented aspects of taxation.

Ms. Fernando's combined experience in administration, policy, law, and international taxation positions her as a senior professional with a deep understanding of both the theoretical and practical dimensions of modern tax systems.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Profiles of Board Members as at 31 December 2025



Mr. C Mendis

Attorney - at – Law

Mr. Mendis is the Director General of the Securities and Exchange Commission of Sri Lanka.



Mr. S M S S Bandara

FCA, MBA (Col), B.Sc Acc. and Fin. Management (USJP)

Mr. Bandara, Past President of the Institute of Chartered Accountants of Sri Lanka, is a Partner of B. R. De Silva & Co. Chartered Accountants and counts over 27 years of experience in practice, specializing in assurance services and financial reporting.

He is also a Board Member of the Confederation of Asia Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA). Further, he is a member of the governing council of the University of Kelaniya and was a commissioner of the Securities and Exchange Commission of Sri Lanka.



Mr. K A H Kuruppu

FCA, MBA (PIM), MSc Fin. Economics. (Col), B.Sc Accountancy (USJP)

Mr. Heshana Kuruppu, Immediate past President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), is a distinguished finance professional who also serves as an Advisor to the South Asian Federation of Accountants (SAFA). He currently holds the position of Group Finance Director at the David Pieris Group of Companies and serves as Board Member for several of its subsidiaries.

Mr. Kuruppu held the prestigious roles of SAFA President in 2024 and Vice President in 2023. Additionally, he is a Commissioner of the Securities and Exchange Commission of Sri Lanka.

Overview of the Institutional Profile

vi.Governance Structure (Contd...)

Profiles of Board Members as at 31 December 2025



Mr. Mahesh Amarasiri

MBA, FCMA, CGMA, B.Sc (Eng)

Mr. Mahesh Amarasiri is a distinguished finance professional with over 20 years of strategic leadership across the Manufacturing, Investment Banking, Telecommunications, and Consumer Retail sectors. As the Group Chief Financial Officer of ACL Cables PLC, he orchestrates the financial strategy of one of the nation's leading industrial groups. His governance expertise extends to several boards, including Resus Energy PLC, Cable Solutions PLC, and Ethimale Plantations (Private) Limited.Mr. Amarasiri's career includes high-impact roles such as CFO of the DSI Group, Senior Vice President of Private Equity Management at NDB Group, and Head of Strategic Planning at Etisalat Lanka. Beyond his corporate mandates, he has been a member serving on the Consumer Affairs Council and the Accounting Standards Review Committee of CA Sri Lanka. A former Board Member and Global Membership Assessor for CIMA, his excellence was recently honored with the CFO of the Year (Bronze) at the 2025 CIMA JXG Pinnacle Awards.

Mr. Amarasiri is also a member of the Institution of Engineers (IESL) and the Organisation of Professional Associations (OPA).



Mr. T H Subasinghe

FCA, CPFA (UK), FCMA, CISA (USA),MBA (Fin.) (Col), LLB (Hons.), Attorney-at-Law

Mr. Subasinghe is the President of the Institute of Chartered Accountants of Sri Lanka. He is also serving as a Board member of the South Asian Federation of Accountants (SAFA) and an elected Board member of the Confederation of Asian and Pacific Accountants (CAPA).

At present he is the Managing Director of Moore Consulting (Pvt) Ltd and the Joint Managing Partner of Moore Aiyar. In addition, he serves as the Chairman of Sanasa General Insurance Limited and as the Senior Independent Director of Amana Bank PLC. He is also a Council Member of the University of Moratuwa and was a visiting lecturer at several government universities.

Mr. Subasinghe served as a member of the Presidential Commission on Simplification of Laws and Regulations and a member of the Committee for Revival of Failed Licenced Finance Companies established by the Central Bank of Sri Lanka.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Profiles of Board Members as at 31 December 2025



Mr. Naomal Goonewardena
Attorney-at-Law, CFA, ACA, ACMA

Mr. Goonewardena is an Attorney at Law and is the Precedent Partner at M/s Nithya Partners, Attorneys at Law. His areas of expertise include financial law related areas such as debt issuances, banking regulation, derivatives, securitizations and company restructuring and tax law.

Mr. Goonewardena currently functions as a Member of the Taxation Committee of the Ceylon Chamber of Commerce and a Member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).



Ms. A U Delage
FCA, ACMA, CGMA, B.Sc Acc and Fin Management (Hons.) (USJP), CPA

Ms. Delage, Chief Financial Officer of Hatton National Bank PLC, counts over 23 years of experience in the field of Finance. She serves as a member of the Board of Directors of Sithma Development (Pvt) Ltd.



Ms. R M R D Rajapaksa
FCMA(UK), CGMA, CFA

Ms. Rajapaksa, an Independent Non -Executive Director of First Capital Holdings PLC, Asia Siyaka Commodities PLC and Kelani Tyres PLC counts over 30 years of experience in the fields of fund management and finance.

Ms. Rajapaksa is also an independent financial consultant and an Advisory Committee Member of the Tennyson & Vinitha Rodrigo Trust. She is a former Independent Non - Executive Director of Nations Trust Bank PLC.

Ms. Rajapaksa was a founder member who also served CFA Society Sri Lanka as a Director for many years. She started her career journey at Pricewaterhouse Coopers, Sri Lanka and thereafter spent most of her work life at Ceybank Asset Management Ltd as a Senior Fund Manager. She has also served as the Chief Financial Officer of IBM Sri Lanka & Bangladesh.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Observers / Invitees of the Board as at 31 December 2025



Chairman of Statutory Auditing Standards Committee

Mr. T.J.S. Rajakarier

FCA, FCCA, FCMA(UK), CGMA

Mr. Rajakarier, Senior Partner at KPMG Sri Lanka, counts over 38 years of service in public accounting practice. He currently serves as the firm's Chief Operating Officer. He has previously held several key leadership roles, including Head of Financial Services for the Middle East and South Asia region of KPMG, as well as Head of Audit for Sri Lanka and the Maldives. His professional experience also includes international assignments in Oman, Dubai, the Maldives, and London (UK). He served as the Chairman of ACCA Sri Lanka from 2018 to 2020.Mr. Rajakarier is the Chairman of the Statutory Auditing Standards Committee of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). He is also a member of the Statutory Accounting Standards Committee and the Financial Reporting & Interpretations Committee. Over the years, he has contributed significantly to policy development and professional guidance by serving on numerous committees and faculties of CASL, Sri Lanka Institute of Directors, ACCA, and the Ceylon Chamber of Commerce.



Chairman of the Accounting Standards Committee

Mr. Rajith Perera

FCA, ACMA

Mr. Perera is a Partner at Ernst & Young, Sri Lanka. He is the IFRS Leader and also functions as the Financial Accounting Advisory & Risk Management Leader for Sri Lanka & Maldives.

Mr. Perera having over 17 years of extensive experience in accounting advisory and Risk Management, serves as the Alternate Chairman of the Accounting Standards Committee of the South Asian Federation of Accountants (SAFA) and the Statutory Accounting Standards Committee of the CA Sri Lanka. He serves as a member in many other professional associations and Associations.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Observers / Invitees of the Board as at 31 December 2025



Treasury Representative

Ms. M T V I Amarasekara

B.Sc (Hons) Economics & Management, MA

Ms. Amarasekere, is an Additional Director General of the Department of External Resources of the General Treasury and counts over 22 years of experience in the public sector. She has served as a member of the Boards in a number of institutions and is currently on the Boards including the Sri Lanka Tourism Promotion Bureau, Sri Jayawardenapura Hospital and the Sri Lanka Biotechnology Institute.



Director General

Mr. H K S Halloluwa

FCA, B Sc Accountancy (Special.)(USJP), MBA in Finance (USJP)

Mr. Halloluwa is a highly accomplished Fellow Chartered Accountant (FCA) with a distinguished career spanning over 20 years in financial leadership, regulatory oversight, and strategic management. His expertise is defined by a unique blend of multi-sectoral experience in FMCG, manufacturing, banking and professional services. His career is characterized by a high degree of technical mastery and a truly global perspective, having held senior leadership and consultancy roles across diverse geographies, including Australia, Fiji Islands, Papua New Guinea and Maldives.

Prior to joining SLAASMB, he served as the Director of Technical and International Relations at CA Sri Lanka. He also held the prestigious position of Executive Secretary for the South Asian Federation of Accountants (SAFA) in 2024 and a member of the Financial Advisory Task Force (FATF) of CA Sri Lanka supporting the Government's Debt Restructuring Program 2023-24. He also served as the Secretary to the Statutory Accounting Standards Committee of the CA Sri Lanka.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Board Appointed Sub – committees

Audit Committee

1. Mr. S M S S Bandara – Chairman
2. Ms. A U Delage – Member
3. Ms. M T I V Amarasekara – Member
4. Ms. L D R L Liyanage – Auditor General's Representative – Observer
5. Non member Secretary – Ms. H B Razzak (Deputy Director General) up to 31 October 2025
6. Non member Secretary – Ms. H A K S Hettiarachchi (Director Supervision) w.e.f. 1 November 2025

Function:

- Oversee the integrity and reliability of financial statements and related disclosures.
- Review the adequacy and effectiveness of internal control systems and risk management processes.
- Monitor compliance with applicable laws, regulations, and financial reporting standards.
- Review internal audit plans, findings, and management responses.
- Review significant audit issues and ensure timely corrective actions.
- Report to the Board on matters relating to financial reporting and audit oversight.

Remuneration Committee

1. Ms. K M A N Daulagala – Chairperson
2. Mr. N Goonewardena –Member
3. Mr. T H Subasinghe – Member
4. Ms. R M R D Rajapaksa – Member
5. Ms. M T I V Amarasekara – Member
6. Non member Secretary – Ms. A M Mohotti (Director General) up to 31 August 2025
7. Non member Secretary – Mr. H K S Halloluwa (Director General) w.e.f. 1 September 2025

Function:

- Recommend remuneration policies for Board members, senior management, and key officers.
- Ensure remuneration structures are fair, transparent, and aligned with organizational objectives.
- Review and approve performance based incentives and benefits.
- Ensure compliance with applicable laws, regulations, and governance best practices.
- Periodically review and recommend changes to remuneration frameworks to the Board.

Technical Committee

1. Ms. R M R D Rajapaksa – Chairperson
2. Mr. S M S S Bandara – Member
3. Mr. A U Delage – Member
4. Mr. M Amarasiri – Member
5. Non member Secretary – Ms. A Ahamath (Deputy Director General)

Function:

- Provide technical guidance on auditing, accounting, and financial reporting matters.
- Evaluate technical issues arising from audit inspections and financial statement reviews.
- Support consistency and quality in technical interpretations and supervisory decisions.
- Advise the Board on emerging technical and professional developments.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Ethics Committee

1. Mr. N Goonewardena – Chairman
2. Ms. K M A N Daulagala – Member
3. Mr. C Mendis – Member
4. Mr. T H Subasinghe – Member
5. Mr. T J S Rajakarier – Member
6. Non member Secretary – Ms. A Ahamath (Deputy Director General)

Function:

- Establish, review and recommend the Code of Ethics and conduct to the Board.
- Provide guidance and recommendations to management and board on ethical matters.
- Review complaints and allegations relating to professional misconduct or ethical breaches.
- Ensure compliance with the Code of Ethics.
- Recommend disciplinary actions where necessary.
- Promote ethical awareness and integrity.

Act Amendment Committee

1. Mr. N Goonewardena – Chairman
2. Mr. K A H Kuruppu – Member
3. Mr. T H Subasinghe – Member
4. Mr. S M S S Bandara – Member
5. Mr. R Perera – Member
6. Non member Secretary – Ms. H B Razzak (Deputy Director General) up to 31 October 2025

Function:

- Review the existing Act and identify areas requiring amendments.
- Evaluate the impact of proposed legislative changes on regulatory and supervisory functions.
- Recommend amendments to strengthen governance, enforcement, and regulatory effectiveness.
- Liaise with relevant stakeholders on legislative reform initiatives.
- Submit recommendations to the Board for approval and onward submission to authorities.

Exit Interview

1. Ms. R M R D Rajapaksa – Member

Function:

- Conduct exit interviews with resigning employees.
- Identify key reasons for staff turnover and areas of organizational improvement.
- Assess workplace culture, management practices, and operational challenges.
- Provide feedback and recommendations to the Board and Management to improve staff retention and organizational effectiveness.

Overview of the Institutional Profile

vi. Governance Structure (Contd...)

Summary of Board meetings held and major transactions

Meetings of the Members of the Board

Member	Meetings Attended
Ms. K M A N Daulagala	10/11
Ms. K A P De Silva (w.e.f. 24 September 2025)	1/11
Ms. W A S Chandrasekara(up to 28 February 2025)	0/11
Ms. R P H Fernando (w.e.f.1 March 2025)	5/11
Mr. C Mendis (up to 9 October 2025)	2/11
Mr. T H Subasinghe	8/11
Mr. K A H Kuruppu	10/11
Mr. S M S S Bandara	9/11
Mr. P M Amarasiri	8/11
Mr. N Goonewardena	10/11
Ms. R M R D Rajapakse	11/11
Ms. A U Delage	8/11

The Board convened the meetings as scheduled and had 11 meetings during the year 2025.

The deliberations of the Board during the year covered the performance of the staff in terms of overall operational indicators and action required to resolve significant technical issues relating to SBEs and auditors. The Board also focused on issues relating to non-compliance with standards by SBEs and by auditors, approving annual financial statements, annual budget, and the action plan of the Board. Further, the Board was engaged in reviewing the progress of the development of the Management Information System in order to enhance the effective functioning of SLAASMB and the amendments to the SLAASMB Act which currently are in the process of being revised and is in the final stage of the revision.

Further, the Board made a concerted effort to resolve the ongoing issue of not being able to attract suitable professional staff to perform the technical functions as well as key administration functions and to address the issues of the offered salary scales being less attractive to recruit suitable staff. In this process, the Board had a number of communications with officials of the Ministry of Finance and reviewed alternate methods of staffing in order to perform the Supervision functions with competency.

As part of our commitment to institutional modernization and technological advancement, the Board is actively exploring the integration of Artificial Intelligence (AI) to augment the capabilities of our technical staff. Throughout the year, we engaged in extensive discussions with external experts and stakeholders. We are currently in the process of identifying a qualified project developer with the specialized expertise required to deliver this solution. The Board anticipates the formal commencement of this AI initiative in 2026, marking a significant milestone in our digital transformation journey.

Structure of Internal Audit Function

The Internal Audit function is established through an outsourced arrangement, selected via a competitive quotation process and formally approved by the Board. This process ensures transparency, value for money, and the appointment of a suitably qualified and independent service provider.

The Internal Audit function operates independently from management and reports directly to the Audit Committee, thereby ensuring objectivity, impartiality, and effective oversight in the evaluation of internal controls, risk management, and governance processes.

Operating Environment

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) operates within a dynamic institutional and regulatory landscape shaped by national economic conditions, evolving financial reporting expectations, stakeholder needs, and regulatory developments both domestically and internationally. The operating environment for SLAASMB influences its ability to fulfil its statutory mandate effectively and to deliver sustained value to stakeholders. This section provides an in depth analysis of the external and internal factors that shape SLAASMB's performance, including sector trends, stakeholder engagement dynamics, and economic and political influences.

i. Sector Trends and Performance

The financial reporting and audit landscape in Sri Lanka continues to evolve in response to developments in global accounting and auditing standards, investor expectations, and regulatory enhancements. Key trends bearing on SLAASMB's operations include:

a. Alignment with International Standards
The ongoing adoption and convergence of Sri Lanka Accounting Standards (SLASs) and Sri Lanka Auditing Standards (SLAuSs) with international frameworks such as IFRS (International Financial Reporting Standards) and ISA (International Standards on Auditing) places increasing expectations on entities and auditors to meet heightened disclosure, measurement, and audit quality requirements. SLAASMB continually monitors these developments and enhances its oversight mechanisms to ensure compliance across a broadening range of standards.

b. Digitisation and Technological Change
Advances in digital reporting, data analytics, and Artificial Intelligence (AI) tools used by reporting entities and audit firms present both challenges and opportunities. These technologies can improve audit and reporting quality, but they also require SLAASMB to build technical capacity, enhance its review methodologies, and consider how to integrate technology assisted regulatory processes.

c. Growing Complexity of Financial Instruments and Reporting
The increasing complexity of financial instruments, including revenue recognition, lease accounting, and financial risk disclosures, has intensified the need for specialised oversight. SLAASMB's review frameworks and technical guidance must evolve to address these complexities effectively.

d. Public Interest and Accountability
Stakeholder expectations for transparent, high-quality financial reporting continue to grow, particularly for entities that significantly influence the national economy or public interest. Effective enforcement and sustained oversight reinforce confidence in the market and promote accountability.

ii. Key Stakeholders and Engagement Dynamics

SLAASMB operates within a broad ecosystem of stakeholders whose expectations shape its regulatory strategies and operational priorities. Understanding these relationships is essential to fulfill its statutory mandate.

a.Specified Business Enterprises (SBEs)
Entities within the SBE framework are the primary subjects of SLAASMB's monitoring and compliance activities. Engagement with SBEs focuses on facilitation of compliance through reviews and feedback, and corrective action when non-compliances are identified. SLAASMB's emphasis on clarity, constructive feedback, and capacity building strengthens the overall reporting environment.

b. Auditors and Audit Firms
External auditors play a critical role in assuring the quality of audited financial statements. SLAASMB engages with audit professionals through audit inspections, technical guidance, and enforcement where necessary. Strong engagement with audit firms enhances audit quality and promotes consistent application of SLAuSs.

c. CA Sri Lanka and Co-Regulators
Collaboration with the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and other regulatory authorities ensures alignment in standard-setting, communication, and enforcement. Regular interaction with co-regulators facilitates broader identification of potential SBEs and enhances mutual support in advancing regulatory objectives.

d. Government and Public Sector Stakeholders
The Government of Sri Lanka, including the Ministry of Finance and other policy making bodies, is a key stakeholder through funding support, legislative oversight, and policy direction. SLAASMB engages with government authorities to ensure alignment with national objectives, resource adequacy, and regulatory reforms.

e. Public and Users of Financial Statements
Investors, creditors, and other users rely on transparent and accurate financial information. SLAASMB communicates its findings, enforcement actions, and regulatory expectations through publications, awareness sessions, and its official website to inform decision-making and enhance public confidence.

Operating Environment

iii. Economic and Political Impact

The broader economic and political context in Sri Lanka has significant influence on SLAASMB's operating environment, including resource availability, regulatory priorities, and stakeholder expectations.

a. Economic Conditions

Macroeconomic challenges, including fiscal pressures, inflationary conditions, and constraints on government expenditure, impact SLAASMB's resource base. Dependence on government funding can affect the organisation's ability to attract and retain skilled professionals, invest in capacity-building, and sustain expanded regulatory activities. Economic fluctuations also influence the reporting environment of SBEs, with adverse conditions often resulting in increased complexity and reporting scrutiny.

b. Regulatory Reform and Governance Initiatives

Ongoing efforts to enhance public financial management, corporate governance frameworks, and regulatory oversight at a national level create opportunities for SLAASMB to contribute to broader reforms. The proposed amendment to the Sri Lanka Accounting and Auditing Standards Act is expected to expand SLAASMB's mandate to include monitoring of Public Sector Accounting Standards and Sustainability Disclosure Standards, reinforcing its strategic role in the national regulatory architecture.

c. Political Stability and Policy Continuity

Political stability and continuity of policy direction are important enablers of consistent regulatory enforcement and strategic planning. Political transitions, changes in government priorities, or shifts in legislative focus can influence SLAASMB's operating context, including budget approvals, institutional support, and long-term programs.

d. Global Economic & Regulatory Trends

Sri Lanka's integration into the global economy and participation in international regulatory forums expose SLAASMB to emerging global best practices and cross-border reporting expectations. These global dynamics shape stakeholder expectations and inform SLAASMB's strategic positioning in risk management, audit regulation, and standard-setting collaboration.

SLAASMB's operating environment is influenced by multifaceted internal and external factors, including sector developments, stakeholder dynamics, and economic-political conditions. Understanding these contextual drivers enhances stakeholder appreciation of SLAASMB's strategic decisions, operational challenges, and opportunities. By navigating these complexities with agility, technical expertise, and stakeholder engagement, SLAASMB remains committed to strengthening financial reporting quality, audit oversight, and institutional resilience in the public interest.

Performance Overview

i. Analysis on Operational Performance

The primary operational mandate of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) is to ensure rigorous compliance with Sri Lanka Accounting Standards and Auditing Standards by preparers and the auditors of Specified Business Entities (SBEs). The following table provides a comprehensive summary of our strategic objectives, contrasting our annual projections against realized outcomes.

Goals	Measures	Annual Target- 2025	Achievement - 2025	As a % of Target
Financial Statements of SBE's to present a true and fair view	Review financial statements to determine compliance with Sri Lanka Accounting Standards	535 sets of financial statements (Note 1)	Completed – 472 sets of financial statements In-progress – 49 sets of financial statements (Note 2)	88% (Completed) 97% (Total)
	Reviewing audits to determine compliance with Sri Lanka Auditing Standards	24 audits	Completed – 22 audit inspections In-progress –1 audit inspections	92% (Completed) 96% (Total)

Category	Review Approach				
	Interactive Unlimited	Interactive Focus	Desktop Unlimited	Desktop Focus	Total
No. of SOEs	7	-	-	-	7
No. of Public Listed Entities	35	18	24	42	119
No. of Other SBEs	81	50	81	134	346
Total	**123**	**68**	**105**	**176**	**472**
BNK- Banks	4	-	-	-	4
FNN- Finance Companies	3	-	-	-	3
INS- Insurance Companies	7	-	-	-	7
FND- Fund Management Companies	2	9	5	-	16
UNT- Unit Trusts	1	28	27	-	56
STE- Stock Brokering Companies	3	9	11	-	23
PMD- Primary Dealer Companies	2	-	-	-	2
PDC- Property Development Companies	8	-	-	-	8
LST- Listed Companies	30	18	24	42	114
LSN- Leasing Companies	-	-	-	-	-
EXL- Private Companies	56	4	38	134	232
CRP- State Companies	4	-	-	-	4
SPE- Strategic Public Enterprises	3	-	-	-	3
Total	**123**	**68**	**105**	**176**	**472**

Performance Overview

i. Analysis on Operational Performance (Contd...)

The following table summarizes our performance metrics regarding the collection and processing of financial statements.

Goals	Measures	Annual Target- 2025	Achievement - 2025	As a % of Target
Collection of financial statements	Number of SBEs submitted financial statements	1,708 (Number of identified SBEs as at 01.01.2025)	1,626 (Number of SBEs 1,626)	95%

Continuous professional development for our technical personnel remains a strategic priority to ensure robust and effective supervisory oversight. The following table highlights staff performance achievements relative to the 2025 annual targets.

Goals	Measures	Annual Target- 2025	Achievement - 2025	As a % of Target
Employee performance	Achieve targeted performance points for the year	21,438*	12,198**	57%
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity – Number of session (External Conference/ seminars/workshops and Internal Presentations)	55	50	90%

**Based on the assumption that 6 DS's and 5 ADS's are functioning from 1 June 2025*

***Based on actual no. of staff as at 31 December 2025*

***Note 1:** Plan was decided as 535 financial statements reviews to be performed by 2 Director Supervisions and 3 Assistant Director Supervisions (Grade II) supported by 25 external reviewers.*

***Note 2:** 2 Director Supervisions and 2 Assistant Directors performed financial statement reviews for 12 months, 1 Director Supervision performed financial reviews for 2 months and 1 Director supervision performed financial statement reviews for 1 month.*

ii. Management`s Discussion and Analysis

1.Introduction

Regulatory Framework and Mandate Established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) commenced active operations in 2000. As a statutory regulatory body, the Board is empowered to monitor compliance with Sri Lanka Accounting Standards (SLASs) and Sri Lanka Auditing Standards (SLAuSs) by Specified Business Enterprises (SBEs) and their auditors.

Under the Act, SBEs (defined on page 84) are legally mandated to submit their annual audited financial statements to the Board. This enables SLAASMB to fulfill its primary function of ensuring high-quality financial reporting and auditing through a rigorous oversight process. This process encompasses the review of submitted financial statements, the inspection of audits, and the conduct of investigations into potential non-compliance, followed by appropriate enforcement actions.

Standard Setting and International Alignment

While SLAASMB monitors compliance, the standards themselves are promulgated by CA Sri Lanka, supported by the Accounting and Auditing Standards Committees established under the Act. To ensure that Sri Lanka remains competitive in the global financial landscape, these standards are strictly aligned with international benchmarks:

Accounting Standards: Based on IFRS and IAS as issued by the International Accounting Standards Board (IASB).

Auditing Standards: Based on ISAs as issued by the International Auditing and Assurance Standards Board (IAASB).

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

2. Review of Financial Statements

2.1 Methodology followed on Reviews

SLAASMB conducts rigorous reviews of financial statements to ensure that Specified Business Entities (SBEs) adhere to Sri Lanka Accounting Standards (SLASs). These reviews focus on the integrity of recognition, measurement, presentation, and disclosure requirements. When non-compliance is identified, the Board's intervention is determined by the materiality and severity of the deviation as summarized in the table below.

Levels of Compliance and Regulatory Response

Compliance Status	Findings & Impact	Regulatory Action
Compliant	No material non-compliance observed.	No action required.
Compliant with Observations	Material issues identified that do not necessitate statutory enforcement.	Letter of Assistance: Issued to provide guidance for future reporting improvements.
Material Non-Compliance	Significant deviations that alter the entity's financial position or performance.	Undertaking: The SBE must commit to correcting the error in the subsequent reporting period.
Recurrent or Misleading Reporting	Persistent non-compliance or providing misleading information to the regulator.	Warning Letter: Formal notification regarding incorrect practices and the mandatory need for improvement.

Statutory Enforcement and Legal Action

In cases where deviations contravene statutory provisions, the Board escalates its enforcement based on the gravity of the breach:

- Board Directions: Issued when a statutory contravention occurs but is deemed not to be of a serious nature.
- Legal Proceedings: Instigated when deviations have a pervasive impact, resulting in financial statements that are misleading and fail to provide a fair presentation of the entity's financial standing.

2.2 Highlights of Review of Financial Statements

As at 31 December 2025, 1,702 entities were identified by SLAASMB to have met the criteria laid down by Act. No 15 of 1995 and were termed as SBEs, to be monitored under the Act. During the year, 1,626 SBEs had submitted 1,744 sets of financial statements of which some financial statements were in relation to prior years.

Similarly, during the preceding year, 1,708 SBEs had submitted 1,718 sets of financial statements to SLAASMB.

SLAASMB has faced a continued challenge in terms of human resources due to resignation of professional staff seeking higher benefit and attractive job offers in the field of Accounting and Auditing. As a result, one deputy director general, two supervision directors, two assistant director supervision remained at the beginning of the last quarter of the year without having new recruitments in the first nine months.

However, SLAASMB has taken number of steps in the last quarter to strengthen the capacity to attract technical staffs. As a result of that successfully recruited two directors to add to the supervisory staff in the latter part of the year. This strengthening of capacity enabled SLAASMB to complete reviews of 472 sets of financial statements relating to 461 SBEs, representing a notable increase compared to the 388 sets of financial statements relating to 381 SBEs reviewed in 2024.

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

Utilizing a multi-tiered, risk based with random and rotation approaches, we optimized our resources by applying Desktop Focus reviews to 176 entities while prioritizing 123 high-impact cases including State-Owned Enterprises (SOEs), Banks, and Public Listed Entities under the Interactive Unlimited framework for enhanced scrutiny.

This comprehensive review cycle spanned 13 distinct sectors, with Private Companies (232) and Public Listed Entities (119) representing the largest share of the portfolio.

By balancing interactive engagement with desktop-based analysis, we ensured a robust evaluation of financial integrity across other 346 Specified Business Entities (SBEs) maintaining the highest standards of regulatory compliance and market confidence.

The public accountability of the entities were also considered when determining the selection of high-risk entities in the aforesaid selection of reports, and thereby as stated previously, of the reviews completed, 50% comprised of regulated entities while the remaining 50% comprised of economically significant private entities and public corporations.

Reviews under the risk-based approach were conducted on pre-determined themes based on industry-focused risk criteria. The said theme focus review approach enabled staff to focus in to greater-depth on specific aspects of standards that paved the way for identifying aspects that are important for a high quality corporate reporting.

The key themes focused by SLAASMB during the year included the Presentation of financial statements of private entities, Disclosures in relation to the deferred taxation of listed companies and private entities and the Disclosures of the related parties of listed companies. In addition to this SLAASMB selected interactive focus reviews on unit trusts, fund management companies and stock broker entities.

The review findings during the year 2025 revealed 55% of financial statements reviewed being compliant, 44% of the financial statements being compliant with observations communicated by letters of assistance and 1% being non-compliant. The observations made during the year 2025 have been communicated by letters of assistance in respect of 210 sets (190 sets in 2024) of financial statements with the aim of improving their financial reporting.

3. External Panel of Reviewers

In pursuance of the recommendations of the COPE in 2012, SLAASMB continued to obtain the services of external reviewers during the year to review financial statements received in its attempt to increase the number of financial statements being reviewed.

SLAASMB had twenty three 23 external reviewers at the end of the year compared with twenty-five (25) reviewers of 2024. An evaluation of the quality of the reviews performed by the external reviewers is conducted on a periodic basis. Based on the results of the evaluation of reviewers, the reviewers' services are continued or discontinued. This also enables the identification of areas for improvement in reviewers and facilitates the enhancement of the quality of the reviews conducted by the external reviewers.

Of the reviews completed during the year, the preliminary reviews were carried out on 129 sets of financial statements by the external reviewers. In completing the external reviewer reviewed financial statements, based on the findings of external reviewers, the staff of SLAASMB had to analyze the findings, obtain additional information, issue observation letters and take corrective actions under the statute. In addition, of the financial statement reviews completed during the year, the preliminary review of 343 sets of financial statements too was carried out by the staff of the Board.

4.Inspection of Audits

During the year, 23 audit engagements carried out by 7 audit firms were inspected, compared with the 22 audits carried out by 6 firms that were inspected during the preceding year 2024. All the audits inspected during the year that were carried out by 7 firms are members of international networks and out of them, findings of the audit inspections of 3 firms are reported to International Forum of Independent Audit Regulators (IFIAR). The 7 audits relating to which observations were communicated in respect of deficiencies were conducted by 6 firms in comparison to the 3 audits conducted by 3 firms for which observations were communicated during 2024.

The audit files on which the inspections were carried out during the year were selected on a risk-based approach. Based on the findings from the inspections, 16 audits were compliant with SLAuSs in respect of the areas focused at

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

the inspections. Findings in the balance 7 inspections did not require further action under the statute and the said findings were communicated to the respective auditors by letters of observation. These findings were related to audit deficiencies in areas of gathering audit evidence, auditor's report, communicating with Those Charged with Governance (TCWG), testing of journal entries, engagement of an Engagement Quality Control Reviewer (EQCR), sample selection and audit documentation.

Based on the severity of the observations made during the inspection of audits, SLAASMB adopts diverse measures in its attempt to make the auditors improve themselves, in achieving SLAASMB's objective of improving the audit quality environment of Sri Lanka. When non-compliances with SLAuSs are observed during regular audit inspections that do not require further action under the statute, such deficiencies are communicated to the audit firm by a letter of assistance termed "Letters of Observations". When improvements are required to improve the 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 in the conduct of an audit of a SBE, a "Letter of Warning" is issued to the audit firm with the approval of the Board, requiring the said firm to act diligently and in accordance with the requirements of the applicable auditing standards, when they conduct audits of financial statements in the future. Further, based on the significance of the issues, where necessary, where the deficiencies are in the audit quality, such matters are directed to CA Sri Lanka, the licensing authority of the auditors, and to any other regulator governing the entity being audited, as applicable.

5. Regulatory Enforcement and Legal Actions

Case 01: Audit Non-Compliance

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) is proceeding with legal action against a Public Limited Company (PLC) and its External Auditors. The action was taken due a failure to audit the financial statements for the year 2017 in accordance with Sri Lanka Auditing Standards.

Furthermore, the PLC is being held accountable for failing to ensure statutory compliance regarding the audit process.

Case 02: Accounting Deficiencies and Erroneous Reporting

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

- Failure to maintain proper books of accounts.
- Publication of financial statements for the year 2021 containing incomplete and erroneous information.
- Issuance of a Disclaimer of Opinion by the auditors.

SLAASMB is currently seeking a review with the Attorney General to finalize the initiation of legal proceedings.

Case 03: Misapplication of Accounting Standards

Legal proceedings have been initiated against an Investment Holding Company regarding non-compliance with LKAS 28 (Investments in Associates and Joint Ventures). The dispute centers on the incorrect recognition of an investment as an associate and the subsequent application of the equity method during the 2022, 2023, and 2024 financial years.

The matter was referred to the Attorney General's Department in March and June 2025.

6. Observations Communicated to Enhance Compliance with Standards

Departures from SLFRSs/LKASs detected, which are material, but do not require the use of procedures using statutory provisions, are informed to SBEs as observations, by letters of assistance, so that the SBEs could, where necessary, improve compliance on their own in the future.

The core findings relating to non-compliances observed in the review of financial statements are in respect of the following;

- The nature and extent of deficiencies in the fair presentation of information, including material accounting policies and relevant classifications, have not been adequately addressed in a systematic manner to provide relevant, reliable, comparable, and understandable information at the end of the reporting period and not providing explicit and unreserved statement of compliance with SLFRSs in the notes (Reference; LKAS 1 paragraphs Para 15, 16, 17, 32, 35 & 69).
- 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 relevant for an understanding of the financial statements have not been made (Reference; LKAS 1 paragraphs 112 & 117).

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

- The nature and extent of risks arising from financial instruments to which the entity is exposed, and quantitative and qualitative information about the amounts arising from expected credit losses, have not been adequately disclosed (Reference; SLFRS 7 paragraphs 31 to 42).
- Undiscounted cash flows of the financial liabilities have not been disclosed in the maturity analysis and Financial liabilities have not been appropriately classified in the maturity analysis within the relevant maturity period (Reference; SLFRS 7 paragraphs 39 (a)).
- When objective evidence of impairment in respect of a financial asset or a group of financial assets exist, not recognizing the loss allowance for expected credit losses on financial assets that are measured at amortized cost (Reference; SLFRS 9 paragraph 5.5.1).
- 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, have not been adequately made (Reference; SLFRS 13 paragraph 93).
- The nature and extent of the entity's exposure to market risk, including the related sensitivity analyses for each type of market risk, the methods and assumptions applied, and changes from the previous period with reasons for such changes, have not been adequately disclosed (Reference; SLFRS 7 paragraph 40).
- The nature and extent of credit risk, including its effect on the amount, timing, and uncertainty of future cash flows, and information on changes in the loss allowance with reasons for those changes, have not been disclosed (Reference; SLFRS 7 paragraph 35).
- The nature and extent of risks arising from financial instruments to which the entity is exposed, including the processes for managing those risks, have not been disclosed (Reference; SLFRS 7 paragraph 31).
- The nature and extent of risks arising from insurance contracts, including the effect of changes in assumptions used to measure insurance liabilities, have not been disclosed (Reference; SLFRS 4 paragraph 38).
- Adequate disclosure of the relationship between tax expense and accounting profit and evidence to support the recognition of deferred tax assets arising due to tax losses have not been made (Reference; LKAS 12 paragraph 81).
- Information to evaluate the nature and financial effect of Tax consequences have not been provided adequately (Reference; LKAS 12 paragraph 38).
- The nature and extent of the defined benefit obligation, including sensitivity analyses for each significant actuarial assumption and the maturity profile of the obligation, have not been disclosed (Reference; LKAS 19 paragraph 145 (a) and 147 (c)).
- The classification of principal repayments of lease liabilities within financing activities in the Statement of Cash Flows (Reference; SLFRS 16 paragraph 50).
- The systematic allocation of the depreciable amount over the asset's useful life, reflecting its usage pattern, and the review of the useful life at each financial year-end have not been fully carried out at the end of each reporting period (Reference; LKAS 16 paragraph 51).
- A reconciliation of the amounts presented in the statement of cash flows with the equivalent items reported in the statement of financial position has not been presented (Reference; LKAS 7 paragraph 45).
- Adequate disclosure relating to the nature of the related party relationships as well as information about the transactions with related parties have not been made (Reference; LKAS 24 paragraph 18).
- Adequate disclosure relating to all employee benefits provided to Key Management Personals have not been made LKAS 24 paragraph 17).
- The application of a consistent measurement model, either the cost model or fair value model, to all investment properties has not been fully applied (Reference; LKAS 40 paragraph 30).
- The reflection of fair value under current market conditions when measuring investment properties at fair value has not been fully incorporated (Reference; LKAS 40 paragraph 40).

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

7.Observations related to Audit Inspections

Significant findings communicated to auditors during the year are stated below.

7.1 Initial Audit Engagements- Opening Balances

In conducting an initial audit engagement, the auditor is required 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 were communicated on auditor's failure to obtain sufficient appropriate audit evidence regarding whether the opening balances contained misstatements through adequate audit procedures, nor had expressed a modified opinion on the financial statements. This was communicated under important or extensive additional procedures that would have been necessary to determine whether the financial statements were fairly stated and free of material misstatement.

7.2 Communications with Those Charged With Governance (TCWG)

The auditor is required to communicate with TCWG, the responsibilities of the auditor in relation to the financial statements and audit, to provide an overview of the planned scope and timing of audits, and 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 Key Audit Matters (KAM) and to promote an effective two-way communication between the auditor and TCWG.

The deficiencies communicated relating to the communications with TCWG are as follows.

- Failure to communicate the planned scope and timing of the audit, including discussion of significant risk identified by the auditor to enable TCWG to understand the implications of the audit work, consider matters related to risk and materiality, and identify any additional risks.
- The absence of evidence of the auditor having effective and adequate two-way communication with TCWG in the audit working paper file.
- The auditor had conveyed the matters via the management to the TCWG and had failed 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.

7.3 Auditor's Report

The auditor is required to form his opinion on the financial statements based on the evaluation of the conclusions drawn from the audit evidence obtained from the audit procedures performed during the course of the audit. The auditing standards require 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, including evidence that;

(a) all the Statements and disclosures that comprise the financial statements have been prepared; and

(b) those with the recognised authority have asserted that they have taken responsibility for those financial statements.

The deficiencies communicated in relation to the date of the audit report are;

- Sufficient appropriate audit evidence had not been obtained and evaluated prior to the audit report date.
- 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.

7.4 Testing of Journal Entries

The auditor is required to test journal entries in response to the risk of fraud paying special attention to fraudulent journal entries.

The following deficiencies were communicated in relation to the testing of journal entries.

- Failure to test journal entries recorded by the company in order to address the risk of fraud.
- 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.

7.5 Audit Evidence

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 were communicated on the absence of evidence on how the contradictory audit evidence was resolved.

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

7.6 Impairment

The auditor is required to verify the information used in deriving management's forecasts of future cash flows, corroborate and support management's assumptions used and check the arithmetical accuracy of the Value in Use (VIU) computation provided by the management to assess the reliability of the recoverable amount of an asset.

The deficiencies communicated in relation to performing audit procedures on impairment are;

- Failure to corroborate and support management's assumption on forecasts of future cash flows.
- Failure to obtain sufficient appropriate audit evidence to support management's assumptions used to forecast.
- Failure to identify the arithmetical errors in the VIU computation and thereby failure to obtain audit evidence appropriately.

7.7 Going concern

The auditor is required 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, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern and to determine the implications for the auditor's report.

The following deficiency was communicated in relation to the evaluation of the appropriateness of management's use of going concern basis of accounting in the preparation of 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.

7.8 Membership number of the Engagement Partner

SLAuS 700 requires 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.

Fault in the membership number included in the auditor's report was observed by failing to include the correct membership number of engagement partner who was responsible for the audit of financial statements of the respective listed entity.

7.9 Key Audit Matters (KAM)

The auditor is required 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 were communicated relating to the absence of evidence on the auditor's decision-making process in determining KAMs.

7.10 Quality Control

The auditor is required to engage an Engagement Quality Control Reviewer (EQCR) to perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the audit report. Deficiency relating to the engagement of EQCR was observed by failing to appoint an engagement quality control reviewer for audit of financial statements of a listed entity.

7.11 Audit Documentation on Materiality

The auditor is required 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 should document those amounts in the audit documentation.

Deficiency relating to maintaining appropriate audit documentation on the materiality was observed by failing to reflect the determined materiality amount in the overall audit plan.

7.12 Sample Selection

The auditor is required to consider the purpose of the audit procedures and the characteristics of the population from which the sample will be drawn. Further, the auditor is required to select items for the sample in such a way that each sampling unit in the population has a chance of selection.

The following deficiency was communicated in relation to the sample selection;

- No evidence was provided to justify the basis and the method used to select the sample to perform test of details.

8. Suggestions for Improvements Related to Audit Inspections

With the aim of improving the audit quality, when suggestions for improvements are identified, they are communicated to the auditor and the auditor is expected to improve on the suggestions when conducting their audits in the future. During the year, suggestions for improvements have been communicated in relation to 3 audit engagements carried out by 2 audit firms.

Performance Overview

ii. Management`s Discussion and Analysis (Contd...)

Suggestions for improvements communicated included the following;

- 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, when a letter of support is provided.
- Improve the audit documentation without providing contradictory information on controls identified.
- Enhance the audit documentation to understand the audit evidence obtained by the auditor on validating the Gross Written Premium with the Premium in Deposit amount.
- Focus on the conditions existed at the planning stage when assessing the risk at the planning stage.
- Obtain audit evidence required to perform the designed audit procedure by selecting suitable samples to test controls that have been identified.
- Test the discontinuation of the old system over processing of new insurance policies when a new system is implemented.
- Validate the extraction of system reports and corresponding extraction queries to ensure the accuracy of the system generated reports.

9. Other measures taken by SLAASMB to Enhance Audit Quality

Audit quality is a key factor in building public confidence in financial reporting. Accordingly, SLAASMB has taken the following measures to enhance the audit quality of the country this year as well.

9.1 Communicating Findings of Audit Inspections to Audit Committees

Audit Committee forms a part of Those Charged with Governance, and are vested with the responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. Accordingly, the Audit Committee plays a significant role in ensuring the quality of the financial reporting process of a company and in maintaining appropriate relationships with the auditor. SLAASMB continues to recognize the contribution of the Audit Committees as Those Charged with Governance towards enhancing the quality of the financial reporting and the audit environment. Accordingly, SLAASMB continued to communicate the outcomes of the audit inspections of companies listed on the Colombo Stock Exchange to the respective Chairs of the Audit Committees to foster effective oversight of financial reporting.

9.2 Communicating Findings of Audit Inspections to Stakeholders of SLAASMB

SLAASMB identifies the preparers of financial statements, auditors, peer regulators, government of Sri Lanka and the general public as its stakeholders. By enhancing the knowledge of the stakeholders SLAASMB leads the pathway in achieving its objective of enhancing reliability of the financial reporting in Sri Lanka. Accordingly, SLAASMB with the collaboration of the CA Sri Lanka, the Accounting and Auditing standards setter and the licensing authority of the auditors, conducted a session for its stakeholders to share the common findings SLAASMB has encountered during the audit inspections carried out during the recent years. SLAASMB expects to continue sharing findings with its stakeholders to educate the auditors who conduct audits of SBEs as well as members of the Audit Committees who are expected to have effective communication with the auditor.

9.3 International Affiliations to Support Audit Quality

SLAASMB being a member of the International Forum of Independent Audit Regulators (IFIAR) since its first plenary meeting held in 2007, participated in the sessions of IFIAR that were conducted as virtual sessions during the year, and contributed towards the information gathering activities of the IFIAR and participated in its routine surveys. During the year, SLAASMB attended the training sessions conducted by IFIAR remotely to stay up to date with global regulators.

9.4 Participation at IFIAR's 25 % Reduction Initiative

IFIAR being committed towards improving audit quality on a global basis, has implemented a 25% reduction target initiative to monitor changes in the rate of audits inspected with findings over four years, considering the findings of the survey in 2023 as the base year, for comparison. Accordingly, the Global Public Policy Committee (GPPC) firms which include BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG and PWC have agreed to IFIAR measuring results of findings, relating to the listed public interest entity (PIE) engagements, with one or more finding. At the local level, SLAASMB has undertaken to submit to IFIAR, the relevant findings from audit inspections finalized during the survey period relating to the local firms of the said international networks, on an annual basis.

Performance Overview

iii. Distinction between Direct Outputs and Outcomes

Performance Statistics of the Board

No	Description	2025	2024	2023
1	**No. of SBEs Identified (as at period end)**	1702	1,708	1,707
2	**Financial statements received**			
	No of financial statements (including relating to multi years)	1744	1,718	1,732
	No. of SBEs	1626	1,708	1,566
3	**Financial statements reviewed (completed)**			
	No of reviews	472	388	261
	No. of SBEs	461	381	261
4	**Findings from reviews**			
4.1	**Compliant**			
	No. of financial statements	261	198	192
	No. of SBEs*	259	197	192
4.2	**Compliant with observations**			
	No. of financial statements	210	190	66
	No. of SBEs*	201	184	66
4.3	**Non-compliant**			
	(Undertakings, Directions, Warnings and referred to Attorney General)			
	No. of financial statements	1	0	3
	No. of SBEs*	1	0	3
5	**Findings of financial statements as % of financial statements reviewed**			
	Compliant	55%	51%	74%
	Compliant with Observations	44%	49%	25%
	Non-compliant (Undertakings, Directions, Warnings)	1%	-	1%
6	**Audit Inspections**			
	No. of Inspections	23	22	16
	No. of audit firms	7	6	6
7	**Findings from Audit Inspections**			
7.1	**Compliant**			
	No. of Inspections	16	19	13
	No. of audit firms	3	4	5
7.2	**Compliant with observations**			
	No. of Inspections	7	3	3
	No. of audit firms	6	3	3
8	**No. of inspection staff engaged (at year end)****	7	7	4

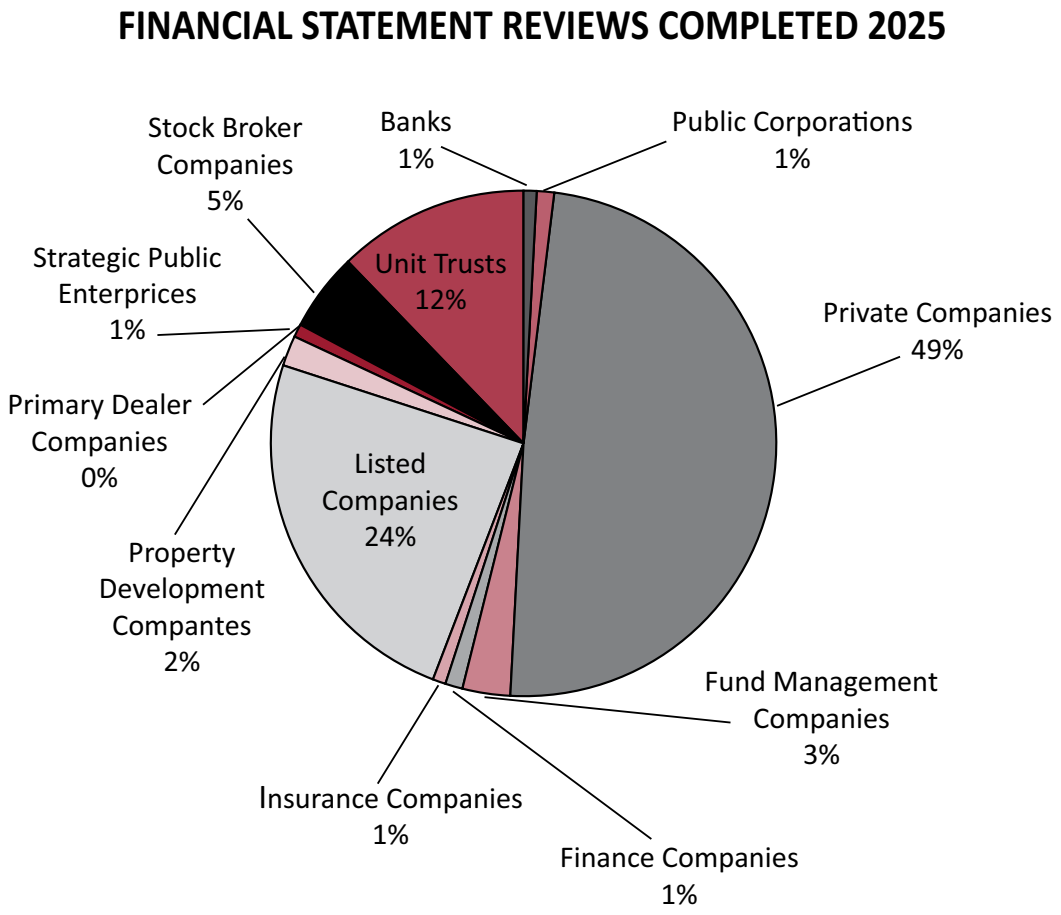
* excludes multi years reviewed

** During 2025, One Deputy Director General and one Assistant Director Supervision resigned and 2 Directors Supervision were recruited.

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

Sectoral representation of the completed financial statement reviews are as follows.



The review findings during the year 2025 showed that, based on the areas focused in the reviews, 55% of financial statements reviewed were compliant, 44% of the financial statements were compliant with observations communicated by letters of assistance and 1% were non-compliant.

Departures from Sri Lanka Accounting Standards detected, which were not material to require the use of procedures using statutory provisions, were informed to SBEs, as observations, by letters, without extensive inquiries, so that the SBEs could, where necessary, improve on the compliance, on their own. During the year, letters of observations were issued in respect of 210 sets of financial statements.

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBEs of which financial statements reviewed during 2025 were compliant with Sri Lanka Accounting Standards

No	Specified Business Enterprise	Financial Year End
1	Jefferjee Brothers Exports (Pvt) Ltd	31 March 2022
2	Empire Teas (Pvt) Ltd	31 December 2022
3	Arpico Insurance PLC	31 December 2023
4	Cambio Software Engineering (Pvt) Ltd	31 December 2023
5	Ceylon Financial Sector Fund	31 December 2023
6	Ceylon Index Fund	31 December 2023
7	Ceylon Money Market Fund	31 December 2023
8	CT CLSA Growth Equity Fund	31 December 2023
9	CT CLSA Income Fund	31 December 2023
10	CT CLSA Money Market Fund	31 December 2023
11	Development Holdings Ltd	31 December 2023
12	Durtek Lanka (Pvt) Ltd	31 December 2023
13	e-Channelling PLC	31 December 2023
14	Future Fibres Lanka (Pvt) Ltd	31 December 2023
15	Galadari Hotels (Lanka) PLC	31 December 2023
16	JB Vantage Money Market Fund	31 December 2023
17	JB Vantage Short Term Gilt Fund	31 December 2023
18	JB Vantage Value Equity Fund	31 December 2023
19	Kramski Lanka (Pvt) Ltd	31 December 2023
20	Mas Holdings (Pvt) Ltd	31 December 2023
21	Metecno Lanka (Pvt) Ltd	31 December 2023
22	NDB Wealth Growth Fund	31 December 2023
23	Nestor Stockbrokers (Pvt) Ltd	31 December 2023
24	Pyramid Lanka (Pvt) Ltd	31 December 2023
25	Schneider Electric Lanka (Pvt) Ltd	31 December 2023
26	Senfin Insurance Sector Fund	31 December 2023
27	Senfin Shariah Balanced Fund	31 December 2023
28	Sithma Development (Pvt) Ltd	31 December 2023
29	SML Dualplast Lanka (Pvt) Ltd	31 December 2023
30	Lankapura Apparel (Pvt) Ltd	31 January 2024
31	Advantis Express (Pvt) Ltd	31 March 2024
32	Advantis Freight (Pvt) Ltd	31 March 2024
33	Ahungalla Resorts Ltd	31 March 2024
34	Aitken Spence Hotel Management Asia (Pvt) Ltd	31 March 2024
35	Aitken Spence Plantation Managements PLC	31 March 2024
36	Aitken Spence Shipping Limited	31 March 2024
37	Akbar Brothers Exports (Pvt) Ltd	31 March 2024
38	Alliance Finance Company PLC	31 March 2024
39	Almas Equities (Pvt) Ltd	31 March 2024
40	Ambeon Capital PLC	31 March 2024
41	Ambeon Securities (Pvt) Ltd	31 March 2024
42	Arpico Ataraxia Asset Management (Pvt) Ltd	31 March 2024
43	Arpico Ataraxia Cash Management Trust Fund	31 March 2024
44	Arpico Ataraxia Sri Lanka Bond Fund	31 March 2024
45	Astrue Alpha Fund	31 March 2024
46	Bartleet Religare Securities (Pvt) Ltd	31 March 2024
47	Browns Beach Hotels PLC	31 March 2024
48	Built Element Ltd	31 March 2024
49	C T Properties Ltd	31 March 2024
50	Capital Alliance Balanced Fund	31 March 2024
51	Capital Alliance Corporate Treasury Fund	31 March 2024
52	Capital Alliance Gilt Fund	31 March 2024
53	Capital Alliance Gilt Trading Fund	31 March 2024
54	Capital Alliance High Yield Fund	31 March 2024
55	Capital Alliance Income Fund	31 March 2024
56	Capital Alliance Investment Grade Fund	31 March 2024
57	Capital Alliance Investments Limited	31 March 2024
58	Capital Alliance Medium Risk Debt Fund	31 March 2024
59	Capital Alliance Quantitative Equity Fund	31 March 2024
60	CBL Cocos (Pvt) Ltd	31 March 2024
61	CBL Exports (Pvt) Limited	31 March 2024
62	CEAT Kelani International Tyres (Pvt) Ltd	31 March 2024
63	Central Developments Ltd	31 March 2024
64	Ceybank Century Growth Fund	31 March 2024

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBEs of which financial statements reviewed during 2025 were compliant with Sri Lanka Accounting Standards

No	Specified Business Enterprise	Financial Year End
65	Ceylon Copper (Pvt) Ltd	31 March 2024
66	Ceylon Guardian Investment Trust PLC	31 March 2024
67	Ceylon Tea Brokers PLC	31 March 2024
68	CIC Dairies (Pvt) Ltd	31 March 2024
69	CIC Vetcare (Pvt) Ltd	31 March 2024
70	Cisco Speciality Packaging (Pvt) Ltd	31 March 2024
71	Classic Travel (Pvt) Ltd	31 March 2024
72	Colombo City Holding PLC	31 March 2024
73	Convenience Foods (Lanka) PLC	31 March 2024
74	CT CLSA Asset Management (Pvt) Ltd	31 March 2024
75	CT CLSA Equity Fund	31 March 2024
76	CT CLSA Gilt Edged Fund	31 March 2024
77	CT CLSA Securities (Pvt) Ltd	31 March 2024
78	CT Real Estate (Pvt) Ltd	31 March 2024
79	D.R. Manufacturing Company (Pvt) Ltd	31 March 2024
80	Dilma Property Developments (Pvt) Ltd	31 March 2024
81	Dilmah Properties (Pvt) Ltd	31 March 2024
82	Distilleries Company of Sri Lanka PLC	31 March 2024
83	Dole Lanka (Pvt) Ltd	31 March 2024
84	EAM Maliban Textiles (Pvt) Ltd	31 March 2024
85	Eco Power Holdings Ltd	31 March 2024
86	Expolanka Holdings PLC	31 March 2024
87	Flex Film International (Pvt) Ltd	31 March 2024
88	G.P.Garments (Pvt) Ltd	31 March 2024
89	Gamma Pizzakraft Lanka (Pvt) Ltd	31 March 2024
90	Gestetner of Ceylon PLC	31 March 2024
91	Hapugastenne Plantations PLC	31 March 2024
92	Hirdaramani Apparel Holdings (Pvt) Ltd	31 March 2024
93	Hirdaramani Leisure Holdings (Pvt) Ltd	31 March 2024
94	Horana Plantation PLC	31 March 2024
95	Hovael Construction (Pvt) Ltd	31 March 2024
96	Hydro Trust Lanka (Pvt) Ltd	31 March 2024
97	Isabella (Pvt) Ltd	31 March 2024
98	J K Garments (Pvt) Limited	31 March 2024
99	J-Cey Tea (Pvt) Ltd	31 March 2024
100	Jetwing Kaduruketha (Pvt) Ltd	31 March 2024
101	John Keells Hotels PLC	31 March 2024
102	Kapruka E-Commerce (Pvt) Ltd	31 March 2024
103	KBSL Information Technologies Ltd	31 March 2024
104	Kelani Valley Plantations PLC	31 March 2024
105	Klevenberg (Pvt) Ltd	31 March 2024
106	Kotagala Plantations PLC	31 March 2024
107	Lanka Ceramic PLC	31 March 2024
108	Lanka IOC PLC	31 March 2024
109	Lanka Milk Foods (CWE) PLC	31 March 2024
110	Lanka Plastic Industries (Pvt) Ltd	31 March 2024
111	Lina Manufacturing (Pvt) Ltd	31 March 2024
112	LOLC Ceylon Holdings Ltd	31 March 2024
113	LTL Transformers (Pvt) Ltd	31 March 2024
114	LVL Energy Fund PLC	31 March 2024
115	Lynear Wealth Dynamic Opportunities Fund	31 March 2024
116	Lynear Wealth Income Fund	31 March 2024
117	Mercantile Fortunes (Pvt) Ltd	31 March 2024
118	Merril J. Fernando & Sons (Pvt) Ltd	31 March 2024
119	Milford Exports (Ceylon) (Pvt) Ltd	31 March 2024
120	Namal High Yield Fund	31 March 2024
121	Nawaloka Hospitals PLC	31 March 2024
122	Nawaloka Medicare (Pvt) Ltd	31 March 2024
123	New Nawaloka Medical Centre (Pvt) Ltd	31 March 2024
124	Office Equipment PLC	31 March 2024
125	Palm Garden Hotels PLC	31 March 2024
126	Paragon Ceylon PLC	31 March 2024
127	Premier Growth Fund	31 March 2024
128	Premier Money Market Fund	31 March 2024
129	Prime Lands Residencies PLC	31 March 2024
130	Printcare PLC	31 March 2024
131	Rajawella Holdings (Pvt) Ltd	31 March 2024

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBEs of which financial statements reviewed during 2025 were compliant with Sri Lanka Accounting Standards

No	Specified Business Enterprise	Financial Year End
132	Ravi Industries Ltd	31 March 2024
133	Rocell Bathware Ltd	31 March 2024
134	Saffron Aviation (Pvt) Ltd	31 March 2024
135	Samson Compounds (Pvt) Ltd	31 March 2024
136	Samson Manufactures (Pvt) Ltd	31 March 2024
137	Semini Motors (Pvt) Ltd	31 March 2024
138	Senfin Asset Management (Pvt) Ltd	31 March 2024
139	Senfin Growth Fund	31 March 2024
140	Singer Sri Lanka PLC	31 March 2024
141	Sitrek Security Solutions (Pvt) Ltd	31 March 2024
142	Softlogic Asset Management (Pvt) Ltd	31 March 2024
143	Span Engineering (Pvt) Ltd	31 March 2024
144	St. Anthony's Hardware (Pvt) Ltd	31 March 2024
145	Stafford Motor Company (Pvt) Ltd	31 March 2024
146	Star Garments (Pvt) Ltd	31 March 2024
147	Talawakelle Tea Estates PLC	31 March 2024
148	The Kandy Hotels Co. (1938) PLC	31 March 2024
149	The Kingsbury PLC	31 March 2024
150	Thomas Kershaw Lanka (Pvt) Ltd	31 March 2024
151	Vidullanka PLC	31 March 2024
152	York Arcade Holding PLC	31 March 2024
153	Plastipack Lanka (Pvt) Ltd	03 June 2024
154	The Overseas School of Colombo Ltd	31 July 2024
155	Elsteel (Pvt) Ltd	31 August 2024
156	Astrue Active Income Fund	31 December 2024
157	Berendina Development Services (Guarantee) Ltd	31 December 2024
158	Berendina Micro Investments Company Ltd	31 December 2024
159	Ceylon Dollar Bond Fund	31 December 2024
160	Ceylon Grain Elevators PLC	31 December 2024
161	Ceylon Tobacco Company PLC	31 December 2024
162	Ceylon Tourism Fund	31 December 2024
163	Chevoron Lubricants Lanka PLC	31 December 2024
164	Colombo Stock Exchange	31 December 2024
165	Ericsson Telecommunication Lanka (Pvt) Ltd	31 December 2024
166	First Guardian Equities (Pvt) Ltd	31 December 2024
167	Insee Ecocycle Lanka (Pvt) Ltd	31 December 2024
168	Jiffy Products S.L (Pvt) Ltd	31 December 2024
169	Lanka Securities Pvt Ltd	31 December 2024
170	Lever Brother (Exports & Marketing) (Pvt) Ltd	31 December 2024
171	Madulsima Plantations PLC	31 December 2024
172	Packages Lanka (Pvt) Ltd	31 December 2024
173	Perfetti Van Melle Lanka (Pvt) Ltd	31 December 2024
174	SC Securities (Pvt) Ltd	31 December 2024
175	Senfin Dividend Fund	31 December 2024
176	Senfin Dynamic Income Fund	31 December 2024
177	Senfin Shariah Income Fund	31 December 2024
178	Tea Tang (Pvt) Ltd	31 December 2024
179	Three Acre Farms PLC	31 December 2024
180	Union Chemicals PLC	31 December 2024
181	Ceylon IPO Fund *	31 December 2024
182	Abans Electricals PLC	31 March 2025
183	Abans PLC	31 March 2025
184	ACL Cables PLC	31 March 2025
185	ACL Electric (Pvt) Ltd	31 March 2025
186	ACME Printing and Packaging PLC	31 March 2025
187	Aitken Spence Aviation (Pvt) Ltd	31 March 2025
188	Aitken Spence C & T Investments (Pvt) Ltd	31 March 2025
189	Aitken Spence Cargo (Pvt) Ltd	31 March 2025
190	Asia Securities Wealth Management (Pvt) Ltd	31 March 2025
191	Associated CEAT (Pvt) Ltd	31 March 2025
192	Braybrooke Residential Towers (Pvt) Ltd	31 March 2025
193	Browns Agri Solutions (Pvt) Ltd	31 March 2025
194	Capital Alliance Securities (Pvt) Ltd	31 March 2025
195	Cargills Confectioneries (Pvt) Ltd	31 March 2025
196	Cargills Food & Beverage Ltd	31 March 2025

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBEs of which financial statements reviewed during 2025 were compliant with Sri Lanka Accounting Standards

No	Specified Business Enterprise	Financial Year End
197	Cargo Boat Development Company PLC	31 March 2025
198	Carson Cumberbatch PLC	31 March 2025
199	Ceylon Beverage Holdings PLC	31 March 2025
200	Ceylon Cold Stores PLC	31 March 2025
201	Chemanex PLC	31 March 2025
202	Cinnamon Hotel Management International (Pvt) Ltd	31 March 2025
203	CMA CGM Lanka (Pvt) Ltd	31 March 2025
204	DHL Keells (Pvt) Ltd	31 March 2025
205	Dilmah Ceylon Tea Company PLC	31 March 2025
206	Dipped Products PLC	31 March 2025
207	DKW- Aqua International (Pvt) Ltd	31 March 2025
208	Elpitiya Plantations PLC	31 March 2025
209	Equity Two PLC	31 March 2025
210	Ex-Pack Corrugated Cartons PLC	31 March 2025
211	First Capital Ltd	31 March 2025
212	First Capital Treasuries PLC	31 March 2025
213	Galle Face Capital Partners PLC	31 March 2025
214	George Steuart & Company (Pvt) Ltd	31 March 2025
215	Hapag-Lloyd Lanka (Pvt) Ltd	31 March 2025
216	Hayleys PLC	31 March 2025
217	Hemas Holdings PLC	31 March 2025
218	Hemas Hospitals (Pvt) Ltd	31 March 2025
219	hSenid Business Solutions PLC	31 March 2025
220	Jetwing Symphony PLC	31 March 2025
221	Jinasena New Technology Holding (Pvt) Ltd.	31 March 2025
222	John Keells Information Technology (Pvt) Ltd	31 March 2025
223	John Keells Stock Brokers (Pvt) Ltd	31 March 2025
224	Kahawatte Plantations PLC	31 March 2025
225	Kelani Cables PLC	31 March 2025
226	Lanka Ventures PLC	31 March 2025
227	Lankapay (Pvt) Ltd	31 March 2025
228	Lankem Developments PLC	31 March 2025
229	Laxapana PLC	31 March 2025
230	Lotus Hydro Power PLC	31 March 2025
231	Mark Marine Services (Pvt) Ltd	31 March 2025
232	Millers Ltd	31 March 2025
233	MJF Teas (Pvt) Ltd	31 March 2025
234	Namal Income Fund	31 March 2025
235	Odel PLC	31 March 2025
236	On'ally Holdings PLC	31 March 2025
237	Power House Ltd	31 March 2025
238	Ramboda Falls PLC	31 March 2025
239	Regency Teas (Pvt) Ltd	31 March 2025
240	Regnis Appliances (Pvt) Ltd	31 March 2025
241	Richard Pieris & Company PLC	31 March 2025
242	Richard Pieris Exports PLC	31 March 2025
243	Sathosa Motors PLC	31 March 2025
244	Senfin Securities Ltd	31 March 2025
245	Singha Cement (Pvt) Ltd	31 March 2025
246	Singhe Hospitals PLC	31 March 2025
247	Sri Ramco Lanka (Pvt) Ltd	31 March 2025
248	Sunshine Holdings PLC	31 March 2025
249	Swisstek (Ceylon) PLC	31 March 2025
250	Teejay Lanka PLC	31 March 2025
251	Teejay Lanka Prints (Pvt) Ltd	31 March 2025
252	The Autodrome PLC	31 March 2025
253	The Fortress Resorts PLC	31 March 2025
254	Tropikal Life International (Pvt) Ltd	31 March 2025
255	Uni Dil Packaging Solutions Ltd	31 March 2025
256	Unipower (Pvt) Ltd	31 March 2025
257	Vallibel One PLC	31 March 2025
258	Wealthtrust Securities Ltd	31 March 2025
259	Trans Asia Hotels PLC *	31 March 2025

* Multiple years have been reviewed

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBE's of which Financial Statements Reviewed during 2025 were Compliant with Observations Communicated by Letters of Observations

No	Specified Business Enterprises	Financial Year End
1	National Livestock Development Board	31 December 2021
2	Lalan Rubbers (Pvt) Ltd	31 March 2022
3	Ceylon Chocolates Ltd	31 March 2022
4	Jada Resort & SPA (Pvt) Ltd	31 December 2022
5	Sifani Jewellers Ltd	31 March 2023
6	Softlogic Restaurants (Pvt) Ltd	31 March 2023
7	Softlogic Retail (Pvt) Ltd	31 March 2023
8	Sunpower Systems (Pvt) Ltd	31 March 2023
9	NDB Wealth Income Plus Fund	31 December 2023
10	Havelock City (Pvt) Ltd	31 December 2023
11	Alpha Wealth Ltd	31 December 2023
12	NDB Wealth Income Fund	31 December 2023
13	NDB Wealth Money Fund	31 December 2023
14	NDB Wealth Growth & Income Fund	31 December 2023
15	NDB Wealth Islamic Money Plus Fund	31 December 2023
16	NDB Wealth Money Plus Fund	31 December 2023
17	Lanka Electricity Company (Pvt) Ltd	31 December 2023
18	MBSL Insurance Company Ltd	31 December 2023
19	Allianz Insurance Lanka Ltd	31 December 2023
20	Dialog Axiata PLC	31 December 2023
21	I Capital Partners Ltd	31 December 2023
22	Pradeshiya Sanwardana Bank	31 December 2023
23	Co-operative Insurance Company PLC	31 December 2023
24	MAS Active (Pvt) Ltd	31 December 2023
25	Sri Lanka Savings Bank Ltd	31 December 2023
26	Airport & Aviation Services (Sri Lanka) (Pvt) Ltd *	31 December 2023
27	Bratex (Pvt) Ltd	31 December 2023
28	Empire Teas (Pvt) Ltd	31 December 2023
29	DIC Lanka (Pvt) Ltd	31 December 2023
30	Bureau Veritas Consumer Products Services Lanka (Pvt) Ltd	31 December 2023
31	Sri Lanka Broadcasting Corporation	31 December 2023
32	International Restaurant Systems (Pvt) Ltd	31 December 2023
33	Sri Lanka Land Development Corporation	31 December 2023
34	United Tractor & Equipment (Pvt) Ltd	31 December 2023
35	National Insurance Trust Fund Board	31 December 2023
36	CAL Fixed Income Opportunities Fund	31 March 2024
37	Bogawantalawa Plantations PLC	31 March 2024
38	Laugfs Power PLC	31 March 2024
39	National Equity Fund	31 March 2024
40	National Growth Fund	31 March 2024
41	Asset Trust Management (Pvt) Ltd	31 March 2024
42	Bairaha Farms PLC	31 March 2024
43	Enterprise Ceylon Capital (Pvt) Ltd	31 March 2024
44	Ceybank Unit Trust Fund	31 March 2024
45	Premier Wealth Management Ltd	31 March 2024
46	Yala Properties (Pvt) Ltd	31 March 2024
47	Samson Rubber Products (Pvt) Ltd	31 March 2024
48	Durdans Medical & Surgical Hospital (Pvt) Ltd	31 March 2024
49	JAT Holdings PLC	31 March 2024
50	Ambewela Products (Pvt) Ltd	31 March 2024
51	RIL Property PLC	31 March 2024
52	First Capital Equities (Pvt) Ltd	31 March 2024
53	J.B. Financial (Pvt) Ltd	31 March 2024
54	Samson Reclaim Rubbers Ltd	31 March 2024
55	Capital Alliance Gilt Money Market Fund	31 March 2024
56	ACAP Stock Brokers (Pvt) Ltd	31 March 2024
57	Royal Fernwood Porcelain Ltd	31 March 2024
58	McOcean Property Developers (Pvt) Ltd	31 March 2024
59	Expoteas Ceylon (Pvt) Ltd	31 March 2024
60	Oki Doki (Pvt) Ltd	31 March 2024
61	Asha Securities LTD	31 March 2024
62	Radiant Gems International PLC	31 March 2024
63	Kapruka Holdings PLC	31 March 2024
64	Colombo Fort Investments PLC	31 March 2024
65	CT Land Development PLC	31 March 2024
66	Ceybank Asset Management (Pvt) Ltd	31 March 2024
67	Arpico Ataraxia Equity Income Fund	31 March 2024

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBE's of which Financial Statements Reviewed during 2025 were Compliant with Observations Communicated by Letters of Observations

No	Specified Business Enterprises	Financial Year End
68	Aqua Packaging (Pvt) Ltd	31 March 2024
69	EAM Maliban Mahiyanganaya (Pvt) Ltd *	31 March 2024
70	Lyceum International School (Pvt) Ltd	31 March 2024
71	Skills Development Fund Ltd	31 March 2024
72	The Lighthouse Hotel PLC	31 March 2024
73	Serendib Engineering Group PLC	31 March 2024
74	Hela Clothing (Pvt) Ltd *	31 March 2024
75	Hela Apparel Holdings PLC *	31 March 2024
76	Hayleys Lifesciences (Pvt) Ltd	31 March 2024
77	Fashion Bug (Pvt) Ltd	31 March 2024
78	Laugfs Eco Sri Ltd	31 March 2024
79	L D Heavy Engineering (Pvt) Ltd	31 March 2024
80	Digital Mobility Solutions Lanka (Pvt) Ltd (Pick me)	31 March 2024
81	Diana Chocolates (Pvt) Ltd	31 March 2024
82	Logipark International (Pvt) Ltd	31 March 2024
83	D P L Universal Gloves Ltd	31 March 2024
84	Consolidated Business Systems Ltd	31 March 2024
85	Hemas Surgicals & Diagnostics (Pvt) Ltd	31 March 2024
86	Kelani Tyres PLC	31 March 2024
87	Ninewells Hospital (Pvt) Ltd	31 March 2024
88	The Pharmaco (Pvt) Ltd	31 March 2024
89	Kalubovitiyana Tea Factory Ltd	31 March 2024
90	Ace Power Embilipitiya (Pvt) Ltd	31 March 2024
91	Aitken Spence Printing & Packaging (Pvt) Ltd	31 March 2024
92	CIC Agri Produce Exports (Pvt) Ltd	31 March 2024
93	Laugfs Lubricants Ltd	31 March 2024
94	Aitken Spence Ports International Ltd	31 March 2024
95	Hunas Holdings PLC	31 March 2024
96	Softlogic Communications (Pvt) Ltd	31 March 2024
97	Hunter & Company PLC	31 March 2024
98	Ultracarb (Pvt) Ltd	31 March 2024
99	United Dairies Lanka (Pvt) Ltd	31 March 2024
100	Enrich Tea and Food Exports (Pvt) Ltd	31 March 2024
101	N-Able (Pvt) Ltd	31 March 2024
102	DSL Lanka (Pvt) Ltd	31 March 2024
103	Ceyquartz MBI (Pvt) Ltd	31 March 2024
104	RM Holdings (Pvt) Ltd	31 March 2024
105	Ideal Finance Ltd	31 March 2024
106	New Vithanakande Tea Factory (Pvt) Ltd	31 March 2024
107	MTV Channel (Pvt) Ltd	31 March 2024
108	Hikkaduwa Beach Resort PLC	31 March 2024
109	Somerville Stock Brokers (Pvt) Ltd	31 March 2024
110	Emar Pharma (Pvt) Ltd	31 March 2024
111	Tess Agro PLC	31 March 2024
112	Waskaduwa Beach Resorts PLC	31 March 2024
113	Sky Sports Lanka (Pvt) Ltd	31 March 2024
114	Saboor Chatoor (Pvt) Ltd	31 March 2024
115	AMP Ceylon Ltd	31 March 2024
116	Nico Battery Manufactures Ltd	31 March 2024
117	Suwasevana Hospitals (Pvt) Ltd	31 March 2024
118	Vogue Jewellers (Pvt) Ltd	31 March 2024
119	Uswatta Confectionery Works (Pvt) Ltd	31 March 2024
120	Adamjee Lukmanjee (Pvt) Ltd *	31 March 2024
121	Ceylon Business Appliances Ltd	31 March 2024
122	George Steuart Engineering (Pvt) Ltd	31 March 2024
123	GTB Steel Corporation (Pvt) Ltd	31 March 2024
124	Imperial Teas (Pvt) Ltd	31 March 2024
125	Hirdaramani Investment Holdings (Pvt) Ltd	31 March 2024
126	Akbar Brothers (Pvt) Ltd	31 March 2024
127	Miami Exports (Pvt) Ltd	31 March 2024
128	Arpitech (Pvt) Ltd	31 March 2024
129	D.R. Enterprises (Pvt) Ltd	31 March 2024
130	HNB Stockbrokers (Pvt) Ltd	31 December 2024
131	National Asset Management Ltd	31 December 2024
132	NDB Securities (Pvt) Ltd	31 December 2024
133	Martin Bauer Hayleys (Pvt) Ltd	31 December 2024
134	National Savings Bank	31 December 2024
135	Hotel Developers Lanka Ltd	31 December 2024

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

List of SBE's of which Financial Statements Reviewed during 2025 were Compliant with Observations Communicated by Letters of Observations

No	Specified Business Enterprises	Financial Year End
136	Chilaw Plantations Ltd *	31 December 2024
137	Ceylinco Life Insurance Ltd	31 December 2024
138	EML Consultants PLC	31 December 2024
139	Ocean View Development Company (Pvt) Ltd	31 December 2024
140	H One (Pvt) Ltd	31 December 2024
141	Malwatte Valley Plantations PLC	31 December 2024
142	Housing Development Finance Corporation Bank	31 December 2024
143	A G Melco Elevator Company Lanka (Pvt) Ltd	31 December 2024
144	Sri Lanka Telecom PLC	31 December 2024
145	Employee Trust Fund Board	31 December 2024
146	Weligama Hotel Properties Ltd	31 December 2024
147	PH Resorts (Pvt) Ltd	31 December 2024
148	Union Residencies (Pvt) Ltd	31 December 2024
149	Janashakthi Insurance PLC	31 December 2024
150	Agio Tobbaco Processing (Pvt) Ltd	31 December 2024
151	Finaly Properties (Pvt) Ltd	31 December 2024
152	Carlton Garments (Pvt) Ltd	31 December 2024
153	GAC Marine Services (Pvt) Ltd	31 December 2024
154	Orit Apparels Lanka (Pvt) Ltd	31 December 2024
155	Ceylon Income Fund	31 December 2024
156	Ceylon Treasury Income Fund	31 March 2025
157	Hayleys Travels (Pvt) Ltd *	31 March 2025
158	Shaw Wallace Ceylon Ltd	31 March 2025
159	Walkers Tours Ltd	31 March 2025
160	Renuka Hotels PLC	31 March 2025
161	Industrial Asphalts (Ceylon) PLC	31 March 2025
162	Dutch Lanka Trailer Manufacturers Ltd	31 March 2025
163	Tokyo Cement Company (Lanka) PLC	31 March 2025
164	David Pieris Motor Company (Lanka) Ltd	31 March 2025
165	DP Logitics (Pvt) Ltd *	31 March 2025
166	JB Securities (Pvt) Ltd	31 March 2025
167	CIC Cropguard (Pvt) Ltd	31 March 2025
168	Jubilant Foodworks Lanka (Pvt) Ltd	31 March 2025
169	Softlogic Stockbrokers (Pvt) Ltd	31 March 2025
170	UB Finance PLC	31 March 2025
171	Panasian Power PLC	31 March 2025
172	Guardian Fund Management Ltd	31 March 2025
173	EL-Toro Roofing Products Ltd	31 March 2025
174	The Wheel Works (Pvt) Ltd	31 March 2025
175	LOLC Securities (Pvt) Ltd	31 March 2025
176	Assetline Capital (Pvt) Ltd	31 March 2025
177	First Capital Asset Management Ltd	31 March 2025
178	Tuffline Ltd	31 March 2025
179	Sifang Lanka (Pvt) Ltd	31 March 2025
180	Ceva Logistics Lanka (Pvt) Ltd	31 March 2025
181	Acuity Knowledge Partners Lanka (Pvt) Ltd	31 March 2025
182	Bogawantalawa Tea Ceylon (Pvt) Ltd	31 March 2025
183	Capital Trust Securities (Pvt) Ltd	31 March 2025
184	VT Manufacturing (Pvt) Ltd	31 March 2025
185	C.W. Mackie PLC	31 March 2025
186	Sri Ramco Roofings Lanka (Pvt) Ltd	31 March 2025
187	Logiwiz Ltd	31 March 2025
188	East West Properties PLC	31 March 2025
189	Ceylon Printers PLC	31 March 2025
190	David Pieris Automobiles (Pvt) Ltd	31 March 2025
191	CIC Seeds (Pvt) Ltd	31 March 2025
192	C T Holdings PLC	31 March 2025
193	Haycarb PLC	31 March 2025
194	Udapussellawa Plantations PLC	31 March 2025
195	Moceti International (Pvt) Ltd	31 March 2025
196	S &T Interiors (Pvt) Ltd	31 March 2025
197	Clarion Shipping (Pvt) Ltd	31 March 2025
198	Dankotuwa Porcelain PLC	31 March 2025
199	Harischandra Mills PLC	31 March 2025
200	LTL Holdings Ltd	31 March 2025
201	Norfolk Foods (Pvt) Ltd	31 March 2025

* Multiple years have been reviewed

Performance Overview

iii. Distinction between Direct Outputs and Outcomes (Contd...)

Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2025

Listed Companies which have not submitted financial statements for the year ended 31 March 2025:

- Anilana Hotels & Properties PLC*
- Bimputh Lanka Investments PLC*
- Blue Diamonds Jewellery Worldwide PLC*
- City Housing & Real Estate Company PLC*
- Kelsey Developments PLC*
- Nation Lanka Finance PLC*
- Standard Capital PLC*

Public Sector entities which have not submitted financial statements for the year ended 31 December 2024:

- Building Materials Corporation Limited
- Ceylon Fisheries Corporation
- Ceylon Electricity Board
- Janatha Estates Development Board
- National Film Corporation
- National Livestock Development Board
- National Insurance Trust Fund
- Paddy Marketing Board
- Paranthan Chemicals Company Ltd
- Sri Lanka Broadcasting Corporation
- Sri Lanka Handicrafts Board
- Sri Lanka Land Development Corporation
- State Engineering Corporation of Sri Lanka
- The Co-operative Wholesale Establishment
- Urban Development Authority

Public Sector entities which have not submitted financial statements for the year ended 31 March 2025 :

- Ceylon Shipping Corporation
- National Paper Company Limited
- State Fertilizer Co Ltd

* Trading Suspended at CSE

Performance Overview

iv. Statement of Economic Value Addition

SLAASMB's activities during the year contributed to economic and social value creation primarily through the effective discharge of its statutory mandate to enhance the quality, transparency, and reliability of financial reporting and auditing in Sri Lanka. As a regulatory body, the Board's value creation is not measured in commercial terms, but through its contribution to public confidence in financial information, market discipline, and good governance.

In terms of human capital, SLAASMB continued to invest in the professional development of its staff through structured learning and development initiatives. During the year, learning activities were conducted to strengthen technical knowledge, regulatory expertise, and professional competencies, thereby supporting the effective execution of monitoring and enforcement responsibilities.

From a social impact perspective, SLAASMB's monitoring, review, and enforcement activities contribute to the broader public interest by promoting compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards. The dissemination of information on observed deviations and regulatory expectations further supports preparers of financial statements and auditors in improving the quality of financial reporting, thereby enhancing stakeholder confidence and accountability in the corporate sector.

As part of its corporate social responsibility initiatives, SLAASMB also undertook environmental awareness activities during the year. In line with the National Environmental Week held in June 2025 in connection with the celebration of World Environment Day, the Board implemented an environmental awareness programme with participation of staff. Activities conducted during the week included the distribution of plants and the organization of a beach clean-up programme in line with the environment circular No. PS/FEA/Circular/4/2025 dated 14 March 2025, reflecting SLAASMB's commitment to environmental stewardship and responsible organisational practices.

SLAASMB continued to create economic and social value in public interest during the reporting period adhering to its regulatory mandate.

v. Public Service Obligations

SLAASMB operates as a statutory body entrusted with the public service obligation of monitoring and enforcing compliance with accounting and auditing standards in Sri Lanka, in order to safeguard the interests of stakeholders and the general public. In fulfilling this mandate, the Board undertakes regulatory, monitoring, and enforcement activities that support transparency, accountability, and good governance within the financial reporting framework of the country.

The Board's operations are supported through government funding, which enables SLAASMB to carry out its public service responsibilities in accordance with legislative requirements. During the year, resources provided by the Government of Sri Lanka were utilised to support monitoring activities, audit inspections, stakeholder engagement ensuring the continued delivery of regulatory services in the public interest.

SLAASMB remains accountable for the prudent and effective utilisation of public funds and continues to align its activities with national policies and regulatory expectations in discharging its public service obligations.

vi. Significant Improvements, Declines and Mitigation actions

During the year, the following major significant areas were identified as significant improvements.

1. International Relations

In order to keep itself abreast of the developments around the world on matters relating to financial reporting, auditing and monitoring compliance, SLAASMB holds membership in many international organisations. This affiliation has opened a window for SLAASMB to obtain information and assistance from other global regulators, and to carry out activities which are of benefit to many regulators as joint activities.

SLAASMB has been maintaining membership of the International Forum of Independent Audit Regulators (IFIAR) since its first plenary meeting held in 2007. In addition, the staff of SLAASMB has represented Sri Lanka at the annual sessions of the Inter-governmental Group

Performance Overview

vi. Significant improvements, Declines and Mitigation actions (Contd...)

of Experts on International Standards of Accounting and Reporting (ISAR) conducted by the United Nations up to 2019. SLAASMB has also represented the ASEAN Audit Regulators Group (AARG) as an observer from 2018. However, staff members have not attended these meetings since 2020 due to the COVID-19 pandemic, followed by the economic challenges faced by Sri Lanka. SLAASMB recognizes the importance of its continued engagement and is committed to implementing mechanisms to ensure active participation in these forums, despite the current challenges posed by the curtailment of government funding for such activities.

The SLAASMB held a productive discussion with Mr. Harpal Singh, Principal – Small & Medium Size Practices and Thought Leadership at IFAC, focusing on key strategic areas for the profession's advancement. The discussion aimed at strengthening the monitoring of financial reporting, auditing, and sustainability reporting, alongside strategizing the best ways to leverage digitalization and Artificial Intelligence (AI) to enhance the profession.

Due to the stringent budgetary controls enforced by the Government due to the challenging economic situation in the country, SLAASMB could not participate in any of the physical sessions conducted by the above International Organisations. However, the staff were able to participate in the webinars conducted by IFIAR, namely on the evolving use of AI in auditing and oversight, Virtual Roundtable on sustainability assurance, Inspection Workshop Working Group (IWWG) webinar on International Standard on Quality Management (ISQM) and Plenary webinars by PWC, KPMG, Deloitte, BDO Partners and Ernst & Young.

As the sessions conducted by IFIAR are attended by independent audit regulators around the world, these meetings and conferences usually provide an informative knowledge-sharing platform for SLAASMB. However, the staff of SLAASMB could not reap the benefits of the sessions due to their inability to attend the sessions presently conducted in the physical from.

Attendance at these global sessions has been very important to SLAASMB's capacity building as in the past, participation at the meetings, inspection workshops, and conferences related to audit regulation has enabled discussions and networking with fellow audit regulators throughout the world. Insights into global best practices in the past have resulted in SLAASMB modifying its regulatory mechanism to strengthen the regulatory environment in the country. Similarly, through these networking mechanisms, SLAASMB has been able to identify experts in the fields of regulating financial reporting and auditing, to improve the regulatory methodologies adopted over the years.

2. Development of SLAASMB Management Information System (MIS)

SLAASMB completed the development of a centralized MIS for its operations in order to minimize the load of manual documentation, to improve the information store, and to enable an effi¬cient exchange of information among the internal staff as well as with key stakeholders, namely the entities and their auditors during 2023. This process was expected to free up the professional staff from routine database management functions, enabling them to maximize the professional competencies towards the regulatory mechanism.

With years of hard work, live implementation of a management information system for the first time happened during 2025 and staff continued to work on MIS system. Support has been taken from the developer through information technology officer for matters come across while working through the system.

3. Proposed Amendments to the SLAASMB Act No. 15 of 1995.

During the year, SLAASMB was actively engaged in the process of reviewing the draft Act to be enacted as a new Act, repealing Act of No. 15 of 1995. However, as per the request of the Secretary to the Treasury, the board has considered submitting amendments to the existing Act strengthening the regulatory mandate to monitor the adoption of the Sri Lanka Public Sector Accounting Standards, and the Sri Lanka Sustainability Standards by the specified enterprises and the auditors of specified enterprises in addition to the currently applicable Sri Lanka Accounting and Auditing Standards.

4. Strengthening the Monitoring Activities through Technological Development

In light of the constraints in attracting specialized technical personnel, the Board has been actively evaluating the application of Artificial Intelligence (AI) to enhance our monitoring processes. To advance this strategic milestone, the SLAASMB initiated consultations during the year with several private institutions and premier state universities, specifically the Universities of Sri Jayewardenepura, Kelaniya, and Moratuwa. This initiative is designed to align our regulatory oversight with the rapid adoption of AI

Performance Overview

vi. Significant improvements, Declines and Mitigation actions (Contd...)

technologies by Specified Business Entities (SBEs) in their financial reporting and auditing functions. By proactively integrating these technologies, the Board ensures that our systems remain resilient and adaptable to the evolving landscape of digital regulatory requirements.

5. Challenges and Mitigation Strategies

SLAASMB continues to face significant challenges in recruiting and retaining highly skilled professional staff. This is primarily driven by a disparity between existing remuneration packages and prevailing market rates. To address this, the Board commissioned an independent market survey to benchmark its compensation structure against comparable roles in the industry. The findings confirmed that current salary and benefit scales are significantly below market standards. Consequently, a formal proposal has been submitted to the Secretary to the Treasury to adjust the pay structure, ensuring the Secretariat can maintain the human capital capacity required to effectively fulfill its national mandate.

vii. Assistance to the Standards Setter

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

During the year, the activities performed by the aforesaid Committees included the following:

- Publication of
  - Sri Lanka Accounting Standards (SLFRSs/ LKASs) Bound Volume 2025 in compliance with standards issued by the International Accounting Standards Board (IASB).
  - Sri Lanka Auditing Standards (SLAuSs) and Sri Lanka Standard on Quality Management (SLSQM) Bound volume 2024 in compliance with standards issued by The International Auditing and Assurance Standards Board (IAASB).
  - The Preparer's Guide to SLFRS S1 & S2.
  - Code of Ethics 2025 in compliance with the standards issued by the International Ethical Standards Board for Accountants (IESBA).
- Gazetting process is ongoing for;
  - Sustainability Disclosure Standards SLFRS S1- General Requirements.
  - Sustainability Disclosure Standards SLFRS S2- Climate Related Disclosure in all three languages.
- Adopting the following International Auditing Standards as Sri Lanka Auditing Standards:
  - Sustainability assurance standard formally titled Sri Lanka Standard on Sustainability Assurance 5000 (SLSSA 5000).
  - Commenced adoption process for SLAuS 570 (revised) version to align with the International Standard on Auditing (ISA) 570 (Revised 2024).
- Issued Frequently Asked Questions (FAQs) on the Director's Statement of Solvency (As per the section 56(2) of Companies Act No. 07 2007) .
- Amending and gazetting revised SLFRSs/ LKASs and SLAuSs including translation of such pronouncements into Sinhala and Tamil languages.
- Responding to the exposure drafts and deliberating on IFRSs/ ISAs and the amendments issued by the International Accounting Standards Board and International Auditing and Assurance Standards Board.
- Conducting awareness programs/sessions and webinars on the new or amended standards.

viii. Activities relating to Standard Setting by CA Sri Lanka during 2025

In terms of the past arrangements with the Ministry of Finance, SLAASMB has agreed to continue to provide a grant to the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to part finance the development of the standards to enable the monitoring function of SLAASMB.

During the year, SLAASMB has agreed to provide a grant of Rs. 2 million to CA Sri Lanka similar to 2023 and 2024. However, the current grant reflects a 50% decrease from the previously provided grants of Rs. 4 million. Reduction in the grant was a direct consequence of the budgetary constraints faced by SLAASMB during the years 2023 and 2024.

Performance Overview

viii. Activities relating to Standard Setting by CA Sri Lanka during 2025 (Contd...)

This grant is provided to CA Sri Lanka to meet a part of the cost of facilitating activities of the Accounting Standards Committee and the Auditing Standards Committee and the adoption of Sri Lanka Accounting and Auditing Standards, including translation of such pronouncements into Sinhala and Tamil languages and the related gazetting. The Accounting and Auditing Standards Committees have their meetings regularly. A dedicated website is available for the Accounting Standards Committee and the Auditing Standards Committee, providing the public access to technical pronouncements and facilities to be aware on the developments of the related accounting and auditing standards.

The main activities carried out during the year in relation to Accounting and Auditing standards by CA Sri Lanka are as follows:

Accounting Standards

- Published the Sri Lanka Accounting Standards (SLFRS/LKAS) Bound Volume 2025.
- Ongoing gazetting process for Sustainability Disclosure Standards SLFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 - Climate Related Disclosure.
- Published support material for implementing Sustainability Disclosure Standards and conducted awareness programmes targeting different stakeholders.
- Conducted workshops, awareness sessions, seminars and webinars on existing, revised and newly adopted Sri Lanka Accounting Standards throughout the year.
- CA Sri Lanka granted approval to prepare the interim financial statements of the first two quarters continuing the application of SLFRS 4 Insurance Contacts in preparation of interim financial statements only for the year beginning on 1st January 2026 subject to conditions mentioned in the Statement of Alternative Treatment which is expected to be issued. (SoAT for SLFRS 17).
- Issuance of Amendments to Sri Lanka Accounting Standards relating to SLFRS 9 - Financial Instruments and SLFRS 7 - Financial Instruments: Disclosure which will be effective for annual reporting periods beginning on or after 01st January 2026.
- Adoption of Sri Lanka Financial Reporting Standard 18 - Presentation and Disclosure in Financial Statements which will be effective for annual reporting periods beginning on or after 01st January 2027.
- Adoption of SLFRS 19 Subsidiaries without Public Accountability: Disclosure which will be effective for annual reporting periods beginning on or after 1st January 2027.
- Provided guidance in compliance with Sri Lanka Accounting and Auditing Standards to following government agencies and other commercial establishments in response to their requests:
  - Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka Bank Supervision Department of Central Bank of Sri Lanka.
  - Insurance Regulatory Commission of Sri Lanka (IRCSL).

Auditing Standards

- Published the Sri Lanka Auditing Standards (SLAuSs) and Sri Lanka Standard on Quality Management (SLSQM) Bound volume 2024 (E- Version).
- Adopted the following International Auditing Standards as Sri Lanka Auditing Standards with the effective date as indicated:
  - Sustainability assurance standard formally titled Sri Lanka Standard on Sustainability Assurance 5000 (SLSSA 5000).
  - Commenced adoption process of SLAuS 570 (revised) version to align with the International Standard on Auditing (ISA) 570 (Revised 2024).
- Issued revised Frequently Asked Questions (FAQs) on the Director's Statement of Solvency (As per the section 56(2) of Companies Act No. 07 2007) for the benefit of all the practitioners in accordance with SLAuS providing positive assurance.
- Provided guidance and support in relation to the Section 39(2) of the Banking Act No. 30 of 1988, as amended by Section 22(3) of the Banking (Amendment) Act No. 24 of 2024.
- Successfully launched CA Audit 360 (Automated Audit Toolkit for Small & Medium-sized practitioners) an innovative software to streamline and enhance the audit processes for Small and Medium Sized practitioners.
- Conducted awareness sessions and workshops on implementation of Sri Lanka Quality Management Standards.

In continuing the past arrangement with the Ministry of Finance to provide an annual grant to CA Sri Lanka to assist the standard-setting activities to cover the cost of the two Committees and to adopt SLFRSs/ LKASs, Rs. 2 million is yet to be paid for the year 2025.

Service Delivery Results

During the year under review, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) continued to deliver its statutory mandate through regulatory and monitoring activities aimed at enhancing the quality of financial reporting and auditing in Sri Lanka. The following sections provide an overview of service delivery performance for the year ended 31 December 2025.

i. Service Portfolio

Established under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) is tasked with monitoring compliance with national Accounting and Auditing Standards. This mandate covers the preparation, presentation, and auditing of financial statements for Specified Business Enterprises (SBEs). Since its operational inception in 2000, SLAASMB has remained steadfast in its commitment to upholding the integrity of financial reporting in Sri Lanka.

Financial Statement Reviews

SLAASMB conducts rigorous reviews of financial statements to ensure SBEs adhere to the Sri Lanka Accounting Standards (SLASs). These evaluations focus on:

- ✓ Recognition and Measurement: Ensuring transactions are captured accurately according to reporting frameworks.
- ✓ Presentation and Disclosure: Verifying that financial information is transparent and provides a fair view to all stakeholders.

The Board has implemented a multifaceted approach to financial reviews, utilizing four distinct methodologies:

- ✓ Interactive Unlimited
- ✓ Interactive Focus
- ✓ Desktop Unlimited
- ✓ Desktop Focus

By adopting a risk-based approach, reviews are conducted on pre-determined themes aligned with industry-specific risk criteria. This thematic focus allows for a deeper analysis of critical SLAS aspects, directly contributing to the elevation of corporate reporting quality.

Audit Inspections

To ensure the application Sri Lanka Auditing Standards by auditors of SBEs, SLAASMB performs inspections of audits conducted for SBEs. The selection process utilizes a hybrid model, merging a risk-based approach with random sampling to ensure both breadth and depth in oversight. This dual strategy ensures that high-risk areas are scrutinized while maintaining a robust deterrent across the broader audit landscape.

ii. Efficiency

During the year, the Board prioritized the continuous monitoring of SLAASMB's core functions through monthly performance reviews. This oversight facilitated efficient workflow management and a significant reduction in outstanding matters. Available resources were strategically deployed to ensure the consistent and orderly delivery of services throughout the period.

For the financial year ended 31 December 2025, SLAASMB identified 1,702 Specified Business Enterprises (SBEs). Of these, 1,626 submitted their financial statements, reflecting a high initial submission rate.

The SBE Administration Division maintained rigorous follow-up procedures for outstanding submissions through written correspondence and regular reminders. These efforts proved effective; by the end of January 2026, 41 SBEs submitted 127 financial statements. Furthermore, the Secretariat took proactive measures regarding SBEs with three-year submission arrears, utilizing persistent written and telephonic follow-ups to ensure comprehensive compliance.

SLAASMB achieved a significant increase in output, completing 472 financial statement reviews which is a 22% increase over the previous year. In terms of audit oversight, 7 Letters of Observations were issued to six audit firms regarding non-compliance with SLAuSs, compared to 3 letters issued to three firms in 2024.

Despite financial constraints limiting participation in international forums, the organization remained committed to professional excellence. We successfully conducted 50 learning sessions, focusing on strengthening staff competencies and technical knowledge through internal capacity-building initiatives.

iii. Accessibility

SLAASMB provides impartial services to its diverse stakeholder base comprising financial statement preparers, auditors, peer regulators, the Government of Sri Lanka, and the general public-regardless of geographical location. By leveraging a service delivery model that prioritizes written

Service Delivery Results

iii. Accessibility (Contd...)

correspondence, electronic communication, and formal meetings, the Board ensures that regulatory oversight and engagement remain independent of physical proximity. This equitable access is further supported by proactive compliance measures, such as formal notifications to Specified Business Entities (SBEs) regarding outstanding financial statements, and the publication of observed reporting deviations on the official SLAASMB website. By disseminating critical regulatory requirements and decisions through these established digital and formal channels, the Board continues to enhance the reliability and quality of financial reporting across both urban and rural sectors of the country.

iv. Innovations

SLAASMB remained committed to the continuous refinement of its oversight capabilities by strengthening core monitoring and review methodologies. Central to this effort was the successful transition to a live Management Information System (MIS), which has significantly enhanced consistency, transparency, and overall effectiveness of service delivery. To further modernize governance, the Secretariat introduced a dedicated mobile application, ensuring Board members have secure, real-time access to critical papers and information. Looking toward the future of regulatory technology, the year also marked the initiation of preliminary discussions regarding the integration of Artificial Intelligence (AI) tools to extend the efficiency and depth of financial statement reviews.

v. Beneficiary Satisfaction

Although no formal beneficiary satisfaction survey was conducted during the year, feedback received through stakeholder interactions and the level of cooperation observed during monitoring activities indicate a constructive engagement with regulated entities. SLAASMB continues to engage with stakeholders to promote compliance of applicable standards.

vi. Complaint Resolution Timelines

All complaints received are systematically assessed and addressed in strict accordance with established procedures. Under the SLAASMB Balanced Scorecard framework, the organization upholds a primary performance target to resolve complaints, clarifications, and information requests within an average of five working days (excluding the dates of receipt and response).

While SLAASMB endeavors to reach resolutions within these expedited timeframes, the duration of each case is appropriately scaled to its specific nature and technical complexity. For matters requiring more extensive investigation, robust monitoring mechanisms ensure continued oversight until a definitive conclusion is reached.

Financial Performance

i. Revenue and Expenditure Summary including Variance Analysis and Explanation

During the year, SLAASMB's main source of financing continued to be from funds provided by the Government. Although SLAASMB's activities are financed through Government funds, as an alternative, based on the current Act, a cess can be levied on SBEs computed as a percentage of shareholders' equity or profit after tax whichever 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. With the decrease in operating expenses, the grants received from the government decreased by Rs. 650,295 compared to 2024.

Continuing the past arrangements with the Ministry of Finance, this year also SLAASMB considered providing an annual grant of Rs. 2 million to the Institute of Chartered Accountants of Sri Lanka during the year to part finance the standard-setting activities.

During the year Rs. 100,388,322/- was expended on operational activities by SLAASMB lower than the operational expenses for 2024 of Rs. 101,038,617/- , the resignation of the long-served Director General, one Deputy Director General and one Assistant Director resulted in a reduction in staff cost the lower staff cost. Further, staff cost has decreased with the reduction of the transport allowance which is determined in line with the fuel prices in the market.

The above decrease in operational expenses was also due to the decrease in other administration expenses mainly from legal and professional fees. Renewal of the lease agreements on the 1st and 3rd floors of the office premises happened in 2024 and 2025 did not incur any expenses in this regard. Further, decrease in electricity expenses was due to the decline in electricity rates from January 2025 to June 2025 when compared to 2024 and the introduction of LED bulbs. Further, conducting awareness sessions for staff on protecting environment also led to reducing the operating expenses since the staff paid special attention to switching off lights when they are not in use, reuse papers and to use water carefully.

However, certain operational expenses increased during the year, particularly in press notices and advertisements, professional fees to external reviewers and books and periodicals. When compared to the previous year the number of advertisements published in the Newspapers and Topjobs were high resulting in a 195% increase. In 2025, SLAASMB published 8 advertisements for vacancies relating to Director General, Supervision staff, Assistant Director - Finance and Administration and Assistant Director – Legal. Further, increasing the fee for external reviewers by 50% effective from 1 October 2024, new recruitment of external reviewers in the latter part of 2024 and getting their service throughout the year 2025, resulted in a 117% increase in professional fees paid to external reviewers.

Books and periodicals expense increased by Rs. 515,459 since SLAASMB purchased 8 IFRS Accounting Standards books at GBP 88.9 in 2025 whereas in 2024, it purchased only 3 books at GBP 84. Further, the depreciation of rupees over GBP from Rs. 375.66 to Rs. 406.08 when making the payment was also another reason to have a higher expense in 2025 compared to 2024.

Support and maintenance service charge of MIS has increased by 20% since the agreement commenced with effect from 1 March 2024. Therefore, 2024 does not include service charge for 2 months whereas 2025 service charges are for the entire year.

ii. Capital Expenditure Trends

During the year SLAASMB invested Rs. 1.7 million on capital assets in order to make the day-to-day operations more efficient by purchasing a UHD Conference System, printers with the scanning option and some office furniture.

iii. Financial Health Indicators

Total assets of SLAASMB mainly represents Intangible Assets, Property, Plant and Equipment, Deposits and Defined Benefit Assets. Total asset base decreased by 13% to Rs. 69.5 million as at 31 December 2025 as against the position of Rs. 79.7 million as at the previous year-end. This is primarily due to the decrease in the gratuity fund, depreciation and amortization of property, plant and equipment and intangible assets. Gratuity fund was reduced to Rs. 10.5 million from Rs. 18.9 million with the payment of gratuity to the former Director General and one Deputy Director General as per the Gratuity Act No. 12 of 1983.

SLAASMB's current assets mainly consist of Prepayments and Cash. Prepayments amounting to Rs. 3.2 million includes licenses & insurance, IFRS subscription fees, software and computer maintenance service charges paid in advance for the services to be obtained in 2026 as well. Cash at bank balance as at 31 December 2025 has increased as it includes Rs. 2.7 million committed to pay to repair one motor vehicle.

Financial Performance

iii. Financial Health Indicators (Contd...)

SLAASMB's current liabilities consist of Government Grants and Accounts Payable. Accounts payable amounting to Rs. 4 million mainly includes Rs. 2 million provision made to the Institute of Chartered Accountants of Sri Lanka, external and internal auditor's remuneration.

Further, SLAASMB has not obtained any borrowings and no long outstanding receivables. All prepayments will be utilized in 2026.

When looking at working capital position of SLAASMB, it usually maintains sufficient assets to cover up its liabilities. With a positive cash flow, the liquidity position was stable and there were no liquidity issues in the year under review.

iv. Economic Value Added Statement

Statements of Value Added

	2025	2024
Government Grant	102,388,322	103,038,617
Grant release to ICASL	(2,000,000)	(2,000,000)
Total Value Added	100,388,322	101,038,617
Value created shared with		
To Employees and Board Members	51,974,149	54,898,934
To Suppliers	39,876,885	37,457,093
To Society	21,180	-
Retained for re-investment and future growth (Depreciation and Amortisation)	8,558,468	8,682,590
	100,388,322	101,038,617

- **Value Allocated to Employees**

Value allocated to Employees includes staff remuneration, EPF, ETF payments, gratuity provision, Board members' allowance, and expenses paid for outsourced services due to lack of staff.

Staff remuneration was the main component of the value allocated to employees, which decreased slightly to Rs. 52 million mainly due to the resignations of staff and decrease in fuel allowance to staff as fuel prices were reduced compared to the previous year.

- **Value Allocated to Suppliers**

Value allocated to suppliers includes internal and external audit remuneration, fuel and lubricants supply, publishing press notices and vacancy advertisements, rent and building service charges, electricity, professional fees paid to external reviewers, international memberships, books and periodicals, license and insurance, stationery, support and maintenance services obtained for MIS and other administration expenses.

Increase in press notice expenses, rent and building service charges and professional fees paid to external reviewers were the key factors to increase the value allocated to suppliers compared to last year.

- **Value Allocated to Society**

SLAASMB) undertook several key initiatives during the year. In alignment with Environment Circular No. PS/FEA/Circular/4/2025, the Board allocated Rs. 21,180 toward environmental optimization efforts, headlined by a successful beach restoration project at Wellawatte. This initiative saw an impressive participation rate of over 90% from our staff, reflecting a deep-rooted collective commitment to ecological preservation. Furthermore, to embed sustainability into our corporate culture, specialized awareness sessions on sustainable practices were conducted for all employees during "National Environment Week."

Beyond environmental advocacy, SLAASMB remained responsive to urgent national needs. In the wake of the devastating Cyclone "Ditwah" in November 2025, the executive staff demonstrated exemplary solidarity by personally contributing Rs. 86,342 to the national disaster relief fund. These actions underscore the Board's dedication to fostering a sustainable future and supporting the community in times of crisis.

- **Retained for re-investment and future growth**

During the year, a provision of Rs. 8.6 million was made for depreciation of property, plant and equipment and for amortization of the MIS system.

Financial Performance

v. Ten Year Summary

Item	Progress Item	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Restated)	2025
	Core/ Regulatory Activities										
1	No. of SBEs Identified (As at period end)	1,485	1,559	1,579	1,608	1,657	1,680	1,671	1,707	1,708	1,702
2	**Financial statements received**										
	No. of Statements	1,536	1,643	1,567	1,635	1,232	1,830	1,738	1,732	1,718	1,744
	No. of SBEs	1,412	1,479	1,457	1,521	1,194	1,517	1,564	1,566	1,708	1,626
3	**Review of Financial statements**										
	No. of reviews completed	731	518	638	720	732	552	541	261	388	472
	No. of SBEs	678	459	608	699	694	525	534	261	381	461
4	**Financial statements Review findings**										
	No. of financial statements compliant	436	324	430	450	437	312	344	192	198	261
	No. of financial statements compliant with observation	291	185	202	267	293	237	194	66	190	210
	No. of financial statements non-compliant	4	9	6	2	2	3	2	2	0	0
	No. of financial statements referred to Attorney General	0	0	0	0	0	0	0	1	0	1
	No. of financial statements warning issued	0	0	0	1	0	0	1	0	0	0
		731	518	638	720	732	552	541	261	388	472
5	**Audit Inspections**										
	No. of regular audit inspections	99	85	31	33	27	34	33	16	22	23
	No. of thematic audit inspections	0	15	19	12	0	0	0	0	0	0
	No. of firm wide inspections	0	0	2	0	0	0	0	0	0	0
	No. of audit firms of inspections	14	13	10	7	7	17	9	6	6	7
6	**Audit inspections - findings on regular inspections**										
	No. of audits compliant	41	40	19	18	23	21	23	13	19	16
	No. of audits compliant with observations	55	42	11	13	3	12	9	3	3	7
	No. of audits non-compliant	2	2	0	0	0	0	0	0	0	0
	No. of audits referred to investigation	1	0	0	0	1	0	0	0	0	0
	No. of audits warning issued	0	1	1	2	0	1	1	0	0	0
		99	85	31	33	27	34	33	16	22	23
7	No. of public complaints attended to	1	1	2	2	1	0	0	0	0	0
8	No. of clarifications issued	5	6	2	6	4	2	0	4	0	0
		6	7	4	8	5	2	0	4	0	0

Financial Performance

v. Ten Year Summary (Contd...)

Item	Progress Item	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Restated)	2025
9	**Efficiency Ratios**										
	Cost per regulatory output (Rs. '000)	112	139	134	104	91	127	142	279	251	211
	Inspection coverage ratio	54%	37%	43%	47%	62%	32%	33%	16%	24%	28%
	Resource utilization ratio	218%	196%	359%	330%	121%	113%	112%	98%	129%	150%
10	**Operational Highlights**										
	No. of Board meetings held	13	12	12	10	9	14	9	15	7	11
	90%-100% Attendance	3	3	1	5	5	4	3	1	1	4
	80%-90% Attendance	1	-	3	-	3	3	2	2	2	1
	70%-80% Attendance	3	1	1	2	2	2	2	3	3	3
	Less than 70% Attendance	4	7	6	9	3	5	6	7	7	4
11	No. of learning activities of the staff	13	48	48	41	37	47	33	19	55	50
12	Attendance at meetings of International Organisations and other sessions	19	9	8	8	0	4	2	0	0	0
13	Total staff (As at period end)	21	22	21	17	18	17	16	10	15	17
14	Total Technical staff engage in review activities (As at period end)	15	15	14	11	11	10	9	4	7	7
15	**Profitability**										
	Net Surplus / (deficit)	0	0	0	0	0	0	0	0	0	0
16	Operating expenses in Rs. 000										
	- Actual	94,050	84,352	90,138	78,512	67,468	71,236	77,015	71,545	104,668	100,388
	-Budget	66,000	80,000	88,000	100,000	92,657	127,036	120,000	118,496	120,000	102,030
	-Increase % actual cost compared with previous year	5.00%	-10%	7%	-13%	-14%	6%	8%	-7%	46%	-4%
17	Staff cost in Rs. 000										
	-Actual	39,350	42,351	44,084	41,488	36,923	35,496	39,456	35,050	53,418	50,429
	-Budget	36,095	40,471	41,637	47,390	44,451	73,822	71,719	67,223	78,650	66,000
	-Increase % actual cost compared with previous year	5%	8%	4%	-6%	-11%	-4%	11%	-11%	52%	-6%
	-% of Operating expenses	42%	50%	49%	53%	55%	50%	51%	49%	51%	50%
18	**Liquidity Ratios**										
	Current ratio (times)	1	1	1	1	1	1	1	1	1	1
	Quick ratio (times)	0.36	0.67	0.09	0.45	0.76	0.81	0.46	0.46	0.29	0.51
19	**Solvency Ratios**										
	Assets coverage ratio	100%	100%	100%	100%	100%	92%	72%	58%	57%	56%
	Funding dependency ratio	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
20	**Gearing Ratios**										
	Debt to assets ratio	1	1	1	1	1	1	1	1	1	1
	Cash to debt ratio	5%	18%	0.2%	5%	15%	20%	4%	4%	2%	6%

Human Resources and Institutional Capacity

i. Staffing Profile as at 31 December 2025

Designation	Grade	Service Level	Approved Cadre			Existing Cadre			Staff Movements			
			Permanent	Contract	Temporary	Permanent	Contract	Temporary	Recruitments	Promotions	Resignation	Retirements
Director General	N/A	Senior	1			1			1		1	
Deputy Director General	N/A	Senior	2			1					1	
Director Supervision	N/A	Senior	6			4			2			
Deputy Director Supervision	I	Senior	6			0						
Assistant Director Supervision	I	Senior	3									
Assistant Director Supervision	II	Senior	3			2				2	1	
Assistant Director-Finance & Administration	II	Senior	1			0						
Deputy/Assistant Director Legal	II/I	Senior	1			0						
SBE Administration Officer	I	Tertiary	1			1						
PA to Director General	II/I	Tertiary	1			1						
ICT Officer	II/I	Tertiary	1				1					
Finance & Administration Executive officer	II/I	Tertiary	1			1				1		
Management Assistant	III/II/I	Secondary	3			3			3		2	
Office Aide	III/II/I	Primary	2			1						
Driver	III/II/I	Primary	2			1						
Total			34	0	0	16	1	0	6	3	5	0

Service Level	Approved Cadre	Existing Cadre
Senior	23	8
Tertiary	4	4
Secondary	3	3
Primary	4	2
	34	17

Human Resources and Institutional Capacity

ii. Recruitments, Promotions and Retirements as at 31 December 2025

Executive and Senior Management Changes

The reporting period saw significant transitions within the leadership team. Following the resignation of the Director General on 31 August 2025, a new Director General was successfully recruited and appointed on 1 September 2025 to ensure leadership continuity. Within the senior directorate, one Deputy Director General resigned on 31 October 2025; recruitment for this role is currently ongoing. Conversely, the supervision department was strengthened by the recruitment of two new Directors of Supervision in November and December 2025.

Staff Movements and Promotions

Internal mobility and turnover also impacted technical and support roles. In the Assistant Director Supervision (ADS) – Grade II cadre, one resignation occurred in March 2025, while the remaining two officers were promoted to ADS Grade I in April and October. Consequently, all three ADS Grade II positions were vacant at year-end.

The Management Assistant (MA) cadre underwent a full transition: two staff members departed in January and September, and one was promoted to Finance and Administration Executive Officer in March. These vacancies were promptly filled with three new appointments in April, May, and November 2025.

iii. Capacity Building and Professional Development Report

In 2025, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) maintained a robust commitment to continuous professional development (CPD). The year's strategy placed a heavy emphasis on technical compliance with Sri Lanka Accounting and Auditing Standards, while simultaneously addressing emerging global requirements such as sustainability-related disclosures and the evolving role of Artificial Intelligence (AI). Employees participated in a total of 50 distinct training sessions throughout the year.

a.) Training Volume and Resource Allocation

The capacity-building program achieved a high level of engagement, averaging 32 training hours per employee. The following table details the distribution of resources across various categories:

Training Category	Technical Staff Attendance	Admin Staff Attendance	Number of Sessions	Total Training Hours	Total Man-Hours
External Trainings					
Accounting Standards	59	-	16	43	159
Auditing Standards	10	-	6	8	14
Sustainability Standards	27	-	6	17	88
Training on Regulations	3	2	3	18	21
Information Technology	11	2	4	13	74
Leadership & Motivation	20	13	7	15	90
Internal Trainings					
Accounting Standards	19	-	3	4	23
Auditing Standards	35	-	5	6	42
Grand Totals	**184**	**17**	**50**	**124**	**511**

Total Training Hours indicates the total duration of each session, while Total Man-Hours represents cumulative hours of all participants.

Human Resources and Institutional Capacity

iii. Capacity Building and Professional Development Report (Contd...)

b.) Specialized Skills Development Programs

The core of the 2025 strategy focused on maintaining high technical competence within regulatory frameworks.

- **Accounting Standards:** This was the highest priority area, with 19 total sessions (internal and external) and 182 invested man-hours. Proactive sessions were held on SLFRS 17 and SLFRS 18 to prepare staff for standards not yet implemented in Sri Lanka.

- **Auditing Standards:** Technical staff engaged in 11 sessions focused on critical updates to audit methodology. This included specialized sessions from the International Forum of Independent Audit Regulators (IFIAR) regarding global audit quality initiatives and the methodologies used by the five main global audit firms.

- **Sustainability:** Reflecting a strategic pivot, staff attended 6 sessions dedicated to sustainability reporting and assurance to build future capacity in this emerging field.

- **Digital Transformation:** Following the implementation of the Management Information System (MIS), practical application sessions were conducted to improve operational efficiency for both technical and administrative staff. Additionally, exploring the use of AI in auditing highlights the organisation's forward-looking approach to technical skills.

c.) Leadership Pipeline and Strategic Development

Beyond technical training, SLAASMB invested in "soft" assets and strategic leadership capabilities to develop the next generation of leaders.

- **Strategic Leadership Series:** Technical teams attended a high-level conference series focusing on macro-strategic themes necessary for navigating complex global environments. Key themes included:
  - Vision to Legacy: Scaling New Heights
  - Navigating Geopolitics for Growth
  - Harmonizing Global Business
  - Digital Horizons: Innovating for Global Impact

- **Team and Culture Building:** An external trainer conducted a 2-hour on-site session for all staff to enhance morale and cohesion. Administrative staff also received targeted training in professional communication.

- **Inclusivity:** The celebration of International Women's Day served to support a culture of inclusivity, recognized as a key trait for modern leadership.

The 2025 capacity-building initiative was strategically balanced, securing a strong technical baseline through rigorous accounting and auditing drills while "future-proofing" the workforce through sustainability and AI training. The leadership pipeline is being developed not through traditional courses, but through exposure to strategic global discourse and foundational team-building activities.

Governance and Risk Management

i. Corporate Governance Report

SLAASMB is governed by a Board of members as per the terms of the statute. Accordingly, 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 (CBSL), CA Sri Lanka (3 members), Sri Lanka Division of the Chartered Institute of Management Accountants of UK, Bar Association of Sri Lanka, Ceylon Chamber of Commerce, Federation of Chambers of Commerce and Industry of Sri Lanka, Sri Lanka Banks' Association and the University Grants Commission. The term of office of a member is four years.

Ms. K M A N Daulagala, Senior Deputy Governor of the CBSL served as the Chairperson during the year.

Ms. A U Delage, Ms. R Rajapaksa, Mr.P.M Amarasiri, Mr,N. Goonewardena, Mr.K A H Kuruppu, and Mr.T.H Subasinghe, members of the Board appointed in terms of the statute, served as directors or senior officers of some of the SBEs during the year. Similarly, Messrs. S M S S Bandara and T H Subasinghe who were also members of the Board, served as partners of firms of practicing accountants that audit some of the SBEs and as directors or consultants to Audit Committees in some of the SBEs.

During the said period, Mr. T J S Rajakarier and Mr.R. Perera, invitees to the Board, served as partners of firms of practicing accountants that audit some of the SBEs. Further, during the said period, Ms. V Amarasekara, Treasury Representative served as Observer of the Board.

In order to ensure the independence of the Board, all members of the Board, Invitees as well as Observers disclose their connected party relationships with SLAASMB as well as with the SBEs and auditors, on a quarterly basis. Accordingly, all papers relating to matters concerning a SBE or its auditor are omitted from the papers sent to members who have a connection with the relevant SBE or its auditor and such members do not participate in discussions on subjects relating to those SBEs or auditors.

The Board convened the meetings as scheduled and had 11 meetings during the year.

The deliberations of the Board during the year covered the performance of the staff in terms of overall operational indicators and action required to resolve significant technical issues relating to SBEs and auditors. The Board also focused on issues relating to non-compliance with standards by SBEs and by auditors, approving annual financial statements, annual budget, and the action plan of the Board. Further, the Board was engaged in reviewing the progress of the development of the Management Information System in order to enhance the effective functioning of SLAASMB and the amendments to the SLAASMB Act which currently are in the process of being revised and is in the final stage of the revision.

Further, the Board made a concerted effort to resolve the ongoing issue of not being able to attract suitable professional staff to perform the technical functions as well as key administration functions and to address the issues of the offered salary scales being less attractive to recruit suitable staff. In this process, the Board had a number of communications with officials of the Ministry of Finance and reviewed alternate methods of staffing in order to perform the Supervision functions with competency.

In terms of the delegation policy of the Board, regular operations relating to monitoring compliance with standards such as gathering information, reviewing financial statements, inspecting audits, conducting investigations and conducting public awareness activities were carried out during the year, by the available staff supervised and guided by the Director General and the two Deputy Director Generals.

ii. Audit Committee Report

Composition of the Audit Committee

The Audit Committee of the Sri Lanka Accounting and Auditing Standards Monitoring Board functions as a formally constituted sub-committee to assist the Board in fulfilling its responsibilities relating to financial reporting, internal control and internal/external audit processes.

During the financial year ended 31 December 2025, the Audit Committee comprised the following members:

Mr. S M S S Bandara – Chairman
Ms. A U Delage – Member
Ms. M T I V Amarasekara – Member
Ms. L D R L Liyanage – Auditor General's Representative – Observer
Non-member Secretary – Ms. Kalani Hettiarachchi (Director Supervision)

The members possess appropriate expertise and experience in accounting, auditing, finance, and governance, enabling the Committee to effectively discharge its responsibilities.

The relevant officers of SLAASMB when required and representatives of the Auditor General's Department attended meetings as an observer.

Governance and Risk Management

ii. Audit Committee Report (Contd...)

Meetings of the Audit Committee

The Audit Committee met three (3) times during the year under review. The agenda for meetings included matters relating to financial reporting, internal control, internal and external audit and compliance with laws and regulations.

Member	Meetings Attended
Mr. S M S S Bandara – Chairman	3/3
Ms. A U Delage – Member	3/3
Ms. M T I V Amarasekara – Member	3/3
Ms. L D R L Liyanage – Auditor General's Representative – Observer	2/3

Responsibilities of the Audit Committee

The primary responsibilities of the Audit Committee include:

- Reviewing the financial statements of the Board to ensure accuracy, completeness, and compliance with applicable Sri Lanka Public Sector Accounting Standards and statutory requirements.
- Evaluating the adequacy and effectiveness of internal control systems and risk management processes.
- Making recommendations for the appointment of internal auditors.
- Reviewing the internal audit reports, and management responses thereto.
- Considering the scope, findings, and recommendations of the external audit conducted by the Auditor General.
- Monitoring compliance with laws, regulations, and guidelines applicable to the Board.

Financial Reporting

The Audit Committee reviewed the annual financial statements for the year ended 31 December 2025 prior to their submission to the Board.

The Committee is satisfied that the financial statements present a true and fair view of the financial position of the Board and have been prepared in compliance with Sri Lanka Public Sector Accounting Standards and other applicable statutory requirements.

Internal Control and Risk Management

The Audit Committee reviewed the adequacy of the internal control framework in place during the year. Based on the information presented and assurances received from management and internal audit, the Committee is of the view that the systems of internal control and risk management are adequate and operating effectively, subject to continuous improvement.

Internal Audit

The Audit Committee reviewed the internal audit activities carried out during the year, including the internal audit plan and significant findings.

Appropriate corrective actions have been taken or initiated by management in response to the observations and recommendations made by the internal auditors.

External Audit

The Auditor General of Sri Lanka serves as the external auditor of the Board. The Audit Committee closely laisse with external auditor and reviewed the audit findings and discussed the Auditor General's observations with management.

The external auditor as an observer was invited to all Audit Committee meetings, which enabled the committee to bear their views and discuss their insights on regulatory and compliance requirements and control or procedural weaknesses if any.

The Committee is satisfied with the level of cooperation extended to the external auditors and the actions taken to address audit observations.

Good Governance

The Audit Committee contributes to promoting good governance and a proactive organizational culture by ensuring compliance with relevant Government laws, regulations, and policies.

Conclusion

The Audit Committee is of the opinion that it has discharged its responsibilities effectively during the financial year under review and that appropriate processes are in place to ensure sound financial management, transparency, and accountability within the Sri Lanka Accounting and Auditing Standards Monitoring Board.

S.Bandara

Mr. S M S S Bandara
Chairman – Audit Committee
Sri Lanka Accounting and Auditing Standards Monitoring Board

27.02.2026

Governance and Risk Management

iii. Nomination and Remuneration Committee Report

The Remuneration Committee of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) functions as a sub-committee of the Board and assists the Board in discharging its responsibilities relating to remuneration policy, salary structures, and related human resource matters.

Composition of the Remuneration Committee

During the year under review, the Remuneration Committee comprised the following members:

- Ms. K M A N Daulagala – Chairperson
- Mr. N Goonewardena –Member
- Mr. T H Subasinghe – Member
- Ms. R M R D Rajapaksa – Member
- Ms. M T I V Amarasekara – Member
- Non member Secretary – Ms. A M Mohotti (Director General) up to 31 August 2025
- Non member Secretary – Mr. H K S Halloluwa (Director General) w.e.f. 1 September 2025

The Committee members possess appropriate experience in governance, human resource management, and public sector administration.

Role and Responsibilities

The key responsibilities of the Remuneration Committee include:

- Reviewing and recommending remuneration policies in line with applicable Government laws, regulations, and circulars.
- Reviewing salary structures, allowances, and benefits applicable to staff.
- Making recommendations on remuneration matters relating to senior management.
- Ensuring that remuneration practices support organisational objectives, equity, and sustainability.
- Considering matters relating to recruitment, promotions, and staff retention, where relevant.

Meetings of the Remuneration Committee

The Remuneration Committee met 2 times during the year under review. The meetings focused on matters relating to staff remuneration, cadre requirements, recruitment challenges, and compliance with Government-approved salary structures.

Remuneration Policy and Practices

The Remuneration Committee reviewed the existing remuneration framework during the year to ensure alignment with Government-approved salary scales, relevant Treasury Circulars, and public sector policies.

The Committee also considered challenges in attracting and retaining suitably qualified professional staff and made recommendations to the Board on possible measures, subject to approval by the relevant authorities.

Compliance with Laws and Regulations

The Remuneration Committee ensured that all remuneration-related decisions and recommendations were made in compliance with applicable Government laws, regulations, policies, and circulars issued by the Treasury and other relevant authorities.

Conclusion

The Remuneration Committee is of the opinion that it has effectively discharged its responsibilities during the year under review and that the remuneration practices of SLAASMB are fair, transparent, and aligned with statutory and regulatory requirements.



Ms. K M A N Daulagala
Chairman – Remuneration Committee
Sri Lanka Accounting and Auditing Standards Monitoring Board

27.02.2026

Governance and Risk Management

iv. Risk Analysis– Year Ended 31 December 2025

1. Introduction

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) maintains a proactive approach to risk management as a key governance responsibility. This report outlines the key risks identified in 2025, evaluates mitigation strategies, and presents initiatives to enhance the Board's risk, control, ethics, and compliance framework.

The risk landscape in 2025 was shaped by evolving regulatory requirements, increased stakeholder expectations, and heightened demands for transparency and accountability in financial reporting and audit quality.

2. Risk Management Framework

SLAASMB's risk management approach requires ongoing identification, assessment, mitigation, monitoring, and reporting of strategic, operational, financial, compliance, and reputational risks.

The Board adopts a Three Lines of Defence Model:

Our governance strategy is underpinned by a three-tier defense model. Operational Management (First Line) maintains primary responsibility for risk identification and mitigation. This is supported by our Risk & Compliance function (Second Line), which provides oversight to ensure our procedures remain aligned with Board-approved policies and relevant Government legislation. Finally, our Internal Audit (Third Line) provides the Board and Audit Committee with independent assurance regarding the effectiveness of these governance structures.

3. Key Risks and Risk Analysis (2025)

3.1 Risk Profiling

Risk Category	Key Risk Area	Risk Description	Impact	Likelihood	Overall Risk Rating	Key Mitigation and Control Measures
Strategic	Regulatory Effectiveness	Inability to identify prompt non-compliance to accounting and auditing standards.	High	Medium	High	Continuous monitoring of standards, proactive technical committees.
Human Capital	Talent Retention & Capability	Loss of skilled technical staff due to market competition, affecting inspection quality and institutional knowledge.	High	High	High	Structured career paths, continuous professional development, knowledge transfer mechanisms and documentation.
Operational	Inspection Capacity	Insufficient operational capacity to conduct timely inspections and investigations.	Medium	Medium	Medium	Resource planning, prioritization of high-risk entities, effective use of Management Information System.
Technology / External	Evolving Technology Used by Regulatees	Inadequate regulatory response to advanced audit tools (AI, data analytics, automated audits) used by audit firms.	Medium	Medium	Medium	Technical upskilling, Building internal technical expertise, initiatives to check the possibility of getting the support of AI for the financial statement review function.

Governance and Risk Management

iv. Risk Analysis– Year Ended 31 December 2025 (Contd...)

3. Key Risks and Risk Analysis (2025) (Contd...)

3.1 Risk Profiling

Risk Category	Key Risk Area	Risk Description	Impact	Likelihood	Overall Risk Rating	Key Mitigation and Control Measures
Reputational	Public Confidence	Loss of stakeholder trust arising from audit failures, regulatory delays, or perceived enforcement weaknesses.	High	Medium	High	Transparent enforcement actions, proactive communication, public reporting.
Information Security	Cybersecurity & Data Breach	Unauthorized access, cyberattacks, or data loss affecting confidential regulatory information.	High	Medium	High	Access controls, incident response plans, strengthening IT security policies.
Data Governance	Data Integrity & Privacy	Inaccurate, incomplete, or improperly governed regulatory data impacting decisions and compliance.	Medium	Medium	Medium	Data governance framework, validation controls.
Operational Resilience	Business Continuity & Disaster Recovery	Disruption of critical regulatory functions due to natural disasters, pandemics, or system failures.	High	Low	Medium	Remote working readiness, Backup systems and data recovery procedures.
Financial	Budget Constraints	Insufficient funding affecting strategic initiatives and capacity building.	Medium	High	High	Cost optimization, prioritization of high-impact activities.
Fraud & Integrity	Internal or External Fraud	Fraudulent activities compromising financial integrity or regulatory credibility.	High	Low	Medium	Complaints handling process, segregation of duties, whistleblower mechanisms.
Compliance	Legal & Regulatory Compliance	Non-compliance with Board-approved policies and procedures, relevant Government laws, regulations, and policies.	High	Low	Medium	Internal monitoring of compliance with Board-approved policies and procedures, relevant Government laws, regulations, and policies, Internal and external audits, policy updates, timely communication to the staff on changes.
Ethical	Conflict of Interest	Undisclosed conflicts impairing objectivity and independence.	Medium	Medium	Medium	Annual declarations, enforcement of Code of Conduct.

Governance and Risk Management

iv. Risk Analysis– Year Ended 31 December 2025 (Contd...)

3.2 Strategic Risk Initiatives for 2026

Had primary discussions on implementation of artificial intelligence (AI) capabilities for financial statement reviews.

Knowledge-sharing sessions will be held with selected audit firms to enhance internal technical expertise in emerging audit technologies and updates to audit methodologies through collaborative discussions.

3.3 Conclusion

The SLAASMB remains committed to a proactive and resilient risk management culture. Through vigilant oversight, robust internal controls, and continuous improvement, the Board seeks to uphold public trust and fulfill its mandate effectively in 2025 and beyond.

v. Fraud Prevention Strategies

SLAASMB recognizes fraud as a key risk that can undermine integrity and public trust. The Board continued to strengthen fraud prevention and detection in 2025 by implementing the following strategies:

Fraud Risk Assessment

Integration of fraud risk considerations into business processes.

Internal Reporting & Whistleblower Mechanisms

Web-based option on SLAASMB website for complaints and inquiries.

Staff encouraged to raise issues with immediate supervisor. Clear procedures for acknowledgement of complaint, preliminary assessment, investigation, outcome reporting.

Fraud Controls

Segregation of duties (e.g., payment approvals, procurement, expense reimbursements).
Regular reconciliation and exception reporting for financial transactions.

Use of analytical procedures in monitoring financial activity.

vi. Compliance Report

No	Compliance Area	Requirement	Compliant
1.	Government Laws, Regulations, Policies	Complies with relevant Government Laws, Regulations, Policies	✓
2.	Human Resources Regulations	Compliance with HR policies and service rules	✓
3.	Internal Audit Charter	Internal audit operates as per approved scope	✓
4.	Risk Management	Risk management framework is in place and operational	✓
5.	Corporate Governance	Board/Management oversight meets governance standards	✓
6.	Ethics & Integrity	Compliance with Code of Conduct / ethics policies	✓
7.	Record Keeping	Proper documentation and record retention	✓
8.	Information Security	Information security policies, procedures, and controls are in place	✓

During the year under review, SLAASMB functioned in compliance with Board-approved policies and procedures, relevant Government laws, regulations, and policies issued from time to time.

A structured internal compliance framework was maintained to ensure continuous monitoring and effective implementation of these requirements. Management placed emphasis on awareness, accountability, and timely reporting to support a strong culture of compliance across the organisation.

Internal compliance mechanisms were in place to monitor adherence to these requirements. No material instances of non-compliance were identified during the year. Minor procedural matters noted through internal reviews were administrative in nature and did not have a significant impact on operations or governance. These matters were promptly addressed through corrective actions, process refinements, and management oversight to prevent recurrence.

Governance and Risk Management

vi. Compliance Report (Contd...)

Compliance Monitoring Activities

To strengthen compliance assurance, the following monitoring activities were undertaken during the year:

- Periodic reviews of internal policies and alignment with statutory updates.
- Engagement with internal auditors to validate compliance processes.

The Board is satisfied that SLAASMB maintained an effective compliance framework throughout the year under review. The systems and processes in place provided reasonable assurance that the institution conducted its activities in accordance with applicable laws, regulations, and Government policies. Management remains committed to strengthening compliance practices through continuous monitoring, timely updates to internal controls, and ongoing collaboration with auditors to support sound governance and accountability.

vii. Ethics and Anti-Corruption Measures

Integrity and ethical conduct are central to SLAASMB's mission. In 2025, the Board reinforced its ethics and anti-corruption framework through:

Code of Conduct

All Board members and staff are bound by a formal Code of Conduct emphasizing integrity, impartiality, and professionalism.
Acknowledgment of the Code is required from all personnel.

Anti-Corruption Policy

Clear definitions of corrupt practices with zero tolerance for bribery or undue influence.
Procedures for conflict of interest declaration and management.

Ethics Training

An Ethics Committee functioned during the year to oversee matters relating to ethics and integrity and to provide guidance, as required.

Disclosures & Transparency

Disclosure of Board members' interests where required.
Transparency in procurement and contracting through competitive bidding and audit trails.
No material breaches of ethical policy or corruption incidents occurred in 2025.

viii. Report on Internal Control Assessment

A robust internal control structure is essential to ensuring efficiency, compliance, and accountability. Key activities in 2025 included:

Control Framework

Controls were designed and implemented around the following areas:

Governance & Oversight: Regular review by the Audit Committee.
Financial Controls: Reconciliation controls, authorization limits, and budgeting protocols.
IT Controls: Access control, and regular backups.
Operational Controls: Standard operating procedures, workflow approvals, and performance monitoring.

Internal Audit Activities

During the latter part of the year, Internal Audit executed a risk-based audit plan covering:

- ✓ Financial operations
- ✓ Compliance with policies and procedures
- ✓ IT security and data protection
- ✓ Key process reviews

Testing of Controls

Periodic testing of key controls (e.g., procurement, payroll, financial reporting) confirmed the effectiveness of mitigating measures. Instances of control weakness were minor and remediated.

Key Challenges and Lessons Learned

i. Operational and Strategic challenges

The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) plays a critical role in ensuring high-quality financial reporting and audit standards across the country. While the organisation has made significant progress in strengthening regulatory oversight and capacity, it continues to face operational and strategic challenges that impact its ability to fully achieve its mandate.

- **Human Capital and Talent Management**

Attracting and retaining skilled technical and administrative staff remains a persistent challenge. Market competition for qualified accounting and auditing professionals, coupled with remuneration levels that are below prevailing market standards, has resulted in high staff turnover. This affects institutional knowledge continuity, reduces operational capacity, and limits coverage in financial statement reviews and audit inspections. Building structured career pathways and enhancing professional development opportunities remain essential to mitigating this challenge.

- **Operational Capacity and Quality Oversight**

SLAASMB's workload continues to grow due to the increasing number of Specified Business Enterprises (SBEs) and evolving reporting requirements. Limited staffing and reliance on manual processes can constrain timely execution of financial statement reviews, audits, and compliance inspections. Balancing quantitative targets with quality-focused assessments is critical to maintain credibility and public trust. The effective use of the Management Information System (MIS) and adoption of process automation are key to improving operational efficiency.

- **Technological Advancements and Emerging Audit Practices**

Rapid technological developments, including the use of Artificial Intelligence (AI), and data analytics present a dual challenge. While they offer efficiency gains, they also require SLAASMB staff to continuously update technical expertise to maintain oversight capabilities. Structured knowledge-sharing sessions, engagement with selected audit firms, and specialized training programs are vital to build internal technical competence in emerging audit methodologies.

- **Regulatory and Compliance Framework**

SLAASMB operates within the framework of the governing Act which is currently under discussion for amendment through the Act amendment committee. Ensuring that regulatory criteria for identifying SBEs remain aligned with market developments is an ongoing challenge. Additionally, the organisation must maintain a proactive approach to ethical standards, fraud prevention, and governance. Strengthening internal compliance mechanisms and fostering a culture of transparency and accountability are critical for regulatory effectiveness.

- **Financial and Resource Constraints**

Dependence on government funding limits the Board's flexibility to expand its capacity, implement large-scale strategic initiatives, and invest in advanced technologies or external expertise. Prioritizing high-impact activities and optimizing resource allocation are essential strategies to overcome these financial constraints.

- **Stakeholder Confidence and Public Perception**

Maintaining public trust is central to SLAASMB's mandate. Any delays in regulatory actions, perceived non-compliance by SBEs, or audit failures could impact stakeholder confidence. Enhancing transparency through timely reporting, proactive engagement, and consistent enforcement of standards is necessary to reinforce the organisation's credibility and integrity.

SLAASMB's operational and strategic challenges revolve around talent management, capacity building, technological adaptation, regulatory alignment, resource optimization, and stakeholder confidence.

Addressing these challenges is vital to ensure effective supervision of accounting and auditing practices, strengthen governance, and support sustainable financial transparency in Sri Lanka.

ii. Key Audit Matters highlighted by the Auditor General and Corrective Measures taken

(refer page 70 to 72)

iii. Lessons Learnt for Future Improvements

The lessons learned during the year emphasize the need for strategic workforce planning, process modernization, continuous learning, risk-based supervision, strong governance, and proactive stakeholder engagement. Applying these lessons will enable SLAASMB to strengthen its supervisory effectiveness, enhance financial reporting quality, and support sustainable transparency and accountability in Sri Lanka's financial reporting system.

Plans for the Upcoming Years

i. Strategic Roadmap for Future Operations (2026–2028)

SLAASMB's strategic roadmap for the next three years focuses on strengthening regulatory coverage, enhancing operational capacity, improving audit and financial reporting quality, and reinforcing stakeholder confidence. Over the three-year period, SLAASMB aims to transition from capacity stabilisation to institutional strengthening and digital transformation. The strategic roadmap emphasises:

- Comprehensive regulatory coverage of all SBEs
- Sustainable human capital development
- Risk-based and technology-enabled supervision
- Improved timeliness, transparency, and stakeholder confidence

Successful implementation of this roadmap will strengthen SLAASMB's ability to enhance financial reporting quality, improve audit standards, and safeguard the public interest in Sri Lanka's financial reporting system.

The roadmap adopts a phased approach, combining short-term stabilisation measures with medium- and long-term institutional strengthening initiatives.

ii. Key Priorities and Targets for next Financial year

The following Short term and medium term measures will to be followed to improve the performance of SLAASMB in 2026.

Key Focus Areas	Short term measures	Medium term measures
Receipt of financial statements to be expanded to cover all entities falling within the definition of SBE	• Follow up on lists published by co-regulators and other institutions to identify and ascertain entities falling within the definition of SBEs. • Follow up with other identified entities to confirm whether the SBE criteria are met. • Engage with co-regulators and relevant institutions to disseminate and reinforce the requirement for the submission of financial statements.	• Address gaps in coverage through provisions introduced under the new Act currently in the process of being enacted. • Strengthen coordination mechanisms with co-regulators to ensure comprehensive identification and ongoing compliance of SBEs.
Addressing Staff shortage crisis	• To continue discussions with relevant Government authorities to obtain approval on the proposed salary structure to succeed with the recruitment of professional staff. • Increase knowledge enhancement by way of work specific training and personal development programs.	• To continue active engagement with relevant Government authorities to obtain approval for the proposed salary structure. • As a way of retaining current staff to avail overseas training opportunities with bonding arrangements. • To assess the possibilities of staff working with overseas peer regulators.

Plans for the Upcoming Years

ii. Key Priorities and Targets for next Financial year (Contd...)

Key Focus Areas	Short term measures	Medium term measures
Optimizing resources to conduct financial statements reviews and audit inspection	• Develop and implement a risk-based methodology to select financial statements for review based on industry risk exposure. • Adopt a structured selection process to ensure coverage of all SBEs within a stipulated time period.	• Refine and enhance the risk-based selection methodology using review outcomes and emerging industry risks. • Optimize allocation of staff and other resources based on risk profiles to improve the efficiency and effectiveness of financial statement reviews and audit inspections.
Providing timely information to stakeholders	• Providing timely information to stakeholders. • Providing timely information to stakeholders. • Continue to Conduct sessions on SLAASMBs common findings on non- compliances of accounting and auditing standards in collaboration with CA Sri Lanka as a mechanism of providing awareness to preparers and auditors. • Continue to publish the enforcement actions taken, on SLAASMB website within a stipulated time period.	• Align the timing of financial statement reviews to ensure that required corrections are reflected in the subsequent published financial statements.
Implement the Phase II of the Management Information System (MIS) to enhance the review function	• Identify the key features required for Phase II of MIS.	• Develop and implement Phase II of the MIS with enhanced functionalities for risk-based financial statement reviews and audit inspections.

Report of the Auditor General

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය எனது இல. My No. TPD/A/SLAASMB/FA/2025/18 මගේ අංකය உமது இல. Your No.

දිනය திகதி Date ๒๗ July 2026

Chairman
Sri Lanka Accounting and Auditing Standards Monitoring Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board ("the Board") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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

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Report of the Auditor General

1.3 Other information included in the Board's 2025 Annual Report.

The other information comprises the information included in the Board's 2025 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

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

Report of the Auditor General

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

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

Report of the Auditor General

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 I have obtained all relevant information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

2.2.1 To state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 To state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 To state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) According to the section 23 of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the function of the Board shall be to monitor the compliance with the Sri Lanka Accounting Standards and Auditing Standards by Specified Business Enterprises (SBEs). Accordingly, total number of 1,702 SBEs were identified by the Board as meeting the criteria stipulated under the Act. Of these, the Board had planned to review 535 sets of financial statements of SBEs during the year under review for the above purpose. However, 472 sets of financial statements, or 88 per cent of the planned sets of financial statements, had been reviewed by the Board as at 31 December 2025.

Report of the Auditor General

2.2.4 To state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

(a) The gratuity obligation of the Board amounted to Rs.5,876,043 as at 31 December 2025; however, the balance maintained in the gratuity fund exceeded the liability by Rs.4,599,992. The accumulation of funds significantly in excess of the actual gratuity obligation indicates that government allocations had not been accurately aligned with actual funding requirements, resulting in idle funds. As the Board operates as a non-profit entity primarily financed through government grants, the retention of excess balances in the gratuity fund raises concerns regarding the economical and efficient utilization of public funds.

3. Other Matters

The following observations were made.

(a). Although the approved cadre of the Board as approved by the Department of Management Services was 33, an additional position under the secondary level had been created during the year under review without obtaining the necessary approval from the Department of Management Services.

(b). Although the approved cadre of the Board as at 31 December 2025 was 33, the actual cadre stood at 17, resulting in 17 vacancies and 01 excess position, indicating a vacancy level of approximately 50 per cent. It was further observed that significant vacancies existed in several key managerial and operational positions, including 01 position of Deputy Director General, 02 positions of Director Supervision, 6 positions of Deputy Director Supervision, 04 positions of Assistant Director Supervision, 01 position of Assistant Director Finance & Administration, and 01 position of Assistant Director – Legal. The existence of prolonged vacancies in these critical positions may adversely affect the effective supervision, administration, and overall operational efficiency of the Board.

(c). It was further observed that, although the approved cadre of the Board includes the position of Assistant Director – Finance and Administration (ADFA), the functions of that position had been outsourced for the period from 04 February 2025 to 04 July 2025 without recruiting an officer to the approved post or obtaining the required approvals under section 63 of the Public Financial Management Act, No. 44 of 2024. Further noted that this service had been awarded to a private company at a monthly fee of Rs.300,000 from 04 February 2025 to 04 July 2025.

L.S.I. Jayaratna
Auditor General

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

Responses to the Report of the Auditor General on the Financial Statements and other Legal and Regulatory requirements of the Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No 19 of 2018

No	Audit Query	SLAASMB's Comments
2		
	Report on other Legal and Regulatory Requirements	
2.2.3	To state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act No.19 of 2018 except for;	
a)	According to section 23 of 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 (SBEs). Accordingly, total number of 1,702 SBEs were identified by the Board as meeting the criteria stipulated under the Act. Of these, the Board had planned to review 535 sets of financial statements of SBEs during the year under review for the above purpose. However, 472 sets of financial statements, or 88 per cent of the planned sets of financial statements, had been reviewed by the Board as at 31 December 2025.	Annually the Board determines the number of financial statement reviews and the number of audit inspections to be conducted by SLAASMB on a risk based, random, rotational approach. These targets are set based on an optimal level with the available resources-i.e. availability of staff. For 2025, SLAASMB planned to review 535 sets of financial statements, based on the staff available at the time of planning (2 Director-Supervision (DS)) and 3 Assistant Director Supervision (ADS) and 23 external reviewers). However, during the first quarter of 2025, an Assistant Director resigned and a Deputy Director General resigned in the last quarter of the year. Although SLAASMB was able to recruit 2 additional DS during the last two months of 2025, the new staff were required to be trained for review process. Therefore, during their learning period, the number of reviews they could complete was very low. As a result, the initially planned number of reviews could not be achieved. Despite these constraints, achieving 88% of the planned target is reasonable.
2.2.4	To state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act No.19 of 2018 except for;	

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

a)	The gratuity obligation of the Board amounted to Rs. 5,876,043 as at 31 December 2025; however, the balance maintained in the gratuity fund exceeded the liability by Rs. 4,599,992. The accumulation of funds significantly in excess of the actual gratuity obligation indicates that government allocations had not been accurately aligned with actual funding requirements, resulting in idle funds. As the Board operates as a non-profit entity primarily financed through government grants, the retention of excess balances in the gratuity fund raises concerns regarding the economical and efficient utilization of public funds.	Based on the circular issued by the Department of Public Enterprises in 2013, the Board decided to establish a separate fund to be utilized for gratuity payments to staff who resign after serving for more than five years. As explained in our previous audit report for the year ended 31 December 2024, transfers to the Gratuity Fund were made only when additional funds became available, with the purpose of timely settlement of gratuity obligations. Since 2021, the release of funds by the Treasury has been tightened, which became an issue at the time of payments, due to resignations of a high number of long-serving staff during this period. Since then, SLAASMB has adopted a practice of assessing the adequacy of the gratuity fund at the beginning of each year by computing the actual liability for all staff who have served for over five years. The assessment conducted for 2024 revealed a shortfall of approximately Rs. 1.8 million, which was the reason for SLAASMB to build up the fund which ultimately resulted in an excess thereafter. However, SLAASMB did not transfer any funds to the Gratuity Savings account in 2025 and thereafter. We have sought advice from the Treasury in this regard and based on their response we intend to take the next steps.
3	Human Resource Management	
a)	Although the approved cadre of the Board as approved by the Department of Management Services was 33, an additional position under the secondary level had been created during the year under review without obtaining the necessary approval from the Department of Management Services.	SBE Administration is a core function at SLAASMB, covering all processes from receiving financial statements from SBEs, management of data base of financial information to archiving statements received. This function was then managed by a single staff member in the absence of her, it was very difficult to perform these tasks efficiently and effectively as the high volume of financial statements are received from SBEs. The necessity of this position were highlighted in the Internal Audit Reports as there were issues in file maintenance and archiving. As SLAASMB has been included in the list of Annexure A to the Operational Manual for the State-Owned Enterprises issued together with the Circular 1/2021 by the Department of Public Enterprises (PED), the Board of SLAASMB is empowered to decide on matters pertaining to Human Resource Management including the size of the Cadre as approved by the Board. Thereby, the new post was created and recruited the Management Assistant- SBE Administration on 28 April 2025 to avoid disruptions to the functions of the Board and as a succession plan for smooth functioning. Accordingly, the need to obtain approval from the Department of Management Services did not arise.

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

b)	It was observed that, although the approved cadre of the Board as at 31 December 2025 was 33, the actual cadre stood at 17, resulting in 17 vacancies and 1 excess position, indicating a vacancy level of approximately 50 per cent. It was further observed that significant vacancies existed in several key managerial and operational positions, including 1 position of Deputy Director General, 2 positions of Director Supervision, 6 positions of Deputy Director Supervision, 4 positions of Assistant Director Supervision, 1 position of Assistant Director Finance and Administration and 1 position of Assistant Director Legal. The existence of prolonged vacancies in these critical positions may adversely affect the effective supervision, administration and overall operational efficiency of the Board.	SLAASMB's approved cadre consists of 21 regulatory staff positions. Due to the highly specialized technical nature of our core functions, these roles must be filled with professional accountants who has deep expertise in accounting and auditing standards with working experience. Despite of recruitment challenges and advertising continuously on various platforms, we were able to fill only 12 of such vacant positions. Retaining and recruitment of professional staff has been an ongoing challenge since 2019 due to low salary scales and benefits, which are far below the market salary packages of similar experienced and qualified staff. The recruitment issues/challenges were discussed at many Board meetings from the beginning of this issue and communicated to the Ministry since 2019. During the last quarter of the year, the matter was discussed with the Secretary to the Treasury in November 2025 seeking a resolution. It has not been finalized and the discussion is ongoing. Therefore, the Board has decided to wait until receiving a favorable reply from the ministry for the request submitted and initiate recruitment efforts thereafter to attract competent, experienced technical staffs for all vacant positions.
c)	It was observed that, although the approved cadre of the Board includes the position of Assistant Director - Finance and Administration (ADFA), the functions of the position had been outsourced for the period from 4 February 2025 to 4 July 2025 without recruiting an officer to the approved post or obtaining the required approvals under section 63 of the Public Financial Management Act, No 44 of 2004. Further noted that this service had been awarded to a Private company at a monthly fee of Rs. 300,000 from 4 February 2025 to 4 July 2025.	SLAASMB with its small staff cadre, has continuously experienced difficulties in recruiting since the resignation of the Officer attached to the post of Assistant Director Finance and Administration (ADFA) in 2023. Even when SLAASMB has been successful in hiring candidates through a rigorous recruitment process, retaining them for an extended period has proven difficult. (In 2024, one employee resigned within just three days after receiving a higher-paying offer elsewhere, while another left within six months to pursue opportunities abroad). We have also checked with the Ministry of Finance, whether we could obtain the services of an officer attached to the Ministry on a secondment basis. Failing these measures SLAASMB as last resort and as a temporary measure, obtained the services of an ADFA by an outsourced arrangement until July 2025. Since then, the position is vacant to date.

Statement of Financial Position

As at	Note	31-Dec-25 Rs.	31-Dec-24 Rs. Restated
ASSETS			
Non - Current Assets			
Property, plant and equipment	3	**19,908,758**	23,007,860
Intangible assets	4	**30,480,520**	34,270,560
Deposits	5	**6,979,735**	6,979,735
Defined benefit assets	6	**4,599,992**	9,159,049
		61,969,005	73,417,204
Current Assets			
Inventory	7	**512,190**	538,840
Accounts receivable	8	**3,208,200**	3,926,146
Cash and cash equivalents	9	**3,830,669**	1,804,772
		7,551,059	6,269,758
Total Assets		**69,520,064**	79,686,962
LIABILITIES			
Non - Current Liabilities			
Deferred income - government grants	10	**61,969,005**	73,417,204
		61,969,005	73,417,204
Current Liabilities			
Deferred income - government grants	11	**3,498,309**	1,242,873
Accounts payable	12	**4,052,750**	5,026,885
		7,551,059	6,269,758
Total Liabilities		**69,520,064**	79,686,962

The notes appearing on pages 77 to 83 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
K M A N Daulagala

Member
S M S S Bandara

Director General
S Halloluwa

Deputy Director General - Finance and Administration
A Mubarak

Date:29 January 2026

Statement of Financial Performance and Other Comprehensive Income

For the year ended 31 December	Note	2025 Rs.	2024 Rs. Restated
Revenue			
Government grants	13	**102,388,322**	103,038,617
Less: Grants released to the Institute of Chartered Accountants of Sri Lanka		**(2,000,000)**	(2,000,000)
		100,388,322	101,038,617
Operating Expenses			
Board Members' allowances		**(1,545,080)**	(1,480,474)
Auditor's remuneration	14	**(373,996)**	(400,000)
Staff costs	15	**(50,429,069)**	(53,418,460)
Fuel and lubricants		**(143,204)**	(127,550)
Press notices		**(1,682,109)**	(570,789)
Rent and building service charges		**(17,673,893)**	(16,858,862)
Depreciation and amortisation expenses	3 & 4	**(8,558,468)**	(8,682,590)
Electricity		**(1,548,720)**	(1,974,714)
Professional fees to Reviewers		**(1,265,250)**	(584,000)
International memberships		**(3,121,350)**	(2,868,450)
Books and Periodicals		**(1,264,914)**	(749,455)
Training and development		**(525,950)**	(638,292)
License and insurance		**(1,164,331)**	(1,087,126)
Stationery		**(662,526)**	(656,525)
Support and Maintenance-MIS		**(1,958,800)**	(1,632,333)
Other Administration expenses	16	**(8,470,662)**	(9,308,997)
		(100,388,322)	(101,038,617)
Other Comprehensive Income			
Gain /(loss) on remeasurement of the defined benefit obligation		**(4,079,441)**	(1,666,589)
Government grants related to remeasurement of defined benefit obligations		**4,079,441**	1,666,589
		-	-
Net surplus / (deficit) for the year		-	-

The notes appearing on pages 77 to 83 form an integral part of the financial statements.

Statement of Changes in Net Assets

	Accumulated Fund Rs.
Balance as at 31 December 2023	-
Net surplus/(deficit) for the year	-
Balance as at 31 December 2024	-
Net surplus/(deficit) for the year	-
Balance as at 31 December 2025	-

The notes appearing on pages 77 to 83 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December	Note	2025 Rs.	2024 Rs. Restated
Cash flows from operating activities			
Net surplus / (deficit) for the year		-	-
Adjustments for;			
Government grants received during the year		**97,275,000**	101,232,887
Deferred government grants transferred to total comprehensive income	13	**(106,467,763)**	(106,307,206)
Depreciation and Amortisation	3 & 4	**8,558,468**	8,682,590
Interest on investment in gratuity fund		**(732,180)**	(928,215)
Defined benefit (asset)/obligation	15.1	**4,559,057**	2,274,788
Excess of income over expenditure / (expenditure over income) before working capital changes		**3,192,582**	4,954,844
Decrease /(Increase) in inventories		**26,649**	189,239
Decrease /(Increase) in accounts receivable		**717,946**	(789,679)
(Increase)/Decrease in accounts payable		**(974,134)**	3,153,456
Net cash flows from operating activities		**2,963,043**	7,507,860
Cash flows from investing activities			
Purchase of property, plant & equipment		**(1,669,326)**	(2,278,825)
Payments made for the software development		**-**	(2,579,900)
Investment in Gratuity Fund		**-**	(5,100,000)
Interest received on investment in gratuity fund/safety locker		**732,180**	928,215
Net cash flows from investing activities		**(937,146)**	(9,030,510)
Cash flows from financing activities		**-**	-
Net increase / (decrease) in cash and cash equivalents		**2,025,897**	(1,522,650)
Cash and cash equivalents at the beginning of the year		**1,804,772**	3,327,422
Cash and cash equivalents at the end of the year	9	**3,830,669**	1,804,772

The notes appearing on pages 77 to 83 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate Information

The financial statements of Sri Lanka Accounting and Auditing Standards Monitoring Board for the year ended 31 December 2025 were authorised for issue by a resolution of the Members of the Board on 29 January 2026. 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 16 permanent employees and 1 employee on Contract basis as at 31 December 2025 (14 permanent employees and 1 contract employee as at 31 December 2024).

2. Significant Accounting Policies

Basis of Preparation

The financial statements of the Board are prepared under the historical cost convention in conformity with Sri Lanka Public Sector Accounting Standards for Accrual Basis of Accounting.

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

Events after the reporting date

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

Property, Plant and Equipment

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

Description	Estimated Useful Life
Motor Vehicles	15 Years
Office Equipment	4-25 Years
Furniture, Fixtures & Fittings	6-30 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.25,000/-, all Accounting Standards and Auditing Standards, and other publications with a cost not exceeding Rs.10,000/- are expensed in the year of purchase.

Intangible Assets

An intangible asset is recognized if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably in accordance with Sri Lanka Public Sector Accounting Standards SLPSAS 20 - Intangible Assets. Intangible assets with finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 10 years.

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

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

Accounts Payable

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

Notes to the Financial Statements

Defined Benefit Costs

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

Government Grants

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

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

Prior Period Errors

The financial statements have been restated in accordance with Sri Lanka Public Sector Accounting Standards SLPSAS 3 - Accounting Policies, Change in Accounting Estimates and Errors.

Software development costs recognised as assets under intangible assets were subjected to adjustments of prior period as inadvertently amortization had been carried out for 5 years instead of 10 years.

The amount recognized as 'Deferred Income - Government Grants' represent assets (less liabilities) acquired using Government Grants. When the amounts recognized as intangible assets increased as a result of the adjustment relating to the prior period errors, the Government Grants deferred on account of the relevant asset also increased by the same amount, thus increasing the amount recognized as 'deferred income - government grants.'

Due to the said adjustment, amortization reported using the previous useful lives was decreased by Rs. 3,629,840/-. Due to this decrease, the government grant utilized for the expenditure for the year, increased by the same amount.

There are no changes to the net operating cash flow due to the above changes.

Comparative information in the financial statements has been restated as follows.

	Statement of Financial Position		Statement in Financial Performance	
	Intangible Assets	Deferred Income Government Grants (Non-Current)	Amortisation expense 2024	Government Grants
Note Reference	Note 4	Note 10	Note 4	Note 13
	Rs.	Rs.	Rs.	Rs.
Previously Reported	30,640,720	69,787,364	7,259,680	106,668,457
Effect of errors on amortisation expense for 2024	3,629,840	3,629,840	(3,629,840)	(3,629,840)
Corrected balance as at 31.12.2024	34,270,560	73,417,204	3,629,840	103,038,617

3. Property, Plant and Equipment

	Motor Vehicles		Office Equipment		Furniture, Fixtures & Fittings		Library Books		Work-in-progress		Total	
As at	31-Dec-25 Rs.	31-Dec-24 Rs.	31-Dec-25 Rs.	31-Dec-24 Rs.	31-Dec-25 Rs.	31-Dec-24 Rs.	31-Dec-25 Rs.	31-Dec-24 Rs.	31-Dec-25 Rs.	31-Dec-24 Rs.	31-Dec-25 Rs.	31-Dec-24 Rs.
Cost												
At beginning of the year	**51,160,000**	51,160,000	**15,766,463**	14,168,643	**13,389,043**	12,710,538	**3,227,099**	3,224,599	**1,641,054**	1,641,054	**85,183,659**	82,904,834
Additions	**-**	-	**1,380,332**	1,597,820	**283,794**	678,505	**5,200**	2,500	**-**	-	**1,669,326**	2,278,825
At end of the year	**51,160,000**	51,160,000	**17,146,795**	15,766,463	**13,672,837**	13,389,043	**3,232,299**	3,227,099	**1,641,054**	1,641,054	**86,852,985**	85,183,659
Accumulated Depreciation												
At beginning of the year	**34,921,334**	31,510,667	**12,270,042**	10,928,025	**11,760,046**	11,461,562	**3,224,377**	3,222,795	**-**	-	**62,175,799**	57,123,049
Depreciation for the year	**3,410,666**	3,410,667	**947,603**	1,342,017	**408,815**	298,484	**1,344**	1,582	**-**	-	**4,768,428**	5,052,750
At end of the year	**38,332,000**	34,921,334	**13,217,645**	12,270,042	**12,168,861**	11,760,046	**3,225,721**	3,224,377	**-**	-	**66,944,227**	62,175,799
Written Down Value at end of the year	**12,828,000**	16,238,666	**3,929,150**	3,496,421	**1,503,976**	1,628,997	**6,578**	2,722	**1,641,054**	1,641,054	**19,908,758**	23,007,860

3.1 Capital work-in-progress includes fees paid to the consultant for the interior costruction work carried out in relation to the office space during 2019 and 2021. The project has been deferred due to government's curtailment of capital expenditure and is expected to recommence in 2026.

Notes to the Financial Statements

	As at	31-Dec-25 Rs.	31-Dec-24 Rs. Restated
4	**Intangible Assets** (Software development)		
	Cost		
	Balance at the beginning of the year	**37,900,400**	33,718,500
	Cost incurred during the year	**-**	4,181,900
	Balance at the end of the year	**37,900,400**	37,900,400
	Accumulated Amortisation		
	Balance at the beginning of the year	**3,629,840**	-
	Amortisation during the year	**3,790,040**	3,629,840
	Balance at the end of the year	**7,419,880**	3,629,840
	Written Down Value	**30,480,520**	34,270,560
5	**Deposits** (Non-current)		
	Rent Deposit	**6,879,735**	6,879,735
	Safety Locker Deposit	**100,000**	100,000
		6,979,735	6,979,735
6	**Defined Benefit (Asset) / Obligations**		
	Balance at the beginning of the year	**9,761,906**	8,086,803
	Charge for the year	**819,437**	670,620
	Interest for the year	**392,359**	865,794
	Actuarial (gains) / losses	**4,079,441**	1,666,589
		15,053,143	11,289,806
	Payments during the year	**(9,177,100)**	(1,527,900)
		5,876,043	9,761,906
	Gratuity Fund (Note 6.1)	**(10,476,035)**	(18,920,955)
	Balance at the end of the year	**(4,599,992)**	(9,159,049)
	Present value of the obligation was measured using the following assumptions.		
	Expected salary increment	**2%**	2%
	Discount / interest rate	**10.0%**	11.5%
	Staff turnover factor	**9%**	9%
	The liability for gratuity is partly funded.		
6.1	**Gratuity Fund**		
	Balance at the beginning of the year	**18,920,955**	14,420,640
	Investments made during the year	**-**	5,100,000
	Interest received during the year	**732,180**	928,215
	Payments during the year	**(9,177,100)**	(1,527,900)
	Balance at the end of the year	**10,476,035**	18,920,955
7	**Inventory**		
	Stationery	**512,190**	538,840

Notes to the Financial Statements

	As at	31-Dec-25 Rs.	31-Dec-24 Rs. Restated
8	**Accounts Receivable**		
	Prepayments	**3,203,200**	3,921,146
	Deposits	**5,000**	5,000
		3,208,200	3,926,146
9	**Cash and Cash Equivalents**		
	Cash in hand and at bank	**3,830,669**	1,804,772
		3,830,669	1,804,772
10	**Deferred Income - Government Grants** (Non-current)		
	Balance at the beginning of the year	**73,417,204**	72,813,857
	Grants received and utilised to acquire non-current assets	**1,669,326**	6,460,725
	Grants received and invested in gratuity fund	**-**	5,100,000
	Depreciation and amortisation expenses for the year	**(8,558,468)**	(8,682,590)
	Interest received on gratruity fund	**732,180**	928,215
	Defined benefit obligation charge for the year	**(5,291,237)**	(3,203,003)
	Balance at the end of the year	**61,969,005**	73,417,204
	Represented by:		
	Property, Plant and Equipment	**19,908,758**	23,007,860
	Intangible Assets	**30,480,520**	34,270,560
	Deposit (non-current)	**6,979,735**	6,979,735
	(Provision for gratuity) / Excess of Gratuity Fund	**4,599,992**	9,159,049
	Balance at the end of the year	**61,969,005**	73,417,204
11	**Deferred Income - Government Grants** (Current)		
	Balance at the beginning of the year	**1,242,873**	5,318,539
	Increase / (decrease) in inventories and accounts receivable	**(744,596)**	600,440
	Increase / (decrease) in cash and cash equivalents	**2,025,897**	(1,522,650)
	(Increase) / decrease in accounts payable	**974,135**	(3,153,456)
	Balance at the end of the year	**3,498,309**	1,242,873
	Represented by :		
	Inventories	**512,190**	538,840
	Accounts receivable	**3,208,200**	3,926,146
	Cash and cash equivalents	**3,830,669**	1,804,772
	Less: accounts payable	**(4,052,750)**	(5,026,885)
	Balance at the end of the year	**3,498,309**	1,242,873

Notes to the Financial Statements

	As at	31-Dec-25 Rs.	31-Dec-24 Rs. Restated
12	**Accounts Payable**		
	Auditors' remuneration	800,000	700,000
	EPF Payable	-	976,265
	ETF Payable	-	146,440
	Consultancy fee on completion of MIS	-	1,602,000
	Professional fees payable to reviewers	-	400,000
	Staff incentive payable	68,500	39,000
	Accrued Internal Audit Fee	500,000	260,000
	Accrued Annual Report Expenses	400,000	400,000
	Utility expenses payable	138,000	245,421
	Outsouced services payable	84,750	107,940
	Payable to the Institute of Chartered Accountants of Sri Lanka	2,000,000	-
	Other payables	61,500	149,819
		4,052,750	5,026,885

	For the year ended	31-Dec-25 Rs.	31-Dec-24 Rs. Restated
13	**Government Grants**		
	Government Grants received during the year	97,275,000	101,232,887
	Grants received and invested in gratuity fund	-	(5,100,000)
	Grants used for capital expenditure	(1,669,326)	(6,460,725)
	Grants used to finance net current assets	(2,255,436)	4,075,666
	Depreciation and amortisation expenses for the year	8,558,468	8,682,590
	Interest received on gratruity fund	(732,180)	(928,215)
	Defined benefit liability for the year	1,211,796	1,536,414
	Grants shown in the Statement of Financial Performance	102,388,322	103,038,617
	Grant related to remeasurement of defined benefit liability shown in Other Comprehensive Income	4,079,441	1,666,589
	Grants to be utilised as payables during the year	-	1,602,000
	Total grants transferred to total comprehensive income shown in Statement of Cash Flows	106,467,763	106,307,206
14	**Auditors' Remuneration**		
	Current year	400,000	400,000
	(Over) / under provisions in the previous years	(26,004)	
		373,996	400,000

Notes to the Financial Statements

For the year ended	31-Dec-25 Rs.	31-Dec-24 Rs. Restated
15 Staff Costs		
Staff remuneration	38,407,527	41,248,188
Employees' provident fund	4,082,160	4,447,533
Employees' trust fund	1,020,540	1,111,883
Defined benefit obligation (note 15.1)	479,616	608,199
Other outsouce services	2,619,902	1,991,945
Staff incentive	615,058	544,882
Staff medical insurance	1,481,243	1,543,084
Staff welfare	1,206,798	1,170,193
Other staff benefits	516,225	752,553
	50,429,069	53,418,460
15.1 Defined Benefit Obligation		
Charge for the year	819,437	670,620
Net interest for the year	(339,821)	(62,421)
	479,616	608,199
Actuarial (gains) / losses disclosed as other comprehensive income	4,079,441	1,666,589
Total Defined Benefit Obligation included in the Statement of Cash flows	4,559,057	2,274,788
16 Other Administration Expenses		
Computer maintenance	962,784	899,022
Equipment maintenance	1,030,125	1,395,106
Vehicle maintenance	1,787,707	2,145,616
Communication expenses	1,603,774	1,723,140
Parking expenses	661,095	528,082
Insurance of furniture & fittings and office equipment	191,972	202,402
Bank Charges	100,855	85,708
Travelling expenses	172,551	125,490
Office expenses	1,050,605	842,294
Annual report	351,998	329,788
Legal and professional fees	-	516,148
Internal audit fees	557,196	516,201
	8,470,662	9,308,997

17. Capital Commitments

17.1. The Board had approved to re-commence the design and construction work of the interior design and partitioning of the office space in two phases as the construction work did not take place due to funding constraints despite the plan being initiated in 2019. The estimated cost of the project based on current prices is Rs. 3 million (excluding taxes).

17.2. Additional capital expenditure contracted in respect of repairing a motor vehicle amounted to Rs. 2.7 million.

18. Related Party Transactions

There were no related party transactions during the year ended 31 December 2025.

19. Contingent Liabilities

There were no contingent liabilities as at 31 December 2025. (As at 31 December 2024 - nil)

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

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

Annexures

Specified Business Enterprises

Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 has identified the following business enterprises which are economically significant entities as Specified Business Enterprises. The Act requires the below SBEs to submit their audited annual financial statements to SLAASMB to enable SLAASMB to monitor compliance with Sri Lanka Accounting Standards.

- Companies licensed under the Banking Act, No. 30 of 1988.
- Companies authorized under the Insurance Industry Act No. 25 of 1962 to carry on insurance business.
- Companies carrying on leasing business.
- Factoring companies.
- Companies registered under the Finance Business Act, No. 78 of 1988.
- Companies licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, to operate unit trust.
- Fund Management Companies.
- Companies licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, to carry on business as stockbrokers or stock dealers.
- Companies licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, to operate a Stock exchange.
- Companies listed in a Stock Exchange licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987.
- Other Companies
    1. Which have a turnover in excess of Rs. 500 Million;
    2. Which at the end of the previous financial year, had shareholders equity in excess of Rs. 100 Million;
    3. Which at the end of the previous financial year, had gross assets in excess of Rs. 300 Million;
    4. Which at the end of the previous year had liabilities to banks and other financial institutions in excess of Rs. 100 Million;
    5. Which have a staff in excess of 1000 employees.
- Public corporations engaged in the sale of goods or the provision of services.

Glossary

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Cash and Cash Equivalents
High liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

Current Ratio
Current assets divided by current liability.

Quick Ratio
Current Asset less Inventory and prepayments divided by current liability.

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

SLFRS for SMEs
Sri Lanka Accounting Standards for Small and Medium Sized Entities.

CA Sri Lanka
Institute of Chartered Accountants of Sri Lanka

IWWG
Inspection Workshop Working Group

Amortization
The systematic allocation of depreciable amount of an intangible asset over its useful life.

Contingent Liabilities
A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognized because:

1. The obligation is crystallised by the occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

SLFRS/LKAS
Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards

IFIAR
International Forum of Independent Audit Regulators

SBEs
Specified Business Enterprises

ISQM
International Standard on Quality Management

IFAC
International Federation of Accountants

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