

*Enhancing Reliability*

# ANNUAL REPORT 2019



## SLAASMB

Sri Lanka Accounting and Auditing  
Standards Monitoring Board

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

The function of the Board is to monitor compliance with the Sri Lanka Accounting Standards and the Sri Lanka Auditing Standards in the preparation, presentation and audit of financial statements of specified business enterprises. (See page 63)

## Contents

Members of the Board.....	01
Profile of the Members of the the Board as at 29 November 2019 .....	02
Observers/Invitees of the Board as at 29 November 2019 .....	05
Board appointed Sub-Committees during 2019 .....	06
Current staff of the Board .....	07
Technical staff of the Board .....	08
Review of Activities 2019.....	09
Observations Made on Review of Financial Statements during 2019 .....	17
Undertakings Obtained during the year 2019 .....	19
Audit Inspections - 2019.....	20
Short term and medium term measures to be followed to improve the performance of SLAASMB.....	25
Performance Scorecard.....	27
Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 - Compliant with Sri Lanka Accounting Standards .....	29
Financial Statements of SBE's reviewed during 2019 - Compliant with observations communicated by Letters of Observations...	37
Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2019 .....	41
Activities relating to Standard Setting by CA Sri Lanka during 2019 .....	42
Report of the Auditor General .....	43
Current status regarding the issues addressed in the Report of the Auditor General .....	50
Statement of Financial Position .....	52
Statement of Financial Performance and Other Comprehensive Income .....	53
Statement of Changes in Net Assets .....	54
Cash Flow Statement .....	55
Notes to the Financial Statements .....	56
Specified Business Enterprises .....	63

## Members of the Board

<b>R A A Jayalath</b> FCA, B Com(SP), MBA, MA (Econ) Assistant Governor – Central Bank of Sri Lanka	Chairman	
<b>D N R Siriwardena</b> BA (Hons.), LLB, LLM, Attorney-at-Law Registrar General of Companies	Ex-Officio Member	
<b>A N Guruge</b> BSc, B. Admin Commissioner General – Department of Inland Revenue	Ex-Officio Member	
<b>V P Wijegunawardane</b> BA (Hons), MA (Financial Economics) Director General – Securities and Exchange Commission of Sri Lanka	Ex-Officio Member	
<b>L L S Wickremasinghe</b> FCA, FMAAT Partner - B.R.De Silva & Co, Past President CA Sri Lanka	Appointed Member	Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
<b>A Herath</b> FCA, BSc, MBA, MAFE Partner Ernst & Young	Appointed Member (up to 25 May 2019)	CA Sri Lanka
<b>H M A Jayasinghe</b> FCA, FCMA, CIPFA Partner - Ernst & Young	Appointed Member (w.e.f. 5 July 2019)	CA Sri Lanka
<b>W W J C Perera</b> FCA, BSc (B.Admin), CFE Partner – KPMG, President – CA Sri Lanka	Appointed Member	CA Sri Lanka
<b>A De Vas Gunasekera</b> FCA, FSCMA Group Chief Financial Officer, Sampath Bank PLC	Appointed Member (up to 25 May 2019)	Sri Lanka Bankers' Association
<b>Ms. A Gallage</b> BBA (Sp), MBA, FCMA(UK), CGMA, CPA (Australia) Dip. in Com. (Papua New Guinea) Chief Financial Officer – Hatton National Bank PLC	Appointed Member (w.e.f. 05 July 2019)	
<b>P L C Peiris</b> FCA, Attorney-at-Law Managing Partner – P L C Law Chambers	Appointed Member	Bar Association of Sri Lanka
<b>Ms. N Sivapragasam</b> FCA, FCMA (UK) Chief Financial Officer, Aitken Spence PLC	Appointed Member (up to 25 May 2019)	Ceylon Chamber of Commerce)
<b>A Pieris</b> ACA, FCMA (UK), CGMA	Appointed Member (w.e.f. 05 July 2019)	
<b>S N Jayasinghe</b> FCMA (UK) Group Director Finance, Ceylon Biscuits Group of Companies	Appointed Member (up to 13 May 2019)	Chartered Institute of Management Accountants
<b>H Premaratne</b> BSc (Computer Science), MBA, FCMA (UK), FCCA (UK), CGMA Group Finance Director – Brandix Apparel Ltd	Appointed Member (w.e.f. 05 July 2019)	
<b>Prof. Ms S Senaratne</b> BSc (Hons), MBA, PhD (Fin) Professor in Accounting – University of Sri Jayewardenepura	Appointed Member (w.e.f. 05 July 2019)	University Grants Commission
<b>Mrs. M D G L Perera</b> FCA, MBA	Secretary to the Board	

\* A member representing the Federation of Chambers of Commerce and Industry of Sri Lanka was not appointed to the Board.

In compliance with the Presidential Circular of PS/SP/SB/Circular/02/2019 the members resigned from the Board w.e.f. 29 November 2019. Some of the resigned members have been re-appointed to the new Board in 2020.

## Members of the Board

as at 29th November 2019



**R A A Jayalath**

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

Mr Jayalath, Chairman of the Board is an Assistant Governor, in-charge of foreign reserves management, monetary policy implementation, domestic banking operations, payments and settlements and information technology, at the Central Bank of Sri Lanka. He counts over 30 years of service at the Central Bank of Sri Lanka.



**D N R Siriwardena**

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

Mr. Siriwardena joined the Department of Registrar of Companies in 1988. He is working as the Registrar General of Companies. He has over 32 years of experience in the Department of Registrar of Companies. Mr. Siriwardena is an ex-officio member of the Institute of Chartered Accountants of Sri Lanka, the Insurance Regulatory Commission of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.



**A N Guruge**

*BSc., B. Admin*

Mr. Guruge, the Commissioner General of Inland Revenue counts over 36 years of service at the Department of Inland Revenue. He is a graduate of Sri Jayewardenepura University in the stream of Business Administration and has obtained a degree in Bachelor of Commerce. He has successfully completed Diploma in Strategic Management and Leadership at Greenwich School of Business and Finance, United Kingdom and a Diploma for English Professionals at National Institute of Business Management. He is also a fellow Member of Association of Public Finance Accountants of Sri Lanka (APFASL).



**V P Wijegunawardane**

*BA (Hons), MA (Financial Economics)*

Mr. Wijegunawardane is the Director General of the Securities and Exchange Commission of Sri Lanka. Prior to assuming responsibilities as Director General in 2015, he led SEC's Capital Market Development directorate for eight years working towards a development and reform agenda focused on sustainable growth and broad visibility for the Sri Lankan capital market. He also holds the International Capital Markets qualification from the Securities and Investment Institute, London.

## Members of the Board

as at 29th November 2019



**L L S Wickremasinghe**

*FCA, FMAAT*

Mr. Wickremasinghe, Partner of B R De Silva & Co., is a past president of the Institute of Chartered Accountants of Sri Lanka. He counts over 22 years of experience in auditing, assurance services, forensic investigations and taxation. He is the Treasurer of Sri Lanka Cricket Board and a member of the Board of Commercial Credit and Finance PLC.



**A Pieris**

*ACA, FCMA (UK), CGMA*

Mr. Pieris is a Director of Cargills (Ceylon) PLC, Hatton National Bank PLC and Cargills Foods Company (Private) Limited and is a consultant to many other Companies. He has wide and varied experience in the fields of Marketing, Finance, and Manufacturing both in Sri Lanka and overseas.



**W W J C Perera**

*FCA, B.Sc (B.Admin.), CFE*

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

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



**Ms A Gallage**

*BBA (Sp), MBA, FCMA(UK), CGMA, CPA (Australia), Dip. in Com. (Papua New Guinea)*

Ms Gallage is the Chief Financial Officer of Hatton National Bank PLC and leads the overall financial sphere of HNB. She counts over two decades of experience in the banking sector locally as well as internationally. She also serves as a member of the Board of LVL Energy Fund PLC.

## Members of the Board

as at 29th November 2019



### **H Premaratne**

*BSc (Computer Science), MBA, FCMA (UK), FCCA (UK), CGMA*

Mr. Premaratne is the Group Finance Director of Brandix Group and serves as Director or Managing Director on the Boards of several companies in the Group. He is also a Committee Member of Ceylon Chamber of Commerce and serves as a member of the Board of Bank of Ceylon. He has 11 years experience in lecturing locally and internationally and has received the Tutor of the Award in 2009 at the CIMA Global Financial Management Awards



### **Prof. (Ms) S Senaratne**

*BSc (Hons), MBA, PhD (Fin)*

Ms. Senaratne is a Professor in Accounting of the Department of Accounting of University of Sri Jayewardenepura. She is a prolific researcher and has published variety of papers in the areas of corporate governance, corporate sustainability accounting and integrated reporting and accounting education both locally and internationally. She has received awards in recognition of her research work and has participated as panelists in various local and international forums on accounting education and integrated reporting.

She actively engages in curriculum development and quality assurance activities of Universities, at National level Educational Institutions and at the World Bank funded Projects of Sri Lanka.

### *Chairman of Statutory Accounting Standards Committee*



### **P L C Peiris**

*FCA, Attorney-at-Law*

Mr. Peiris, the Managing Partner of PLC Law Chambers counts over 24 years of experience in Investment Banking, Finance and Law. Being a professional in law and finance, he is also a Passed Finalist of the Chartered Institute of Management Accountants of UK (CIMA). In 2019 he served as a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka and is a delegate member of the Bar Council of the Bar Association of Sri Lanka.



### **H M A Jayasinghe**

*FCA, FCMA, CIPFA*

Mr. Jayasinghe, the present Vice President of the Institute of Chartered Accountants of Sri Lanka, is a Senior Partner of Ernst & Young. He is also the Head of Assurance and Professional Practice and the Director-in-charge of Banking and Financial Services practice at Ernst & Young.

Mr. Jayasinghe having 37 years of extensive experience in accounting and auditing, serves as a Member of the Board of International Accounting Education Standards Board of International Federation of Accountants (IFAC), as the Chairman of the Accounting Standards Committee of the South Asian Federation of Accountants (SAFA) and as a the Chairman of the Statutory Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka.



## Observers / Invitees of the Board

as at 29th November 2019

### **Observer of the Board - Treasury Representative**



#### **K Sathyakumar**

*BBA (Hon.), MBS*

Mr. Sathyakumar, Accountant of the Ministry of Finance Economy and Policy Development, counts over 20 years of experience in the Public Sector. He serves as a member of the Board of Expressway Transport Company (Pvt) Ltd.

### **Chairman of Statutory Auditing Standards Committee**



#### **T J S Rajakarier**

*FCA, FCCA, FCMA, CGMA*

Mr. Rajakarier, Partner at KPMG Sri Lanka, counts over 32 years of service in public accounting practice. Currently, he serves as the Head of Audit of KPMG. He is also responsible for quality assurance and root cause analysis in audits at KPMG. He is also the Chairman of the ACCA member network panel in Sri Lanka.

Mr. Rajakarier is the Chairman of Statutory Auditing Standards Committee of Institute of Chartered Accountants of Sri Lanka and has been actively involved in setting policies and providing guidance by serving on several other committees and faculties.

### **Acting Director General**



#### **Ms. Anusha Mohotti**

*FCA, FCMA (UK), CGMA, BBA (Hons.),  
MBA (Leicester)*

Mrs. Anusha Mohotti, Acting Director General who is also a Deputy Director General of Sri Lanka Accounting and Auditing Standards Monitoring Board, counts over 30 years of experience in financial and business management and in auditing in diverse business segments in the commercial sector. During her total work exposure, she has been serving SLAASMB for over 19 years engaging in regulating compliance with accounting and auditing standards.

She is a Fellow Member of the CA Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants of UK. She holds a Master's degree in Business Administration from the University of Leicester, UK and is a graduate in Business Administration from the University of Colombo.

## Board appointed Sub-Committees during 2019

### **Audit Committee**

Mr. L L S Wickramasinghe – Chairman  
Mr. A De Vas Gunasekara – Member ( up to 25 May 2019 )  
Ms. N Sivapragasam – Member ( up to 25 May 2019 )  
Mr. A N Guruge – Member ( w.e.f. 30 July 2019 )  
Mr. K Sathyakumar – Member ( w.e.f. 30 July 2019 )

### **Remuneration Committee**

Mr. R A A Jayalath - Chairman  
Mr. S N Jayasinghe - Member ( up to 13 May 2019 )  
Mr. P L C Peiris - Member  
Mr. V P Wijegunawardena - Member ( w.e.f. 30 July 2019 )

### **Technical Sub-Committee**

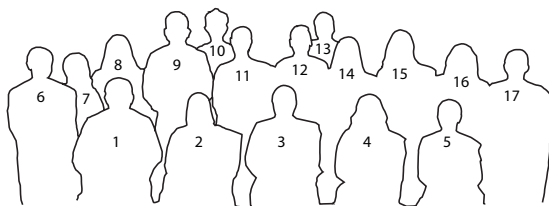
Ms. N Sivapragasam - Chairperson ( up to 25 May 2019 )  
Ms. A Gallage - Chairperson ( w.e.f. 30 July 2019 )  
Mr. A De Vas Gunasekara - Member ( up to 25 May 2019 )  
Mr. S N Jayasinghe - Member ( up to 13 May 2019 )  
Mr. H M A Jayasinghe - Member  
Mr. A Pieris - Member ( w.e.f. 30 July 2019 )  
Prof. (Ms.) S Senaratne - Member ( w.e.f. 30 July 2019 )

### **IT Project Steering Committee**

Mr. R A A Jayalath - Chairman  
Mr. A Herath - Member ( up to 25 May 2019 )  
Mr. S N Jayasinghe - Member ( up to 13 May 2019 )  
Mr. W W J C Perera - Member  
Mr. H Premaratne - Member ( w.e.f. 30 July 2019 )  
Mr. D N R Siriwardena - Member ( w.e.f. 30 July 2019 )  
Director General of SLAASMB - Member



## Current staff of the Board



1. K. Sivakumar
2. Ms. Asha Ahamath
3. Ms. Anusha I Mohotti
4. Ms. Monita N Bandara
5. Ms. Hafsa B Razzak
6. Ms. Imalka Iddamalgod

7. Ms. M. Surani T. Fernando
8. Ms. R A Nadeeshani Manodika
9. H S U P Jayawardena
10. Ms. F Shiromi Abeykoon
11. Ms. D M Nilanthi P Dandeni
12. K. Rasika S Bandara

13. Ms. W G Eranga Amarasi
14. Ms. Dilinika Menmendaarachchi
15. Ms. Kalani Hettiarachchi
16. Ms. M Lakmalie Hewage
17. Ms. L Wathsala Mallawarachchi

## Technical staff of the Board

**Mrs. Anusha I Mohotti**

*FCA, FCMA (UK), CGMA, BBA (Hons.),  
MBA (Leicester)*  
Acting Director General

**Mrs. Asha Ahamath**

*FCA*  
Deputy Director General

**Mrs. Monita N Bandara**

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

**Ms. Hafsa B Razzak**

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

**Ms. W G Eranga Amarasinghe**

*FCA, BSc (Acc) Sp (Hons.), MBS(Col)*  
Director Technical

**Ms. M Lakmalie Hewage**

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

**Mrs. Imalka Iddamalgoda**

*ACA, B.Sc (Fin) Sp*  
Director Technical

**Mrs. Dilinika Menmendaarachchi**

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

**Mrs. Kalani Hettiarachchi**

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

**Mrs. D M Nilanthi P Dandeni**

*FCA, BBA (Acc) Sp (Hons.), AIB(SL)*  
Assistant Director Technical

**Mrs. L Wathsala Mallawarachchi**

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

**Mrs. Randima De Silva**

*FCA, B.Sc (Acc) Sp (Hons.)*  
Assistant Director Technical (up to 01/10/2019)

**Mrs. K Ishari M Silva**

*FCA, BBA (Acc) Sp (Hons.) MBA Sri J.*  
Assistant Director Technical (up to 25/09/2019)

# Review of Activities - 2019

## 1 Introduction

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. Based on the definitions and criteria laid down by the Act, certain institutions are identified as Specified Business Enterprises (SBEs). (see page 63 for definition of SBEs). These SBEs are required to comply with Sri Lanka Accounting Standards in the preparation and presentation of their financial statements and their auditors are required to comply with Sri Lanka Auditing Standards in the conduct of the audits of these SBEs. The Act requires SBEs to submit their annual audited financial statements to SLAASMB to enable SLAASMB to monitor compliance with Sri Lanka Accounting Standards and Sri Lanka Auditing Standards. SLAASMB carries out its functions by reviewing financial statements received, inspecting audits of SBEs, conducting investigations on failure to comply with standards and taking appropriate corrective actions with regard to non-compliances with standards by SBEs and their auditors. Under the Act, Sri Lanka Accounting Standards and Sri Lanka Auditing Standards are promulgated or adopted by the CA Sri Lanka. In order to make recommendations and assist CA Sri Lanka to adopt such standards, an Accounting Standards Committee and an Auditing Standards Committee has been established under

the Act. CA Sri Lanka adopts accounting standards based on International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB). Similarly, the auditing standards adopted are based on the International Auditing Standards developed by the International Auditing and Assurance Standards Board (IAASB). Presently, the Institute has adopted nearly 42 Accounting Standards and 38 Auditing Standards aligning with the said International Standards, which are required to be complied by the SBEs and auditors. A brief description of the main operations and activities of SLAASMB carried out to discharge its statutory functions during the year is given below.

## 2 Review of Financial Statements

### 2.1 Methodology followed on Reviews

The financial statement reviews are conducted to ensure compliance by SBEs with Sri Lanka Accounting Standards. The required action on non-compliances is determined based on the materiality of the non-compliances. SLAASMB mainly focuses on non-compliances relating to recognition and measurement issues and significant disclosure and presentation issues. Where a cause for concern relating to a significant non-compliance with standards is not observed, such financial

statements are considered as compliant with Sri Lanka Accounting Standards. When issues have been identified in financial statements which are material, but not significant to use statutory provisions, such financial statements are considered as compliant with observations and the findings are communicated to the respective SBEs in the form of a letter of assistance. When deviations from standards substantially alter the financial position and financial performance, an undertaking is sought from such SBE to make the required corrections in the next financial statements to be issued. When deviations contravene the provisions of the statute, but the contravention is not of a serious nature, a Direction is issued by the Board. However, where such deviation makes the financial statements misleading, legal action is instigated based on the statute.

### 2.2 Highlights of Review of Financial Statements

As at 31 December 2019, SLAASMB has identified 1,608 entities meeting the criteria laid down by the Act. No 15 of 1995 termed as SBEs for monitoring under the Act. During the year, 1,521 SBEs had submitted 1,635 sets of financial statements of which some financial statements were in relation to prior years.

During the year, SLAASMB continued the audit inspection mechanism which was aligned in 2016 with global practices adopted by

## Review of Activities 2019

other audit regulators. The said methodology which commences by identifying the high-risk elements of an audit, conducts the inspection in-depth into the high-risk areas, resulting in enabling identification of deviations from auditing standards. Due to the nature of the said methodology and the descriptive reporting to firms on inspection findings, the regular inspections take a considerable time to conclude in comparison with the pre 2016 methodology. Based on the premise that the total number of staff engaged in performing the review functions remains static since 2013, with the aforesaid audit methodology taking more time to perform the audit in its drive towards enhancing the audit quality environment, the time available for the staff to review financial statements is limited. This is further aggravated due to the additional time required to review the appropriateness in application of Sri Lanka Accounting Standard SLFRS 15, Revenue from Contracts with Customers and SLFRS 9 - Financial Instruments as this year is the first year since these two standards became effective. Since the quality audit reduces the risk of material misstatements in

financial statements, selection of financial statement reviews were focussed at high-risk entities being subject to review on an annual basis while the review of other financial statements being covered on a cyclical basis.

Consequent to an internal promotion to fill the vacancy of a Deputy Director General, a position of Director Technical remained vacant throughout the year. This, together with the post of Director General remaining vacant consequent to retirement since 24 April 2019 and two Assistant Director Technical posts remaining vacant due to resignations in August-September 2019, the Board had only 11 technical staff as at the year end to perform the financial statement reviews as well as audit inspections.

SLAASMB commenced the year focussing on reviewing the financial statements of the high-risk SBEs with the aim of enhancing the compliance level of high-risk, economically significant SBEs. However, as a result of four technical positions being vacant, driven by the need to achieve the annual targeted reviews at least in par with that of 2018,

SLAASMB changed the focus by deferring reviews of high-risk SBEs with complexities, which are more time consuming and focussed on covering a larger number of SBEs of private entities. As a result, although the reviews of some of the more economically significant entities with complexities were deferred, SLAASMB was successful in covering the reviews of financial statements of other SBEs within a period of 3-5 years.

Resulting from the changed selection approach of SBEs, reviews of 720 sets of financial statements relating to 699 SBEs were completed compared with the 725 sets of financial statements planned for the year, despite having four technical positions vacant. In comparison SLAASMB had completed the review of 638 sets of financial statements relating to 608 SBEs during 2018. The number of reviews in 2018 were low due to the staff spending considerable time on activities relating to hosting the 12th IFIAR Inspection workshop in Colombo, which was attended by 110 participants from 40 countries.

## Review of Activities 2019

### 2.3 Performance Statistics of the Board

		2016	2017	2018	2019
<b>1</b>	<b>No. of SBEs Identified (as at period end)</b>	1,485	1,559	1,579	1,608
<b>2</b>	<b>Financial statements received</b>				
	No of statements (including financial statements relating to multi years)	1,536	1,643	1,566	1,635
	No. of SBEs	1,412	1,479	1,456	1,521
<b>3</b>	<b>Review of financial statements</b>				
	No. of reviews	731	518	638	720
	No. of SBEs	678	459	606	699
<b>4</b>	<b>Review findings</b>				
	<b>Compliant</b>				
	No. of financial statements	436	324	430	450
	No of SBEs	417	306	413	440
	<b>Compliant with observations</b>				
	No. of financial statements	291	185	202	270
	No of SBEs	262	150	193	256
	<b>Non Compliant</b> (Undertakings, Directions and Warnings)				
	No. of financial statements	4	9	6	3
	No of SBEs	4	9	6	3
<b>5</b>	<b>Findings of financial statements as a % of financial statements reviewed</b>				
	Compliant	61%	66%	68%	62.5%
	Compliant with observations	38%	32%	31%	37%
	Non-compliant (Undertakings, Directions and Warnings)	1%	2%	1%	0.5%

**2.4** The review findings during the year 2019 revealed 62.5% of SBEs as being compliant, 37% being compliant with observations and 0.5% being non-compliant.

**2.5** Significant deviations from the relevant requirements of Sri Lanka Accounting Standards which substantially altered the financial position and financial performance were identified in the financial statements of two SBEs which are listed entities. Accordingly, corrective action in the form of undertakings obtained from SBEs, resulted in corrections to net profits/

equity amounting to Rs. 988 million. These undertakings would be followed up for compliance in the subsequent annual financial statements. (see page 17 for Observations made on the review of financial statements and page 19 for Undertakings obtained and Directions issued during 2019).

**2.6** When a listed entity had failed to comply with the relevant requirements of Sri Lanka Accounting Standards which were material, resulting in the said financial statements failing to reflect the true and fair view of the financial performance and financial

position of the entity, a warning letter was issued to the said SBE requiring the SBE to comply with the relevant standards in the future.

**2.7** Where an identified non-compliance with Sri Lanka Accounting Standards was material but not significant as to require the use of statutory provisions, such non-compliance was communicated as Observations in the form of a letter of assistance. During the year, 270 letters of Observation were issued to encourage those SBEs to improve their systems for financial reporting.



## Review of Activities 2019

### 3. Inspection of Audits

**3.1** During the year, 45 audits carried out by 7 firms of practicing Chartered Accountants were inspected, compared with the 50 audits carried out by 10 firms which were inspected during the preceding year. The number of audit inspections conducted during the year were lower than in 2018 due to the lower number of technical staff being available to perform the inspections, as a direct consequence of three positions relating to technical staff engaged in inspections being vacant due to internal promotion and resignations during the year.

**3.2** The 45 audit inspections carried out during 2019 included 33 regular audit inspections and 12 thematic inspections. During the year, a further step was taken by SLAASMB in conducting inspections with specific focus on Key Audit Matters (KAM), as a proactive measure to review the adoption of Sri Lanka Auditing Standard SLAuS 701 which became effective for audits of financial statements for periods ending on or after 31 March 2018. Accordingly, 10 inspections included in the regular inspections comprised of KAM focussed inspections. In comparison, the 50 audit inspections conducted during 2018 included 19 thematic inspections.

**3.3** Two warning letters were issued during the year to two auditors, requiring the said firms to act diligently and in accordance with the

requirements of applicable auditing standards when conducting audits of financial statements, in the future.

**3.4** The audit files on which the inspections were carried out during the year, were selected on a risk-based approach. However, plans are being made to design a process during 2020 to determine the most suitable risk-base to select audits for inspections.

**3.5** The regular inspections during the year resulted in observing deficiencies in 15 audits conducted by 6 firms compared with the 12 audits conducted by 9 firms during 2018. Significant concerns were communicated to the relevant audit firms (See page 20 for details of audit inspections).

**3.6** Apart from the risk-based approach to regular audit inspections, SLAASMB continued thematic inspections during the year as well. However, the years' theme was changed by focussing on the theme-Related Parties, governed by the complexities in business transactions and in business networks. Accordingly, during the year 12 thematic inspections were conducted representing 4 audit firms. The report of the thematic inspections carried out with 19 audit engagements conducted by 5 firms during 2018 on the theme-Communications with Those Charged with Governance is due to be released in early 2020.

### 4. Investigations

#### Adam Capital PLC

Consequent to the predecessor auditor of Adam Capital PLC issuing a disclaimer of opinion on the financial statements for the years ended 31 March 2014 and 2015 regarding the failure by the Company to maintain proper books of accounts and related records, the present auditor had issued an unqualified opinion on the audit of the financial statements for the year ended 31 March 2016. Having observed non-compliance with Auditing Standards by the said present auditor, the Board issued a direction requesting the Company to re-audit the said financial statements. Consequent to the Company not willing to bare additional costs of a re-audit, the Chairman of the Company has been summoned to inquire reasons to continue with the auditor who had violated Auditing Standards, in subsequent audits as well.

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

Since meeting the undertaking given to the COPE by reviewing financial statements of all SBEs during the years 2014 and 2015, SLAASMB moved towards a risk-based selection of financial statements for reviews as a better means of enhancing the quality of findings on non-compliances. Accordingly, SLAASMB considers reviewing financial

## Review of Activities 2019

statements of all SBEs within a period of 3-5 years which includes covering all regulated entities annually, high-risked private entities every 3 years and low-risked private entities within 5 years. Detailed focus on high-risked entities was also advocated by the World Bank in their Report on the Observance of Standards and Codes, Accounting and Auditing 2015 (ROSC) and by the Consultants from the Asian Development Bank. Further, this method was identified to be the global practice by the international consultants engaged in the capacity building activities of the staff during the year 2016.

The inspection findings during 2019 have indicated that the conduct of the said risk-based selection of financial statement reviews has strengthened the integrated inspection process of financial statements and audits. Conduct of reviews of such financial statements has prompted focus on inspecting specific aspects in audits of such financial statements which has helped to identify non-compliances in audits.

### 6. Assistance to the Standards Setter

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

During the year 2019, the activities performed by the aforesaid two committees included the issue of Sri Lanka Accounting Standards Bound Volume 2019, issue of amendments to few of the Sri Lanka Accounting and Auditing Standards, issue of a new SLFRS for Insurance contracts, amending and gazetting existing Sri Lanka Accounting Standards scheduled to be effective in 2020, including translation of such pronouncements into Sinhala and Tamil languages, responding to the exposure drafts and discussion papers, deliberating on IFRSs and the amendments issued by the International Accounting Standards Board and International Auditing and Assurance Standards Board and conducting awareness programs on the new or amended standards. In continuing the past arrangement with the Ministry of Finance and Mass Media, of providing an annual grant to CA Sri Lanka to assist the standard setting activities, during the year, a sum of Rs. 4 million was paid by SLAASMB to CA Sri Lanka to partly finance the cost of the two committees and to adopt Sri Lanka Accounting and Auditing Standards. (See page 42. Activities relating to standard setting by CA Sri Lanka during 2019)

### 7. International Relations

**7.1** Membership in international organizations has enabled SLAASMB to keep itself abreast of developments around the world on matters relating to financial reporting, auditing and monitoring

compliance with standards. It has also opened a window to obtain information and assistance from other regulators, and to carry out activities which are of benefit to many regulators as joint activities. During the year, SLAASMB continued its membership of the following international organisations:

- a) International Forum of Independent Audit Regulators (IFIAR) - a member since its first plenary meeting held in 2007.
- b) Consultative Advisory Group of the International Auditing and Assurance Standards Board (IAASB) - appointed as a member in 2007.
- c) Consultative Advisory Group of the International Ethics Standards Board for Accountants (IESBA) - appointed as a member in 2009.

**7.2** The staff of SLAASMB represented Sri Lanka in the sessions of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (ISAR).

**7.3** During the year, 9 staff members attended a total of 7 international meetings, conferences and workshops. Apart from attending the IFIAR Plenary meeting and the meetings of the two Consultative Advisory groups, the staff of SLAASMB attended the inspection workshop and the enforcement workshop conducted by IFIAR, which



## Review of Activities 2019

are informative knowledge sharing platforms. These sessions enable discussion and networking with fellow audit regulators throughout the world.

SLAASMB was also invited to attend and to make presentations at the ASEAN Audit Regulators Group's (AARG) inspection workshop and the 2019 IFRS Workshop organized by the AOSSG Secretariat, jointly with the China Accounting Standards Committee and the Shanghai National Accounting Institute.

Through the participation at the meetings and inspection workshops and conferences related to audit regulation, SLAASMB has been able to further modify its regulatory mechanism to align with global developments. However, unfortunately, due to the Government's curtailment of international travel within the last three months of the year, for the first time, SLAASMB could not attend the annual conference conducted by the Public Company Accounting Oversight Board (PCAOB) despite PCAOB's invitation to attend.

### 8 Human Resources

#### 8.1 Staff

SLAASMB had a total staff of seventeen as at the end of 2019, of which eleven were Chartered Accountants. The total technical staff comprised of the Acting Director General, one Deputy Director General, five Directors and four Assistant Directors. Of the technical staff, three were

employed on a contractual basis while eight were employed on permanent basis.

The post of Director General remained vacant since April 2019 due to retirement and a post of Director Technical remained vacant throughout the year due to the Board not being successful in attracting well experienced, technically competent Chartered Accountants at the salary scales applicable according to the Ministry Circulars. Further, during the year two Assistant Director Technical and Assistant Director (Finance and Administration) resigned from the posts, resulting in five vacancies existing at the year end.

The shortage of competent technical staff engaged in review function resulted in SLAASMB not being able to conclude the planned number of financial statement reviews and audit inspections during the year.

However, effort was taken to enhance the technical capabilities of the existing staff by enabling 8 staff to have international exposure on areas relating to financial reporting, auditing and regulation by attending conferences, workshops and training programmes during the year.

#### 8.2 External Panel of Reviewers

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

financial statements reviews completed by its own staff. During the year, 5 reviewers were recruited to the external review panel and based on the periodic evaluation carried out on the quality of the reviews performed by the external reviewers, services of one reviewer recruited previously, was discontinued. Accordingly, 17 external reviewers were engaged by SLAASMB at the end of the year.

The periodic evaluation conducted on the reviewers' work quality, facilitates enhancement of the quality of the reviews conducted by the external reviewers. It also enables identification and communication of areas for improvement required in reviewers.

The financial statement reviews completed during the year included 99 sets of financial statements of which the preliminary reviews were completed by the external reviewers. During the year, the external reviewers had conducted preliminary reviews of 142 sets of financial statements and Rs.2.04 million was incurred in respect of their services. In finalizing the said reviews, based on the findings, the technical staff of SLAASMB had to obtain additional information, seek agreements for corrections and issue observation letters and take corrective action under the statute. Further, of the financial statement reviews completed during the year,

## Review of Activities 2019

the preliminary review of 621 sets of financial statement reviews too were carried out by the staff of the Board.

### 9 Governance

**9.1** In terms of the statute, the Board consists of 3 ex-officio members and 10 members appointed by the then Minister of Finance and Planning out of nominations received from identified institutions. The ex-officio members are Registrar General of Companies, Commissioner General of Inland Revenue and Director General of the Securities and Exchange Commission of Sri Lanka. The appointed members are nominees from the Central Bank of Sri Lanka, CA Sri Lanka (3 members), Sri Lanka Division of the Chartered Institute of Management Accountants of UK, Bar Association of Sri Lanka, Ceylon Chamber of Commerce, Federation of Chambers of Commerce and Industry of Sri Lanka, Sri Lanka Banks' Association and University Grants Commission. The term of office of a member is four years.

**9.2** Mr. R A A Jayalath, Assistant Governor of the Central Bank of Sri Lanka continued to serve as the Chairman of the Board during 2019. As nominations were not received from the Federation of Chambers of Commerce and Industry of Sri Lanka, one position of the Board remained vacant throughout the year consequent to reminders by the management.

**9.3** Messrs. A Gallage, A De Vas Gunasekara, S N Jayasinghe, H Premaratne, A Pieris and N Sivapragasam, 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. A Herath, W W J C Perera and L S Wickramasinghe, who were also members of the Board and Mr. H M A Jayasinghe who was a member of the board as well as an invitee of the board, served as partners of firms of practicing accountants which audit some of the SBEs. Further, Messrs. K Sathyakumar and Mr. T J S Rajakarier who served as observer/invitee of the Board respectively during the year, served as directors of some of the SBEs or as partners of firms of practicing accountants which audit some of the SBEs. In order to ensure independence of the Board, all papers relating to matters concerning a SBE or its auditor are omitted from the papers sent to members who have a connection with the relevant SBE or its auditor. Such members do not participate in discussions on subjects relating to those SBEs.

**9.4** Consequent to the unsuccessful attempts by the Board to fill the four vacancies in the technical positions, the Board obtained a report on salary statistics of Chartered Accountants in a move to seek possibilities of attracting and retaining experienced technically competent staff to perform the review functions. Accordingly, after following the government procurement procedure, the said report

was obtained at a cost of Rs. 200,000/- from KPMG Executive Search (Pvt) Ltd of which, member/ invitee of the Board, Messrs. W W J C Perera and Mr. T J S Rajakarier are partners.

**9.5** The Board had 10 meetings during the year. The deliberations of the Board during the year covered performance of the staff in terms of overall operational indicators and action required to resolve significant technical issues relating to SBEs and auditors. The Board also focussed on issues relating to non-compliances with standards by SBEs and by auditors, approving annual financial statements, annual budget and the action plan of the Board. The Board was also engaged in reviewing different approaches to enhancing the efficiency and effectiveness of the review mechanisms in the light of the prevailing acute staff shortage. Further, the Board was engaged in reviewing different approaches on amending the staff remuneration scheme in order to attract suitable staff for technical functions.

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

## Review of Activities 2019

### 10. Financial Performance

During the year, SLAASMB's main source of financing continued to be from funds provided by the Government. Although SLAASMB's activities are financed through Government funds, as an alternative, a cess can be levied from SBEs computed as a percentage of shareholders' equity or profit after tax which ever is higher, as may be determined by the Hon. Minister of Finance under the Act, to finance the expenditure of the Board. However, this option was not preferred by the Ministry of Finance and the cess which was proposed to be in operation for periods commencing on or after 1 January 2008 was withdrawn by the Hon. Minister on 7 October 2008.

The operating expenses of SLAASMB for the year amounted to Rs. 78,511,881 compared with Rs. 90,138,101 of the previous year. The decrease in operating expenses was mainly attributable to the lower staff costs relating to the five positions which were vacant during most of the year, low spending on books and periodicals and overseas training and development, as a result of governments' stringent controls on finance during the latter part of the year and due to lower depreciation charges resulting from change in estimated useful lives of certain assets of the operational expenses, staff costs during the year amounted to Rs. 41,487,633 compared to Rs. 44,084,317 during the previous year,

indicating a 6 % decrease from previous year. Further, the staff costs of SLAASMB constituted to be 53% of the operating expenses, in comparison with 49% of the previous year.

### 11. Development Projects

During the year, the Board focussed on two major capital nature activities as means to engage in the review function, enabling enhancing the coverage of financial statements of SBEs or audits. Accordingly, SLAASMB focussed on pursuing with the interior partitioning work of the first floor of the existing office premises rented, to accommodate the additional staff in the new approved cadre.

This need for office expansion is vital to enable enhancement of the present staff cadre, which in turn facilitates SLAASMB to regulate a large number of SBEs and auditors as advocated by the COPE. Due to the need to enable the said recruitments, SLAASMB finalized the detailed floor plan and analysed expenses of the partitioning work. However, SLAASMB was not able to succeed in awarding the partitioning work to a suitable contractor and the calling for re-bids, recommended by the Departmental Procurement Committee was withheld due to stringent curtailment of capital funds during the latter part of the year.

As a means of improving the review mechanism and database management with the available technological advancements, SLAASMB

focussed on obtaining and implementing a suitable Management information System (MIS). Accordingly, with SLAASMB's pressing need for a MIS to smoothen its review functions, in 2015 The Information Communication Technology Agency (ICTA) offered to facilitate the development of the said MIS for SLAASMB through the required consultancy and funding of the development costs during 2016-2017. However, at the stage of awarding the contract to the developer, ICTA informed of their inability to assist SLAASMB's MIS development activity as agreed and as a result, SLAASMB sought the services of a consultant for the project. However, due to deficiencies in the bid submissions, the Departmental Procurement Committee has recommended calling for rebids for a consultant. At present the Board is deliberating on the most suitable means to pursue the development of the MIS for SLAASMB.

# Observations made on review of financial statements during 2019

## 1. Undertakings obtained to make the required corrections

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) obtained undertakings from three specified business enterprises (SBEs) to make corrections in the financial statements. These undertakings resulted in corrections to net profits/ equity amounting to Rs. 988 million.

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

- Failure to recognise a deferred tax asset/ liability in relation to buildings classified as investment property. (Reference; LKAS 12 paragraph 51)
- Failure to reflect the Available for Sale (AFS) investments at the amounts for which the company could establish the ownership and the existence (Reference; LKAS 32 paragraph 11 and The Conceptual Framework for Financial Reporting paragraph 4.44)
- Failure to reflect the amounts payable to related parties at the amounts of their present obligation. (Reference; LKAS 32 paragraph 11 and The Conceptual Framework for Financial Reporting paragraph 4.46)

- Failure to recognise an allowance for impairment to reflect the amounts due from related parties at their recoverable values. (Reference; LKAS 39 paragraph 58)

## 2. Letters of Assistance

Departures from Sri Lanka Accounting Standards detected, which were material, but not significant as to require the use of procedure using statutory provisions, were informed to SBEs, by letter, without extensive inquiries, so that the SBEs could, where necessary, take corrective action on their own. Such letters not being directions issued by SLAASMB, are intended to be letters of assistance.

The main findings relating to which letters of assistance were sent to the SBEs are set out below.

- Failure to make adequate disclosure at the end of the reporting period, on the nature and extent of risks arising from financial instruments to which, the entity is exposed – in 31 SBEs (Reference; SLFRS 7 paragraphs 35, 36 and 37)
- Failure to make adequate disclosure relating to valuation techniques used, inputs to the valuation techniques, quantitative information about significant unobservable inputs used, significant adjustments made to the inputs and the fair value hierarchy for each class

of assets and liabilities measured at fair value – in 28 SBEs (Reference; SLFRS 13 paragraphs 91 and 93)

- Failure to consider all taxable temporary differences when recognizing deferred tax liabilities – in 42 SBEs including 13 in SME sector (Reference; LKAS 12 paragraphs 15, 24 and 48 and SME Section 29 paragraph 29.12)
- Failure to adequately disclose the relationship between tax expense and accounting profit and evidence to support recognition of deferred tax on tax losses – in 34 SBEs including 10 in SME sector (Reference; LKAS 12 paragraph 81 and SME Section 29 paragraph 29.32)
- Failure to make adequate disclosure relating to the nature of the related party relationships as well as information about the transactions with related parties – in 48 SBEs including 19 in SME sector (Reference; LKAS 24 paragraph 18 and SME Section 33 paragraph 33.9)
- Failure to make adequate disclosure in relation to the significant accounting policies which comprise of the measurement base and other accounting policies that are relevant for an understanding of the financial statements – in 25 SBEs (Reference; LKAS 1 paragraphs 15 and 117)

## Observations made on Review of Financial Statements during 2019

- Failure to recognise adequate impairment allowances when objective evidence exist at the end of each reporting period on impairment of a financial asset or group of financial assets – in 20 SBEs including 5 in SME sector (Reference; LKAS 36 paragraph 8 and LKAS 39 paragraphs 58 and 63 and SME Section 11 paragraph 11.21)
- Failure to measure the expected credit losses of a financial instrument to reflect the time value of money – in 04 SBEs (Reference; SLFRS 9 paragraph 5.5.17)
- Failure to disclose all relevant information in relation to valuation of property plant and equipment – in 20 SBEs including 8 in SME sector (Reference; LKAS 16 paragraphs 77 and SME Section 17 paragraph 17.33)

# Undertakings obtained and Directions issued during 2019

## 1. Access Engineering PLC

Access Engineering PLC had failed to recognize a deferred tax asset/ liability in relation to buildings classified as investment property in accordance with the requirements of LKAS 12, in the financial statements for the year ended 31 March 2018.

The auditor had not qualified their opinion on this issue.

Subsequent to inquiries made by SLAASMB, the Company undertook to recognize a deferred tax asset/ liability in relation to buildings classified as investment property in the financial statements for the quarter ended 31 March 2019. As a result, the net assets of the entity has reduced by Rs. 988 million.

## 2. City Housing & Real Estate Company PLC

City Housing & Real Estate Company PLC had;

- i. Recognized Available for Sale (AFS) investments amounting to Rs. 23 million in the absence of evidence to establish the ownership and existence of such financial assets in the financial statements for the year ended 31 March 2017.
- ii. Recognized the amounts payable to related parties by the company amounting to Rs. 30.5 million and by the subsidiary, Trillium Residences Ltd amounting to Rs. 144.6 million without establishing the existence and completeness of the said balances.

- iii. Failed to assess the impairment of the amounts due from related parties for the year ended 31 March 2017 in accordance with the requirements of LKAS 39.

The auditor had qualified their opinion on these issues.

Subsequent to inquiries made by SLAASMB, the entity undertook to;

- i. Reflect the AFS investments at the amounts for which the company could establish the ownership and the existence, in the financial statements for the year ended 31 March 2019.
- ii. Reflect the amounts payable to related parties at amounts of their present obligation in the financial statements for the year ended 31 March 2019.
- iii. Reflect the amounts due from related parties at their recoverable values by recognising an allowance for impairment in the financial statements for the year ended 31 March 2019.



# Audit Inspections – 2019

## 1. Introduction

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

SLAASMB continued monitoring compliance with Sri Lanka Auditing Standards by conducting regular audit inspections and thematic inspections during the year. Further, as a measure to prepare the audit market environment for firm-wide quality inspections in the future, SLAASMB continued the work relating to firm-wide audit quality inspections which commenced in 2018 on firms volunteered to be inspected.

In addition, SLAASMB carried out audit inspections focused at Key Audit Matters (KAM), as a proactive mechanism to review the level of communications of KAM in independent auditor's report with the application of Sri Lanka Auditing Standard 701 in the year 2018.

Accordingly, SLAASMB conducted a total of 45 inspections on audit engagements conducted by 7 audit firms during the year compared with 50 audit engagements conducted by 10 firms during the year 2018. The 45 inspections conducted on audit engagements comprised of 33 regular audit inspections approached through a risk based focus which enabled in-depth inspections into

the predetermined specific areas and 12 thematic inspections. 10 of the 33 regular inspections comprised of audit inspections focused on KAM. In comparison to the 45 inspections carried out during the year, 50 inspections conducted in 2018 comprised of 31 regular audit inspections and 19 thematic inspections. The audits inspected during the year included 29 audits carried out by 4 firms which are members of international networks.

## 2. Enforcements on non-compliances

Based on the severity of the observations made during the inspections, SLAASMB adopted diverse measures in its effort of making the auditors to improve themselves in order to achieve the aim of improving the audit quality environment. During the year, measures such as issuing of letters of warning and letters of Observations continued. In this process of enhancing the audit quality throughout the audit industry, areas for improvement observed were communicated to respective firms during the year. Based on the significance of the issues, where necessary, SLAASMB had referred the deficiencies in audit quality to CA Sri Lanka and to The Securities Exchange Commission of Sri Lanka.

### 2.1 Letter of Warning

During the year 2019, two letters were issued by SLAASMB to two audit firms warning the said firms on the failure to comply with Sri Lanka Auditing Standards

(SLAuSs) and failure to exercise the fundamental ethical principles of professional competence and due care when conducting the audit of an SBE. Accordingly, SLAASMB issued letters of warning to the audit firms, KPMG and Carter de Costa & Co., requiring the said firms to act diligently and in accordance with the requirements of applicable auditing standards when conducting audits of financial statements, in the future.

### 2.2 Letter of Assistance

When regular audit inspections results in finding non-compliances with standards which are material but not significant as to require further action under the statute, such deficiencies are communicated to the audit firms by letters of assistance termed as "Letters of Observations". Such deficiencies were identified in 15 audit engagements conducted by 6 firms.

### 2.3 Suggestions for Improvements

When improvements are required in audits to improve audit quality, such improvements are communicated as suggestions for improvements. During the year, suggestions for improvements relating to 6 audit engagements were communicated to 2 firms. The auditors of such firms are expected to improve on the areas identified in their future audits.

## 3. Observations made on regular audit inspections

Significant deficiencies communicated by letters of observations included:



## Audit Inspections – 2019

### 3.1 Failure to express an appropriate audit opinion

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

- Not expressing an adverse opinion when financial statements contained misstatements that had a pervasive effect on the financial statements.
- Not appropriately establishing the basis for expressing a qualified opinion on the financial statements of a public listed company.
- Not drafting the audit qualifications in a clear and understandable manner to reflect the material misstatements, both detected and undetected, which may affect the true and fair view of the financial statements, when expressing the audit opinion on the financial statements of a public listed company.
- Not appropriately resolving previous year's audit qualifications when expressing an unqualified opinion on the financial statements of a public listed company.
- Not expressing a modified opinion when the financial statements of a public listed company had contained material misstatements and the auditor had been unable to obtain sufficient appropriate audit evidence. In this instance, the auditor had expressed an unmodified opinion and reported such matters in the other matters paragraph.

### 3.2 Failure to obtain sufficient appropriate audit evidence

Failure by the auditor to obtain sufficient appropriate audit evidence from test of controls and substantive procedures to support financial statement assertions were observed as follows:

- Not assessing whether the alternate audit procedures performed had achieved the objective of the originally planned audit procedures.
- Failure to assess the appropriateness of the point at which the revenue had been recognized, considering the point at which risks and rewards of the goods/ services had passed to the customer. Accordingly, the assertions of completeness, accuracy and cut-off had not been tested appropriately.
- Not carrying out appropriate audit procedures to check the recognition and measurement of gem stock carried as investment and inventory.
- Failure to assess the accuracy of valuation of inventories as at the end of the reporting period when the auditor had not relied on the company's inventory control system and had identified inventories as a high risk area in the combined risk assessment.
- Not performing planned audit procedures to obtain sufficient appropriate audit evidence in relation to revenue.
- Not evaluating the reliability and comparability of the data used for substantive

analytical procedures in relation to revenue and cost of sales.

- When only substantive analytical procedures had been performed as test of detail relating to revenue and cost of sales, not designing substantive analytical procedures which are suitable to obtain sufficient appropriate audit evidence.

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

Following observation was made in relation to not maintaining effective two-way communication in an audit of financial statements:

- Non-availability of evidence of the effective two-way communication had with the Audit Committee in relation to the audit engagement of a public listed company.

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

Observations on not fulfilling the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal controls are as follows:

- In deciding on test of controls (TOCs) to be performed, not identifying the appropriate critical control as the relevant control to mitigate the identified control risk, when the auditor had decided on the level of control risk.

## Audit Inspections – 2019

- Not evaluating internal controls when assessing the control risk relating to revenue. In the absence of a proper risk assessment, fact that the audit procedures designed and performed addressed the risk of material misstatements at the financial statements and assertion level could not be assessed.
- Despite having previous experience with the company, the auditor had failed to plan the audit procedures appropriate to the nature of the inventory i.e. gem stock. Accordingly, the auditor had not checked inventory quantities and the date of the valuation, resulting in failing to ensure the assertions of completeness and valuation of inventory.
- When a number of revenue related controls had been identified as relevant controls by the auditor, failure to plan and perform TOCs to test the operating effectiveness of such controls.
- Failure to test the operating effectiveness of controls which were identified by the auditor as critical controls relating to revenue.
- Failure to evaluate the results of audit evidence obtained by testing operating effectiveness of controls relating to revenue.

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

Instances where the auditor has failed to obtain sufficient appropriate audit evidence on fair value estimates are as follows:

- Not assessing the probability/ likelihood of the occurrence of the significant assumptions relating to estimating recoverable value of an investment and failing to obtain sufficient appropriate audit evidence of firm commitment on the restructure of the investee's capital structure, a key assumption affecting the entire computation of the recoverable value of the investment.
- Failure to verify the reasonableness of the fair value of the property, plant and equipment which were revalued.
- Not maintaining professional skepticism when auditing the accounting estimates of a bank, by failing to identify the application of an inappropriate loss given default (LGD) rate by the bank, when estimating the impairment allowance for the loan portfolios.

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

Observations on failure to address risk of fraud by the auditor includes:

- Failure to appropriately address the risk of frauds in relation to revenue recognition, when the auditor had identified conditions that caused the auditor to believe that the sales agreements were not authentic.

- Failure to perform appropriate audit procedures focusing on characteristics of fraudulent journal entries and other adjustments in the general ledger to address the fraud risk.

### 4. Observations made on Key Audit Matters (KAM) inspections

Sri Lanka Auditing Standard 701, which came into effect in the year 2018, deals with the auditor's responsibility to communicate key matters, in the auditor's report. It is intended to address both the auditor's judgment as to what to communicate in the auditor's report and the form and content of such communication. This new extended auditor's report is expected to be more informative and more transparent for the intended users by assisting them in understanding those matters that, in the auditor's professional judgment, were of most significant in the audit of the financial statements of the current period. Communicating key audit matters also assists users of the financial statements in understanding the entity and areas of significant management judgment in the audited financial statements, as such matters are areas of focus in performing the audit.

In the process of KAM inspections, key audit matters in independent auditor's report were analyzed in the first year of reporting, i.e., 2018 with a proactive mechanism to review the level of communications of KAM in Sri Lanka. The aim of this process was to improve future application of KAM with compliance of Sri Lanka

## Audit Inspections – 2019

Auditing Standard 701 in order to achieve the objective of the new extended auditor's report. Following lapses in the application of KAM were observed and communicated to the auditors;

- The auditor had not included a KAM paragraph in the audit report of a public listed company. Accordingly, the auditor had failed to exercise professional competence and due care in expressing the audit opinion.
- Failure to perform audit procedures disclosed under KAM.  
Ex:
  - In assessing the reasonableness of the valuation of the land, the auditor has considered valuation information of only one property even though the audit procedures indicated that information from several similar property valuations have been considered.
  - In assessing the appropriateness of FV, price ranges at which similar buildings within close proximity were transacted had not been checked by the auditor, despite such audit procedure being disclosed under KAM.

### 5. Thematic inspections

The thematic inspections conducted since 2017, as a part of the annual programme of regular inspections of individual audits, are deliberately narrow in scope, and are chosen to

focus on a specific aspect of the audit in a greater depth than is generally possible in regular inspection of audits. Accordingly, a thematic inspection looks at the application of firms' policies and procedures in respect of a specific area or aspect of the audit selected by SLAASMB, to enable comparison among audit firms with a view of identifying both good practices and areas of common weaknesses.

#### *Thematic Inspections conducted during 2018*

During the year, the results of the thematic inspections conducted during 2018 on Communication with Those Charged with Governance (TCWG) on 19 audit engagements conducted by 5 firms were analyzed and the work relating to the preparation of the report was in-progress.

The objective of the aforesaid thematic inspection was to ascertain the practices of firms on having dialog with TCWG and the extent of communication. The communication enables the auditor to develop a constructive working relationship with TCWG, while maintaining the auditor's independence and objectivity. Further, these communications will enable TCWG to fulfill their responsibility of overseeing the financial reporting process. Thus, the effective communication between the auditor and TCWG, is expected to result in strengthening the audit quality environment of the country. In ascertaining the effectiveness of such dialog, SLAASMB was instrumental in taking a further step by conducting discussions with Audit Committee members of the inspected SBE's, in their capacity of TCWG.

This initiative paved way for SLAASMB to assess the level of importance placed by TCWG on having effective communication with auditors. These discussions supported SLAASMB to convey the importance of effective communication with auditors and the responsibility vested on the members of Audit Committees in the capacity of TCWG in selecting and evaluating the statutory auditor of the company and in assessing the quality of the audit service extended by the auditor.

Findings of the thematic inspection creates a platform to compare the related best practices within the audit profession. Further, SLAASMB has also highlighted the areas to be focused by the Audit Committee members in their capacity of TCWG in order to form the base to effectively discharge their duties in relation to the conduct of an effective audit in the future. The Report on the findings of these inspections can be found in the SLAASMB's website (<http://slaasmb.gov.lk>).

#### *Thematic Inspections conducted during 2019*

During 2019, SLAASMB focused on the theme Related Parties which was selected due to the complex business structures which leads to complicated networks of relationships and transactions among related parties. SLAASMB has conducted thematic inspections on the said theme, on a sample of 12 audit engagements conducted by 4 audit firms. The report

## Audit Inspections – 2019

of the thematic inspections conducted in 2019 on the theme- related parties is in-the-process of being finalized.

### 6. Firm-wide Audit Quality Reviews (AQR)

Consequent to the need for a revision to the statute enacted more than two decades ago, and as a part of the Government's capital market development program, proposals were made to amend the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. The said amendments included a proposal by which the Sri Lanka Standards on Quality Control 1(SLSQC1) would be made mandatory, for auditors who audit financial statements of specified business enterprises (SBEs).

While the Act No. 15 of 1995 is in the process of being amended, SLAASMB requested audit firms who conduct audits of a significant number of SBEs, to volunteer to be subject to an inspection on their compliance with the requirements of SLSQC 1. This quality focus inspection mechanism is expected to enhance the audit quality throughout the firm.

In response to the request made to four firms, the two firms, Ernst and Young and KPMG took the lead and volunteered to be subjected to firm-wide quality inspections by SLAASMB. In the initial step of implementing firm-wide quality inspections, the two firms were inspected on the topic 'Tone at the top and audit quality'. The inspection which commenced in 2018 continued during 2019 with

the data gathering and analysis taking place. However, the field work of the inspections have now been completed and the reports are in the process of being issued in 2020.

This trial process is expected to enhance the readiness of the auditor towards the conduct of the firm-wide quality inspections and to streamline SLAASMB's regulatory approach, enabling the effective conduct of firm-wide quality inspections, when mandatory adoption is effective.

### 7. Future focus

SLAASMB expects to continue the regular audit inspections and thematic inspections with the aim of encouraging firms to improve on conducting audits communicated through letters of observations and reports on thematic inspections resulting in enhancing the quality of the audit market. In pursuing with the said objective, SLAASMB has undertaken to submit findings for the annual survey conducted by the International Forum of Independent Audit Regulators (IFIAR) in its attempt to pursue with the new matrix of measuring changes in the rate of audits inspected with the findings, against a reduction of at least 25% over four years from 2019, relating to inspections of listed entities by firms of international networks.

## Short term and medium term measures to be followed to improve the performance of SLAASMB

Issues relating to organizational performance	Planned short term measures	Planned long term measures
1. Receipt of financial statements to be expanded to cover all entities falling within the definition of SBE	<ul style="list-style-type: none"> <li>• Follow up lists published by co-regulators to identify SBEs</li> <li>• Follow up on identified entities to ascertain whether SBE criteria is met</li> <li>• Enhance awareness of requirement to submit financial statements to stakeholders of co-regulators</li> <li>• Regular publications in newspapers and in the website</li> </ul>	Address through the new Act pending Cabinet approval
Enhance coverage of financial statement reviews	<ul style="list-style-type: none"> <li>• Engage more external reviewers to conduct preliminary review of financial statements</li> <li>• Engage interns to assist existing staff to complete financial statement reviews</li> <li>• Conduct thematic financial statement reviews on low risk financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Engage a consultant to recommend the most appropriate number of financial statements to review and the most effective financial statement review mechanism considering global best practices</li> <li>• Address the issues with the salary scales and experience requirements in the Scheme of Recruitment applicable to recruit Chartered Accountants well versed in accounting and auditing standards, with the Ministry of Finance and the Department of Management Services and recruit competent and experienced staff to fill all existing vacancies</li> </ul>
Meet planned number of audit inspections	<ul style="list-style-type: none"> <li>• Reduce focus areas in audit inspections</li> <li>• Conduct a reduce number of financial statement reviews to save time to conduct audit inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Address the issues with the salary scales and experience requirements in the Scheme of Recruitment applicable to recruit Chartered Accountants well versed in accounting and auditing standards, with the Ministry of Finance and the Department of Management Services and recruit competent and experienced staff to fill all existing vacancies</li> </ul>

## Short term and medium term measures to be followed to improve the performance of SLAASMB

Issues relating to organizational performance	Planned short term measures	Planned long term measures
Difficulties to recruit experience competent staff. Currently 5 vacancies in existing cadre apart from 7 vacancies in new approved cadres	Obtain approval of the Ministry of Finance and the Department of Management Services to pay an increased incentive to professional staff as approved by the Salaries and Cadre Commission in 2009 as an interim measure to recruit and retain staff until an appropriate salary scale is approved.	<ul style="list-style-type: none"> <li>To seek approval of the Ministry of Finance for new salary structure to recruit and retain competent Chartered Accountants.</li> </ul> <p>The need to pay marked based salaries to professional staff was recommended in the Report on the Observance of Standards and Codes (ROSC), Accounting and Auditing 2015, issued by the World Bank and by the Asian Development Bank in the Sri Lanka Capital Market Assessment Report in June 2020.</p>
Absence of a Management Information System (MIS) and a business continuity plan	Information maintenance in Excel and Microsoft access to be maintained accurately with proper security measures and back up arrangements	Proceed with the currently commenced MIS Development project with the Information and Communication Technology Agency of Sri Lanka (ICTA) as the consultants to the project

## Performance Scorecard

SLAASMB uses the Performance Scorecard to plan its annual performance. The plan for 2019, actual for 2019 and plan for 2020 are given below;

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

Goals	Measures	2019 Plan	2019 Actual		2020 Plan
			Number	As a % of plan	
Financial Statements of SBE's to present a true and fair view	Review financial statements to determine compliance with Sri Lanka Accounting Standards	725 sets of financial statements	720 sets of financial statements (Note 1)	99	725 sets of financial statements (Note 2)
	Inspect audits to determine compliance with Sri Lanka Auditing Standards	- 50 audits (includes 15 thematic inspections)	- 45 audits (includes 12 thematic inspections) (Note 1)	90	50 audits (Including 20 thematic inspections) (Note 2)
		- 2 firm wide inspections	Prepared reports of 2 firm-wide inspections conducted in 2018. (Note 3)		

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

Goals	Measures	2019 Plan	2019 Actual		2020 Plan
			Number	As a % of plan	
Collection of financial statements	Number of financial statements received	1,579	1,635 (Note 4)  (Number of SBEs 1,521)	103	1,608



## Performance Scorecard

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

Goals	Measures	2019 Plan	2019 Actual		2020 Plan
			Number	As a % of plan	
Employee performance	Achieve targeted performance points for the year	27,858	27,253 (Note 5)	98	24,492
Eliminate obstacles in meeting present mission goals by enhancing knowledge	Weekly learning activity (internally)	48 presentations on Standards	41 (Note 1)	85	48
Timely Response	Attend to complaints, clarifications sought and information received	Within an average of 5 days excluding the date of receipt and date of response	5 days excluding the date of receipt and date of response	-	Within an average of 5 days excluding the date of receipt and date of response

### Note 1

During 2019, a post of Director Technical remained vacant while two Assistant Director Technical positions remained vacant during the last three months of the year. Accordingly, selecting the SBEs for reviews were focused more towards less complex private entities. Due to difficulties in meeting the targets due to shortage of staff, the two Deputy Director Generals were also engaged in carrying out the review functions and more complex reviews were deferred for the next year.

### Note 2

The targets of 2020 are based on the presumption that the three technical positions presently vacant will be filled by April 2020. In the event SLAASMB is not successful in filling the vacancies, the target will reduce proportionately.

### Note 3

Due to shortage of staff, focus of firm-wide inspections were limited to the preparation of the reports of 2018 inspections.

### Note 4

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

### Note 5

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

## Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
1	A B Automation (Pvt) Ltd	31 March 2018
2	A. F. Jones Exporters Ceylon (Pvt) Ltd	31 March 2018
3	A.S.Chatoor and Company (Pvt) Ltd	31 March 2018
4	Abans Environmental Services (Pvt) Ltd	31 December 2017
5	Access Civimech (Pvt) Ltd	31 March 2018
6	Ace Container Repairs (Pvt) Ltd	31 March 2018
7	Ace Container Terminals (Pvt) Ltd	31 March 2018
8	Ace Exports (Pvt) Ltd	31 March 2018
9	ACL Metals and Alloys (Pvt) Ltd	31 March 2019
10	ACL Plastics PLC	31 March 2019
11	ACME Printing & Packaging PLC	31 March 2019
12	Acqua Packaging (Pvt) Ltd	31 March 2019
13	Acuity Stockbrokers (Pvt) Ltd	31 December 2018
14	Adamjee Marketing (Pvt) Ltd	31 March 2018
15	Adamjee Marketing (Pvt) Ltd	31 March 2019
16	Advantis Freight (Pvt) Ltd	31 March 2018
17	Agio Tobacco Processing Company (Pvt) Ltd	31 December 2018
18	AIA Insurance Lanka PLC	31 December 2018
19	Airport & Aviation Services (Sri Lanka) Ltd	31 December 2017
20	Airport Garden Leisure (Pvt) Ltd	31 March 2018
21	Aitken Spence Apparels (Pvt) Ltd	31 March 2018
22	Aitken Spence Aviation (Pvt) Ltd	31 March 2019
23	Aitken Spence C & T Investments (Pvt) Ltd	31 March 2018
24	Aitken Spence Cargo (Pvt) Ltd	31 March 2019
25	Aitken Spence Hotel Holdings PLC	31 March 2018
26	Aitken Spence Hotel Holdings PLC	31 March 2019
27	Aitken Spence Hotels Ltd	31 March 2018
28	Aitken Spence PLC	31 March 2019
29	Aitken Spence Ports International Ltd	31 March 2019

	Specified Business Enterprise	Financial Year End
30	Aitken Spence Printing & Packaging (Pvt) Ltd	31 March 2019
31	Aitken Spence Shipping Ltd	31 March 2019
32	Alco Industries (Pvt) Ltd	31 March 2019
33	Allianz Insurance Lanka Ltd	31 December 2018
34	Alumex PLC	31 March 2019
35	Amana Candor Shariah Balanced Fund	31 December 2018
36	Amana Candor Shariah Income Fund	31 December 2017
37	Amana Capital Ltd	31 December 2017
38	Amana Takaful Life PLC	31 December 2018
39	Amana Wealth Ltd	31 December 2017
40	Amaya Leisure PLC	31 March 2019
41	Anorchi Lanka (Pvt) Ltd	31 March 2019
42	Arpico Ataraxia Cash Management Trust Fund	31 March 2018
43	Arpico Ataraxia S&P SL 20 Index Fund	31 March 2018
44	Arpico Ataraxia Sri Lankan Bond Fund	31 March 2018
45	Arpimalls Development Company (Pvt) Ltd	31 March 2018
46	Arpitalian Compact Soles (Pvt) Ltd	31 March 2018
47	Ascot Holdings PLC	31 March 2018
48	Asia Capital PLC	31 March 2018
49	Asian Hotels and Properties PLC	31 March 2019
50	Asian Paints (Lanka) Ltd	31 March 2018
51	Asian Tyres (Pvt) Ltd	31 March 2018
52	ASTRUE Alpha Fund	31 March 2018
53	Astrue Money Market Fund	31 March 2018
54	Bansei Royal Resorts Hikkaduwa PLC	31 March 2018
55	Berjaya Mount Royal Beach Hotel Ltd	30 April 2018
56	Bogala Graphite Lanka PLC	31 December 2018
57	BPPL Holdings PLC	31 March 2019
58	Brandix Textiles Ltd	31 March 2018

# Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End
59	Braybrooke Residential Towers (Pvt) Ltd	31 March 2018
60	Brooke Bond Ceylon (Pvt) Ltd	31 December 2018
61	Browns Beach Hotels PLC	31 March 2019
62	Browns Group Industries (Pvt) Ltd	31 March 2019
63	Browns Industrial Park Ltd	31 March 2019
64	Browns Investments PLC	31 March 2016
65	Browns Investments PLC	31 March 2017
66	Browns Investments PLC	31 March 2018
67	Browns Thermal Engineering (Pvt) Ltd	31 March 2019
68	Bureau Veritas Consumer Products Services Lanka (Pvt) Ltd	31 December 2018
69	C T Properties G S (Pvt) Ltd	31 March 2018
70	C.W.Mackie PLC	31 March 2018
71	CAL Exports Lanka (Pvt) Ltd	31 March 2018
72	Camso Trading (Pvt) Ltd	31 March 2018
73	Candor Asset Management (Pvt) Ltd	31 December 2017
74	Candor Equities Ltd	31 December 2018
75	Candor Growth Fund	31 December 2017
76	Candor Money Market Fund	31 December 2017
77	Candor Opportunities Fund	31 December 2018
78	Capital Alliance Partners Ltd	31 March 2019
79	Capital Alliance Balanced Fund	31 March 2018
80	Capital Alliance Corporate Debt and Gilt Trading Fund	31 March 2018
81	Capital Alliance Corporate Treasury Fund	31 March 2018
82	Capital Alliance Gilt Fund	31 March 2018
83	Capital Alliance Gilt Market Fund	31 March 2018
84	Capital Alliance Gilt Trading Fund	31 March 2018
85	Capital Alliance High Yield Fund	31 March 2018
86	Capital Alliance Income Fund	31 March 2018
87	Capital Alliance Investment Ltd	31 March 2018
88	Capital Alliance Investment Grade Fund	31 March 2018

	Specified Business Enterprise	Financial Year End
89	Capital Alliance Medium Risk Debt Fund	31 March 2018
90	Capital Alliance Quantitative Equity Fund	31 March 2018
91	Capital Alliance Securities (Pvt) Ltd	31 March 2018
92	Capital Alliance Securities (Pvt) Ltd	31 March 2019
93	Capital Suisse Asia Ltd	31 December 2018
94	Capitol Crescendas (Pvt) Ltd	31 March 2019
95	Capitol Hotels Holdings Ltd	31 March 2019
96	Carbotels (Pvt) Ltd	31 March 2018
97	Cargills Food Processors (Pvt) Ltd	31 March 2019
98	Cargills Foods Company (Pvt) Ltd	31 March 2018
99	Cargills Quality Confectionaries (Pvt) Ltd	31 March 2019
100	Cargills Quality Dairies (Pvt) Ltd	31 March 2018
101	Cargo Boat Development Company PLC	31 March 2019
102	CBL Cocos (Pvt) Ltd	31 March 2018
103	CBL Exports (Pvt) Ltd	31 March 2018
104	CBL Global Foods (Pvt) Ltd	31 March 2018
105	CBL Natural Foods (Pvt) Ltd	31 March 2019
106	CEAT Kelani Radials (Pvt) Ltd	31 March 2018
107	Central Finance PLC	31 March 2019
108	Ceybank Asset Management Ltd	31 March 2018
109	Ceybank Century Growth Fund	31 March 2018
110	Ceybank Unit Trust Fund	31 March 2018
111	Ceylinco General Insurance Ltd	31 December 2018
112	Ceylinco Insurance PLC	31 December 2018
113	Ceylinco Life Insurance Ltd	31 December 2018
114	Ceylon Financial Sector Fund	31 December 2017
115	Ceylon Galvanising Industries Ltd	31 March 2018
116	Ceylon Grain Elevators PLC	31 December 2018
117	Ceylon Guardian Investment Trust PLC	31 March 2019
118	Ceylon Hospitals PLC	31 March 2019
119	Ceylon Income Fund	31 December 2017

# Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
120	Ceylon Index Fund	31 December 2017	150	Crescent Launderers & Dry Cleaners (Pvt) Ltd	31 March 2018
121	Ceylon Investment PLC	31 March 2019	151	Cropwiz (Pvt) Ltd	31 March 2018
122	Ceylon IPO Fund	31 December 2017	152	Crystal Martin Central (Pvt) Ltd	31 December 2017
123	Ceylon Money Market Fund	31 December 2017	153	Dankotuwa Porcelain PLC	31 March 2018
124	Ceylon Ocean Lines Ltd	31 March 2018	154	Darley Property Holdings (Pvt) Ltd	31 March 2019
125	Ceylon Shipping Corporation Ltd	31 March 2016	155	David Peiris Racing & Leisure (Pvt) Ltd	31 March 2019
126	Ceylon Tobacco Co. PLC	31 December 2018	156	David Pieris Motor Company (Lanka) Ltd	31 March 2018
127	Ceylon Tourism Fund	31 December 2017	157	De La Rue Lanka Currency and Security Print (Pvt) Ltd	31 March 2018
128	Ceylon Warehouse Complex (Pvt) Ltd	31 December 2018	158	De La Rue Lanka Currency and Security Print (Pvt) Ltd	31 March 2019
129	Ceyquartz MBI (Pvt) Ltd	31 March 2019	159	Dean Foster (Pvt) Ltd	31 March 2018
130	CF Insurance Brokers (Pvt) Ltd	31 December 2017	160	Delmage Forsyth & Company Ltd	31 March 2018
131	Chemanex Exports (Pvt) Ltd	31 March 2018	161	DFCC Bank PLC	31 December 2017
132	Chemanex PLC	31 March 2019	162	Dialog Axiata PLC	31 December 2018
133	Chevron Lubricants Lanka PLC	31 December 2018	163	Diesel & Motor Engineering PLC	31 March 2019
134	Chryso Lanka (Pvt) Ltd	31 March 2019	164	Dilma Property Developments (Pvt) Ltd	31 March 2019
135	CIC Dairy Breeding and Management (Pvt) Ltd	31 March 2018	165	Dilmah Ceylon Tea Company PLC	31 March 2019
136	Civaro International Ltd	31 March 2018	166	Dilmah Properties (Pvt) Ltd	31 March 2018
137	Clark Spence and Co. (Pvt) Ltd	31 March 2018	167	Dipped Products PLC	31 March 2019
138	Coats Thread Exports (Pvt) Ltd	31 December 2018	168	Distilleries Company of Sri Lanka PLC	31 March 2019
139	Colombo Dockyard PLC	31 December 2018	169	Dolphin Hotels PLC	31 March 2019
140	Colombo Fort Hotels Ltd	31 March 2018	170	DPMC Assetline Holdings (Pvt) Ltd	31 March 2018
141	Colombo Stock Exchange	31 December 2017	171	Dunamis Capital PLC	31 March 2018
142	Commercial Development Company PLC	31 December 2018	172	Durdans Medical & Surgical Hospital (Pvt) Ltd	31 March 2018
143	Comtrust ADL Mudarabah Fund	31 March 2018	173	EAM Maliban Textiles Badulla (Pvt) Ltd	31 March 2019
144	Comtrust Asset Management Company (Pvt) Ltd	31 March 2018	174	Eden Hotel Lanka PLC	31 March 2018
145	Comtrust Equity Fund	31 March 2018	175	Engineering Services (Pvt) Ltd	31 March 2018
146	Comtrust Gilt Edged Fund	31 March 2018	176	Equity Two PLC	31 March 2019
147	Comtrust Money Market Fund	31 March 2018	177	ETAL Group (Pvt) Ltd	31 March 2019
148	Cooplife Insurance Ltd	31 December 2018			
149	Cosco Shipping Lines Lanka (Pvt) Ltd	31 March 2018			

# Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
178	Expelogix (Pvt) Ltd	31 March 2019	209	Hethersett Hotels Ltd	31 March 2018
179	Expolanka Freight (Pvt) Ltd	31 March 2019	210	HI Fashion Holdings (Pvt) Ltd	31 March 2018
180	F L P C Management (Pvt) Ltd	31 March 2018	211	Hikkaduwa Holiday Resorts (Pvt) Ltd	31 March 2018
181	Fairfirst Insurance Ltd	31 December 2018	212	Hirdaramani Industries (Pvt) Ltd	31 March 2018
182	First Capital Asset Management Ltd	31 March 2018	213	HNB Assurance PLC	31 December 2018
183	First Capital Equities (Pvt) Ltd	31 March 2019	214	Horana Plantations PLC	31 March 2017
184	First Capital Holdings PLC	31 March 2018	215	Horana Plantations PLC	31 March 2018
185	First Capital Treasuries PLC	31 March 2018	216	Horizon Knowledge City Ltd	31 March 2018
186	First Guardian Equities (Pvt) Ltd	31 December 2018	217	Hyson Teas (Pvt) Ltd	31 December 2017
187	Forbes Air Services (Pvt) Ltd	31 March 2018	218	ICC Developers (Pvt) Ltd	31 March 2018
188	Gamma Pizzakraft Lanka (Pvt) Ltd	31 March 2019	219	ICC Developers (Pvt) Ltd	31 March 2019
189	Green Paradise (Pvt) Ltd	31 March 2018	220	ICC Development Holding (Pvt) Ltd	31 March 2019
190	Greener Water Ltd	31 March 2019	221	IFS R and D International (Pvt) Ltd	31 December 2018
191	Guardian Acuity Money Market Fund	31 December 2017	222	Independent Television Network Ltd	31 December 2017
192	Guardian Acuity Equity Fund	31 December 2017	223	Indo-Malay PLC	31 March 2018
193	H One (Pvt) Ltd	31 March 2018	224	Insee Ecocycle Lanka (Pvt) Ltd	31 December 2018
194	Hapag-Lloyd Lanka (Private) Ltd	31 March 2019	225	International Distillers Ltd	30 September 2018
195	Harischandra Mills PLC	31 March 2019	226	Interocean Lubricants (Pvt) Ltd	31 December 2018
196	Hatton Plantations PLC	31 March 2019	227	Investrust Growth Fund	31 March 2018
197	Haycarb PLC	31 March 2019	228	Jay Jay Mills Lanka (Pvt) Ltd	31 March 2018
198	Haycolour (Pvt) Ltd	31 March 2019	229	Jaykay Marketing Services (Pvt) Ltd	31 March 2018
199	Hayleys Fabric PLC	31 March 2019	230	JB Vantage Money Market Fund	31 December 2017
200	Hayleys Fiber PLC	31 March 2019	231	JB Vantage Value Equity Fund	31 December 2017
201	Hayleys Free Zone Ltd	31 March 2018	232	Jetwing Ayurweda (Pvt) Ltd	31 March 2018
202	Heladanavi Ltd	31 March 2018	233	Jinasena New Technology Holdings (Pvt) Ltd	31 March 2019
203	Hemas Holdings PLC	31 March 2019	234	John Keells Computer Services (Pvt) Ltd	31 March 2018
204	Hemas Manufacturing (Pvt) Ltd	31 March 2018	235	John Keells Holdings PLC	31 March 2019
205	Hemas Maritime (Pvt) Ltd	31 March 2018	236	John Keells Hotels PLC	31 March 2019
206	Hemas Marketing (Pvt) Ltd	31 March 2018	237	John Keells Logistics (Pvt) Ltd	31 March 2018
207	Hemas Travels (Pvt) Ltd	31 March 2018			
208	H-Embellishment (Pvt) Ltd	31 March 2018			

# Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
238	John Keells Office Automation (Pvt) Ltd	31 March 2019	268	Laxapana Batteries PLC	31 March 2019
239	John Keells PLC	31 March 2019	269	Lee Hedges Investment Ltd	31 March 2018
240	John Keells Residential Properties (Pvt) Ltd	31 March 2018	270	Lemastota Hydro Power (Pvt) Ltd	31 March 2018
241	Jubilant Foodworks Lanka (Pvt) Ltd	31 March 2018	271	Lexinton Holdings (Pvt) Ltd	31 March 2018
242	Kandy Plantations Ltd	31 March 2018	272	Lexinton Resorts (Pvt) Ltd	31 March 2018
243	KBSL Information Technologies Ltd	31 March 2018	273	Lion Brewery (Ceylon) PLC	31 March 2019
244	Keells Food Product PLC	31 March 2019	274	Logilink (Pvt) Ltd	31 March 2018
245	Kelani Cables PLC	31 March 2019	275	Logipark International (Pvt) Ltd	31 March 2019
246	Kelani Tyres PLC	31 March 2019	276	LOLC General Insurance Ltd	31 December 2018
247	Kelani Valley Plantations PLC	31 March 2019	277	LOLC Life Assurance Ltd	31 December 2018
248	Klevenberg (Pvt) Ltd	31 March 2019	278	Lotus Hydro Power PLC	31 March 2019
249	Kohoku Lanka (Pvt) Ltd	31 December 2017	279	LSEG Business Services Colombo (Pvt) Ltd	31 December 2018
250	Kotmale Milk Products Ltd	31 March 2018	280	Luxury Brands (Pvt) Ltd	31 March 2019
251	Lakdiyatha (Pvt) Ltd	31 March 2019	281	Mack Air (Pvt) Ltd	31 March 2018
252	Lanka Aluminum Industries PLC	31 March 2019	282	Mackinnons Keells Ltd	31 March 2018
253	Lanka Ashok Leyland PLC	31 March 2019	283	Mackinnons Travels (Pvt) Ltd	31 March 2018
254	Lanka Bell Ltd	31 March 2019	284	Macson Mesh Industries (Pvt) Ltd	31 March 2018
255	Lanka Bunkering Services (Pvt) Ltd	31 March 2019	285	Mahaweli Marine Cement (Pvt) Ltd	31 December 2018
256	Lanka Island Resorts Ltd	31 March 2018	286	Malwatte Valley Plantations PLC	31 December 2018
257	Lanka Leather Fashion (Pvt) Ltd	31 March 2019	287	Marawila Resorts PLC	31 March 2019
258	Lanka Milk Foods (CWE) PLC	31 March 2018	288	Martin Bauer Hayleys (Pvt) Ltd	31 December 2018
259	Lanka Olex Cables (Pvt) Ltd	31 March 2018	289	MAS Active Trading (Pvt) Ltd	31 December 2017
260	Lanka Orient Express Lines Ltd	31 March 2018	290	MAS Fabrics (Pvt) Ltd	31 December 2018
261	Lanka Plastic Industries (Pvt) Ltd	31 March 2018	291	MAS Intimates (Pvt) Ltd	31 December 2017
262	Lanka Realty Investments PLC	31 March 2019	292	MBSL Insurance Company Ltd	31 December 2018
263	Lanka Securities (Pvt) Ltd	31 December 2018	293	Mercantile Produce Brokers (Pvt) Ltd	31 March 2019
264	Lanka Special Steels Ltd	31 March 2018	294	Metecno Lanka (Pvt) Ltd	31 December 2018
265	Lanka Ventures PLC	31 March 2019	295	Microsoft Sri Lanka (Pvt) Ltd	30 June 2018
266	Lankaclear (Pvt) Ltd	31 March 2018	296	Milford Holdings (Pvt) Ltd	31 March 2018
267	Lankem Ceylon PLC	31 March 2018	297	Mireka Capital Land (Pvt) Ltd	31 December 2018



## Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
298	MJF Leisure (Pvt) Ltd	31 March 2018	327	Nestle Lanka PLC	31 December 2018
299	Moceti International (Pvt) Ltd	31 March 2018	328	New Nawaloka Hospitals (Pvt) Ltd	31 March 2018
300	Moody's Analytics Knowledge Services Lanka (Pvt) Ltd	31 March 2018	329	Nividhu Assupiniella (Pvt) Ltd	31 March 2018
301	Mowbray Hotels Ltd	31 March 2019	330	Norfolk Foods (Pvt) Ltd	31 March 2018
302	N-Able (Pvt) Ltd	31 March 2018	331	Noyon Lanka (Pvt) Ltd	31 December 2018
303	NAMAL Acuity Value Fund	31 March 2018	332	Ocean Lanka (Pvt) Ltd	31 December 2018
304	Namal Gilt Fund	31 March 2018	333	Ocean Network Express Lanka (Pvt) Ltd	31 March 2019
305	Namal Growth Fund	31 March 2018	334	Ocean View Ltd	31 March 2019
306	Namal High Yield Fund	31 March 2018	335	Odel PLC	31 March 2018
307	NAMAL Income Fund	31 March 2018	336	On'ally Holdings PLC	31 March 2019
308	Namal IPO Fund	31 October 2017	337	Orient Insurance Ltd	31 December 2018
309	NAMAL Money Market Fund	31 March 2018	338	Pegasus Hotels of Ceylon PLC	31 March 2019
310	Namunukula Plantations PLC	31 March 2019	339	Penthouse Engineers (Pvt) Ltd	31 March 2018
311	National Asset Management Ltd	31 December 2017	340	Periceyl (Pvt) Ltd	31 December 2018
312	National Equity Fund	31 March 2018	341	Plenty Foods (Pvt) Ltd	31 March 2019
313	Nations Trust Bank PLC	31 December 2017	342	Premier Money Market Fund	31 March 2019
314	Nawaloka Medicare (Pvt) Ltd	31 March 2018	343	Prime Finance PLC	31 March 2019
315	NDB Investment Bank Ltd	31 December 2018	344	Printcare Premedia Services Ltd	31 March 2019
316	NDB Wealth Gilt-Edged Fund	31 December 2017	345	Printcare Secure Ltd	31 March 2018
317	NDB Wealth Growth and Income Fund	31 December 2017	346	Proctor & Gamble Lanka (Pvt) Ltd	30 June 2018
318	NDB Wealth Growth Fund	31 December 2017	347	Propertex Development Ltd	31 March 2018
319	NDB Wealth Income Plus Fund	31 December 2017	348	Property Development PLC	31 December 2018
320	NDB Wealth Islamic Money Plus Fund	31 December 2017	349	Pussella Meat (Pvt) Ltd	31 March 2018
321	NDB Wealth Money Fund	31 December 2017	350	Raigam Wayamba Salterns PLC	31 March 2018
322	NDB Wealth Money Plus Fund	31 December 2017	351	Reckitt Benckiser (Lanka) Ltd	31 December 2017
323	NDB Wealth Income Fund	31 December 2018	352	Regnis (Lanka) PLC	31 March 2019
324	Negambo Hotels Ltd	31 March 2018	353	Regnis Appliances (Pvt) Ltd	31 March 2019
325	Negombo Beach Resorts (Pvt) Ltd	31 March 2019	354	Renuka Agri Foods PLC	31 March 2018
326	Negombo Properties (Pvt) Ltd	31 March 2019	355	Renuka Agro Exports Ltd	31 March 2018
			356	Renuka Foods PLC	31 March 2018



# Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
357	Renuka Holdings PLC	31 March 2018	387	Softlogic Capital PLC	31 March 2018
358	Renuka Organics (Pvt) Ltd	31 March 2018	388	Softlogic Finance PLC	31 March 2018
359	Resort Hotels Ltd	31 March 2019	389	Softlogic International (Pvt) Ltd	31 March 2018
360	Richard Pieris Finance Ltd	31 March 2018	390	Softlogic Restaurants (Pvt) Ltd	31 March 2019
361	Richard Pieris Rubber Compounds Ltd	31 March 2018	391	Softlogic Stockbrokers (Pvt) Ltd	31 March 2018
362	Rocell Bathware Ltd	31 March 2019	392	Spectra Integrated Logistics (Pvt) Ltd	31 March 2018
363	Rotax (Pvt) Ltd	31 March 2018	393	Sri Lanka Insurance Corporation Ltd	31 December 2018
364	Royal Palms Beach Hotels PLC	31 March 2019	394	Sri Lanka Telecom PLC	31 December 2018
365	S. F. L. Services (Pvt) Ltd	31 March 2019	395	Sri Lankan Catering Ltd	31 March 2018
366	Sampath Bank PLC	31 December 2018	396	St. Andrew's Hotel (Pvt) Ltd	31 March 2018
367	Samson Bikes (Pvt) Ltd	31 March 2019	397	St. Anthony's Hardware (Pvt) Ltd	31 March 2018
368	Samson Compounds (Pvt) Ltd	31 March 2019	398	Stafford Motor Co (Pvt) Ltd	31 March 2019
369	Samson Information Technologies (Pvt) Ltd	31 March 2018	399	Stassen International (Pvt) Ltd	31 March 2018
370	Samson Manufacturers (Pvt) Ltd	31 March 2018	400	Strechline (Pvt) Ltd	31 December 2018
371	Samson Rubber Industries (Pvt) Ltd	31 March 2018	401	Superfine Tes (Pvt) Ltd	31 March 2018
372	Sapphirus Lanka (Pvt) Ltd	31 December 2017	402	Swisstek (Ceylon) PLC	31 March 2019
373	SC Securities (Pvt) Ltd	31 December 2018	403	Taprobane Securities (Pvt) Ltd	31 March 2018
374	Seashell Hotel (Pvt) Ltd	31 March 2019	404	Tea Smallholder Factories PLC	31 March 2019
375	Selinsing PLC	31 March 2019	405	Teejay Lanka Prints (Pvt) Ltd	31 March 2018
376	Serendib Hotels PLC	31 March 2019	406	Texwin Clothing (Pvt) Ltd	31 March 2019
377	Serendib Land PLC	31 March 2019	407	Thalahena Beach Houses (Pvt) Ltd	31 March 2019
378	SG Logistics (Pvt) Ltd	31 March 2018	408	Thalawakelle Tea Estates PLC	31 March 2019
379	Short Term LKR Treasury Fund	31 December 2017	409	The Colombo International School (Sri Lanka) Ltd	31 March 2018
380	Sierra Cables PLC	31 March 2019	410	The Fortress Resort PLC	31 March 2019
381	Sierra Power (Pvt) Ltd	31 March 2019	411	The Kandy Hotels Co. PLC	31 March 2019
382	Silverstock Ltd	31 March 2019	412	The Kingsbury PLC	31 March 2019
383	Singer (Sri Lanka) PLC	31 March 2019	413	The Lighthouse Hotel PLC	31 March 2019
384	Singer Digital Media (Pvt) Ltd	31 December 2017	414	The Nuwara Eliya Hotels Co. PLC	31 March 2019
385	Singer Industries (Ceylon) PLC	31 March 2019	415	The Swadeshi Industrial Works PLC	31 March 2018
386	Softlogic Capital PLC	31 March 2017	416	Thomas Kershaw Lanka (Pvt) Ltd	31 March 2018

## Financial Statements of Specified Business Enterprises (SBEs) Reviewed during 2019 – Compliant with Sri Lanka Accounting Standards

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
417	Timber Concepts (Pvt) Ltd	31 March 2018	447	West Coast Power (Pvt) Ltd	31 March 2018
418	Tokyo Cement Company (Lanka) PLC	31 March 2019	448	Western Power Company (Pvt) Ltd	31 March 2019
419	Toyo Cushion Lanka (Pvt) Ltd	31 March 2019	449	World Export Centre Ltd	31 March 2019
420	Toyota Lanka (Pvt) Ltd	31 March 2018			
421	Trans Asia Hotels PLC	31 March 2019			
422	Trans-Ware Logistics (Pvt) Ltd	31 March 2018			
423	Tropical Villas (Pvt) Ltd	31 March 2019			
424	Turyaa Resorts (Pvt) Ltd	31 March 2018			
425	TVS Automotives (Pvt) Ltd	31 March 2019			
426	TVS Lanka (Pvt) Ltd	31 March 2019			
427	Twin Star Clothing (Pvt) Ltd	31 March 2018			
428	UML Property Developments Ltd	31 March 2019			
429	Unawatuna Properties (Pvt) Ltd	31 March 2019			
430	Unichela (Pvt) Ltd	31 December 2017			
431	Unilever Sri Lanka Ltd	31 December 2018			
432	Unisyst Engineering PLC	31 March 2019			
433	United Tobacco Processing (Pvt) Ltd	31 December 2018			
434	Upcountry Power Supply International (Pvt) Ltd	31 March 2019			
435	Uppuveli Villas (Pvt) Ltd	31 March 2019			
436	Vallibel One PLC	31 March 2018			
437	Vauxhall Land Developments (Pvt) Ltd	31 March 2018			
438	Vechenson (Pvt) Ltd	31 March 2018			
439	Vishwa BPO (Pvt) Ltd	31 March 2019			
440	Visionfund Lanka Ltd	31 March 2018			
441	VT Manufacturing (Pvt) Ltd	31 March 2018			
442	Wacoal Timex (Pvt) Ltd	31 March 2019			
443	Walker Sons & Company Ltd	31 March 2018			
444	Walkers Tours Ltd	31 March 2019			
445	Waterfront Properties (Pvt) Ltd	31 March 2018			
446	Werapitiya Hydro Power (Pvt) Ltd	31 March 2019			

## Financial Statements of SBEs Reviewed during 2019 – Compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
1	A G Melco Elevator Co. Lanka Ltd	31 December 2018	38	Bata Shoe Company of Ceylon Ltd	31 December 2018
2	AB Securitas (Pvt) Ltd	31 March 2018	39	BlueScope Lysaght Lanka (Pvt) Ltd	31 March 2018
3	Abans Restaurant Systems (Pvt) Ltd	31 December 2017	40	Bogawantalawa Tea Estates PLC	31 March 2018
4	Abidally Sons (Pvt) Ltd	31 March 2018	41	Brandix Apparel Solutions Ltd.	31 March 2018
5	Access Engineering PLC	31 March 2018	42	Brown and Company PLC	31 March 2018
6	Ace Apparels (Pvt) Ltd	31 March 2019	43	Browns Capital PLC	31 March 2018
7	Ace Cargo (Pvt) Ltd	31 March 2018	44	Browns Healthcare (Pvt) Ltd	31 March 2018
8	ACE International Express (Pvt) Ltd	31 March 2018	45	Browns Healthcare North Colombo (Pvt) Ltd	31 March 2018
9	ACL Electric (Pvt) Ltd	31 March 2018	46	Browns Properties (Pvt) Ltd	31 March 2018
10	ACL Kelani Magnet Wire (Pvt) Ltd	31 March 2018	47	Browns Properties (Pvt) Ltd	31 March 2019
11	Adamjee Lukmanjee (Pvt) Ltd	31 March 2018	48	C M Holdings PLC	31 March 2019
12	Adamjee Lukmanjee Exports (Pvt) Ltd	31 March 2018	49	Capital Trust Securities (Pvt) Ltd	31 March 2018
13	Agro Harapan Lestari (Pvt) Ltd	31 March 2019	50	Carekleen (Pvt) Ltd	31 March 2018
14	Agromet Asia (Pvt) Ltd	31 March 2019	51	Cargills Quality Foods Ltd	31 March 2018
15	Agstar PLC	31 March 2019	52	Carlton Garments (Pvt) Ltd	31 December 2018
16	AHL Business Solutions (Pvt) Ltd	31 March 2019	53	CBL Foods International (Pvt) Ltd	31 March 2018
17	Aida Gems and Jewellery (Pvt) Ltd	31 March 2018	54	Central Engineering Consultancy Bureau	31 December 2016
18	Aitken Spence Property Developments (Pvt) Ltd	31 March 2018	55	Central Industries PLC	31 March 2019
19	Alhambra Hotels Ltd	31 March 2018	56	Ceramic World (Pvt) Ltd	31 March 2018
20	Allied Properties Ltd	31 December 2018	57	Ceylon Asset Management Co. Ltd	31 December 2017
21	Amana Takaful PLC	31 December 2018	58	Ceylon Business Appliances (Pvt) Ltd	31 March 2017
22	AMP Ceylon (Pvt) Ltd	31 March 2018	59	Ceylon Ceramic Corporation	31 March 2015
23	Anantaya Passekudah (Pvt) Ltd	31 March 2019	60	Ceylon Ceramic Corporation	31 March 2016
24	Arpico Finance Company PLC	31 March 2018	61	Ceylon Chocolates Ltd	31 March 2017
25	Arpico Industrial Development Company (Pvt) Ltd	31 March 2018	62	Ceylon Copper (Pvt) Ltd	31 March 2019
26	Arpico Insurance PLC	31 December 2018	63	Ceylon Electricity Board	31 December 2015
27	Arpidag International (Pvt) Ltd	31 March 2018	64	Ceylon Electricity Board	31 December 2016
28	Asha Phillip Securities Ltd	31 March 2019	65	Ceylon Fertilizer Co. Ltd	31 March 2017
29	Asia Siyaka Warehousing (Pvt) Ltd	31 March 2018	66	Ceylon Gilt-Edged Fund	31 December 2017
30	Asiri Surgical Hospital PLC	31 March 2018	67	Ceylon Hotels Corporation PLC	31 March 2018
31	Assetline Leasing Co.Ltd	31 March 2018	68	Ceylon Hotels Corporation PLC	31 March 2019
32	Assetline Securities (Pvt) Ltd	31 March 2018	69	Ceylon Printers PLC	31 March 2018
33	ATG Ceylon (Pvt) Ltd	31 March 2018	70	Ceylon Shipping Lines Ltd	31 December 2017
34	Autodrome PLC	31 March 2019	71	Ceylon Steel Corporation Ltd	31 December 2018
35	Bambarapana Hydro Power (Pvt) Ltd	31 March 2018	72	Ceylon Trading Company Ltd	31 December 2017
36	Bank of Ceylon	31 December 2018	73	Ceymac Rubber Co. Ltd	31 March 2018
37	BASF Lanka (Pvt) Ltd	31 December 2017	74	Chatham Holdings (Pvt) Ltd	31 March 2018
			75	CIC Vetcare (Pvt) Ltd	31 March 2018
			76	Citihealth importers (Pvt) Ltd	31 March 2019

## Financial Statements of SBEs Reviewed during 2019 – Compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
77	City Finance Corporation Ltd	31 March 2015	116	Hatton National Bank PLC	31 December 2018
78	City Finance Corporation Ltd	31 March 2016	117	Havelock City (Pvt) Ltd	31 December 2017
79	City Housing & Real Estate Company PLC	31 March 2017	118	Hayleys Agro Farms (Pvt) Ltd	31 March 2019
80	CML - MTD Construction Ltd	31 March 2018	119	Hayleys PLC	31 March 2018
81	Coats Thread Lanka (Pvt) Ltd	31 December 2017	120	Hemas Developments (Pvt) Ltd	31 March 2019
82	Coco Lanka (Pvt) Ltd	31 March 2019	121	Hemtours (Pvt) Ltd	31 March 2018
83	Colombo Fort Investments PLC	31 March 2019	122	Hirdarmani Fashions (Pvt) Ltd	31 March 2018
84	Colombo Investment Trust PLC	31 March 2019	123	HJS Condiments Ltd	31 March 2019
85	Colonial Motors (Ceylon) Ltd	31 March 2019	124	Huejay International Investment PLC	31 March 2015
86	Crown City Developers (Pvt) Ltd	31 March 2019	125	Hunter & Company PLC	31 March 2018
87	CT CLSA Securities (Pvt) Ltd	31 March 2018	126	Imperial Tea Exports (Pvt) Ltd	31 March 2018
88	D. R. Manufacturing Company (Pvt) Ltd	31 March 2018	127	Indra Property Development (Pvt) Ltd	31 March 2018
89	D.R. Furniture Manufacturing (Pvt) Ltd	31 March 2018	128	Industrial Asphalts (Ceylon) PLC	31 March 2019
90	David Pieris Automobiles (Pvt) Ltd	31 March 2018	129	Industrial Clothing (Pvt) Ltd	31 December 2017
91	Dawson Capital Limited	31 March 2018	130	Intertea (Pvt) Ltd	31 December 2018
92	DBS Logistics Ltd	31 March 2018	131	Isabella (Pvt) Ltd	31 March 2018
93	Delmege Forsyth & Company (Shipping) Ltd	31 March 2018	132	J. K. Garments (Pvt) Ltd	31 March 2018
94	Dialog Television (Pvt) Ltd	31 December 2017	133	Janashakthi PLC	31 March 2017
95	Douglas & Sons (Pvt) Ltd	31 March 2018	134	JB Securities (Pvt) Ltd	31 March 2018
96	DR Industries (Pvt) Ltd	31 March 2018	135	Jetwing City (Pvt) Ltd	31 March 2019
97	DSL Lanka (Pvt) Ltd	31 March 2018	136	Jetwing Real Estate (Pvt) Ltd	31 March 2019
98	East Coast Land Holdings (Pvt) Ltd	31 March 2019	137	Jetwing Symphony PLC	31 March 2019
99	East West Properties PLC	31 March 2018	138	Jetwing Travels (Pvt) Ltd	31 March 2019
100	EFL Global Freeport (Pvt) Ltd	31 March 2019	139	JK Land (Pvt) Ltd	31 March 2018
101	EFL Headquarters (Pvt) Ltd	31 March 2019	140	Kalutara Holiday Resorts (Pvt) Ltd	31 March 2019
102	Elevators (Pvt) Ltd	31 March 2018	141	KIA Motors (Lanka) Ltd	31 March 2019
103	Elsteel (Pvt) Ltd	31 August 2018	142	Kotmale Dairy Products (Pvt) Ltd	31 March 2018
104	Empire Investments Co. (Pvt) Ltd	31 March 2019	143	Kotmale Products Limited	31 March 2018
105	Enterprise Ceylon Capital (Pvt) Ltd	31 March 2018	144	Lanka Coal Company (Pvt) Ltd	31 December 2017
106	Falcon Valley Hydro (Pvt) Ltd	31 March 2019	145	Lanka Electricity Company (Pvt) Ltd	31 December 2018
107	Fashion Bug (Pvt) Ltd	31 March 2019	146	Lanka Hospitals Diagnostics (Pvt) Ltd	31 December 2018
108	Firoze (Pvt) Ltd	31 March 2018	147	Lanka Tiles PLC	31 March 2019
109	Fits Aviation (Pvt) Ltd	31 March 2018	148	Lanka Valliant Developers (Pvt) Ltd	31 March 2018
110	Flexi Print (Pvt) Ltd	31 March 2018	149	Lapp Trading Ceylon (Pvt) Ltd	31 March 2018
111	Fortude (Pvt) Ltd	31 March 2018	150	Latex Green (Pvt) Ltd	31 March 2018
112	George Stuart Teas (Pvt) Ltd	31 March 2018	151	Lee Hedges PLC	31 March 2019
113	Gold Coin Feedmills (Lanka) Ltd	31 December 2017	152	Local Loans and Development Funds	31 December 2012
114	Guardian Capital Partners PLC	31 March 2019	153	Local Loans and Development Funds	31 December 2017
115	Hacros Chemicals (Pvt) Ltd	31 March 2018	154	Logiwiz Ltd	31 March 2018

## Financial Statements of SBEs Reviewed during 2019 – Compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End		Specified Business Enterprise	Financial Year End
155	LOLC Securities Limited	31 March 2018	191	Persistent Systems Lanka (Pvt) Ltd	31 December 2017
156	Mahaweli Reach Hotels PLC	31 March 2019	192	Pettah Pharmacy (Pvt) Ltd	31 March 2019
157	Maliban Dairy & Agri Products (Pvt) Ltd	31 March 2018	193	PH Resorts (Pvt) Ltd	31 December 2017
158	Maritime Agencies (Pvt) Ltd	31 March 2019	194	Piyestra Furniture (Pvt) Ltd	31 March 2018
159	Maskeliya Plantations PLC	31 March 2019	195	Plastishells Limited	31 March 2018
160	Mcshaw Automotive Ltd	31 December 2018	196	Prime Lands Residencies (Pvt) Ltd	31 March 2018
161	Meeraladuwa (Pvt) Ltd	31 March 2018	197	Printcare PLC	31 March 2019
162	Melsta Logistics (Pvt) Ltd	31 March 2018	198	Pulses Splitting & Processing Industry Ltd	31 March 2018
163	Melstacorp PLC	31 March 2018	199	Puritas (Pvt) Ltd	31 March 2018
164	Millenium Housing Developers PLC	31 March 2018	200	Pyramid Lanka (Private) Limited	31 December 2018
165	Millennium IT Software (Pvt) Ltd	31 December 2017	201	Qualitea Ceylon (Pvt) Ltd	31 March 2018
166	Mountain Hawk (Pvt) Ltd	31 March 2018	202	Reb Mech (Pvt) Ltd	31 March 2018
167	Muller & Phipps (Ceylon) PLC	31 March 2019	203	Renuka Capital PLC	31 March 2018
168	Nala Dhanavi (Pvt) Ltd	31 March 2018	204	Renuka Hotels PLC	31 March 2018
169	Nation Lanka Equities (Pvt) Ltd	31 March 2018	205	Renuka Hotels PLC	31 March 2019
170	Nation Lanka Finance PLC	31 March 2018	206	Rhino Roofing Products Limited	31 March 2019
171	National Insurance Trust Fund	31 December 2017	207	Rockland Distilleries (Pvt) Ltd	31 March 2019
172	National Lotteries Board	31 December 2016	208	Rosewood (Pvt) Ltd	31 March 2018
173	National Water Supply and Drainage Board	31 December 2014	209	S & T Interiors (Pvt) Ltd	31 March 2019
174	National Water Supply and Drainage Board	31 December 2015	210	Saboor Chatoor (Pvt) Ltd	31 March 2018
175	National Wealth Corporation Ltd	31 December 2017	211	Saman Villas Ltd	31 March 2018
176	Nations Trust Bank PLC	31 December 2018	212	Samaranayake & Company (Pvt) Ltd	31 March 2018
177	Navara Securities (Pvt) Ltd	31 March 2018	213	Samson Croup Corporate Services(Pvt) Ltd	31 March 2019
178	NDB Securities (Pvt) Ltd	31 December 2017	214	Samson Exports (Pvt) Ltd	31 March 2018
179	Neil Marine (Pvt) Limited	31 March 2018	215	Samson Reclaim Rubbers Limited	31 March 2018
180	Neptune Papers (Pvt) Ltd	31 March 2019	216	Samson Trading Company (Pvt) Ltd	31 March 2018
181	Ninewells Care Mother & Baby Hospital (Pvt) Ltd	31 March 2018	217	SANASA Development Bank PLC	31 December 2018
182	Nivasie Developers Malabe (Pvt) Ltd	31 March 2018	218	Sancity Hotels and Properties Limited	31 March 2019
183	NSB Fund Management Company Limited	31 December 2017	219	Sanken Construction (Pvt) Ltd	31 March 2018
184	Openarc Systems Management (Pvt) Ltd	31 March 2018	220	Sapthakanya Hydro Electric Company (Pvt) Ltd	31 March 2019
185	Packaging Materials (Pvt) Ltd	31 March 2018	221	Serendib Engineering Group PLC	31 March 2018
186	Packwell Lanka (Pvt) Ltd	31 March 2018	222	Sigiri Weaving Mills (Pvt) Ltd	31 March 2018
187	Paddy Marketing Board	31 December 2016	223	Sigiriya Village Hotels PLC	31 March 2019
188	Pan Asia Banking Corporation PLC	31 December 2018	224	Singhe Hospitals PLC	31 March 2018
189	Panasian Power PLC	31 March 2019	225	Sithro Garment Finishing Company Ltd	31 March 2018
190	Paragon Ceylon PLC	31 March 2018	226	Softlogic Life Insurance PLC	31 December 2018
			227	Solar One Ceylon (Pvt) Ltd	31 March 2018
			228	Sri Lanka Export Credit Insurance Corporation	31 December 2017

## Financial Statements of SBEs Reviewed during 2019 – Compliant with observations communicated by Letters of Observations

	Specified Business Enterprise	Financial Year End
229	Sri Lanka Export Credit Insurance Corporation	31 December 2018
230	Sri Lanka Institute of Textile & Apparel	31 December 2015
231	Sri Lanka Savings Bank Ltd	31 December 2017
232	St. Regis Packaging (Pvt) Ltd	31 March 2018
233	Star Fashion Clothing (Pvt) Ltd	31 March 2018
234	State Pharmaceutical Corporation	31 March 2015
235	State Pharmaceutical Corporation	31 March 2017
236	State Timber Corporation	31 December 2016
237	State Timber Corporation	31 December 2017
238	Sunagro Lifescience Ltd	31 March 2018
239	Tangerine Beach Hotel PLC	31 March 2019
240	Teejay PLC	31 March 2019
241	Tess Agro PLC	31 March 2018
242	Texlan Center (Pvt) Ltd	31 December 2017
243	Texpro Industries Ltd	31 March 2018
244	Textile International Colombo (Pvt) Ltd	31 December 2017
245	Thalahena Villas (Pvt) Ltd	31 March 2019
246	The Colombo Fort Land & Building PLC	31 March 2018
247	The Wheelworks (Pvt) Ltd	31 March 2018
248	Three Acre Farms PLC	31 December 2018
249	Trade Finance & Investments PLC	31 March 2018
250	Transnational Lanka Records Solutions (Pvt) Ltd	30 June 2018
251	Tropic Fishery (Pvt) Ltd	31 March 2018
252	Tropical Findings (Pvt) Ltd	31 December 2018
253	Turyaa (Pvt) Ltd	31 March 2018
254	Ulagalla Walawwa Resort (Pvt) Ltd	31 March 2018
255	Ultracarb (Pvt) Ltd	31 March 2018
256	Union Assurance PLC	31 December 2018
257	Union Chemicals Lanka PLC	31 December 2019
258	Union Commodities (Pvt) Ltd	31 March 2018
259	Union Resorts Ltd	31 March 2018
260	United Tractors & Equipment (Pvt) Ltd	31 December 2017
261	UpperLemastota Hydro Power (Pvt) Ltd	31 March 2018
262	Usui Lanka (Pvt) Ltd	31 December 2018
263	V S Turbo (Pvt) Ltd	31 March 2018
264	Vallibel Finance PLC	31 March 2019
265	Ventura Crystal Investments Ltd	31 March 2018

	Specified Business Enterprise	Financial Year End
266	Vogue Jewellers (Pvt) Ltd	31 March 2018
267	WealthTrust Securities Ltd	31 March 2019
268	Weligama Hotel Properties Limited	31 March 2018
269	Winter Quilts (Pvt) Ltd	31 March 2018
270	Workwear Lanka (Pvt) Ltd	31 December 2018



## Listed Companies and Public Sector Entities which have not submitted Audited Financial Statements as at 31 December 2019

Listed companies which have not submitted financial statements for the year ended 31 December 2018 :

- Lanka Cement PLC\*
- Agalawatte Plantations PLC#

Listed Companies which have not submitted financial statements for the year ended 31 March 2019 :

- Adam Capital PLC\*
- Adam Investments PLC\*
- Blue Diamonds Jewellery Worldwide PLC#
- Ceylon & Foreign Trades PLC\*
- Ceylon Printers PLC\*
- Entrust Securities PLC \*
- Huejay International Investment PLC\*
- Hunas Falls PLC#
- HVA Foods PLC#
- Lucky Lanka Milk Processing Co. PLC\*
- Mackwoods Energy PLC\*\*
- MTD Walkers PLC\*\*\*
- Office Equipment PLC\*
- PC Farma PLC\*
- Paragron Ceylon PLC\*
- Standard Capital PLC\*
- Serendib Engineering Group PLC#
- Tess Agro PLC\*\*

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

- Building Materials Corporation Ltd
- Central Engineering Consultancy Bureau
- Ceylon Ceramic Corporation
- Ceylon Fisheries Corporation

- Janatha Estates Development Board
- National Film Corporation
- National Livestock Development Board
- National Institute of Business Management
- National Insurance Trust Fund
- Paddy Marketing Board
- Sri Lanka Bureau of Foreign Employment
- Sri Lanka Transport Board
- Sri Lanka Handicrafts Board
- Sri Lanka Institute of Textile and Apparel
- Sri Lanka Rupavahini Corporation
- State Development and Construction Corporation
- State Engineering Corporation of Sri Lanka
- State Pharmaceuticals Manufacturing 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 2019 :

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

# Received Subsequently (before 31 January 2020)

\* Trading Suspended at CSE

\*\* Included in the Watch List at CSE

\*\*\* Trading halted at CSE

## Activities relating to standard setting by CA Sri Lanka during 2019

In terms of the past arrangements with the Ministry of Finance and Mass Media, during the year 2019 SLAASMB continued to provide the annual grant of Rs. 4 million to the Institute of Chartered Accountants of Sri Lanka (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 once a month. 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 are as follows:

- a)** Issue of the Sri Lanka Accounting Standards Bound Volume for 2019, which incorporates the latest versions of the standards based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and gazetting the changes from the previous bound volume.
- b)** Amending following existing Sri Lanka Accounting Standards, which have been adopted and gazetted during the year:
  - Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies,

Changes in Accounting Estimates and Errors – Definition of Material

- Amendments to SLFRS 3 Business Combinations – Definition of a Business
- c)** Adoption of SLFRS 17, Insurance Contracts.
- d)** Issue of following Financial Reporting Guidance Notes
  - Application Guidance Notes on SLFRS 9, Financial Instruments
  - Application Guidance Notes on SLFRS 15, Revenue from Contracts with Customers for the Real Estate Sector
- e)** Responding to the following Exposure Drafts and discussion papers issued by the International Accounting Standards Board (IASB);
  - Amendments to IAS 37 - Onerous Contracts
  - Proposed Amendments to the IFRS Foundation Due Process Handbook
  - Annual Improvements to IFRS Standards 2018–2020
  - Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)
- f)** Deliberation of Exposure Draft ED/2019/7 on General Presentation and Disclosures (Comments to be received by 30 June 2020) issued by the IASB
- g)** Conducting a Post Implementation Review on SLFRS 9, Financial Instruments with the stakeholder groups
- h)** Adopting Sri Lanka Standard on Auditing (SLAuS) 540 (Revised) Auditing Accounting Estimates and Related Disclosure with the effective date of 15 December

2019 and commencement of gazetting.

- i)** Issue of Sri Lanka Standard on Related Services (SLSRS) 4450 -Anti-Money Laundering and Countering the Financing of Terrorism Guidance for Members of the Institute of Chartered Accountants of Sri Lanka with the approval of the Council.
- j)** Submission of comments on following Exposure Drafts and discussion papers issued by the International Auditing and Assurance Standards Board (IAASB);
  - Proposed International Standard on Quality Management 1 (ISQM 1) - Quality Management for Firms that perform audits and reviews of Financial Statements, or Other Assurance or Related Services Engagements
  - Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the International Standards on Auditing
- k)** Deliberation of the following amendments issued by the IAASB
  - ISA 315 (Revised) Identifying and Assessing the Risk of Material Misstatements
  - Exposure Draft on Proposed Conforming Amendments to the IAASB's International Standards as a Result of the Revised International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants

## Report of the Auditor General



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

TRE/A/SLAASMB/1/19/01

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

02 February 2021

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 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

### 1. Financial Statements

#### 1.1 Opinion

The audit of the financial statements of the Sri Lanka Accounting and Auditing Standards Monitoring Board ("Board") for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and other comprehensive income, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Sri Lanka Accounting and Auditing Standards Monitoring Board as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව | இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை | No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



+94 11 2 88 70 28 - 34



+94 11 2 88 72 23



ag@auditorgeneral.gov.lk



www.naosl.gov.lk

## Report of the Auditor General



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

### 1.2 Basis for Opinion

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

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

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

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

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

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



## Report of the Auditor General



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

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

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

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

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

## Report of the Auditor General



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

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.

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

### 2. Report on Other Legal and Regulatory Requirements

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

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

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

- to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of



## Report of the Auditor General



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

- to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018, except for
- 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
  - According to the section 5 of the Sri Lanka Accounting and Auditing standards Act No.15 of 1995, the standards adopted by the Institute under the Act shall be applicable to all Business enterprises specified in the schedule in the Act. Thus, the main function of the Board is to monitor the compliances with the Sri Lanka Accounting and Auditing Standards by the Specified Business Enterprises (SBEs). However, a formal mechanism to identify the SBEs after being enacted the Companies Act No.7 of 2007, had not been introduced or implemented by the Board in order to efficiently perform it's main functions.
- 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

### 3. Other Audit Observations

- (a) Out of the identified SBEs of 1,608 as at 31 December 2019, the Board had received 1,635 financial statements including 548 financial statements related to the preceding years. Nevertheless, no action had taken by the Board to call financial statements from remaining 87 SBEs.

## Report of the Auditor General



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE


- (b) Out of the received financial statements during the year 2019, the Board had reviewed only 720 financial statements received from 699 SBEs representing 44 per cent. However, 26 financial statements which had been reviewed by the Board were not tallied with the list of SBEs identified by the Board. Therefore, it was observed in audit that the Board had failed to identify the SBEs comes under the purview of the Board.
- (c) Even though, the non compliances with the standards had been reported to the respective SBEs, the management of certain SBEs had not taken corrective actions, mainly due to the lack of statutory powers to the Board to give directions. Hence, effectiveness of the monitoring function of the Board is questionable.
- (d) Out of the 1,608 of total number of identified SBEs, only 45 audit inspections were conducted during the year under review representing 3 per cent of the SBEs identified. It was a gradual decrease when compared with the 50 and 100 audits carried out during previous year and the year 2017 respectively.
- (e) No action had been taken by the Board to monitor compliances with the quality controls requirements of the Audit firms engaged in the audits of the SBEs.
- (f) Even though planning of a Management Information System (MIS) has been started since 2015, a suitable system has not been implemented by the Board for improving the review functions upto the end of 2020.

## Report of the Auditor General



ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE

- (g) There were 20 vacancies (including 03 post on contract basis) of the approved cadre in the Board as at 31 December 2019 and out of which 04 vacancies were in senior level. Recruitments had been made on contract basis for 03 senior and tertiary level positions which were in the approved permanent cadre of the Board, without obtaining the approval from the Department of Management Services.

  
W.P.C. Wickramaratne  
Auditor General.

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

Observations in Audit Report dated 2 February 2021	Responses by Management
Section 2	
According to Section 5 of the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the standards adopted by the Institute under the Act shall be applicable to all Business enterprises specified in the schedule in the Act. Thus, the main function of the Board is to monitor the compliances with the Sri Lanka Accounting and Auditing Standards by SBEs. However a formal mechanism to identify the SBEs after being enacted by the Companies Act No 7 of 2007, had not been introduced or implemented by the Board in order to efficiently perform its main functions	Despite lack of legal provisions, within the best available facilities, SLAASMB has in fact implemented a process to identify the SBEs. This process was explained in our response to the draft observations of the Auditor's as well. Accordingly, the Auditor General (AG)'s comment referred in section 2 of the Audit Report of 2 February 2021 is factually not correct. (Refer Note A).
Section 3	
(a) Out of the identified SBEs of 1,608 as at 31 December 2019, the Board had received 1,635 financial statements including 548 financial statements related to the preceding year. Nevertheless, no action had taken by the Board to call financial statements from remaining 87 SBEs	SLAASMB has taken all possible actions to obtain financial statements from the remaining 87 SBEs, through the aforementioned close follow up mechanism as explained in the response to AG's Draft Observation letter. Therefore, stating that no action has been taken by the Board to call financial statements from the said remaining 87 SBEs as an audit observation is factually incorrect. (Refer Note A)
(b) Out of the received financial statements during the year 2019, the Board had reviewed only 720 financial statements received from 699 SBEs representing 44 per cent. However, 26 financial statements which had been reviewed by the Board were not tallied with the list of SBEs identified by the Board. Therefore, it was observed in audit that the Board had failed to identify the SBEs comes under the purview of the Board	The mismatches of SBE details in the Receipt database and Review data base are due to reasons beyond the control of SLAASMB as explained in SLAASMB's response to the draft Audit Observations. Thereby, AG's observation stating that financial statements reviewed has not been included in the SBE list and accordingly the existing details of SBEs not being updated, and thereby the Board had failed to identify the SBEs which comes under the purview of the Board, is factually incorrect. (Refer Note A)
(c) Even though the non compliances with the standards had been reported to the respective SBEs, the management of certain SBEs had not taken corrective actions, mainly due to the lack of statutory powers to the Board to give directions. Hence effectiveness of the monitoring function of the board is questionable.	<p>When there had been no requirements to take statutory directions against this SBE, stating that corrective actions had not been taken mainly due to lack of statutory powers of the Board to give directions, is factually incorrect.</p> <p>Further, when there had been only one SBE on which the concern has been communicated to SLAASMB, indicating in the audit report that there were certain other SBEs whose management had not taken corrective action is not correct. (Refer Note A)</p>

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

<p>(d) Out of the 1,608 of the total number of SBEs, only 45 audit inspections were conducted during the year under review representing 3 percent of the SBEs identified. It was a gradual decrease when compared with the 50 and 100 audits carried out during previous year and the year 2017 respectively.</p>	<p>When there is a valid reason for the drop in Audit inspections, stating that there had been a gradual decrease without indicating the reasons for such drop in the audit observation is not appropriate.</p> <p>Further improvement made to the total audit market environment by SLAASMB, by issuing Thematic Audit Inspection Report, performing Firm-wide quality inspections on a voluntary basis, issuing brochures on findings to ensure auditors improve themselves, etc., results in improving the audit market which is more effective than merely reviewing a large number of audits of a limited number of audit firms.</p> <p>Further, it is not practical to review audits of all SBEs and thus commenting as the audit inspection representation as 3% is not an effective consideration as the action taken to improve the entire audit market is more effective to induce compliance. <i>(Refer Note A)</i></p>
<p>(e) No action had been taken by the Board to monitor compliance with the quality control requirements of the Audit firms engaged in the audits of SBEs.</p>	<p>When SLAASMB does not have powers vested by the Act to perform quality control requirements in Audit engagements and when all possible measures have been taken to carry out quality control reviews in the future (through the mandate) and currently (on a voluntary basis), stating that no action had been taken by the Board to monitor compliance with the quality control requirements of the Audit firms engaged in the audits of SBEs, is factually not correct. <i>(Refer Note A)</i></p>
<p>(f) Even though planning of a Management Information System has started since 2015, a suitable system has not been implemented by the Board for improving the review functions upto the end of 2020</p>	<p>We acknowledge the fact that an MIS system has not been implemented as yet. However as explained in SLAASMB's response to the draft audit observation, the delay was due reasons beyond SLAASMB's control. Further, action has currently being taken to recommence the MIS development project and SAASMB is in the stage of calling for Expression of Interest (Eoi) from prospective developers. <i>(Refer Note A)</i></p>
<p>(g) There were 20 vacancies (Including 3 posts on contract basis) of approved cadre in the Board as at 31 December 2019 and out of which 4 vacancies were in senior level. Recruitment had been made on contract basis for 3 senior and tertiary level positions which were in the approved permanent cadre of the Board, without obtaining the approval from the Department of Management Service.</p>	<p>As explained in SLAASMB's responses to the draft Audit Report, SLAASMB has made the recruitments within the approvals granted from Department of Management Service, Thereby stating that contract basis staff has been appointed without approvals when letter of 17 January 2009 enables such recruitment is factually not correct. <i>(Refer Note A)</i></p>

**Note A:** Accordingly, SLAASMB by letter of 19 February 2021, has requested AG to incorporate the explanations along with AG's observation.



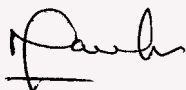
## Statement of Financial Position

As at	Note	31-Dec-19 Rs.	31-Dec-18 Rs.
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant and equipment	3	11,318,497	14,392,976
Deposits	4	6,979,736	6,979,736
		18,298,233	21,372,712
<b>Current Assets</b>			
Inventories	5	642,810	698,514
Accounts receivable	6	3,899,093	3,029,089
Cash and cash equivalents	7	1,128,025	39,328
		5,669,928	3,766,931
<b>Total Assets</b>		<b>23,968,161</b>	<b>25,139,643</b>
<b>LIABILITIES</b>			
<b>Non - Current Liabilities</b>			
Deferred income - government grants	8	16,259,927	18,653,237
Defined benefit obligations	9	2,038,306	1,187,774
		18,298,233	19,841,011
<b>Current Liabilities</b>			
Deferred income - government grants	10	922,064	-
Accounts payable	11	4,747,864	5,298,632
		5,669,928	5,298,632
<b>Total Liabilities</b>		<b>23,968,161</b>	<b>25,139,643</b>

The notes appearing on pages 56 to 62 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



Member



Acting Director General



Deputy Director General  
(Finance and Administration)

13 March 2020



# Statement of Financial Performance and Other Comprehensive Income

<i>For the year ended 31 December</i>	<i>Note</i>	<b>2019 Rs.</b>	<b>2018 Rs.</b>
<b>Revenue</b>			
Government grants	12	82,511,881	94,138,101
Less: Grants released to the Institute of Chartered Accountants of Sri Lanka		4,000,000	4,000,000
		<b>78,511,881</b>	<b>90,138,101</b>
<b>Operating Expenses</b>			
Board Members' allowances		(1,327,500)	(1,360,500)
Auditor's remuneration	13	(240,100)	(193,200)
Staff costs	14	(41,487,633)	(44,084,317)
Fuel and lubricants		(1,544,609)	(1,869,995)
Press notices		(897,161)	(551,356)
Rent and building service charges		(11,871,631)	(11,692,318)
Depreciation and amortisation expenses	3	(3,141,970)	(10,174,715)
Electricity		(1,214,982)	(1,304,175)
Professional fees to Reviewers		(1,879,000)	(2,438,000)
International memberships		(2,240,195)	(2,595,809)
Books and Periodicals		(944,722)	(1,341,583)
International travel		(4,990,384)	(4,675,184)
Training and development		(717,362)	(2,402,223)
License and insurance		(1,081,768)	(1,014,334)
Stationery		(853,151)	(677,056)
Other administration expenses	15	(4,079,713)	(3,763,336)
		-	-
<b>Other Comprehensive Income</b>			
(Loss) /gain on remeasurement of the defined benefit obligation		(648,735)	19,574
Government grant related to remeasurement of defined benefit obligation		648,735	(19,574)
		-	-
<b>Net surplus / (deficit) for the year</b>		-	-

The notes appearing on pages 56 to 62 form an integral part of the financial statements.

## Statement of Changes in Net Assets

	Accumulated Fund Rs.
Balance as at 31 December 2017	-
Net surplus/deficit for the year	-
Balance as at 31 December 2018	-
Net surplus/deficit for the year	-
<b>Balance as at 31 December 2019</b>	<b>-</b>

The notes appearing on pages 56 to 62 form an integral part of the financial statements.

## Cash Flow Statement

<i>For the year ended 31 December</i>	<i>Note</i>	<b>2019 Rs.</b>	<b>2018 Rs.</b>
<b>Cash flows from operating activities</b>			
Net surplus / (deficit) for the year		-	-
Adjustments for;			
Government grants received during the year		<b>81,689,370</b>	81,391,000
Deferred government grants transferred to total comprehensive income	12	<b>(83,160,616)</b>	(94,118,527)
Depreciation	3	<b>3,141,970</b>	10,174,715
Loss on disposal of office equipment		-	3
Interest on investment in gratuity fund		<b>(338,870)</b>	(425,339)
Defined benefit obligation	14.1	<b>1,350,531</b>	696,349
Excess of income over expenditure / (expenditure over income) before working capital changes		<b>2,682,385</b>	(2,281,799)
(Increase) / decrease in inventories		<b>55,705</b>	(181,683)
(Increase) / decrease in accounts receivable		<b>(870,004)</b>	347,335
Increase / (decrease) in accounts payable		<b>(550,769)</b>	1,321,334
Registration fees received for IFIAR Inspection Workshop		-	(6,719,098)
Net cash flows from operating activities		<b>1,317,317</b>	(7,513,911)
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		<b>(67,490)</b>	-
Investment in gratuity fund		<b>(500,000)</b>	(800,000)
Interest received on investment in gratuity fund/safety locker		<b>338,870</b>	425,339
Net cash flows		<b>1,088,697</b>	(7,888,572)
<b>Cash flows from financing activities</b>			
		-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,088,697</b>	(7,888,572)
Cash and cash equivalents at the beginning of the year		<b>39,328</b>	7,927,900
<b>Cash and cash equivalents at the end of the year</b>	7	<b>1,128,025</b>	39,328

*The notes appearing on pages 56 to 62 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 2019 were authorised for issue by a resolution of the Members of the Board on 13 March 2020. 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 13 permanent employees 3 employees on contract basis and 1 employee on temporary basis as at 31 December 2019 (14 employees on permanent basis, 5 employees on contract basis and 2 employees on temporary basis as at 31 December 2018).

## 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	10 Years
Office Equipment	4 Years
Furniture, Fixtures & Fittings	6-10 Years
Books and Publications	3 Years

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

Items other than books and publications purchased at a cost not exceeding Rs.7,500/, all Accounting Standards and Auditing standards and other publications with a cost not exceeding Rs.1,000/- are expensed in the year of purchase.

### Inventories

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

### Accounts Receivable

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

### Cash and Cash Equivalents

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

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

### Accounts Payable

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

### Defined Benefit Costs

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

### Government Grants

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

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

## Notes to the Financial Statements

### 3. Property, Plant and Equipment

	Motor Vehicles		Office Equipment		Furniture, Fixtures & Fittings		Library Books		Total	
As at	31-Dec-19 Rs.	31-Dec-18 Rs.	31-Dec-19 Rs.	31-Dec-18 Rs.	31-Dec-19 Rs.	31-Dec-18 Rs.	31-Dec-19 Rs.	31-Dec-18 Rs.	31-Dec-19 Rs.	31-Dec-18 Rs.
<b>Cost</b>										
At beginning of the year	51,160,000	51,160,000	12,333,211	12,507,865	11,420,413	11,496,914	3,198,399	3,198,399	78,112,023	78,363,178
Additions	-	-	67,490	-	-	-	-	-	67,490	-
Disposals	-	-	-	(174,654)	-	(76,501)	-	-	-	(251,155)
At end of the year	51,160,000	51,160,000	12,400,701	12,333,211	11,420,413	11,420,413	3,198,399	3,198,399	78,179,513	78,112,023
<b>Accumulated Depreciation</b>										
At beginning of the year	40,474,665	32,042,665	9,539,015	8,316,247	10,517,081	10,273,314	3,188,285	3,163,257	63,719,046	53,795,483
Depreciation for the year	1,601,271	8,432,000	1,252,027	1,397,420	280,111	320,267	8,561	25,028	3,141,970	10,174,715
Depreciation on disposals	-	-	-	(174,652)	-	(76,500)	-	-	-	(251,152)
At end of the year	42,075,936	40,474,665	10,791,042	9,539,015	10,797,192	10,517,081	3,196,846	3,188,285	66,861,016	63,719,046
Written Down Value at end of the year	9,084,064	10,685,335	1,609,659	2,794,196	623,221	903,332	1,553	10,114	11,318,497	14,392,976

The Management decided to change the useful life of motor vehicles from 5 to 10 years, based on the past experience, as motor vehicles are being used for more than 5 years. The effect of these changes on actual and expected depreciation expenses is as follows;

	2019 Rs	2020 Rs	2021 Rs	2022 Rs	2023 Rs	After 2023
Decrease/(Increase) in depreciation expenses	6,251	(123)	(246)	(1,601)	(1,601)	(2,679)

## Notes to the Financial Statements

As at	31-Dec-19 Rs.	31-Dec-18 Rs.
<b>4. Deposits (Non-current)</b>		
Rent deposit	6,879,736	6,879,736
Safety locker deposit	100,000	100,000
	<b>6,979,736</b>	<b>6,979,736</b>
<b>5. Inventories</b>		
Stationery	642,810	698,514
<b>6. Accounts Receivable</b>		
Prepayments	2,499,794	2,739,670
Part payment made to Consultant	1,369,299	259,419
Deposits	30,000	30,000
	<b>3,899,093</b>	<b>3,029,089</b>
<b>7. Cash and Cash Equivalents</b>		
Cash on hand and in bank	1,128,025	39,328
	<b>1,128,025</b>	<b>39,328</b>
<b>8. Deferred Income - Government Grants (Non-current)</b>		
Balance at the beginning of the year	20,184,938	30,256,006
Grants received and utilised to acquire non-current assets	67,490	-
Grants received and invested in gratuity fund	500,000	800,000
Depreciation and amortisation expenses for the year	(3,141,970)	(10,174,715)
Interest received on gratuity fund	338,870	425,339
Loss on disposal of office equipment	-	(3)
Change in defined benefit obligation for the year	(1,689,401)	(1,121,689)
Balance at the end of the year	<b>16,259,927</b>	<b>20,184,938</b>
Transferred from Deferred Income - Government Grants (current)	-	(1,531,701)
	<b>16,259,927</b>	<b>18,653,237</b>
<b>Represented by</b>		
Property, plant and equipment	11,318,497	14,392,976
Deposit (non-current)	6,979,736	6,979,736
(Provision for gratuity) / Excess of Gratuity Fund	(2,038,306)	(1,187,774)
	<b>16,259,927</b>	<b>20,184,938</b>
Transferred from Deferred Income - Government Grants (current)	-	(1,531,701)
	<b>16,259,927</b>	<b>18,653,237</b>



## Notes to the Financial Statements

As at	31-Dec-19 Rs.	31-Dec-18 Rs.
<b>9. Defined Benefit Obligations / (Asset)</b>		
Balance at the beginning of the year	5,047,793	6,358,156
Charge for the year	576,197	613,847
Interest for the year	464,469	527,415
Actuarial gains / losses	648,735	(19,574)
	6,737,194	7,479,844
Payments during the year	(397,001)	(2,432,051)
	6,340,193	5,047,793
Gratuity Fund (Note 9.1)	(4,301,887)	(4,022,968)
Balance at the end of the year	2,038,306	1,024,825
PAYE of Gratuity payment payable	-	162,949
Balance at the end of the year	2,038,306	1,187,774
Present value of the obligation was measured using the following assumptions.		
Expected salary increment	10%	10%
Discount / interest rate	10.23%	12.23%
Staff turnover factor	9%	9%
The liability for gratuity is partly funded.		
<b>9.1 Gratuity Fund</b>		
Balance at the beginning of the year	4,022,968	5,066,731
Investments made during the year	500,000	800,000
Interest received during the year	338,870	425,339
Payments during the year	(559,951)	(2,269,102)
Balance at the end of the year	4,301,887	4,022,968
<b>10. Deferred Income - Government Grants (Current)</b>		
Balance at the beginning of the year	(1,531,701)	1,124,758
Increase / (decrease) in inventories and accounts receivable	814,300	(165,651)
Increase / (decrease) in cash and cash equivalents	1,088,697	(7,888,572)
(Increase) / decrease in deferred income and accounts payable	550,768	5,397,764
Balance at the end of the year	922,064	(1,531,701)
Transferred to Deferred Income - Government Grants (non-current)	-	1,531,701
	922,064	-
<b>Represented by</b>		
Inventories	642,810	698,514
Accounts receivable	3,899,093	3,029,089
Cash and cash equivalents	1,128,025	39,328
Less: accounts payable	(4,747,864)	(5,298,632)
Balance at the end of the year	922,064	(1,531,701)
Transferred to Deferred Income - Government Grants (Non Current)	-	1,531,701
	922,064	-

## Notes to the Financial Statements

As at	31-Dec-19 Rs.	31-Dec-18 Rs.
<b>11. Accounts Payable</b>		
Auditors' remuneration	560,100	320,000
Grants payable to Institute of Chartered Accountants of Sri Lanka	2,000,000	2,000,000
Professional fees payable to reviewers	567,000	735,000
Staff incentive payable	754,000	949,000
Other payables	866,764	1,294,632
	<b>4,747,864</b>	<b>5,298,632</b>
<b>12. Government Grants</b>		
Government Grants received during the year	81,689,370	81,391,000
Grants received and invested in gratuity fund	(500,000)	(800,000)
Grants used for capital expenditure	(67,490)	-
Grants used to finance net current assets	(2,453,765)	2,656,459
Depreciation and amortisation expenses for the year	3,141,970	10,174,715
Interest received on gratuity fund	(338,870)	(425,339)
Loss on disposal of office equipment	-	3
Defined benefit liability for the year	1,040,666	1,141,262
Grants shown in the Statement of Financial Performance	<b>82,511,881</b>	<b>94,138,101</b>
Grant related to remeasurement of defined benefit liability shown in Other Comprehensive Income	648,735	(19,574)
Total grants transferred to total comprehensive income shown in Statement of Cash Flows	<b>83,160,616</b>	<b>94,118,527</b>
<b>13. Auditors' Remuneration</b>		
Current year	200,000	160,000
(Over) / under provisions in the previous years	40,100	33,200
	<b>240,100</b>	<b>193,200</b>

## Notes to the Financial Statements

<i>For the year ended 31 December</i>	<b>31-Dec-19 Rs.</b>	<b>31-Dec-18 Rs.</b>
<b>14. Staff Costs</b>		
Staff remuneration	20,442,737	21,858,386
Employees' provident fund	2,602,828	2,780,709
Employees' trust fund	651,615	695,177
Defined benefit obligation (note 14.1)	701,796	715,923
Other outsource services	1,401,215	1,218,240
Staff incentive	10,473,666	12,002,683
Medical insurance	654,872	483,101
Staff welfare	956,547	780,029
Other staff benefits	3,602,357	3,550,068
	<b>41,487,633</b>	<b>44,084,317</b>
<b>14.1 Defined Benefit Obligations</b>		
Charge for the year	576,197	613,847
Net interest for the year	125,599	102,076
	<b>701,796</b>	<b>715,923</b>
Actuarial gains / losses disclosed as other comprehensive income	648,735	(19,574)
Total Defined Benefit Obligation included in the Statement of Cash flows	<b>1,350,531</b>	<b>696,349</b>
<b>15. Other Administration Expenses</b>		
Annual report	430,000	397,605
Computer maintenance	79,494	104,385
Equipment maintenance	272,691	154,360
Telephone	696,587	764,274
Vehicle maintenance	959,409	881,546
Office expenses	329,514	401,445
Secretarial fees	-	90,000
Legal and professional fees	220,500	128,628
Internal audit fees	193,100	170,000
Sundry expenses	898,418	671,093
	<b>4,079,713</b>	<b>3,763,336</b>

## Notes to the Financial Statements

<i>For the year ended 31 December</i>	<b>31-Dec-19 Rs.</b>	<b>31-Dec-18 Rs.</b>
<b>16. IFIAR Workshop 2018 -Income and Expenditure</b>		
<b>Income</b>		
Participant's fee	-	11,584,015
Treasury Funds	-	1,175,000
Interest on call deposits	-	60,924
	-	12,819,939
<b>Expenditure</b>		
Event Management fee	-	1,099,414
Venue related expenses	-	4,851,312
Audio Visual related expenses	-	2,201,410
Others	-	3,502,217
	-	11,654,353
Income over Expenditure	-	1,165,586
Less: Excess Funds returned to Treasury	-	(1,165,586)
	-	-

SLAASMB hosted the 2018 Inspection workshop of the International Forum of Independent Audit Regulators (IFIAR), in Sri Lanka in February 2018.

### 17. Capital Commitments

The Board had approved the plan to design and construct interior partitioning at the office space rented on the first floor for expansion. However due to funding constraints, the construction work did not take place in 2019. Accordingly as at 31 December 2019 a commitment to pay Rs. 288,327.67 as consultancy fees existed for the interior designing of the first floor space. Further, additional capital expenditure contracted in respect of storage facilities but not provided for as at 31st December 2019 is amounted to Rs. 650,000/- (No commitments as at 31st December 2018)

### 18. Related Party Transactions

In order to initiate action to attract and retain Chartered Accountants to perform the regulatory function, a salary statistics report was obtained from KPMG Executive Search (Pvt) Ltd at cost of Rs. 200,000/-. Member of the Board Mr. W.W.J.C Perera is a partner of KPMG.

### 19. Contingent Liabilities

There were no contingent liabilities as at 31 December 2019. (As at 31 December 2018 - 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.

## Specified Business Enterprises

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

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





**Name of Organization**  
Sri Lanka Accounting and  
Auditing Standards Monitoring Board

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

**Country of Incorporation**  
Sri Lanka

**Head Office**  
3rd Floor,  
293, Galle Road,  
Colombo 3  
Telephone: 011 2301210  
Fax: 011 2301211  
E-mail: slaasmb@sltnet.lk

**Website**  
[www.slaasmb.gov.lk](http://www.slaasmb.gov.lk)

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

**Internal Auditors**  
Edirisinghe & Company  
45, Braybrooke Street,  
Colombo 02

**Banker**  
Bank of Ceylon

**Legal Advisers**  
Attorney General  
Attorney General's Department  
Colombo 12

