

From the Front

ANNUAL REPORT
2016



CA



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SRI LANKA

From The Front

ANNUAL REPORT

2016

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) was established by Act of Parliament No. 23 of 1959 for the main purpose of promoting theory and practice of accountancy, enrolling, educating and training members and for preserving the professional independence of accountants.

CA Sri Lanka is the sole authority for adopting accounting and auditing standards in Sri Lanka. CA Sri Lanka has a member population of 5,290.

Over the years, CA Sri Lanka has built valuable relationships with regional and international professional accounting bodies to enhance its recognition in the world.

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CA Sri Lanka is the pivotal body representing and promoting the Accountancy profession in Sri Lanka. We are in the vanguard of the advancement of the profession through core activities such as upholding of standards, catalysing excellence in education and professional development, providing thought leadership and generally serving the accounting community proactively and with dynamism. These activities help to embed highly skilled, competent and visionary professionals across the spectrum of accounting and business activity, and they in turn, by their professionalism and acumen build and enhance the trust of the investor community and the general public in corporates and public enterprises.

We lead from the front.

VISION

To maintain the highest standards of professional conduct in business and society

MISSION

To be the most sought after qualification for business leaders

OBJECTIVES

- Upholding standards in the public interest
- Excellence in education and professional development
- Leadership through ideas and influence
- Delivering dynamic and proactive service

CORE VALUES

Integrity + Wisdom + Innovation + Service

This report is structured around the four primary objectives of CA Sri Lanka, within which the dual process of value creation, that of adding value to its stakeholders and deriving value from them are discussed in detail.

Objectives

The objectives of the Institute specified in the Act of Incorporation have been summarised into below four broader categories:

1. Upholding standards
2. Excellence in education and professional development
3. Leadership through ideas and influence
4. Delivering dynamic and proactive service

The stakeholders of CA Sri Lanka are:

1. Members
2. Students
3. Employees
4. Government
5. Strategic Partners
6. Society and Environment

In our report, we have attempted to communicate the relationships and interconnections of all aspects of our processes and operations such as strategy, governance, risks, performance and prospects as they unfold in pursuance of our goal. We have lucidly described how we create value in the social, economic and regulatory context.

Reporting

Following the preamble and message/review from the President and the Secretary/CEO, we begin our Review of the Year with a discussion on our operating model. Our operating model is underpinned by CA Sri Lanka's strategic purposes in the context of the operating environment. This then leads to a management discussion on value creation – for whom, why and when. We then discuss stewardship and move on to financial reports that provide the details of our financial performance.

Compliance

The CA Sri Lanka Annual Report 2016 covers the 12-month period 1st January to 31st December 2016, and is consistent with our usual annual reporting cycle.

Thus, the information contained in this report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures.

Inquiries

We welcome your comments or inquiries on this report. You may contact us by mail or Email as follows:

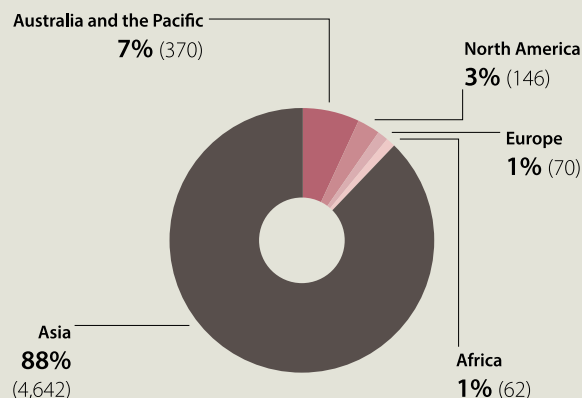
Address:
Secretary/Chief Executive Officer
The Institute of Chartered Accountants of Sri Lanka
No. 30A, Malalasekera Mawatha
Colombo 7
Sri Lanka

Email: secretariat@casrilanka.org

For the Years Ended 31st December	2016	2015	Growth %
Members:			
No. of members	5,290	4,876	8.4
Ratio of resident and non-resident members	84:16	85:15	
Ratio of practicing and non-practising members	13:87	14:86	
Membership retention rate (%)	97%	94%	3
No. of new admissions to ACA	310	470	(34)
Students:			
No. of students	42,197	44,611	(5.4)
Studentship renewal rate (%)	78.8%	76.8%	2
No. of new enrolments	7,015	10,318	(32)
Value of scholarships (Rs. '000)	11,172	9,112	22.6
Financial Performance:			
Total Income (Rs.'000)	752,389	760,460	(1)
Surplus (Rs.'000)	63,056	91,176	(30.8)
Total Assets (Rs.'000)	1,336,227	1,285,346	3.9
Other:			
No. of applications for Annual Report Awards	140	144	(2.7)

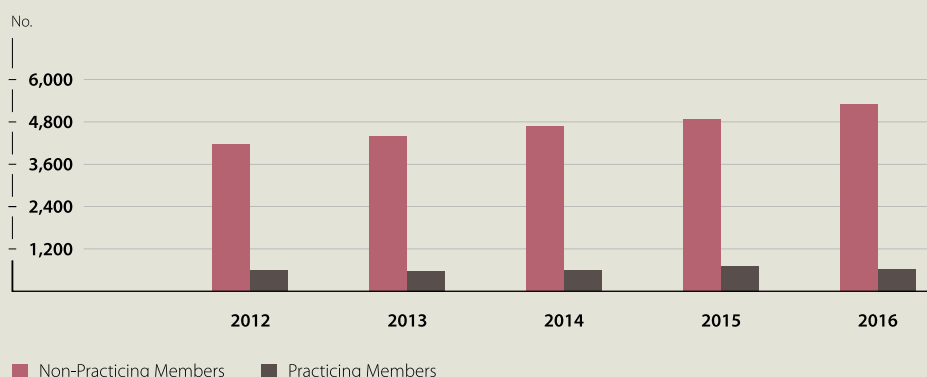
Geographical presence of members

84% of the member population of the Institute is resident in Sri Lanka and the balance 16% members are spread across the continents.



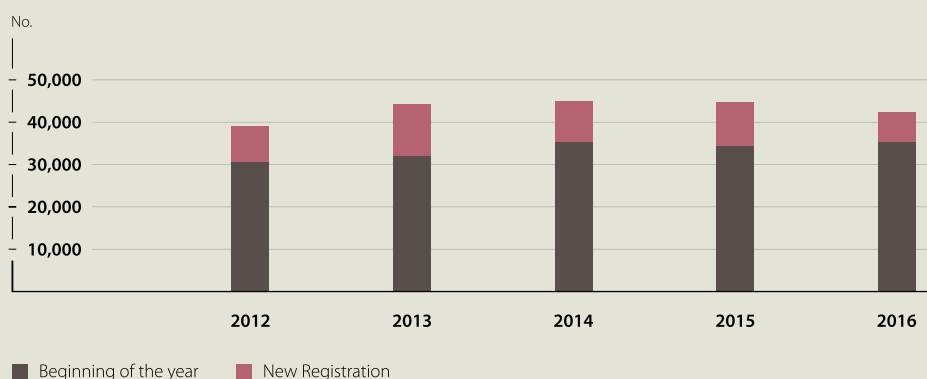
Membership growth

A total number of 310 new admissions during the year increased the total member population to 5,290 as at 31st December 2016.



Student population growth

A total number of 7,015 new students were enrolled during the year. Total number of students at the end of the year was 42,197.



Other Highlights/Events

Upholding standards in the public interest

- Introduction of new and revised auditing standards that will be effective for the audits of financial statements for periods ending on or after 31st March 2018 which include the concept of 'Key Audit Matters (KAM)' in the Independent Auditor's Report.
- Adoption of amendments to the Code of Ethics including NOCLAR based on 'Handbook of International Ethics Standard for Professional Accountants (IESBA) - 2016.
- Adopt new Sri Lanka Accounting Standard - SLFRS 16 Leases, effective from 1st January 2019 and issued SLFRS 2016 bound volume

Excellence in education and professional development

- CA Sri Lanka entering into memoranda of understanding with the University of Deakin, Australia and the University of Colombo to strengthen ties with academia.
- Created membership pathways through the memorandum of agreement signed with CIMA UK during the year.
- Launched the CA Sri Lanka accredited learning partner scheme and 11 professional education providers were recognised as accredited learning partners.

Leadership through ideas and influence

- 37th National Conference to stimulate 'Unleashed Thinking' to promote Entrepreneurship and Intrapreneurship.
- CA Sri Lanka being bestowed with the membership of Chartered Accountants Worldwide, a forum committed to promoting the prestige of Chartered Accountants and the value they can offer to organisations, strengthening the CA Brand and building Chartered Accountancy's position as the professional designation of choice among business leaders, financial experts and accountancy specialists.
- The 52nd Annual Report Awards competition grand finale was held in December under the theme 'Precision Exemplified'

Delivering dynamic and proactive services

- Enabling the NFC Card-based Member Tracking System with real time CPD Integrations.
- CA Sri Lanka Toastmaster's Club achieving the status of 'Golden Gavel', a global recognition.



The global transformation in the accounting education landscape and certain demographic shifts that are taking place have had an impact on the current and prospective student intake at CA Sri Lanka. Therefore, the time has come for us to explore new methodologies and develop strategies to align ourselves with the current trends and demands, to help us overcome these challenges, and continue to be in demand.

Dear Member,

There are underlying goals which contribute to the success of any profession. As Chartered Accountants, we have to increasingly think differently and act proactively, while complying with ethics and standards. The world has become challenging and complex and it is our responsibility as a leading professional body to give leadership to our members to help them build their careers and stay ahead of the challenges so that they remain invaluable to the business community in helping build corporates and our country.

Fulfilling responsibilities

Two major steps were taken by CA Sri Lanka in the year under review to keep us current with international developments in fulfilling our responsibilities to the public. One was the implementation of the new Audit Report, which was promulgated by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants. In the new report, it is incumbent on Auditors to identify and discuss key audit matters specific to the audit based on which the auditor expresses his opinion. The other important event was the adoption of the new ethical standard, 'Responding to Non-Compliance with Laws and Regulations' (NOCLAR). NOCLAR makes it mandatory for Chartered Accountants who become aware of any breach of laws or regulations by an organisation, to report the same after following a due process. Taking another step further, CA Sri Lanka has also initiated a project to develop a further simplified audit framework that could be applied for SME audits.

Remaining relevant

Regarding accounting and auditing standards too, we are in the forefront of having adopted almost all standards that the IFRS Foundation and International Federation of Accountants (IFAC) have issued. Where necessary, we adapt the standards to suit our needs and conditions. Since our members have to abide by the standards, this will assure the quality of the professional services they provide. I can confidently state that in all areas of accounting, auditing and ethical standards, we are equal to the developed world.

Overcoming challenges

The global transformation in the accounting education landscape and certain demographic shifts that are taking place has had an impact on the current and prospective student intake at CA Sri Lanka. Therefore, the time has come for us to explore new methodologies and develop strategies to align ourselves with the current trends and demands, to help us overcome these

challenges, and continue to be in demand. We have to embrace transformation which will help us attract prospective accountancy students to CA Sri Lanka. We are already in the process of implementing strategies to regain the market share.

We have taken steps to benchmark our qualification by an independent agency in order to meet the dynamic and evolving developments in the global arena which will enhance recognition of our qualification around the world.

Enhancing the standing of members

To enhance our member competencies further, CA Sri Lanka will launch the CPD online academy in June 2017 with carefully selected CPD programmes covering a wide range of subjects including leadership, negotiation skills, taxation and cyber security.

The memorandum of agreement signed recently between CA Sri Lanka and CIMA UK will create more global opportunities and recognition for both parties.

The certificate course in Forensic Accounting launched in 2016 is a specialised course which covers pertinent areas associated with modern Forensic and Investigative accounting. It will help Chartered Accountants to gain a thorough understanding of the principles and practices used.

CA Sri Lanka has taken up the initiative to develop a transfer pricing guideline for the members to adhere to and also to maintain the uniformity and the professional outlook when issuing transfer pricing audit certification.

Researching future developments

A member-focused initiative that we undertook during the year was the formation of two research groups; one on corporate governance and the other on financial reporting. The former will present the existing state of governance in Sri Lanka and provide some pointers for future developments. The latter will study the implementation of accounting standards, the suitability of the standards to our environment and the perceptions of the stakeholders. During the year under review, we also launched www.slaasc.lk a website dedicated for related technical resources on Accounting and Auditing Standards in Sri Lanka.

Strengthening public financial management

For the upliftment of the Public Sector financial reporting and for capacity building of Public Financial Management personnel, an international conference on 'Accrual Accounting and Financial Reporting' with the participation of the Controller Generals of Accounting and Supreme Audit Institutions in the SARRC region was held in 2016.

Member care

A project was initiated to create a Member Support Fund to assist CA members who face professional dilemmas at their work place or in the practice. Another member focused initiative was the introduction of the special insurance scheme for CA members.

Beyond borders

Our members have been serving as Board members of various International Accounting bodies. We are honoured by the fact that our immediate past President Mr. Arjuna Herath was appointed as the Chairman of the Professional Accounting Organisation Development Committee (PAODC). This is the first time, a Sri Lankan is holding a chairmanship of an IFAC Committee.

Ownership of CA Sri Lanka premises

I am glad to inform members that the Institute received freehold rights over its Colombo 07 office premises in March 2017.

Appreciation

I wish to extend my appreciation to the President of the Democratic Socialist Republic of Sri Lanka His Excellency Maithripala Sirisena and Mr. P B Abeykoon, Secretary to the President for their unstinted support.

I also wish to thank my fellow members of the Council and Committees, Secretary/CEO Mr. Aruna Alwis and the staff of CA Sri Lanka for their commitment and dedication. I must also acknowledge the contribution of our members who are our lifeblood and our strategic partners in Sri Lanka and worldwide.

I am confident that with the skills and competencies of our staff and our members, CA Sri Lanka will shine even more brightly as a beacon of professional excellence in Sri Lanka in the future and will be enshrined as a guardian of public interest.



Lasantha Wickremasinghe

President – CA Sri Lanka

19th May 2017

Colombo



The Institute also undertook a fresh initiative during the year under review to help build the capacity of state-owned enterprises and also build awareness on the importance of restructuring and reviving of companies in Sri Lanka.

Dear Member,

CA Sri Lanka, by virtue of its mandate and stakeholder expectations, has many onerous duties cast upon it; to be the standard bearer of the profession in Sri Lanka, to groom the future generation of Chartered Accountants to fulfil the roles they will be called upon to play, to keep its members current on all developments and to serve as a guardian of the public interest. To satisfy these demands, it also has to keep honing its internal systems and procedures to deliver with maximum effectiveness and efficiency.

CA Sri Lanka takes great pride in its progression as the national body of accountants, having made significant contributions to enhance the financial landscape of Sri Lanka, and also developing the accounting profession in the country.

CA Sri Lanka has always taken the lead in ensuring that the accounting profession in our country remains relevant, in the face of increasing challenges and complexities. During the year under review, a series of initiatives were taken to fulfil this objective, primarily targeting at our members.

In 2016, CA Sri Lanka adopted all amendments to the International Financial Reporting Standards, with the same effective dates, after due deliberations regarding the Sri Lankan context. In ensuring both members, and students were kept updated on the latest changes, CA Sri Lanka organised the annual seminar series on Sri Lanka Accounting Standards (SLFRSs) which was conducted over a period of 25 days, covering upcoming standards and standard for SMEs as well.

CA Sri Lanka continued to recognise that the Small and Medium sector is the backbone of the economy, and therefore continued to pay attention to their special needs in all programmes organised during the year under review. Sri Lanka Accounting Standards (SLFRSs) for smaller entities became effective from 1st January 2016 and workshops were conducted in a number of provincial towns in Sri Lanka to ensure all stakeholders are educated on this vital standard. Training programmes were also conducted focusing on SMEs in several less developed districts to build their business. Several two-day interactive workshops were also conducted to help Small and Medium Practitioners (SMPs) to carry out audits of SMEs in accordance with the clarified Sri Lanka Auditing Standards. Steps were also taken to introduce a toolkit on business planning for SMPs to serve SMEs.

Our public sector wing, the Association of Public Finance Accountants of Sri Lanka (APFASL) continued to make contribution towards transparency, good governance and accountability in Sri Lanka in an effort to help uplift the standards of the sector. The Institute also undertook a fresh initiative during the year under review to help build the capacity of state-owned enterprises and also build awareness on the importance of restructuring and reviving of companies in Sri Lanka.

In 2016, CA Sri Lanka also hosted the 45th Board meeting of SAFA in Colombo, where a delegation representing accounting bodies from Sri Lanka, India, Pakistan, Bangladesh and Nepal attended the meeting. Another significant achievement in 2016 was when Sri Lanka under the leadership of CA Sri Lanka became the first country in Asia to launch the Integrated Reporting Council (IRC), an initiative aimed at providing a networking platform for people who are interested in the concept of integrated reporting, which has received heightened attention of corporates across the globe.

Our flagship events, the 37th National Conference of Chartered Accountants concluded on a high note recording the largest ever participation in the event's history, while the 52nd Annual Report Awards competition held in December 2016 with 140 applicants vying for honours for producing the best annual reports, which promotes transparency, accountability and good governance.

During the year under review, steps were taken to enhance the services offered to our members and students through the CA Sri Lanka Web Portal. The APFASL website and the Sri Lanka Accounting and Auditing Standards Committee website were also launched during the year. The corporate mobile app which was initially launched for the use of members, has also been upgraded, with access been granted to students.

There has been a drop in student registrations and also a trend where students register for the course but do not register for the examinations. We are studying the reasons and intend to take counter-measures in 2017 to address these matters.

A major development pertaining to the public interest, is the implementation of the Right to Information Act. As an educational institution we come within the purview of the Act, and therefore we have appointed a dedicated officer to provide necessary information.

CA Sri Lanka is always mindful of the fact that its members aspire to leadership roles, including those transcending to the finance function. Our leadership programmes such as the CEO Forum and the CFO Forum cater to helping our members overcome any barriers they may face.

The staff is an integral pillar of CA Sri Lanka, and it is very important that I recognise their contribution throughout the years, including the year under review for their continuing dedication and commitment, in helping uplift CA Sri Lanka's standing and I also wish to thank the members and students for their continued support and assuring you of our best services at all times.

Finally, I wish to thank the President and members of the Council and Committees for the unstinted support and encouragement given to me at all times.



Aruna Alwis
Secretary/Chief Executive Officer

19th May 2017
Colombo

REVIEW OF THE YEAR

A review of how The Institute of Chartered Accountants of Sri Lanka delivered value to and derived value from its various stakeholders while realising the four primary objectives is given in this chapter.

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In order to achieve the objectives laid down in the Act of Parliament, No. 23 of 1959 for the incorporation of The Institute of Chartered Accountants of Sri Lanka and the amendments thereto, it should engage with its stakeholders in particular and the society in general. With the intention to uphold professional standards, ethics, integrity and transparency CA Sri Lanka should also constantly monitor the environment in which it operates, enabling it to manage risks associated therewith, take advantage of any opportunities and also to address any challenges that are on the horizon.

Regulatory Environment

CA Sri Lanka recommends adoption of Sri Lanka Accounting and Auditing Standards as per the mandate derived under the Act of Parliament. The Accounting Standards Committee and Auditing Standards Committee set up under Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 assists the Council of CA Sri Lanka in this regard.

CA Sri Lanka also liaises with other regulatory bodies in discharging the duties assigned to it as per the Act of Parliament.

The financial statements are intensively scrutinised by the Operational Review Committee, the Audit Committee, the External Auditor and finally the Council. They are made available to our members and also to the immediate stakeholders as well as the entire society through the Government Gazette.

Economic Environment

In 2016, Sri Lanka notched only 4.4% growth compared to 4.8% growth in 2015. Growth was rather subdued in the agricultural sector but was compensated somewhat by higher growth in the industrial and service sectors. Export growth too was modest. The rate of exchange depreciated against the other currencies during the year. The tourism and ICT/BPO sectors are two significant areas in the economic landscape.

There are however expectations for major investments in 2017, especially those driven by the Megapolis project.

CA Sri Lanka and its members have the potential to make a major contribution to the country's economic performance. CA Sri Lanka can make its contribution by helping to smoothen out policy uncertainties, especially regarding taxation.

Social Environment

The country moving towards middle income status has brought in its wake several trends that have a bearing on CA Sri Lanka's roles and activities. There has been a dramatic increase in ICT literacy and an exponential growth in social media. There is slowly, but surely, a trend towards more urbanisation. As the population becomes better informed, there is more concern with good governance, transparency and accountability. This in turn makes the role of CA Sri Lanka as a guardian of the public interest all the more crucial.

Developments locally and internationally have opened wide options to students. In a globalised world, students will also be global in their thinking. They will think of what opportunities any qualification they acquire will open up to them, not only in Sri Lanka but overseas as well. To those who are unable to afford foreign education, there are many opportunities to obtain foreign qualifications while remaining in Sri Lanka.

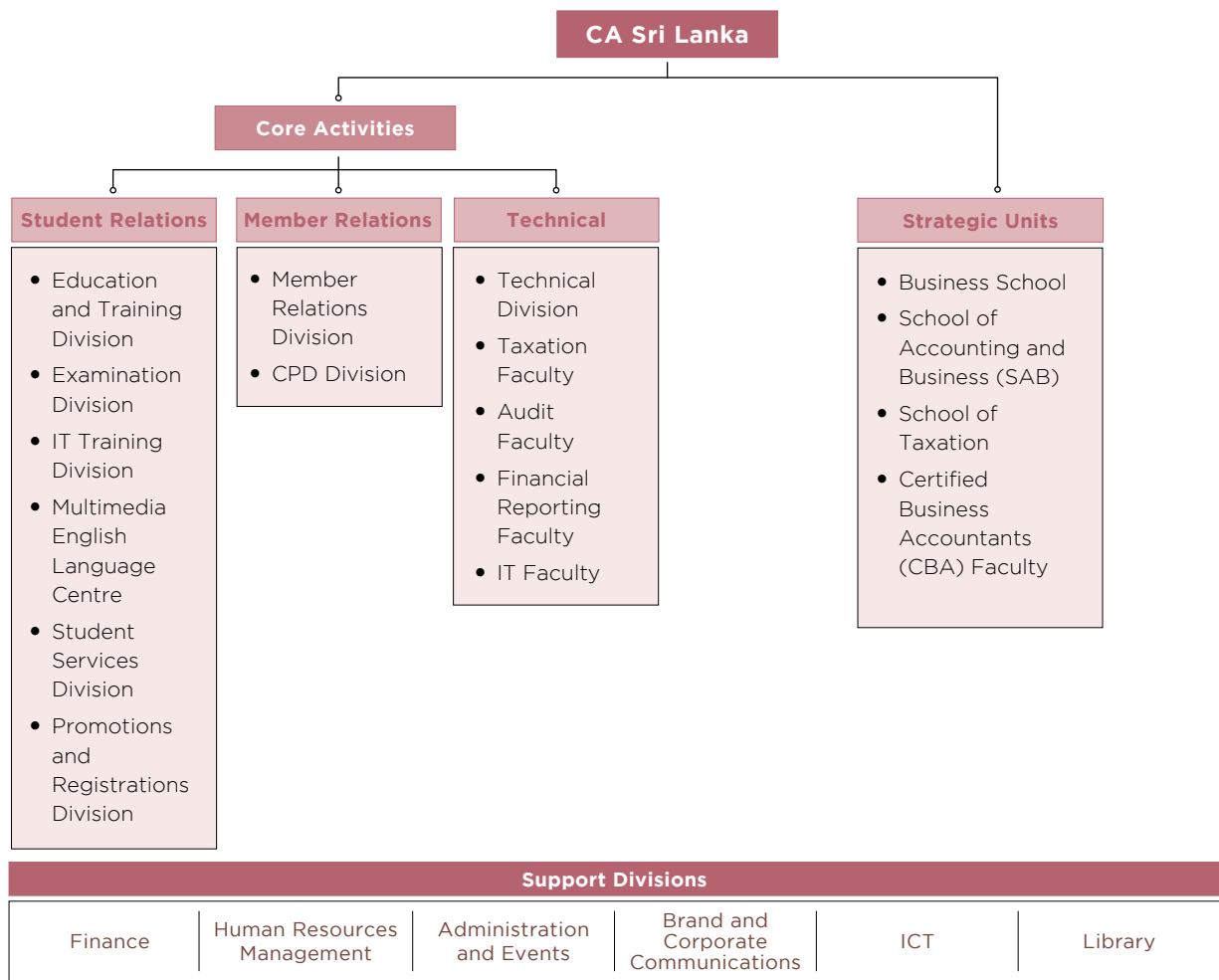
Technological Environment

Today the impact of technology is ubiquitous. To keep up with these expectations CA Sri Lanka needs to leverage technology, especially ICT, to its maximum. However such challenges also give CA Sri Lanka the opportunity to stand out as a beacon of excellence and professionalism.

Since its inception over half a century ago, CA Sri Lanka has discharged its professional responsibilities in an exemplary manner. It has fulfilled the expectations reposed in it by the stakeholders and the community as a whole, and built up their confidence in CA Sri Lanka. In the year under review, CA Sri Lanka intensified delivering value as a professional body keeping pace with the changes, needs and trends enveloping the society and environment.

The Institute promotes good governance, transparency and accountability with the commitment to ensure a high level of professional competence at the highest levels of integrity in a significant manner towards the national development efforts.

Operational Structure



Stakeholder Engagement

Stakeholder	Method of engagement	Topics discussed
Members	<ul style="list-style-type: none"> • Training/Panel discussions • Update of website • Events and other engagements • Press releases • Webinars and social media • Training guides • Code of Best Practice on Corporate Governance • Convocation • Annual General Meeting • Annual report • 'Abacus' magazine • Training partner conference • Gazette notice 	<ul style="list-style-type: none"> • Strategic direction • Ethics and integrity • Global/Regional co-operation • Affiliations with universities • Scholarships • CPD requirement • Accounting Standards • Library facilities • Job bank
Students (current and potential)	<ul style="list-style-type: none"> • Workshops, seminars and webinars • Competitions • Practical training and assessments • Viva Voce • Social media • Events/other engagements • Website • CA student magazine • Student society and student conference • Student exchange programmes • Technical competency assessments • Skills assessments 	<ul style="list-style-type: none"> • Coaching • Scholarships and welfare • Evaluation of practical training • Curriculum and educational material upgrading • Career planning and advice • Communication and IT • Benefits of practical training • Training partners • Teaching colleges • Library facilities
Employees	<ul style="list-style-type: none"> • Management and review meetings • Circulars, memos and e-mails • Events and get-togethers, 	<ul style="list-style-type: none"> • Remuneration • Staff wellness and welfare activities • Work-life balance • Future plans • Employer-employee relationship
Government	<ul style="list-style-type: none"> • Meetings/workshops with Government/ state enterprises • Submission of special reports • Annual Report 	<ul style="list-style-type: none"> • Corporate governance • Public sector accounting and financial management

Stakeholder	Method of engagement	Topics discussed
Strategic Partners	<ul style="list-style-type: none"> • Code of Best Practice on Corporate Governance • Annual Report Awards Competition • Open tender visits made by either party • Memorandum of Understanding (MoU) • Conferences • Mutual recognition and reciprocal agreements with Professional Accountancy Organisation (PAO). • Accreditation of Learning Partners • Registration of professional education providers • Approval of training partners 	<ul style="list-style-type: none"> • Registration of suppliers • Procurement policies • Delivery of contractual obligations • Sponsorships • Job bank • Reciprocal agreements • Learning partners accreditation policy • Registration of professional education providers
Society and Environment	<ul style="list-style-type: none"> • Presence in social media • Community events • Corporate/general events 	<ul style="list-style-type: none"> • CSR projects • Career planning and advice

Members

As brand ambassadors, our members are the lifeblood who will guide the destiny of CA Sri Lanka. Their performance in Sri Lanka and abroad enhances the professional image and reputation of CA Sri Lanka. We support their careers through CPD and in turn access this vast pool of knowledge and experience whenever required. We are proud that they are in great demand and potential employers all over the world repose their trust and confidence in them. We will also assist them to overcome any barriers they may face to carry out their duties ethically and in compliance with laws and standards.

Students

Students are our future. Attracting and moulding the students to build their career is thus a key strategic priority for a professional organisation. For CA Sri Lanka to secure its place among professional bodies we need to attract the best talent. CA Sri Lanka is proud to claim that the professionals it has produced, irrespective of their position and location, have displayed a high degree of professionalism in all their actions and have earned the confidence and credibility of all our stakeholders. This will inspire the next generation to enter the portals of the profession.

Employees

A loyal, motivated and quality team is essential for the success of any organisation. It is even more critical for a professional body such as ours.

Government

The advisory and advocacy role we play with Government and regulators in framing policies, legislation, regulations and rules on matters such as corporate governance, tax, auditing and financial reporting impacts a wide range of organisations in the country. It encompasses state, private, educational and non-profit organisations. The impact of these partnerships is thus felt beyond the agencies concerned, while also fostering public confidence and trust in the profession.

Strategic Partners

CA Sri Lanka continued to maintain and enhance its healthy relationships with the strategic partners, particularly with the academia and other professional bodies. Our stature in the profession and the partnerships that we have built with local and international agencies, enable us to enhance the credibility of our qualification.

Society and Environment

We are obliged to protect and promote societal interest and environmental concerns. Year 2016 is unique in reflecting how close we were to the society and the environment. The concerns of the society and CA Sri Lanka were complementary.

We set an example in upholding the highest ethical and professional standards in all of what we do; we raise public awareness, trust and confidence. CA Sri Lanka is a leader; a trend setter; a forerunner.

Financial statements of the Institute

The assets and liabilities of the Association of Public Finance Accountants of Sri Lanka (APFASL) which had been amalgamated with the financials of the Institute up to year 2015 have been derecognised from the financial statements of the Institute from the year 2016. This is mainly due to the amendment of certain clauses and provisions in the Articles of Association of APFASL in order to operate APFASL in more autonomous manner. This review and the underlying financial statements must be read in the context of the above and Note 30 to the financial statements provides APFASL balances which had been included in the comparatives of 2015.

Assets

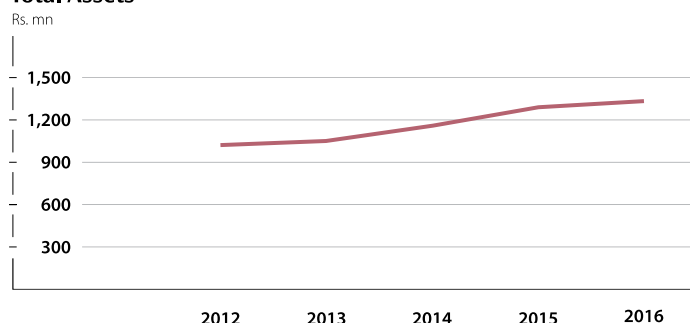
The value of total assets which was Rs. 1.285 bn as at end of 2015 grew to Rs. 1.336 bn by Rs. 51 mn. Property, plant and equipment represents 59.5% (Rs. 555.2 mn) of the total non-current assets (Rs. 933 mn). The major additions to property, plant and equipment during the year were the solar power system, main hall air conditioning system and the roof renovation project.

A significant achievement for our institute was when we received freehold status for our premises, located at 30A, Malalasekera Mawatha, Colombo 07 from the Government of Sri Lanka. The Institute is now in possession of freehold right to our land as the President of the Democratic Socialist Republic of Sri Lanka His Excellency Maithripala Sirisena has placed his signature in March 2017.

During the year, expenditure incurred for Online CPD system, automation of the practicing certificate issuing project, mobile applications, integration of new payment methods etc, have been recognised as intangible assets.

Total investments made by the Institute consist of held to maturity and available for sale financial assets. The net increase in overall investments from Rs 388.2 mn to Rs. 518.1 mn (33.5%) was mainly due to the new investments made out of the positive cash inflows generated during the year. Investments made during the year were made mainly in short-term investments with the view of re-investing at higher interest rates and securing the benefit of potential upward movement in market interest rates.

Total Assets



Accumulated fund and reserves

The accumulated fund and reserves increased by 10.3% due to the surplus generated for 2016 being added on to the accumulated fund (2015:12.2%).

Funds and grants

During the year, Council granted its approval to establish two new funds namely 'Talent Scholarship Fund' and 'Audit Quality Assurance Fund'. Talent Fund was formed with an initial contribution of Rs. 1.5 mn and Audit Quality Assurance Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 25 mn, of which the interest income is transferrable to the fund every year w.e.f. 1st July 2016.

Liabilities

The non-current liabilities of the Institute relate to the retirement benefit obligation which has been accounted for at the Actuarial Valuation. This has not been externally funded as the Institute possesses sufficient investments to meet this obligation.

Current liabilities comprise the receipts in advance, deferred income and payables. Receipts in advance consist of student and member subscription and examination fees for 2017 received in the year 2016. The increase in receipts in advance from Rs. 167.7 mn to Rs. 184.7 mn (10.1%) was mainly due to advancing of the deadline for paying member subscription from 31st March 2017 to 31st December 2016 with effect from the current financial year.

Income

The income for the year 2016 amounted to Rs. 752.4 mn which is almost on par with the income generated in the previous year (Rs. 760.4 mn). School of Accounting and Business (SAB) recorded a 73% increase in the income (Rs. 20.3 mn) and member activities recorded a 13% (Rs. 20.4 mn) increase in income.

compared to last year. However, the above increase was offset by the 5% (Rs. 10.9 mn) decrease in income of examination division and 19% (Rs. 47.8 mn) decrease in the income of Registration, Education and Training divisions.

Income from learning and professional development activities

During the year under review, Learning and Professional Development activities recorded a total income of Rs. 569.3 mn, against the Rs. 587.5 mn in 2015. This consisted of income received in relation to examinations, study packs, communication and soft skills development programmes, student registration fees and subscriptions from CA students as well as various study programmes conducted by the Business School, the School of Taxation and the School of Accounting and Business (SAB).

During the year under review, income from CA examinations recorded a reduction of Rs. 10.9 mn as the number of subjects applied by the students was lesser in comparison to the previous year. Consequently the same trend was reflected in the sale of study packs as well. This has resulted in an overall decrease in the income from learning and professional development activities.

The SAB recorded an income of Rs. 48.1 mn as opposed to Rs. 27.7 mn. In 2015. The demand for the B.Sc. (Applied Accounting) General/Special Degree Programme continuously increased over the period. Total number of students attached to SAB increased to 336 as at 31st December 2016.

The tax faculty including School of Taxation has recorded Rs. 24 mn income with an increase of Rs. 7.1 mn (41.8%) compared to last year. This was mainly due to the higher number of short courses and seminars conducted during the year and the higher number of students enrolled for tax courses.

Income from continuous professional development and member-related activities

The continuous professional development and member-related activities which include fees received for member subscriptions, renewal of practicing certificates, national conference and CPD programmes recorded an income of Rs. 137.9 mn, as compared to Rs. 122 mn. the previous year.

Income from financial reporting and assurance standards activities

Financial reporting and assurance standards activities-related income increased to Rs. 37.9 mn during the year under review from Rs. 35.7 mn in 2015. This comprised income received from

the Accounting and Auditing Standards seminars series, sale of publications and Annual Report Awards competition.

Income from development of public finance

The income of APFASL which had been recorded under the income from development of public finance activities has been derecognised from the accounts from 2016.

Expenditure

While net income before employee costs and overheads for the year was almost similar to last year, overhead expenses increased to Rs. 365.1 mn by Rs. 29.3 mn compared to last year. This was mainly due to the increase in payroll cost, maintenance cost, legal fees and the consultancy fees on review of HR plan and Business Plan of the Institute.

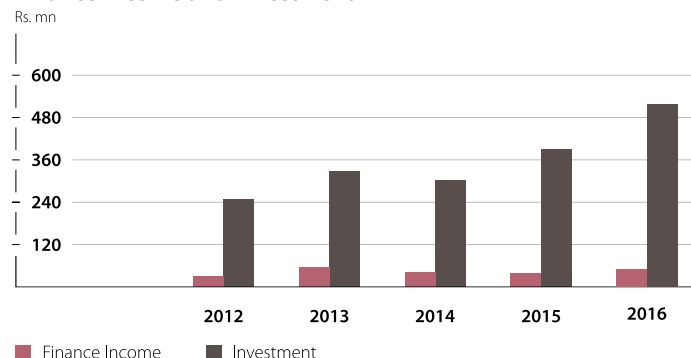
Net operating income

The net operating income recorded a decrease from Rs. 71.3 mn to Rs. 34.6 mn mainly due to decrease in contribution from operating activities from Rs. 407.2 mn to Rs. 399.8 mn and the increase in the overhead expenses from Rs. 335.8 mn to Rs. 365.1 mn.

Finance income

Finance income recorded a significant growth of Rs. 12.8 mn which is a 33.4% increase compared to last year. This was mainly due to increase in investment portfolio and the market interest rates.

Finance Income and Investment



Surplus

Surplus for the year after tax amounted to Rs. 66.1 mn compared to Rs. 95.8 mn in the year 2015, a decrease of Rs. 29.7 mn due to the reasons explained above.

Upholding standards in the public interest



Guardian of the Accounting Profession

In accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, The Institute of Chartered Accountants of Sri Lanka is entrusted with adopting Sri Lanka Accounting Standards and Auditing Standards in the country. The observance of such standards is mandatory by law for Specified Business Enterprises (SBEs) in Sri Lanka. In accordance with the provisions of the same Act, two committees, namely the 'Accounting Standards Committee' and the 'Auditing Standards Committee' have been established to assist CA Sri Lanka.

The Audit Faculty conducts seminars and workshops on Sri Lanka Auditing Standards and related pronouncements in order to keep the practitioners abreast of contemporary developments.

The Financial Reporting Faculty of CA Sri Lanka has as its core objective the enhancement of the quality of financial reporting in the corporate sector. It supports this objective by providing the necessary services, guidelines, research materials, and training. The SLFRS Education Committee, which was formed in 2014, plays a pivotal role in these initiatives by growing awareness on Sri Lanka Accounting Standards (SLFRSs) among the stakeholders in the national interest.

Changes to Auditors' Report on Financial Statements

The Council adopts the revised Auditing Standards as per the recommendation of Auditing Standards Committee. The new and revised Standards will come into effect for audits of financial statements for periods ending on or after 31st March 2018.

The most notable enhancement is the new requirement for Auditors of listed entities financial statements to communicate 'Key Audit Matters'(KAMs). KAMs are the most significant concerns that the Auditors encountered in the course of the audit with an explanation as to how they were addressed in the audit. The new audit report is expected to enhance the communication between auditors and investors. It should also result in management and accounting personnel in organisations paying more attention to disclosures referenced in the audit report. Finally the enhanced audit report will promote greater transparency in financial reporting which will ultimately serve the public interest.

CA Sri Lanka is doing its utmost to educate the stakeholders about the consequences of this change in auditing standards. This includes conducting of a series of programmes; a roundtable discussion for practicing members and an awareness forum targeting finance executives and Directors in the year 2016.

Code of Ethics and NOCLAR

Another development that occurred during the year was the decision to bring the Code of Ethics of CA Sri Lanka in line with the latest international ethics standards. The new international standards 'Handbook of International Ethics Standard Board for Accountants (IESBA) – 2016' will be adopted as the 'Code of Ethics of CA Sri Lanka' with effect from 15th July 2017, the date on which the International Ethics Standard is to be adopted. Changes to the Code include dealing with a breach of requirement of the Code, conflicts of interest and provision of certain assurance services for audit clients. The key change in the new Code of Ethics is the Responding to Non-Compliance with Laws and Regulations (NOCLAR).

The NOCLAR provision is a major change in ethical guidelines specifying the course of action that professional accountants should take when they become aware of a potentially illegal act committed by a client or an employer. The NOCLAR standard will cover all categories of professional accountants in business and in public practice. The breaches of laws and regulations that would come within the scope of NOCLAR include matters such as fraud, corruption and bribery, money laundering, tax evasion, financial products and services, environmental protection, and public health and safety.

CA Sri Lanka is under no illusions about the challenges and obstacles members may face in the implementation of NOCLAR. We are in the process of putting a structure in place to assist them in this regard. We have started educating our members and the business community on the implications of NOCLAR. We expect to receive their feedback and have further deliberations.

Promulgating Accounting Standards

As standards are continually evolving, it is imperative to keep practitioners constantly updated. Our standards are kept in conformance with International Accounting Standards while making amendments to suit local requirements and conditions where necessary. CA Sri Lanka is assisted in the process of adoption of standards by the 'Accounting Standards Committee' which advises on how the international standards should be blended with the local requirements taking into account business and financial conditions in Sri Lanka.

CA Sri Lanka maintains close rapport with the International Accounting Standards Board (IASB). The IASB has granted CA Sri Lanka the right to use International Accounting Standards and International Financial Reporting Standards in the development of Sri Lankan standards and reproduce them where appropriate. CA Sri Lanka also receives technical assistance in standards setting activities from IASB. During the year under review the Sri Lanka Accounting Standards 2016 bound volume, which contains all standards effective from 1st January 2016, was issued. During the year CA Sri Lanka adopted all International Financial Reporting Standards with the same effective dates, amended where necessary to suit the Sri Lankan context. Further, consolidated version of the Sri Lanka Accounting Standards for Small and Medium sized Entities (SLFRS for SMEs) incorporating the amendments made in 2015, to be effective from 1st January 2017 was also issued during the year under review. Subsequently another publication was issued on SLFRS 9, 15 and 16 which are not yet effective.

SLFRS 16 'Leases' was issued during the year and will be effective from 1st January 2019.

The annual Seminar Series on Sri Lanka Accounting Standards, which is conducted to educate accounting professionals on Accounting Standards, both on theoretical and practical aspects, was conducted over a period of 25 days. It provided an in-depth coverage of IFRS converged Sri Lanka Accounting Standards; the seminars included training sessions on business combinations, financial instruments, application of fair value measurement to financial and non-financial assets and liabilities, SLFRS for SMEs, upcoming SLFRSs that are not yet effective and accounting implications on specialised industries such as insurance and construction sectors.

Addressing the Needs of SMEs

CA Sri Lanka gives a great deal of importance to the special needs of the small and medium enterprises. Together with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Sri Lanka Accounting Standard (SLFRS) for Smaller Entities was developed and became effective from 1st January 2016. The new standard was crafted keeping in mind the need to develop an accounting standard for smaller entities, which they could implement cost effectively. To disseminate awareness and understanding of the standards, CA Sri Lanka/GIZ jointly conducted a series of two-day regional workshops in Colombo and six other cities. The participants, who exceeded 1,500 in

total, included representatives from SMEs, Small and Medium Practitioners (SMPs), bankers, microfinance providers, academia and Government institutions that provide services to SMEs.

Another initiative carried out in partnership with GIZ was three comprehensive training programmes for SMEs in the Districts of Trincomalee, Vavuniya and Badulla. In addition to building the capacity of SMEs, the programmes were intended to support the Government in the implementation of budget proposals for the year 2015/16. The programmes while creating awareness of the importance of accurate accounting and financial reporting in general will also build the capacity of SME staff to prepare financial statements which are in accordance with the new SLFRS for smaller entities and are acceptable to tax authorities. The Programmes further assisted SMEs to develop proper business plans and prepare good credit proposals. The business plan preparation included use of the SME toolkit (which was developed in 2015) which can also be used to draft funding proposals. Further other value addition of this series of programmes were facilitating networking between SMEs/SMPs.

The programmes were conducted in three phases.

- Building awareness to SMEs on application of financial information in their businesses
- Introduction of SMP toolkit
- Building links between SMEs and SMPs through a forum in regions

The audit manual for SMPs was revised through a comprehensive project; a case study approach was used based on practical scenario. A comprehensive series of interactive workshops were conducted to guide SMPs on applying the Clarified Auditing Standards in carrying out audits for SMEs. The workshop was based on the revised audit manual, which includes practical guidance from audit planning to audit reporting.

In the interests of promoting consistency and uniformity in financial statements and audits, the Council of CA Sri Lanka established the Financial Reporting Standards Implementation and Interpretation Committee in 2013. In 2015, the Committee deliberated a number of issues related to the application of the standards including industry specific issues. Accordingly, the Committee initiated and supervised preparation of 'Guidelines on Application of Tax Rates in Measurement of Deferred Tax' which was issued by CA Sri Lanka.

A service desk was also established within the Technical Division of CA Sri Lanka to provide technical assistance to all stakeholders on matters concerning Sri Lanka Accounting Standards. The services the advisory helpline provides include advice on SLFRS for SME and SLFRS for Smaller Entities as well. The Committee constantly reviews the operations of the help desk.

Contributions to Legislation and Regulations

CA Sri Lanka plays a proactive role in responding to legislation and regulations that have been proposed.

CA Sri Lanka has contributed to prospective legislation by way of recommendations, to the Government and regulatory authorities. The bills and regulations we have given recommendations include the Right to Information Bill, Microfinance Bill, amendments to the Securities and Exchange Commission Act and amendments to the Sri Lanka Accounting and Auditing Standards Act and Bilateral Free Trade Agreements.

Corporate Governance

One of the pioneering steps taken by CA Sri Lanka which also contributed to the public interest was the introduction of the Code of Best Practice on Corporate Governance. The Code is constantly reviewed by the Corporate Governance Committee appointed by the Council. This year also the Committee is in the process of reviewing developments in corporate governance internationally especially in the U.K., U.S., Australia, Malaysia and Singapore. The updated code is to be released in 2017.

Capacity Building Programme for State-Owned Enterprises

Responding to a request from the Ministry of Public Enterprise Development, CA Sri Lanka together with the World Bank and CIMA Sri Lanka is presently in the process of crafting a programme to develop the governance and public finance management capacity of State-Owned Enterprises (SOEs). The objective of the programme is to enhance the efficiency and competitiveness of SOEs. It is envisaged that the programme will include three modules; corporate governance, financial management and management accounting. It is targeted at capacity building among policy makers, board members and the Senior Management of SOEs.

Promoting Integrated Reporting

As it has been doing in recent years, CA Sri Lanka continued to spearhead promoting of integrated reporting. In July 2016, CA Sri Lanka took a pioneering step with the formation of the first Integrated Reporting Council in the whole of Asia with the title Integrated Reporting Council of Sri Lanka under the patronage of Ms. Sarah Grey – Director, International Integrated Reporting Council. The Council is tasked with promoting the Integrated Reporting Concept in Sri Lanka and providing a platform for corporates and other interested parties to share knowledge on content, context and implementation.

The members of the Council include representatives of companies which have already adopted integrated reporting, representatives from universities who have an interest in the subject, regulatory bodies, professional accounting organisations and other relevant institutions.

CA Sri Lanka has also registered with IIRC Partnership Network (Business Network).

ROSC Project

The Report on Observance of Standards and Codes (ROSC) Accounting and Auditing (A&A) project was initiated by the World Bank and its objective is to ascertain the standards of accounting and auditing in Sri Lanka. The second report of the project was issued in 2015 and it reviewed the progress made since the first report in 2004. It also identified several reforms necessary to improve the practice of the accounting and auditing professions in Sri Lanka. These included strengthening accounting, auditing, small and medium practitioners/enterprises and developing professional accountancy organisations.

To assist the implementation of policy recommendations in ROSC 2015, CA Sri Lanka formed a Steering Committee and four other Sub-committees.

Building Capacity for Corporate Insolvency Services

In response to numerous corporate crises and collapses that have happened in recent times, there is an increased concern on practice of business turnaround and insolvency management. Accordingly, amendments are proposed to the Companies Act No. 07 of 2007. CA Sri Lanka intends to take the lead to build capacity for corporate insolvency services. An awareness session (Restructuring and revival of companies) was held in the year under review in collaboration with the Registrar of Companies and the Business Recovery and Insolvency Practitioners Association of Sri Lanka (BRIPASL).

APFASL Division - Public Sector Wing

The Association of Public Finance Accountants of Sri Lanka (APFASL) was established by CA Sri Lanka in January 2012 to promote professionalism in the public sector thereby upgrading the quality of financial management in state institutions.

During the year, ten new Public Sector Accounting Standards were adopted bringing the total to 20. APFASL is thus addressing matters of great public concern by promoting good governance, transparency and accountability in the public sector. Awareness programmes were also conducted to facilitate implementation of the standards.

To enable experienced and skilled professionals in the public sector to gain recognition of their talents, APFASL launched a Chartered Public Finance Accountancy Qualification in collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA), London. As an initial step the CIPFA qualification was made available to the members of APFASL based on their seniority on merit basis.

CA Sri Lanka has also spearheaded excellence in financial reporting in the public sector by way of the Best Annual Reports and Accounts Awards Competition. A total of nine capacity building programmes were also conducted for public sector accounting personnel. The subjects covered included public sector accounting standards, assets management, improving financial management in Provincial Councils and how to minimise audit queries and procurement management. The total number of personnel trained was 481.

Another initiative of APFASL was the development of a website to enable public sector accounting personnel to share their knowledge and experiences online.

A two day seminar series was hosted in November 2016 on 'Enhancing Public Financial Reporting to Promote Growth in South Asia - Path to Accrual Accounting' organised in collaboration with the South Asian Federation of Accountants (SAFA), the World Bank Group and the Asian Development Bank. It was aimed at creating awareness on how high quality financial reporting can contribute to better decision-making. It also focused on peer to peer learning to facilitate transparent and comparable financial reporting for enhanced governance and effective fiscal management in South Asian countries.

Guest Lecture on Auditors' Role in the Public Perspective

A guest lecture by Mr. Chandra Jayaratne, a good governance activist and a senior member of CA Sri Lanka, was organised in August 2016. It was followed by a panel discussion. The importance of Auditors to be technically up-to-date, while being aware of the regulatory developments to meet the expectations of the public, was highlighted during the session.

Excellence in education and professional development



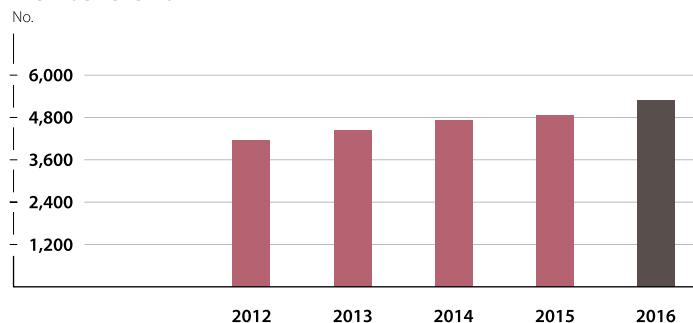
In a highly competitive environment where there are many institutions and professions competing for the best of talent, we need to be in the forefront to make the younger generation aspire to a career in chartered accountancy.

What is more, the Chartered Accountant of today needs to be equipped with a wide range of skills, both financial and non-financial. We also need to keep our members current on all developments pertaining to the profession so that they can fulfil the onerous demands placed on them in today's fast paced environment.

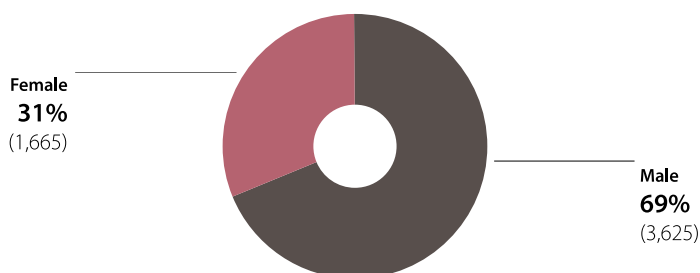
New Members

At the 2016 annual convocation 318 Chartered Accountants were inducted as Associate Chartered Accountants (ACA) increasing the total active membership to 5,290. The convocation was held under the patronage of Mr. Timothy Speldewinde, Group Director of MAS Holdings and Mr. Lasantha Wickremasinghe, President of CA Sri Lanka at the BMICH on 15th September 2016.

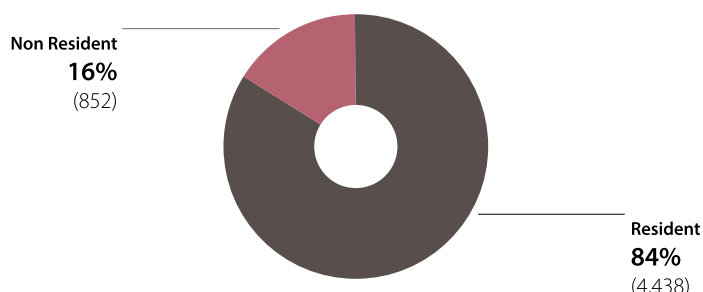
Member Growth



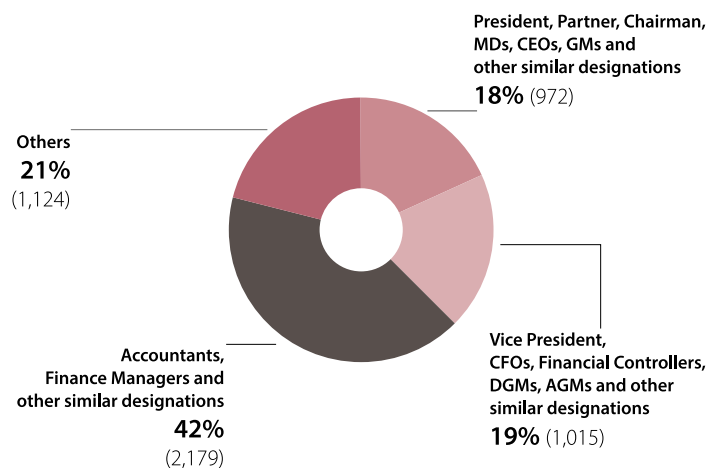
Gender-wise Analysis of Members



Resident /Non Resident Analysis of Members



Designation-wise Analysis of Members



CA Sri Lanka Professional Qualification

The curriculum 2015 was developed to equip prospective Chartered Accountants with the complete spectrum of technical competence, professional skills, ethics, values and attitudes and practical training and development that they need to fulfil the expectations from them in the current business and financial environment. We take pride in the fact that our syllabi are on a par with the best in the world. The professionals we produce will be able to transcend the traditional confines of the finance function and take on a broader role. They will not only prepare and report financial results but also they will be active participants in decision-making and sustainable value creation.

The International Federation of Accountants (IFAC) has acknowledged the excellence of the new curriculum by recognising it as an illustrative example of 'Implementation of Learning Outcomes Approach' for its member bodies.

During the year several steps have been taken to develop both learning & development and examination processes. Supportive revision programmes on selected topics are conducted for all three levels by way of webinars/special lectures. All lecture sessions are uploaded on the website for the benefit of students who are unable to attend revision lectures. Suggested answers too are uploaded to the website. Executive level practicing questions and answers are also published in the web in all three languages for the benefit of the students. Special training was given to paper setters, especially for MCQ models, Question paper moderators and setters in turn guided and trained marking examiners.

In view of the large number of students working in Qatar and Maldives, examinations are being conducted in these countries.

We are considering the possibility of making the first level examination completely online. Even if it is not possible to make the changeover for the complete exam we will do our utmost to implement it for a few subjects to begin with. There are many issues to be overcome, but we intend to take the first step by December 2017.

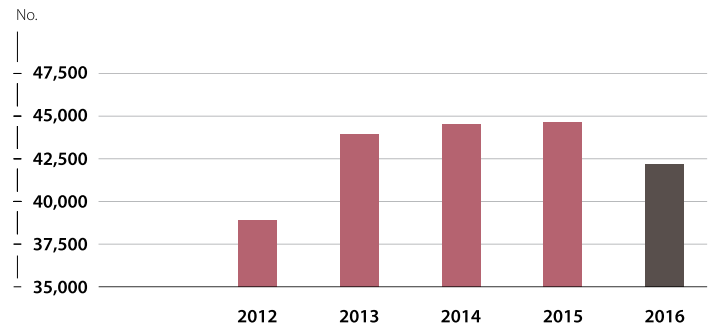
An additional fifteen study support materials for the Executive Level and eight taxation study materials were also published during the year.

Learning Partners

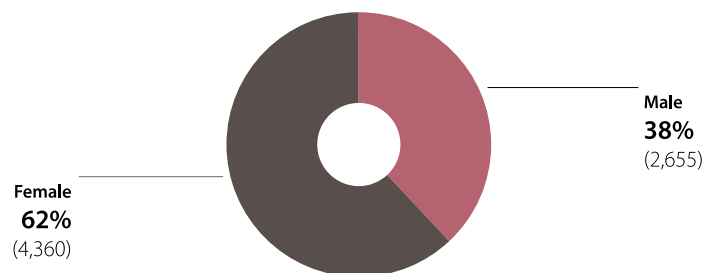
Four professional education providers were newly registered with CA Sri Lanka during the year 2016.

Another step taken regarding professional education in 2016 was the introduction of the CA Sri Lanka Professional Education Providers' Accreditation Scheme. In line with The Statement of Member Obligations 2 of the International Federation of Accountants (IFACSMO 2) and Report on the Observance of Standards and Codes – Accounting and Auditing (ROSC Report) recommendations issued by the World Bank. During the year, a total of 11 Education Providers were accredited.

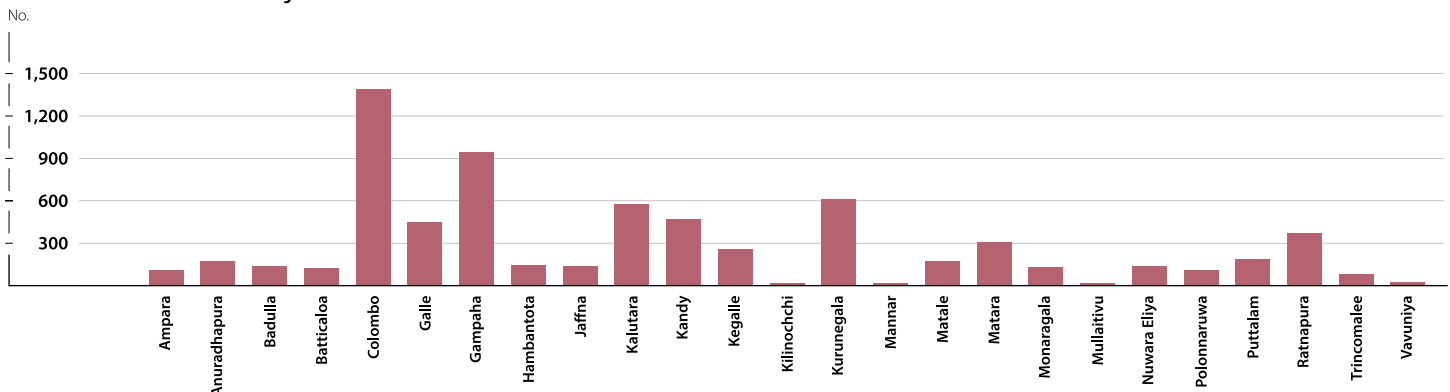
Student Growth



Gender-wise Student Analysis



District-wise Student Analysis



Practical Training

With the implementation of the new curriculum in 2015, the training requirements were also revised to ensure that students have the required practical experience in keeping with the theoretical knowledge. In 2016, the total number of students enrolled in the training programmes at the three levels was 3,299.

Continuous assessments of trainees were carried out which also provided feedback to training supervisors regarding any gaps. A total of 1,100 trainees were assessed during the year. The training process was further strengthened by several Training Partners Programmes that were conducted during the year. Mr. B Mahadevan, Professor of Operations Management, Indian Institute of Management, Bangalore, India spoke on 'Bringing out the leader from within' at the Forum conducted in February 2016, which drew an attendance of 160 members. In September 2016, another forum was held where Mr. Dinesh Weerakkody, Chairman and Advisor Ministry of National Policy and Economic Affairs shared his insights on 'Developing Future Leaders with Mentoring and Coaching'. A total of 180 members attended the September Forum.



Professor B Mahadevan delivers his speech at Training Partners forum on 'Bringing out the leader from within'

Inter/CAB/CBA Certificates

Numerical details of enrolments and training are given in the table below:

Category	Year	
	2016	2015
ACA Enrolment	310	470
Inter/CAB/CBA Certificates	483	476
Approval of Training Organisations		
Public Practice Executive Level	3	13
Public Practice Business & Corporate Level	6	9
Non-Public Practice Executive Level	25	24
Non-Public Practice Business & Corporate Level	14	12
Assessment of Trainees	1,100	1,350
New Training Agreements Registered	3,299	3,838

To enhance familiarity with Sri Lanka Accounting and Auditing Standards among practitioners and other professionals, CA Sri Lanka continued to provide the web based SLFRS Online Certification Course and Webinars on the subject during the year under review.

Developing Language and other Soft Skills

CA Sri Lanka is very conscious of the fact that in today's context mere technical skills are not adequate for a Chartered Accountant. To cope with the complex demands they face they require a wide blend of skills and competencies.

The Multimedia English Language Centre (MELC) was set up with the objective to strengthen the communication skills of CA students. During 2016 appropriate programmes were conducted for all qualification levels from Executive to Corporate.

A programme that has been extremely beneficial to the students has been the Communication and People Skills Programme for the Executive Level students. It has enhanced their English Language skills which furthers their academic and professional success. During the year 3,721 students have completed the course at Teaching Colleges island wide.

Business Level students have been offered the Cambridge BEC Higher in collaboration with the University of Cambridge (ESOL). This programme will equip future accounting and finance professionals with communication skills that will be adequate not only for their business needs locally, but also to be successful in international business. Another achievement of CA Sri Lanka is that it has been recognised as an accredited exam centre for Cambridge in conducting Cambridge BEC Higher exams. To increase the efficiency of the examination process, both paper based and computer based exams have been introduced enabling the exams to be held more frequently. A total of 675 students completed the course during 2016.

Soft skills are also indispensable for Chartered Accountants to attain their career aspirations, and MELC also caters to this need. During the year under review, 16 soft skills programmes were completed with 450 students trained.

The CA Student Best Speaker Contest was conducted for the third consecutive year giving students an ideal opportunity to showcase the communication skills they have acquired. This was conducted with the collaboration of CA Toastmasters Club and the Gavel Club. 112 students participated at this event.



Winners of CA Student Best Speaker Contest – 2016

IT Training

Compulsory IT Training courses were successfully conducted for students at Executive, Business and Corporate levels to enhance their Information Technology skills. Students have also been given the opportunity of taking the final assessment of the Executive Level through the CA Sri Lanka Information Centres. In addition to the mandatory IT courses a series of programmes for students and members to upgrade their skills were also conducted. A programme which is always in great

demand was the MS Excel – Master Course for Accounting Professionals. Over 150 students and members followed the programme successfully during the year.

Partnerships with Educational Institutions

The following agreements were entered into during the year with other academic and professional bodies.

- Two Memoranda of Understanding (MoU) with University of Colombo, Sri Lanka and Deakin University, Australia.
- A Memorandum of Agreement (MoA) with the Chartered Institute of Management Accountants (CIMA), UK.



Memorandum of Understanding between CA Sri Lanka and Deakin University



Memorandum of Understanding between CA Sri Lanka and University of Colombo



Memorandum of Agreement with CIMA, UK

The School of Accounting and Business (SAB)

The SAB offers the BSc. in Applied Accounting Degree programme, which provides students exposure to an up-to-date curriculum on par with international standards. It has become a highly-preferred Accounting Degree among local as well as foreign students. There are two intakes of students in March and September each year. Within three years of commencement the student base has grown to 448.

Within a short span of time, the degree which has been approved by the University Grants Commission, has also been internationally accredited from highly respected accounting organisations such as the Association of Chartered Certified Accountants (ACCA) and Certified Practising Accountants (CPA) Australia, while leading Australian universities such as Deakin and La Trobe offer credit transfer opportunities to students following the CA Sri Lanka Applied Accounting Degree. Exemptions are granted for CA members and students upon the completion of different levels of the CA qualification.

Furthermore, the students of the first three intakes are currently serving the internship programme at leading companies in the country, reinforcing their theoretical learning with practical experience.

In November 2016, the inaugural convocation of the School of Accounting and Business was held, where BSc. in Applied Accounting (General) Degree was conferred to 75 students. The event was held under the patronage of Prof. Malik Ranasinghe, Senior Professor in Civil Engineering at the University of Moratuwa and former Vice-Chancellor of the University of Moratuwa.



The Inaugural convocation of the SAB was held on the 25th November 2016 at BMICH. 75 graduates were conferred the BSc (Applied Accounting) general degree at this convocation.

Faculty and School of Taxation

The Faculty of Taxation, which was established in 1995, is primarily focused on building up knowledge of the subject among members specialising in taxation. It also facilitates them to contribute their expertise towards enhancement and implementation of tax legislation.

A major accomplishment by the Faculty during the year was the publication of 'CA Sri Lanka Guide to Income Tax Law' for 2014/15 and 2015/16 which was welcomed by members as well as students. Another important publication launched was the CA Sri Lanka Hand Book on VAT Law Revised Edition 2016 in October 2016 incorporating all amendments up to Value Added Tax (Amendment) Act No. 11 of 2015. In addition, the Faculty also published the 'Certified Tax Advisor - Study Guide 1 and 2' which are used by Tax School participants as well as CA students.

The Faculty also conducted nine tax seminars during the year, to educate members and students on tax related issues. The Annual Budget Seminar, which was graced by Hon. Ravi Karunanayake, Minister of Finance, was conducted in November 2016.



The Annual Budget Seminar was held under the patronage of Hon. Ravi Karunanayake, Minister of Finance

The School of Taxation conducts several tax related courses to mould experts on taxation. It is guided in its work by the Faculty of Taxation. The School initiated the Certified Tax Advisor course with the objective of training tax advisors who will provide professional advice to tax payers and also be capable of making representations to legislators and tax administration forums. The programme maintains standards-wise parity with the U.K. and Australian Standards, while being geared to the Sri Lankan context.

In 2016, a total of 30 Chartered Tax Advisors graduated; seven completed the examination while another 23 graduated in viva voce. Four tax related one-day workshops were also conducted targeted at corporate tax payers,



Certified Tax Advisors graduation

Business School

The Business School was established over 15 years ago to upgrade the business and financial skills of professionals and students in a wide range of industries and positioned them to play a transformative role in their organisations. The School provides an Executive Diploma, Postgraduate Diploma, Executive Education programmes and a Master's Degree Programme. During the year, the Executive Diploma and the Postgraduate Diploma under the new curriculum were launched. Over 100 students followed the Postgraduate Diploma while 60 students followed the Executive Diploma.

The Business School also offers the University of Southern Queensland MBA programme, which has gained wide acceptance among CA Sri Lanka members and other professionals during the relatively short period it has been in existence. It is one of the most sought after MBA programmes in the country and CA members are exempted from completing the IELTS as a prerequisite to the MBA. The Business School also provides Executive Education catering to those holding senior positions in government or the corporate world including CEOs, CFOs, Directors, Heads of Finance and Senior Managers. The Strategy Summit, which attracted over 250 corporate leaders in the country was held for the second consecutive year. The speakers included four high profile strategic experts from USA, UK and Singapore. The topics discussed at the two-day summit included future of strategy, Asian brand strategy, winning demand side revolution and harnessing your procurement into a value added centre of profit.

The MBA and Postgraduate Diploma Convocation which was held during the year, was another significant event. It was patronised by John Dornbusch, USQ Chancellor, Prof. Janet Verbyla, USQ Senior Deputy Vice-Chancellor and Tim Huggins, Deputy Australian High Commissioner – Sri Lanka and Maldives. The MBA was conferred on 55 students while another 63 students received the Postgraduate Diploma in Business and Finance.



CA Sri Lanka Business School Convocation was held under the patronage of Tim Huggins, Australian Deputy High Commissioner - Sri Lanka and the Maldives

Another key event for this year was the breakfast forum which was held in partnership with the La Trobe Business School where over 100 senior professionals attended to discuss a very timely subject, 'The Future of Accounting: Disruption or Opportunity'.

Forensic Accounting programme

We launched the CA Sri Lanka Certificate Course in Forensic Accounting early this year. A total of 42 CA Sri Lanka members who formed the first batch of the institute's forensic accounting certificate programme were awarded the certificates recognizing them as forensic accounting specialists who possess the necessary skills in this field to combat fraud within an organization. The course is a 15 week programme that covers pertinent areas associated with modern forensic and investigative accounting, which will help accountants gain a thorough understanding on the principles and practices used by public accountants, internal auditors, and others on how to examine financial and other related information.



Forensic Accounting awards ceremony

Programmes for Schools

CA Sri Lanka does not confine its educational and mentoring activities only to CA Sri Lanka students. It also conducts many programmes for the benefit of the secondary school students and teachers of the country.

Among these programmes are:

- Career guidance programmes in many schools
- Sponsorship of the 'Commerce Day' in several schools
- Seminars where Advanced Level commerce students were educated on accounting standards, investment decisions and economics
- The 'Gurunena' programme on accounting standards for teachers, conducted in Western and Central provinces in collaboration with the Ministry of Education
- The 'Sisunena' programme targeted at GCE (A/L) students which imparts knowledge to them on various subjects and improves their confidence levels to face the examination
- Seminars for GCE (O/L) students on commerce subjects

A programme of a different nature is the 'Tea with a CA Champion' where Advanced Level students are afforded an opportunity to meet a CA Sri Lanka member who has reached a greater height in business or industry. The corporate leaders give valuable insights to the students who in turn share their aspiration goals with them. Teachers consider this programme has been very valuable to the students as it brings out how leaders in business have leveraged the CA Sri Lanka qualification to reach the pinnacles of their organisations.

The 2016 'Tea with a Champion' series for the Western Province urban schools were held at MAS Stretchline (Pvt) Ltd., Malwana with Mr. Timothy Speldewinde, at Lanka Tiles PLC, Ranala with Mr. Mahendra Jayasekera and at Dankotuwa Porcelain PLC with Mr. Wasaba Jayasekera. A total of 150 students and 30 teachers participated at the educational programme on lean management.



Advanced Level Students from Colombo District Schools visited the Lanka Tiles PLC factory to learn about lean management as part of the 'Tea with a Champion' programme organised by CA Sri Lanka

Another significant event organised by CA Sri Lanka was the Business Plan Competition Season 2, co-partnered with a world-renowned university, The Queensland University of Technology, Brisbane (QUT), Australia in association with the Sri Lanka-Australia Chamber of Commerce. The QUT offered to sponsor the Sri Lankan winning team to travel to Brisbane and compete in the BlueShift competition in Australia. The ceremonial launch and the press conference was held on 14th December 2016.

The Competition was organised in two rounds; regional and grand finale. A total of 175 students from 35 schools were selected from across the island to compete at regional rounds where they presented professionally drafted new business ideas to a panel of judges comprising industry experts and academics. Winners of the regional rounds, Visakha Vidyalaya – Colombo, Royal College – Colombo, Maris Stella College – Negombo, Mahamaya Girls College – Kandy, Richmond College – Galle, Maliyadeva Balika Vidyalaya – Kurunegala and Chundikuli Girls' College – Jaffna qualified to compete at the grand finale. Mahamaya Girls' College, Kandy won the Championship at the Grand Finale held on 28th March 2017 under the patronage of Mr. Tim Huggins, Deputy High Commissioner – Australian High Commission.

The first runner-up at the grand finale was Richmond College, Galle while Visakha Vidyalaya, Colombo came in as the second runner-up.



Mahamaya Girls College, Kandy clinched the championship of the 2017 CA Sri Lanka Business Plan competition, beating six other leading schools in the country at the grand finale

A Leadership Talk was organised with the Mount Everest expedition duo, Jayanthi and Johan during the year under review. Over 200 senior prefects from 12 leading urban schools in Colombo and Negombo participated at this inspirational talk.

Leadership through ideas and influence



Assistance to Maldives

In 2015, a Memorandum of Understanding was signed with the Auditor General's Office of the Maldives to build the capacity of the Maldivian accounting and auditing profession. A training programme was conducted for heads of finance of large state-owned enterprises (SOEs), listed companies and private companies. Subsequent to this, a two-day workshop was conducted with CA Sri Lanka resource persons, on how to guide SMPs on clarified Auditing Standards in compliance with International Standards on Auditing and other best practices when auditing SMEs. The programme was attended by registered audit professionals in the Maldives and the staff of the Auditor General's Office.

SMP Regional Forum

Another step towards assisting SMPs but with a broader South Asian focus was the regional SMP forum. It was organised by CA Sri Lanka together with IFAC and the SAFA and was held on 26th January 2016. The speakers were a group of eminent professionals, both regional and international, who provided valuable insights. The forum was especially timely, in view of the position Asia occupies as a driver of growth in the global economic landscape. The Keynote Speech was delivered by Mr. Giancarlo Attolini, Chairman of the IFAC SMP Committee.

SAFA Best Presented Annual Reports Awards

The SAFA 'Best Presented Annual Reports' BPA award has acquired recognition as the most prestigious award in the South Asian region for financial reporting. The award is bestowed on organisations which have demonstrated excellence in presentation and quality, relevance, reliability and objectivity in financial statements. The reports to be considered for the awards are nominated by the accounting bodies in India, Pakistan, Bangladesh, Nepal and Sri Lanka. The Leading Sri Lankan companies were successful in winning awards for 2015 at the ceremony held in January 2017 in Bangladesh.

SAFA Board and Committee Meetings and the International Conference on Enhancing Public Financial Reporting to Promote Growth in South Asia

CA Sri Lanka hosted the 45th Board Meeting of the SAFA in Colombo on 5th November 2016 and the Committee meetings were held on 3rd November 2016. The meeting comprised delegations representing accounting bodies from Sri Lanka, India,

Pakistan, Bangladesh and Nepal, while observer status was given to Afghanistan, Maldives and Bhutan. Delegates representing the Enterprise Financial Management Association of China also attended the meeting, which was held at CA Sri Lanka.



CA Sri Lanka hosted the 45th Board Meeting of the South Asian Federation of Accountants (SAFA) in Colombo

The first International Conference on Enhancing Public Financial Reporting to promote growth in South Asia was held on 3rd and 4th November 2016. This event will bring together policy makers, preparers and users of financial statements, regulators, public auditors, PAOS, academia, think tanks and other relevant stakeholders from across South Asia. The event was organised by CA Sri Lanka in collaboration with the SAFA, World Bank Group and Asian Development Bank.



Seminar series on Enhancing Public Financial Reporting to Promote Growth in Asia – Path to Accrual Accounting was held under the patronage of Hon. Ravi Karunanayake

52nd Annual Report Awards

The Annual Report Awards, organised by CA Sri Lanka has been an important benchmark in enhancing corporate reporting in the country for over half century. It has evolved to serve the cause of good governance, transparency and accountability. The 52nd Annual Report awards, the theme for which was 'Precision Exemplified', was held in December 2016. It was conducted under the patronage of Hon. Finance Minister Ravi Karunanayake and Dr. Indrajit Coomaraswamy, Governor of the Central Bank of Sri Lanka. A wide range of organisations, from conglomerates and blue chip companies to small time community groups competed for the award this year.



John Keells Holdings PLC receiving the Cyril Gardiner Memorial Trophy for Overall Excellence in Annual Financial Reporting at the prestigious 52nd Annual Report Awards Ceremony held under the distinguished patronage of Hon. Ravi Karunanayake, Minister of Finance

37th National Conference of Chartered Accountants

The National Conference of Chartered Accountants is one of the most sought after business summits in the country, which attracts Chartered Accountants, other high profile professionals and corporate leaders who play leading roles in the corporate landscape in the country.

CA Sri Lanka organised its 37th National Conference of Chartered Accountants from 19th to 21st of October 2016, which was inaugurated by Hon. Minister Malik Samarawickrema, Minister of Development Strategies and International Trade, while Ms. Idah Pswarayi-Riddihough Country Director of the World Bank graced the occasion as the Guest of Honour.



Chief Guest, Hon. Minister Malik Samarawickrama delivering his speech at the 37th National Conference of CA Sri Lanka

The keynote speech was delivered by Prof. K Kumar Chair of the Apeejay Surrendra Family Business and Entrepreneurship, Indian Institute of Management. The Conference which included two days of technical sessions also set an all-time high record for attendance having registered over 1,600 delegates. The theme of the event was 'Unleashed Thinking - Entrepreneurship: Intrapreneurship'

The technical sessions were complemented with a line of high profile foreign and local speakers, including Mr. Peter Sages, Mr. Dominic McVey, Mr. Marcello Schermer, Ms. Tushara Canekaratne, Mr. Naresh Abeyesekera, Mr. Dhammika Perera and Mr. Sev Vettivetpillai, who provided insights to participants, including business leaders, on how to capitalise on the opportunities in today's business world.

The live webcast feed of the Conference proceedings also attracted another 130 registrations from Chartered Accountants both in Sri Lanka and overseas.

Another noteworthy feature of the Conference in 2016 was the re-launch of the Mobile App, enabling participants to share their knowledge and interact with the speakers and panelists among others. The Mobile App also offered a host of other services including access to the member directory, technical sessions of the Conference, various notifications on activities happening at CA Sri Lanka as well as a photo gallery.

Hall of Fame

Further, in the year under review, CA Sri Lanka also recognised the contributions to the accounting profession, the business world and society of two distinguished Chartered Accountants; Mr. Ajit Mahendra de Silva Jayaratne (FCA) and Mr. Tissa Kumara

Bandaranayake (FCA), by inducting them to the CA Sri Lanka Hall of Fame for the year 2016.

Past President's Medallion

For the first time a medallion was awarded to our past Presidents – Mr. G B Wikramanayake, Mr. U H Paliyakkara, Mr. Mohan Abeynaike, Mr. M R Mihular, Mr. L Nanayakkara, Mr. R T Wijesinha, Mr. A D B Talwatte, Mr. Indrajith Fernando, Mr. P Y S Perera, Mr. Nishan Fernando, Mr. Sujeewa Rajapakse and Mr. Arjuna Herath – for their leadership and endless dedication to furthering the work of CA Sri Lanka.

Membership of International Bodies

International Federation of Accountants

The following CA Sri Lanka members hold positions in boards and committees of IFAC.

- Mr. Lasantha Wickremasinghe – Technical Advisor to the Chair of the Small and Medium Practices (SMP) Committee 2016 onwards
- Mr. Sujeewa Mudalige – Member, Nominating Committee 2016
- Mr. Arjuna Herath – Member, Professional Accountancy Organisation Development Committee (PAODC) – 2016 and Chair of the PAODC from 2017-2019
- Mr. Manil Jayasinghe – Member, International Accounting Education Standards Board (IAESB) – 2016-2018
- Mr. Reyaz Mihular – Member, International Ethics Standards Board for Accountants (IESBA) 2016-2019
- Mr. Nishan Fernando – Member, The International Accounting Education Standards Board Consultative Advisory Group (IAESBCAG) – from 2013

Confederation of Asian and Pacific Accountants

The following are the positions held in CAPA by our professionals.

- Mr. Lasantha Wickremasinghe – Board Member
- Mr. Arjuna Herath – Member, Professional Accountancy Organisation Development Committee (PAODC)
- Mr. Jagath Perera – Member, Public Sector Financial Management Committee (PSFMC)

South Asian Federation of Accountants

The following SAFA Committees are chaired by CA Sri Lanka members:

- Committee on Accounting and Auditing Standards – Mr. Reyaz Mihular

- Board member SAFA and Committee for Improvement in Transparency, Accountability, and Governance – Mr. Lasantha Wickremasinghe

CA Sri Lanka was also represented in the SAFA Committees as follows:

- Committee on Education, Training and CPD – Mr. Manil Jayasinghe
- Committee on Professional Ethics and Independence – Mr. Jagath Perera
- Committee on Quality Control – Mr. Sanjaya Bandara
- Committee on Professional Accountants in Business – Mr. Heshana Kuruppu
- Committee on Small & Medium Practices – Mr. Jagath Perera
- Committee on Harmonisation of Fiscal & Tariff Regimes in SAFA Region – Mr. N R Gajendran
- Committee on Governmental and Public Sector Enterprises Accounting – Mr. V Kanagasabapathy
- International Relations Committee – Mr. Lasantha Wickremasinghe
- Committee on NPOs and Cooperative Sector – Mr. Tishan Subasinghe
- Task Force to implement Basel II Report in SAARC Countries – Mr. Manil Jayasinghe
- Committee to Govern the Virtual Knowledge and Training Centre – Mr. Lasantha Wickremasinghe
- Task Force - Sustainable Development Goals (SDGs) and the Accountancy Profession – Mr. Jagath Perera

Research Projects

Another innovative step was the initiation of two research projects. The topic of the first is Corporate Governance Practices and Challenges. The research aims to ascertain how far principles of good corporate governance are embedded into the organisations' activities in practice. The end objective of the research is to benefit all the stakeholders of the business community as a whole.

The second research project is on the challenges and obstacles of adopting SLFRSs in Sri Lanka in line with IFRS Convergence. The adoption of IFRS converged SLFRS is intended to improve transparency, understandability and comparability financial information. The findings on the research will throw light on how far the expected benefits of SLFRSs have been realised in implementation.

Delivering dynamic and
proactive services

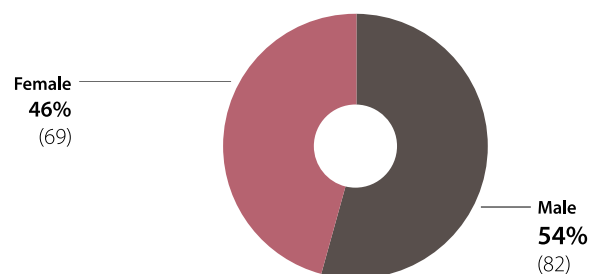


As we forge ahead with the Digital Strategy, many new online services are provided in the areas of Continuing Professional Development and Online Registration for the Degree School. New web portals were also launched for the APFASL and the Sri Lanka Accounting and Auditing Standards Committees. The Corporate Mobile App was also upgraded with many new facilities. The Mobile App and the Online Portals have become extremely popular among members and students. Options of paying through cash deposit machines and mobile payment gateways have been provided to enhance easy payment schemes for members and students. A self-service Kiosk and a Mobile Cash Top-up Machine were also installed at CA Sri Lanka premises. The existing exams module of the Core System (SMMS) was also updated in line with the new syllabus revisions and Study Pack Issuing Process in SMMS was also streamlined. In addition, the NFC Card-based Member Tracking System with real time CPD Integrations were enabled and a bulk-CPD processing was implemented. The SMS Notification Solution was also integrated with Student and Member services.

A System for Practicing Certificate issuing and renewal was implemented to streamline Practicing Certificate printing and issuing process. All branches of CA Sri Lanka were provided with IT Lab facilities to extend free access to students for IT Training Examinations. Remote access to the Core Systems at CA Sri Lanka from the CA branches was also enhanced.

Improvements were also made to the Internal applications for Staff Productivity. A cloud-based Document Repository Solution is being piloted. Bank and Cashier payments are integrated with the On-line Course Management System; a Project Management tool was also implemented for managing CA projects.

Staff Gender-wise Analysis



CA Sri Lanka Library

The CA Sri Lanka Library is a vital knowledge resource for both members and the students – our main stakeholders. The library offers them a range of services and its operations are now streamlined with international systems. All in-house functions of the library are at present managed by an automated online library system (AOLS). Sophisticated systems are in place for classification, processing, cataloguing and data entry. Analysing bibliographical data too is carried out efficiently, while an indexing system takes care of all collections.

Organisational membership is available under three categories while various benefits are offered to corporate members. The library has also launched a new initiative to digitalise all annual reports of listed companies. The number of transactions recorded in 2016 was 13,769 which is the highest in the last six years.

CPD Initiatives

As recommended by IFAC, CPD has now been made mandatory for members and therefore monitoring of CPD and the related activities of both general members and the practicing members has become increasingly important.

A striking example of monitoring CPD hours was that attendance at the CA Sri Lanka National Conference (which was CPD accredited) was automated to capture the relevant CPD hours through the registration process. This was facilitated through the Near Field Communication (NFC) enabled membership identity card.

IT Faculty

CA Sri Lanka IT Faculty organised several evening presentations on various IT related timely topics like, Discussion on 'Managing E-waste' with the University of Sri Jayewardenepura. The sessions were lined up as 'Untangling the Challenge of e-waste', 'CRT Tubes – TV/Monitors', 'e-waste' & 'Accountants' Contribution: Role of Accountants in Facilitating e-waste Management'.

The next workshop was planned on Information Systems (IS) Audits Demystified as a joint event with ISACA Sri Lanka Chapter.

IT faculty continued the Diploma in Information System Security Control and Audit in collaboration with ICA India.

CA Job Bank

The CA Job Bank continued hosting latest job openings at leading companies, both in Sri Lanka and abroad.

The Abacus Magazine

In 2016, CA Sri Lanka continued to publish the 'Abacus' magazine, primarily to keep members abreast of current developments in accounting and business; it also includes event reviews, one-on-one interviews with business leaders and analysis.

CSR Programmes and CA Foundation

CA Sri Lanka continued to provide annual scholarships to students through the CA Foundation. Under the L A Weerasinghe Scholarship Scheme, scholarships were awarded to 64 top performers in the Commerce and the Science/Mathematics streams at the GCE A/L. Utilising donations received at the national conference a further 10 scholarships were awarded for the second consecutive year.

Full scholarships were awarded to the Top 10 students at the GCE A/L and the student who led in each district in the commerce stream. Scholarships were also offered to Business Level trainees whose family income is below Rs. 360,000/- annually. The total number of awards made under this category was 40. The total number of scholarship awards made under the CA Sri Lanka scholarship scheme was 180 during the year under review.

Details of scholarships awarded are given below:

Category	2016	2015	2014
GCE A/L Island Top 10 Scholarship Scheme	12	12	10
GCE A/L District 1st (Commerce) Scholarship Scheme	15	17	19
L A Weerasinghe Memorial Scholarship Scheme	64	49	36
Business Level Trainee Scholarship Scheme	40	36	30
Members/other Sponsorship Schemes	49	10	16

A CSR project was also organised by the Member Relations Committee; school needs of 100 children were sponsored to start their 2017 school season at Maithri Gama Primary School, Dimbulagala, Polonnaruwa.

Networking Events

The Members Cricket Fiesta was held at the Bloomfield Grounds in a carnival atmosphere and drew a large crowd. Families of members also attended. Amongst others, a networking event that was conducted during the year under review was the Members Quiz Programme.

To provide value added services to the members, there were also promotional tie ups with organisations such as HNB Life Assurance, HNB Card Centre and Mobitel mCash, where special rates and seasonal loyalty programmes were offered to the CA membership.

Student Services

During the year under review, CA Sri Lanka arranged one Student Exchange Programme for 12 students with the Institute of Chartered Accountants of India (ICAI). Thilini Nadeesha Jayathunga, student of CA Sri Lanka was awarded the 3rd Best paper presenter amongst the 18 other speakers at the International Conference for CA students held in Hyderabad, India.

CA Sri Lanka students, Hakeem Halwan and Ravindi Sandini, won the championship of the SAFA Quiz Contest - 2017 at the Inaugural SAFA Quiz and Elocution Contest held on 27th January 2017 at the Institute of Chartered Accountants of Bangladesh (ICAB), Dhaka, Bangladesh amongst the students of SAFA member bodies. The awards were presented to the students by Mr. Hans Hoogervorst, President of ICAB.



Champions of South Asian region, Ravindi Sandini, a business level student and Hakeem Halwan, a corporate level student of CA Sri Lanka at the inaugural IFRS Quiz Contest organised by the South Asian Federation of Accountants (SAFA)

CA Students Society (CASS)

CASS hosted the 30th International CA Students' Conference which was themed 'Fruition of Cybernation – Accountancy in the Technology Era', on 6th April 2016 at Water's Edge, Colombo. The Conference witnessed participation by more than 800 CA students from across Sri Lanka including those from SAFA countries: India, Pakistan and Bangladesh. The International CA Students' Conference brought together delegates from across the globe to meet counsellors and find mechanism to overcome major issues, including how technology has influenced an accountant's profession and the opportunities that have arisen in accountancy field with a commitment to lasting positive change. The International CA Students' Conference is one of the most glorious events in the CASS calendar and places as one of the most attended students' conferences in Sri Lanka.

Some of the activities of CASS includes Ingenio 2015 (talent show) Blood Donation Campaign, CSR Activity, the launch of 'Fusion' Business Magazine, Awards Night and the Soft Skills Development Programme.

Students Gavel Club

The CA Sri Lanka Students Gavel Club which is an important platform allowing CA students to improve their communication and leadership skills, was instrumental in producing three students who gained recognition as competent communicators by Toastmasters International after having completed the required number of speech projects.

Member Services

All CA members were issued with NFC enabled identity card providing them the unique benefit of 'tap & go' in all events which will update the CPD within the same day. Over 200 members have been elevated to fellow status and a separate convocation will be held to mark this unique occasion.

Programmes for new members

In the year 2016, CA Sri Lanka conferred the distinguished Associate Chartered Accountants (ACA) designation to 310 new Chartered Accountants at its 2016 Annual Convocation.

Joining a fraternity of over 4,500 existing members, the new members were officially inducted into the profession by conferring on them the Associate Membership during the convocation.



The CA Sri Lanka Convocation was held under the patronage of Mr. Timothy Speldewinde, Group Director MAS Holdings

ICASL Toastmasters Club

In the year 2016, the ICASL Toastmasters' Club, which has been in existence for 10 years, notched another remarkable milestone raising the CA Sri Lanka flag high. The Club achieved recognition not only at the area, division and district level but also at the global level. Under the leadership of President T M Leela Weerasuriya the Club achieved the status of 'Golden Gavel' which is the highest recognition which a Toastmasters' Club can achieve. This was the third time the Club has received this honour.

The Club elected T M Jayanath Herath as the new President for 2016/17. His theme for the year is 'Shine with Morale'. Another notable achievement was that T M Leela Weerasuriya and T M Minfaz Hilmy of ICASL TMC became the best Humorous Speech and Table Topic Speech winners respectively of the Club contests and winners of the Area in the Division F contests.

During this year, the Club concentrated more on improving the quality of the members' speeches and presentation skills. To this end every meeting was conducted with a theme. During the six months to 31st December 2016, the Club has taken steps to restart the speech craft programme, exclusively for our members. CPD hours were recognised for members engaged and involved in Toastmastering.

The Toastmasters' Club get new members involved in presentations and viva voce to improve their soft skills.

Members' Benevolent Society

Boasting of a history of 33 years, the Society has a member base exceeding 1,050 (145 new members were enrolled during the year) and members' funds of over Rs. 55 mn.

The society conducts diverse activities including providing financial assistance to members (especially for medical expenses and death donations under the insurance scheme), social events, outings, musical events, a medical camp and guest lectures. The investment of the funds gives a healthy return ensuring sustainability of the Society's activities. Four guest lecturers were organised during the year focusing on health and lifestyle issues. The Society also published two newsletters during the year. Sponsorships raised from various organisations and excess funds raised from other events were used to finance activities, minimising the use of members' funds.

The new President Mr. Banette Gamalath and the new Committee elected during the year plan to increase the activities and services to the members during 2017.

CBA Faculty

The CBA Faculty was established in year 2010, under the purview of CA Sri Lanka, with the view of grooming middle level accountants. The Certified Business Accountant (CBA) qualification is mainly geared to filling the needs of the SME sector for accounting personnel of suitable calibre. They can also fill mid-level positions in larger organisations, while maintaining the highest standards with the technical knowledge and practical experience they possess.

The CBA Faculty also conducts events for the development and advancement of the CBA Faculty members under membership, professional and promotion categories. The Personality grooming session, Toastmasters' Installation Ceremony and the Members Night are the most important events organised by the CBA Faculty for its members.

Young Chartered Accountants Forum (YCAF)

YCAF provides a platform for young members to network and hone their leadership skills.

A new governing council for 2016/17 was formed in July 2016, under the leadership of new President Ms. Vindya Cooray. To further the objectives of the Forum a guest presentation by Mr. Thilan Wijesinghe, Chairman of wow.lk was organised to inculcate knowledge and awareness of the global era that the world is moving towards. Some of the events conducted during the year were the 'YCAF Freshers' Eve'.

Overseas Chapters

Out of a total membership of 5,290, 16% serve in overseas countries including Europe, Middle East, South Asia, South East Asia, Australia and the U.S. Chapters have been formed in certain overseas countries to facilitate sharing of knowledge, experience and networking among members and cater to other professional needs. At present Chapters are functioning in Bahrain, Qatar, Kuwait and the U.A.E., while formation of Chapters in Australia and the U.K. is in progress.

Stewardship

This chapter explains the governance structure, manner of compliance with the applicable rules and regulations and management of risk at The Institute of Chartered Accountants of Sri Lanka.

Past Presidents - 45

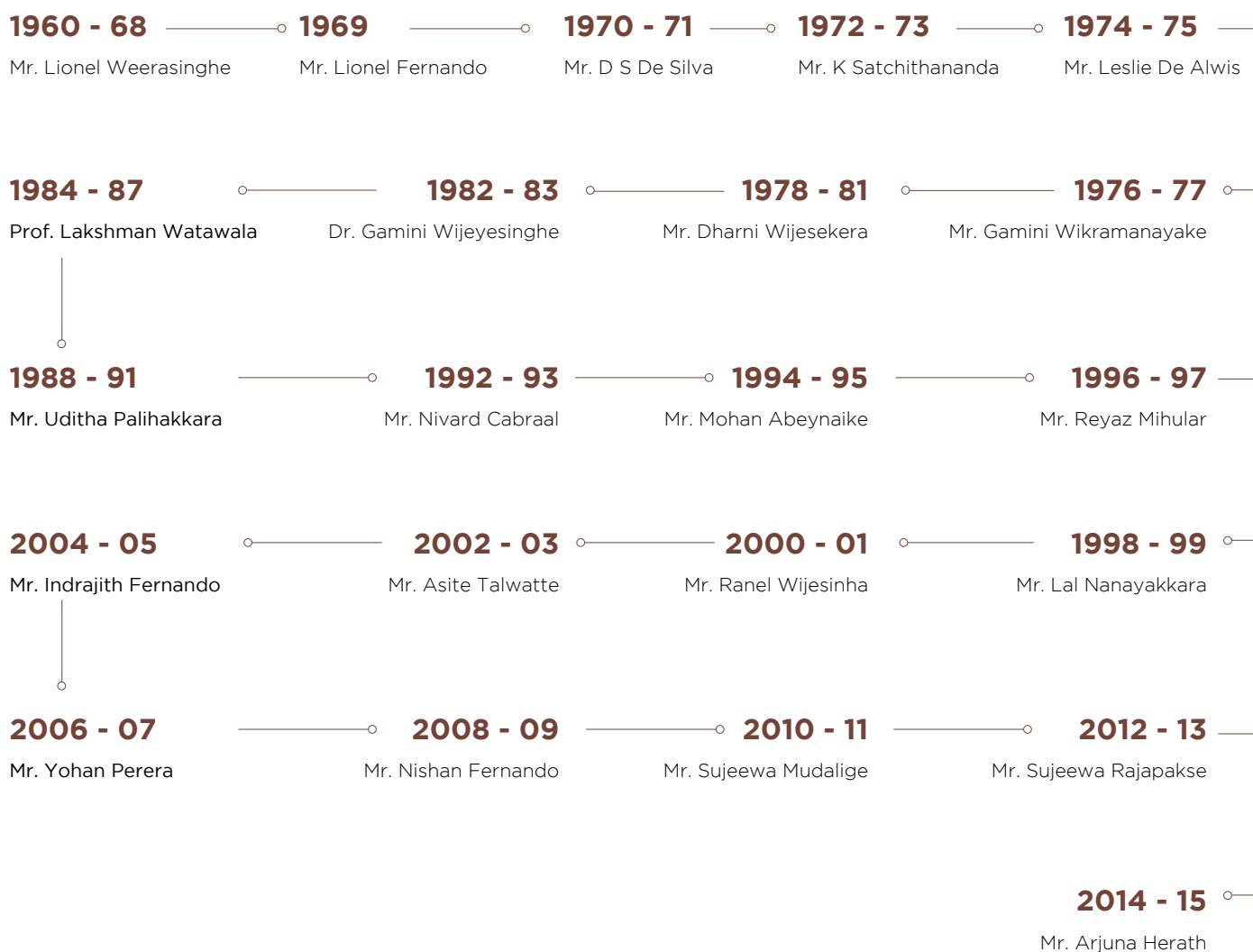
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Mr. Asoka Pieris

Mr. Kapila
Atukorala

Mr. Tishan
Subasinghe



S M S Sanjaya
Bandara

Mr. V Kanagasabapathy

Mr. Dulitha
Perera

Mr. Lasantha
Wickremasinghe

Mr. N R Gajendran

Mr. Heshana
Kuruppu

Mr. Manil
Jayasinghe

Mr. Thivanka
Jayasinghe

Ms. Coralie
Pietersz

Mr. Laknath
Peiris



Mr. Jagath Chandana
Perera

Mr. Arjuna
Herath

Mr. Gamini
Wijesinghe

Mr. Aruna Alwis

1. Mr. Lasantha Wickremasinghe

FCA, FMAAT
 President

Partner of B R De Silva & Co. and Alles Martin & Co.

Member of the Board of Directors of SAFA, Member of the Board of Directors of CAPA, Chairman of the Committee for Improvement in Transparency, Accountability and Governance (CAPA), member of the Committee for International Relations and member of the Committee to Govern the Virtual Knowledge and Training Centre of SAFA, Technical Advisor to the Chairperson of the SMP Committee of the IFAC, Ex-officio Member of the SEC, Member of the Board of Directors of SLAASMB, Member of the Board of Directors of Postgraduate Institute of Management (PIM), Member of the Audit and Management Committee of the Sri Lanka Institute of Advanced Technological Education (SLIATE) and Board Member to the *Api Wenuwen Api* Fund. He also serves as, Chairman of the Strategic Planning Implementation and Review Committee, the Steering Committee on ROSC Implementation, the Remuneration Committee and Alternate Chairman of the Professional Conduct (Ethics) Committee at CA Sri Lanka and the ICT Project Steering Committee.

2. Mr. Jagath Chandana Perera

FCA, BSc. (Bus. Admin.) Sp., CFE (USA)
 Vice-President

Partner, KPMG Sri Lanka and Maldives

Member of the Professional Ethics and Independence Committee, Small and Medium Practices Committee and Sustainability Development Goals (SDGs) task force of SAFA, Member of the Public Sector Financial Management Committee of CAPA and Director of SLAASMB. He also serves as the Chairman of the Operational Review Committee, Alternate Chairman of the Strategic Planning Implementation and Review Committee, the Remuneration Committee, Steering Committee on ROSC Implementation, Subcommittee on Capacity Building for Insolvency Services and Chairman of Subcommittee to Development of Professional Accountancy Organisations in Sri Lanka at CA Sri Lanka.

3. Mr. Arjuna Herath

FCA, CGMA, FCMA, MBA, MA (Financial Economics), BSc.
 Immediate Past President

Partner and Head of Advisory Services, Ernst & Young – Sri Lanka and Maldives.

Chairman of the Professional Accountancy Organisation Development Committee of IFAC. Director of SLAASMB and Member of the Advisory Commission on Company Law. He also served as the Chairman of the Subcommittee on Capacity Building for Insolvency Services and the BPO Task Force (up to June 2016) at CA Sri Lanka.

4. Mr. Kapila Atukorala

FCA, ACMA

Partner Kreston MNS & Co.

Chairman of the Education & Curriculum Development Committee at CA Sri Lanka.

5. Mr. S M S Sanjaya Bandara

FCA, MBA (Col.), BSc. (Accy.) Sp. (Sri J'Pura)

Partner of B R De Silva & Co.

Member of committee on Quality Control of SAFA. He also serves as the Chairman of the Annual Report Awards Committee, the Alternate Chairman of Student Services Student Promotions Committee and the Education & Curriculum Development Committee at CA Sri Lanka.

6. Mr. N R Gajendran

FCA, FCMA

Partner Gajma & Co.

Member of the committee on Harmonisation of Fiscal and Tariff Regimes in SAFA Region. He is the Chairman of the Public Relationship Development Committee, Alternate Chairman of the CPD Committee and Chairman of Subcommittee to Regulatory Reforms in Accounting Profession at CA Sri Lanka.

7. Mr. Thivanka Jayasinghe

FCA, ACMA (UK), FMAAT

Partner, PricewaterhouseCoopers

Chairman of the Member Relations Committee and Alternate Chairman of the Library and Journal Committee at CA Sri Lanka.

8. Mr. Manil Jayasinghe

FCA, FCMA (UK), CPFA (UK)

Partner, Ernst & Young

Member of the International Accountancy Education Standards Boards of the IFAC and member of the Committee on Education, Training and CPD and member of the Task Force to implement Basel-II Report in SAARC Countries of SAFA. He also serves as the Chairman of the Examinations Committee, Alternate Chairman of the Operational Review Committee, Audit Faculty and the Statutory Accounting Standards Committee at CA Sri Lanka.

9. Mr. V Kanagasabapathy

FCA, MPA (Harvard), CPFA (UK), FCMA, FPFA, FMAAT

Advisor to the Board, Hotel Developers Lanka PLC. Member of the Finance Commission of Sri Lanka and a Member of the Council of the University of Jaffna. He also serves as a member of the SAFA Committee on Governmental and Public Sector Enterprises Accounting, President of Association of Public Finance Accountants of Sri Lanka and the Chairman of the Public Sector Accounting Standards Committee at CA Sri Lanka.

10. Mr. Heshana Kuruppu

FCA, MBA (Banking & Finance) PIM, MA (Financial Economics) (Col.), BSc. (Accy.) Sp. 1st Class (Sri J'Pura), ACMA

General Manager - Special Projects, MAS Capital (Pvt) Ltd. Member of the committee on Professional Accountants in Business of SAFA and Chairman, Board of Management of the School of Accounting and Business of CA Sri Lanka. He also serves as Chairman of the CPD Committee and the Business School Committee at CA Sri Lanka.

11. Mr. Dulitha Perera

FCA, FCMA

Partner, KPMG

Chairman of the Student Training and Development Committee, Alternate Chairman of the Urban Schools and Non-Commerce Stream Student Promotions Committee and the Annual Report Awards Committee at CA Sri Lanka.

12. Mr. Laknath Peiris

FCA, Attorney-at-Law, Passed Finalist CIMA (UK)

Managing Partner, PLC Law Chambers

Board member of SLAASMB. Alternate Chairman of the Public Relationship Development Committee at CA Sri Lanka and Chairman of Subcommittee to Review Right to Information Bill.

13. Mr. Asoka Pieris

ACA, FCMA (UK), CGMA

Chief Executive Officer, Singer Group - Sri Lanka Chairman of the Brand Development and Corporate Communications Committee at CA Sri Lanka.

14. Ms. Coralie Pietersz

FCA, MBA, BSc. (Hons.)

Finance Director, Finlays Colombo Ltd., Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Chairperson of the Urban Schools and Non-Commerce Stream Student Promotions Committee at CA Sri Lanka.

15. Mr. Tishan Subasinghe

FCA, CISA-USA, CPFA (UK), ACMA, MBA (Finance) (Col.)

Partner, BDO Partners.

Member of the committee on NPOs and Co-operative Sector of SAFA. Chairman of the Conference Committee, Annual Report Task Force and Alternate Chairman of the Examinations Committee at CA Sri Lanka.

16. Mr. Gamini Wijesinghe

FCA, MA (Econ.), BSc. (Pub.Ad) (Sp.)

Auditor General, Auditor General's Department Alternate Chairman of the Association of Public Finance Accountants of Sri Lanka.

17. Mr. Aruna Alwis

MBA, MBCS, Dip. in Bus. Admin.

Secretary/Chief Executive Officer

Secretary's Division

Mr. Aruna Alwis
Secretary/
Chief Executive Officer

Ms. Nipuni Fernando
Legal Officer

HR

Ms. Wasana Liyanage
Deputy Manager –
HR and Council Affairs

Administration and Events

Mr. Thushara Yasaratna
Manager –
Administration & Events

Mr. Nishantha Pushpakumara
Deputy Manager Events

Association of Public Finance Accountants

Mr. K L Perera
Consultant –
Public Sector

Mr. Susantha Kumara
Manager –
Technical (APFASL)

Business School

Ms. Nirosi Siriwanasa
Head of Business School

Ms. Nabeeha Siddique
Deputy Manager –
Business School

Education Division

Ms. Dilini Jayasinghe
Manager – Education

Ms. Lakmini Perera
Deputy Manager –
Education

Training Division

Ms. Kalani Ariyaratne
Deputy Manager –
Training

Examinations Division

Examinations – Technical

Mr. W W G Dayananda
Consultant–
Examinations

Ms. Nadeeshani Dissanayake
Manager –
Examinations (Technical)

Ms. Yashodha Kulawardena
Deputy Manager –
Examinations (Technical)

Ms. Harini Vimukthi Mahanama
Deputy Manager –
Examinations (Technical)

Examinations – Operations

Mr. Thusitha Liyanagamage
Manager – Examinations

Mr. J A Geeth Maduranga
Deputy Manager –
IT (Examinations)

Finance Division

Ms. K C Dinushini
Head of Finance

Ms. Janani Danansuriya
Accountant

Mr. H D S Priyantha
Asst. Accountant

Ms. Bagya Godage
Asst. Accountant

ICT Division

Mr. Gayan Wickramasinghe
Chief Information
Technology Officer

Mr. Roshan Ruvendra
Manager – ICT

Mr. Nirosi Illangasinghe
Systems and Database
Administrator

IT Training Division

Mr. Asanka Weerasooriya
Deputy Manager –
IT Training

Ms. Maheeka Basnayake
Deputy Manager –
IT Faculty

Library

Mr. Sarath Kumara
Librarian

Brand and Corporate Communications Division

Mr. Lasantha Amarakoon
Head of Brands

Ms. Munza Mushtaq
Manager –
Content Development

Member Relations

Mr. Senaka Abeyakoon
Director –
Member Relations

Multimedia English Language Centre

Ms. Achala Kodikara
Manager – Multimedia
English Language Centre
(MELC)

School of Accounting and Business

Dr. T B Andarawewa
Director – School of
Accounting and Business

Mr. S N W M Wijerathna Banda
Registrar – School of
Accounting and Business

Ms. Jenita Foenander
Manager Marketing
(School of Accounting
and Business)

School of Taxation

Ms. Nandani Abrew
Manager – Taxation

Student Services and Promotions

Ms. Sujeewa Munidasa
Manager –
Student Services

Mr. Aruna Dayananda
Deputy Manager –
Student Promotions

Ms. Indunil Pathirana
Deputy Manager –
Student Services

Technical Division

Mr. Lakshman Athukorala
Technical Consultant/
Advisor

Ms. Nilangi Dilrukshi
Manager – Technical

Ms. Saumya Madhubashini
Manager – Technical

Mr. Manoj Mahanama
Manager – Technical

Mr. Chathumin Gunarathne
Manager – Technical

Ms. Diluka Pathirana
Manager – Technical

Ms. Prabodha Daulagala
International Liaison
Officer

Act of Incorporation

The Institute of Chartered Accountants of Sri Lanka (the Institute) was established by Act No. 23 of 1959 as amended by Act No. 16 of 1964, Act No. 34 of 1975 and Act No. 15 of 1998 for the purpose of promoting theory and practice of accountancy, enrolling, educating and training members and for preserving the professional independence of accountants, among other objectives.

In addition, there are several regulations, policies and procedures that are relevant for the governance of the Institute.

The Council

As per the provisions of the Act, the Council consists of a President, a Vice-President and fourteen other members; eight of whom are appointed by the Minister while the other eight including the President and the Vice-President are elected by the members of the Institute. With effect from March 2016 the Institute is gazetted under the purview of the Ministry of Industry and Commerce. The Council provides strategic direction to the Institute. The recommendations are proposed by various committees to the Council. The Council also approves the annual budgets, financial statements and major capital expenditure on the recommendation of the Operational Review Committee. Elections are conducted every two years to elect the Vice-President and six council members. The Vice-President becomes the President for the next term at the completion of his tenor of vice-presidency.

Accordingly, the Council governs the Institute as per the powers conferred on it by the provisions of the Act and manages and oversees the affairs of the Institute.

The Council has delegated certain powers and duties to its committees, Secretary/CEO and the management staff to manage the day-to-day affairs of the Institute.

The Committees – 2015/16

As laid down in the provisions of the Act, the only statutory committee is the Examination Committee.

Ethics Committee

Ethics Committee is responsible for reporting to the Council whether a Prima Facie Case of Professional Misconduct has been made by a member based on a complaint received.

Governance and Audit Committee

The Governance and Audit Committee (GAC) has been established by the Council to fulfil its oversight responsibilities regarding the integrity of the financial statements, compliance with internal control and regulatory requirements, make recommendations regarding appointment of Internal and External Auditors, review the External Auditor's performance and independence and review internal audit function.

Operational Review Committee (ORC)

ORC is appointed by the Council to deliberate and advise the Council on operations, finance and investment activities and is chaired by the Vice-President of the Institute. ORC reviews the annual budget and the event budgets submitted through the respective committees and makes recommendations to the Council. ORC also reviews the actual income and expenditure statements of the events, monthly financial statements, procurements, investment portfolio and other important policy decisions.

Remuneration Committee

The Remuneration Committee comprises the President, Vice-President and a Council member. Remuneration Committee reviews annual performance of the Secretary/CEO, Management and the other staff and recommends revisions of remuneration and staff if any to the Council.

Other Committees

Other committees are appointed by the Council for a term of two years for specific subjects as per the Terms of Reference approved by the Council. The management serves as secretaries of committees. The committee decisions are reported to the Council, for approval and ratification or information by way of Council papers, which are approved by the Chairman of the respective committee. In the absence of a particular committee, Secretary/CEO directly submits the Council papers. Financial implications of matters contained in the Council papers require approval of the ORC. The Head of Finance is requested to check and confirm the adequacy of budget allocation. The Council meetings take place monthly and special Council meetings are called for whenever there are urgent matters to attend to. In turn, Council/committee decisions and corresponding minutes provide guidance/instructions to the Secretary/CEO and the Management staff.

There are over 300 members, who have contributed over 6,000 hours in 2016, serving in the committees free of charge sharing their knowledge and experience in the process of formulation and implementation of the strategy, providing policy directions and support in executing the operations.

Committees of the Institute – 2016

The individual committees set up under each of the broader categories of committees referred to are given in the table below:

Committee	Chairman	Alternate Chairman	Secretary
Governance Committees			
Professional Conduct (Ethics) Committee	Reyaz Mihular	Lasantha Wickremasinghe	Aruna Alwis
Audit Committee	R N Asirwatham		
Remuneration Committee	Lasantha Wickremasinghe	Jagath Perera	Aruna Alwis
Statutory Committees			
Examinations Committee	Manil Jayesinghe	Tishan Subasinghe	Harsha Gunasena
Operational Support			
Operational Review Committee	Jagath Perera	Manil Jayesinghe	K C Dinushini
Member Relations Committee	Thivanka Jayasinghe	Naleen De Silva	Senaka Abeyakoon
CPD Committee	Heshana Kuruppu	N R Gajendran	Maheeka Basnayake
Professional Accountants in Business Committee	Lalith Fernando	Choliya De Silva	Manoj Mahanama
Student Training and Development Committee	Dulitha Perera	Gerard Suares	Nimanthi Gamage
Urban Schools and Non-Commerce Stream Student Promotions Committee	Coralie Pietersz	Dulitha Perera	Sujeewa Munidasa
Education and Curriculum Development Committee	Kapila Atukorala	Sanjaya Bandara	Harsha Gunasena
Exemptions and Reciprocal Arrangements Committee	Nishan Fernando		Dilini Jayasinghe
Brand Development and Corporate Communications Committee	Asoka Peiris	Priyanke Perera	Lasantha Amarakoon
Student Services and Student Promotions Committee	T Dharmarajah	Sanjaya Bandara	Sujeewa Munidasa
Business School Committee	Heshana Kuruppu	Anura Perera	Niroshi Siriwanasa
Board of Studies – CFAS (from Oct. 2016)	Dr. Arul Sivagananathan	Heshana Kuruppu	Niroshi Siriwanasa
Taxation Committee	Denzil Rodrigo	Hiranthi Rathnayake	Nandani Abrew
Corporate Governance and Directors Training Committee	Asite Talwatte	Sujeewa Mudalige	Manoj Mahanama
Library and Journal Committee	Shan Shanmuganathan	Thivanka Jayasinghe	Senaka Abeyakoon/ Sarath Kumara

Committee	Chairman	Alternate Chairman	Secretary
ICT and Process Improvement Committee	Priyanka Jayathillake	Sanjeewa Bandaranayake	Gayan Wickremasinghe
CA Foundation	B R L Fernando	Asoka Jayasinghe	Indunil Pathirana
Board of Management – School of Accounting and Business	Heshana Kuruppu		Wijerathna Banda
Board of Studies – School of Accounting and Business	Dr. T B Andarawewa		Wijerathna Banda
Board of Examination – School of Accounting and Business	Dr. T B Andarawewa		Wijerathna Banda
Public Sector Accounting Standards Committee	V Kanagasabapathy	W P K C Wickramarathna	K L Perera
Financial Reporting Standards Implementation & Interpretation Committee	Nishan Fernando		Saumya Madubashini
Events Committees			
National Conference Committee	Tishan Subasinghe	Ruwan Perera	Crisle Perera
National Conference Committee – Technical	Anoji de Silva	Anura Perera	Prabodha Daulagala
Annual Report Awards Committee	Sanjaya Bandara	Dulitha Perera	Diluka Pathirana
Lifetime Achievement and Hall of Fame Committee	Mohan Abeynaika		Aruna Alwis
Task Forces			
Strategic Planning Implementation and Review Committee	Lasantha Wickremasinghe	Jagath Perera	Aruna Alwis
Quality Assurance Board	Tissa Bandaranaike	Deva Rodrigo	Saumya Madubashini
BPO Task Force Up to June 2016	Arjuna Herath	Aruna Perera	Nabeeha Siddique
Sustainability and Integrated Reporting Task Force	Asite Talwatte	Suresh Gooneratne	Chathumin Gunarathne
SMP Capacity Building Task Force	Somasiri Munaweera	Sanath Fernando	Nilangi Dilrukshi
SLFRS Education Committee	Sanath Fernanado	Shamura Hadgie	Nilangi Dilrukshi
ICT Project Steering Committee	Lasantha Wickremasinghe	Priyanka Jayathillake	Gayan Wickremasinghe
World Bank ROSC Steering Committee	Lasantha Wickremasinghe		Chathumin Gunarathne
Faculties			
Taxation Faculty	Duminda Hulangamuwa	Shamila Jayasekara	Nandani Abrew
Audit Faculty	Yohan Perera	Manil Jayasinghe	Manoj Mahanama
IT Faculty	Ashane Jayasekara	Sujatha Nadsan	Mahika Basnayake
Certified Business Accountants Faculty	Somasiri Munaweera		Senaka Abeyakoon

Committee	Authorised Representative		
Committees in which Members Served as Ex-officio Members			
Accounting Standards Committee	Sujeewa Mudalige (Chairman) Manil Jayesinghe (Alternate Chairman) Nilangi Dilrukshi (Secretary)		
Auditing Standards Committee	Sujeewa Rajapakse (Chairman) Suren Rajakariar (Alternate Chairman) Manoj Mahanama (Secretary)		
Sri Lanka Accounting and Auditing Standards Monitoring Board	Lasantha Wickremasinghe Arjuna Herath Jagath Perera		
Securities and Exchange Commission of Sri Lanka	Lasantha Wickremasinghe		
Postgraduate Institute of Management	Lasantha Wickremasinghe		
Committee	Chairman/President	Alternate Chairman/ Vice President	Secretary/Treasurere
Other Societies and Associations of the Institute			
Practicing Chartered Accountants Forum	I B Dickson Jayasinghe	Gamini Uduwara Arachchi	V Sivagurunathan Ruwan Perera
Members’ Benevolent Society	Bannet Gamlath	Kapila Ranasinghe/ W D L Dushmantha	T A Kariyawasam Gamini Samarasekara
Young Chartered Accountants Forum	Vindya Cooray	Sachiru Dayananda	Jani Ganeshan Thilini Nadeesha
Toastmasters’ Club	Jayanath Herath	Suhashini Sathyaseelan	Chanaka De Silva Noel Bandara
CA Students Society	Jayashan Grero	Chathura Gimhana	Chirath Mayakaduwa
Students Gavel Club	Dhananjaya Gamlath	Ajuja Dominic Gayan Thanula	Mohamed Rifan Pradeepa Sandaruwan
Association of Public Finance Accountants of Sri Lanka	V Kanagasabapathy	Gamini Wijesinghe	K L Perera

Secretary/CEO

The Council appoints the Secretary/CEO for the Institute. He is responsible to effectively and efficiently manage the Institute on behalf of the Council and to implement Strategic Policy & Initiatives approved by the Council.

Attendance at Council Meetings

Given below is the Council members' attendance at the Council Meetings held during 2016.

Name	Scheduled Meetings	
	Attended	Held
1. Lasantha Wickremasinghe	17	17
2. Jagath Chandana Perera	16	17
3. Arjuna Herath	12	17
4. Nishantha Kapila Atukorala	14	17
5. Sanjaya Bandara	13	17
6. N R Gajendran	12	17
7. Thivanka Jayasinghe	14	17
8. Manil Jayasinghe	9	17
9. V Kanagasabapathy	14	17
10. Heshana Kuruppu	15	17
11. Dulitha Perera	17	17
12. Laknath Peiris	10	17
13. Asoka Pieris	9	17
14. Coralie Pietersz	13	17
15. Tishan Subasinghe	15	17
16. Gamini Wijesinghe	1	17

Financial Statements

The Institute's financial statements are prepared in accordance with the currently applicable Sri Lanka Accounting Standards, and the Annual Report Task Force look into the presentation and disclosure of the Annual Report. GAC reviews and submits the financial statements for the Council for approval and publication.

External Audits

External Auditors are appointed by the Council based on the recommendations of the Governance and Audit Committee (GAC). It has been customary for the Institute to change the External Auditor once in every two years. The GAC meets the External Auditors before, after and while conducting the audit. The external audit plan is also discussed by the GAC before the commencement of the audit.

Preparation of Financial Statements

The financial statements of the Institute have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute.

The financial statements are certified by the Head of Finance and Secretary/CEO and approved by the Council.

Periodic Reporting Requirements

In order to strengthen the good governance, periodic reports are prepared and submitted.

Monthly financials are presented to the Council through the ORC. At the earliest possible opportunity, the financial statements for the preceding year are published in the Government Gazette and also furnished to the subject Minister and each member of the Institute. Quarterly internal audit reports are submitted to the GAC and highlights are reported to the Council.

The GAC consists of five independent, non-council members appointed by the Council. GAC complements the Council's attempts to permeate good governance practices.

The GAC has the following primary objectives:

- Monitor and oversee the Institute's governance-related matters;
- Monitor and oversee the integrity of the Institute's financial and non-financial reporting process and systems of internal control regarding finance, accounting, service delivery and legal compliance;
- Monitor and oversee the work of the Internal Auditor, External Auditor, review the independence and performance of the Internal and External Auditors and make recommendations regarding their appointments or reappointments to the Council;
- Provide a channel of communication among External Auditor, Internal Auditor, management and the Council; and
- Recommending financial statements to the Council for approval.

Compliance with Financial Reporting

The financial statements of the Institute are prepared in compliance with Sri Lanka Accounting Standards. The GAC considered the annual financial statements and reviewed the Annual Report including the financial statements prior to publication.

Internal Controls

Effectiveness of the Institute's system of internal controls is evaluated through reports provided by the Internal Auditor and the External Auditor.

Internal Auditor

The internal audit is outsourced to Messrs SJMS Associates, a firm of Chartered Accountants, who submits their findings to the GAC quarterly, and important observations are reported to the Council.

External Auditor

The GAC made the necessary recommendations to the Council with regard to the appointment of the External Auditor based on a predefined policy with a set of criteria and reviewed the independence and objectivity of the External Auditor Ms. S Vishnukanthan, Chartered Accountant, who commenced the audit of the financial statements of the Institute. Due to sudden

demise of the External Auditor a few days prior to scheduled date of finalising the financial statements, the GAC recommended to appoint the previous year's External Auditor, Mr. Lalith Senanayake, Chartered Accountant as the Auditor for the year 2016, as the best available option and accordingly revised the pre-defined policy which was approved by the Council.

Meetings of Governance and Audit Committee

The GAC meetings held for the year ended 31st December 2016 under the Chairmanships of Mr. Nirmal Fernando and Mr. R N Asirwatham are given as follows:

Committee Members	Meetings held under the Chairmanship of Mr. Nirmal Fernando	Meetings held under the Chairmanship of Mr. R N Asirwatham
1. Mr. Nirmal Fernando	2 out of 2	3 out of 3
2. Mr. Lalith Fernando	1 out of 2	-
3. Mr. Nishan Fernando	1 out of 2	-
4. Mr. Nanda Bandara	2 out of 2	3 out of 3
5. Mr. T Someswaran	2 out of 2	2 out of 3
6. Mr. R N Asirwatham	-	3 out of 3
7. Mr. Mohan Abeynaïke	-	3 out of 3
8. Ms. Shamura Hadgie	-	2 out of 3

Conclusion

The GAC is satisfied that the accounting policies and operational controls provide reasonable assurance that the affairs of the Institute are prudently managed and the Institute's assets are properly accounted for and adequately safeguarded.



R N Asirwatham

Chairman – Governance and Audit Committee

19th May 2017
 Colombo

Introduction to Risk Management Process at the Institute

The Institute like any other organisation is faced with a multitude of risks. It is cognisant of the fact that these risks need to be managed and that if they are well managed, they will have an upside potential too.

These risks have broadly been categorised under reputational, operational and financial risks.

Management Measures

Tabulated below is a summary of these risk categories, specific risk elements coming under each category and the risk management measures in place.

Risk element	Implication	Mitigating Measures
Reputational Risks		
R/1 Loss of relevance and brand value with stakeholders	Less recognition and employability of members	Effective monitoring by the Council and Committees Create public awareness and strengthen relationships with key stakeholders
R/2 Poor performance of members	Loss of brand reputation Loss of market share Poor employability of members	Supervision over Code of Professional Conduct and update members on quality assurance process Monitoring of CPD compliance
Operational Risks		
O/1 Exposure level of students	Lack of quality teaching and facilities available to students	Continuous improvements to the curriculum and services Accreditation of learning partners
O/2 Substandard exam delivery standards	Failure to meet exam delivery standards Inaccurate assessment of student performance	Conduct exam operations as per the manual and under the supervision of the Exam Committee Effective training to all examiners
O/3 Instability of IT systems	Disruption to IT systems Failure to provide accurate and complete information on Students and Members Reputational damage due to disruptions to support services	IT disaster recovery plan and supervision of ICT Committee Regular review of current and future requirements
Financial Risks		
F/1 Inadequate financial management and internal controls	Failure to meet financial liabilities Failure to achieve financial targets Possible fraud and theft	Diversify sources of income to decrease reliance on any one source Supervision and monitoring by Operational Review Committee Strengthen the internal controls and conduct of Internal/ External Audit



FINANCIAL REPORTS

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Cyril E Begbie Memorial Prize Fund – 106

The financial statements comprise the Statement of Financial Position ('SOF'), Statement of Comprehensive Income ('SOI'), Statement of Changes in Funds & Reserves ('SOCFR'), Statement of Cash Flows and Notes to the Financial Statements. These Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS' and LKAS') issued by The Institute of Chartered Accountants of Sri Lanka.

These financial statements also include statements of financial position of F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied by the Institute. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

All significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our External Auditors and the Governance and Audit Committee.

We confirm that, to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Institute as of, and for, the periods presented in this annual report.

We have taken responsible measures to safeguard the assets of the Institute and, in that context, have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The financial statements were audited by
Mr. S M N L Senanayake, FCA, BSc. (Pub.Ad), Dip. (Mgt.Stu)



Aruna Alwis
Secretary/Chief Executive Officer



K C Dinushini
Head of Finance

TO THE COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Report on the Financial Statements

I have audited the accompanying financial statements of The Institute of Chartered Accountants of Sri Lanka, ('the Institute'), which comprise the statement of financial position as at 31st December 2016, and the statement of comprehensive income, statement of changes in funds and reserves and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the statements of financial position of F.B. Lander Prize Fund and Cyril E. Begbie Memorial Prize Fund as at 31st December 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

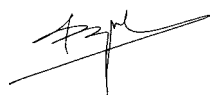
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Institute, F.B. Lander Prize Fund and Cyril E. Begbie Memorial Prize Fund as at 31st December 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



S M N L Senanayake
Chartered Accountant
Colombo

19th May 2017

As at	Notes	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Assets			
Non-current assets			
Property, plant and equipment	3	555,265	585,640
Intangible assets	4	48,709	65,100
Library books	5	1,455	1,510
Loans and advances to staff	6	18,932	15,205
Held-to-maturity financial assets	7	274,265	268,995
Available-for-sale financial assets	8	34,547	36,778
Total non-current assets		933,173	973,228
Current assets			
Inventories	9	24,437	28,448
Receivables	10	57,905	68,295
Loans and advances to staff	6	9,716	7,842
Held-to-maturity financial assets	7	209,286	82,509
Cash and cash equivalents	11	101,710	125,024
Total current assets		403,054	312,118
Total assets		1,336,227	1,285,346
Funds and liabilities			
Accumulated fund and reserves			
Accumulated fund		948,151	859,465
Capital expenditure reserve	12	-	24,000
AFS reserve		(4,479)	(2,849)
Total accumulated fund and reserves		943,672	880,616
Funds and grants			
Designated funds	13	30,633	27,935
Restricted funds and grants	14	17,654	49,010
Endowment funds	15	2,117	1,990
Total funds and grants		50,404	78,935
Non-current liabilities			
Retirement benefit obligation	17	31,821	27,808
Total non-current liabilities		31,821	27,808

As at	Notes	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Current liabilities			
Payables	18	79,265	86,985
Borrowings	16	-	1,582
Income tax liability	19	80	90
Receipts in advance	20	184,766	167,708
Deferred Income		23,238	16,062
Bank overdrafts	11	22,981	25,560
Total current liabilities		310,330	297,987
Total liabilities		342,151	325,795
Total funds and liabilities		1,336,227	1,285,346

The accounting policies and notes on pages 68 to 104 form an integral part of these financial statements.

These financial statements have been prepared and presented in compliance with Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.



K C Dinushini
Head of Finance



Aruna Alwis
Secretary/Chief Executive Officer

Signed for and on behalf of the Council.



Lasantha Wickremasinghe
President
Colombo



Jagath Perera
Vice-President

19th May 2017

For the year ended 31st December	Notes	2016 Rs. '000	2015 Rs. '000
Income	21	752,389	760,460
Expenditure	21	(356,819)	(360,617)
Net income before employee costs and overheads		395,570	399,843
Other income			
Other operating income	22	4,241	7,373
Operating income		399,811	407,216
Overhead expenses			
Employee costs	23	(207,988)	(196,004)
Maintenance of premises	24	(40,420)	(36,146)
Depreciation and amortisation	25	(68,195)	(67,531)
Other expenses	26	(48,547)	(36,178)
Total overhead expenses		(365,150)	(335,859)
Net operating income		34,661	71,357
Grants and other restricted funds	14.1	21,858	20,969
Related expenditure of grants	14.2	(18,726)	(17,480)
Contribution to designated funds	13	(12,913)	(9,949)
Transfers to restricted funds and grants	14.1	(4,657)	(3,619)
Contribution to endowment funds	15	(172)	(151)
		(14,610)	(10,230)
Finance income	27	51,230	38,395
Finance cost	28	(127)	(326)
Surplus for the year before tax		71,154	99,196
Income tax	29	(5,018)	(3,317)
Surplus for the year after tax		66,136	95,879
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale investments	8	(1,630)	(2,577)
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plan actuarial loss	17.1	(1,450)	(2,126)
Total comprehensive income		63,056	91,176

The accounting policies and notes on pages 68 to 104 form an integral part of these financial statements.

[Statement of Changes](#) ← **Financial Reports** ← **in Funds and Reserves**

	Accumulated fund	Capital expenditure reserve	Available-for-sale reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st January 2015	765,712	24,000	(272)	789,440
Surplus for the year after tax	95,879	-	-	95,879
Actuarial loss on defined benefit obligation	(2,126)	-	-	(2,126)
Fair value changes on available-for-sale investments	-	-	(2,577)	(2,577)
Balance as at 31st December 2015	859,465	24,000	(2,849)	880,616
Balance as at 1st January 2016	859,465	24,000	(2,849)	880,616
Surplus for the year after tax	66,136	-	-	66,136
Actuarial loss on defined benefit obligation	(1,450)	-	-	(1,450)
Fair value changes on available-for-sale investments	-	-	(1,630)	(1,630)
Transfers	24,000	(24,000)	-	-
Balance as at 31st December 2016	948,151	-	(4,479)	943,672

The accounting policies and notes on pages 68 to 104 form an integral part of these financial statements.

For the year ended 31st December	Notes	2016 Rs. '000	2015 Rs. '000
Cash flow from operating activities			
Surplus for the year before tax		71,154	99,196
Adjustments for:			
Depreciation and amortisation	25	71,739	71,395
Reimbursements and amortisation of restricted funds and grants	14	(21,858)	(20,969)
Contribution to designated funds	13	12,913	9,949
Transfers to restricted funds and grants	14	4,657	3,619
Contribution to endowment funds	15	172	151
Provision for defined benefit plan	17	5,995	4,966
(Profit)/loss on disposal of property, plant and equipment	22	(123)	-
Work in progress written off	4	1,050	-
Amortisation of prepaid staff cost	23	2,480	1,683
Interest expense	28	127	326
Finance income	27	(51,230)	(38,395)
Operating surplus before working capital changes		97,076	131,921
(Increase)/decrease in inventory	9	4,011	(12,281)
(Increase)/decrease in receivables	10	8,384	(20,211)
(Increase)/decrease in loans and advances to staff	6	(5,603)	(7,439)
Increase/(decrease) in payables	18	(6,790)	(1,593)
Increase/(decrease) in deferred income		7,176	6,274
Increase/(decrease) in receipts in advance	20	17,158	35,370
Cash generated from operations		121,412	132,041
Tax paid	19	(1,296)	(3,217)
Gratuity paid	17	(3,432)	(3,725)
Net cash inflow from operating activities		116,684	125,099

For the year ended 31st December	Notes	2016 Rs. '000	2015 Rs. '000
Cash flows from/(used in) investing activities			
Acquisition of property, plant and equipment and library books	3,5	(24,768)	(11,526)
Acquisition of intangible assets	4	(2,741)	(38,442)
Investment in held-to-maturity financial assets		(470,750)	(170,749)
Maturity proceeds received from held-to-maturity financial assets		329,844	95,750
Proceeds on disposal of property, plant and equipment		327	-
Finance income received		31,692	21,677
Net cash flow from/(used in) investing activities		(136,396)	(103,290)
Cash flows from/(used in) financing activities			
Donations received to designated funds	13	3	34
Receipts to restricted funds and grants	14	11,700	6,176
Donations received to endowment funds	15	-	145
Payments made from designated funds	13	(10,218)	(8,977)
Payments made from restricted funds	14	(954)	(135)
Payments made from endowment funds	15	(45)	(359)
Proceeds received/(settlements made) on borrowings		(1,709)	(469)
Net cash flow from/(used in) financing activities		(1,223)	(3,585)
Net increase/(decrease) in cash and cash equivalents		(20,935)	18,224
Cash and cash equivalents at the beginning of the year		99,464	81,240
Derecognition of cash and cash equivalents of APFASL		200	-
Cash and cash equivalents at the end of the year	11	78,729	99,464

The accounting policies and Notes on pages 68 to 104 form an integral part of these financial statements.

1. General information

1.1 Legal and domicile form

The Institute of Chartered Accountants of Sri Lanka (the Institute) is a statutory body incorporated by Institute of Chartered Accountants Act No. 23 of 1959 (The Act) and domiciled in Sri Lanka, situated at 30 A, Malalasekara Mawatha, Colombo 7.

The Act provides for the establishment of the Institute of Chartered Accountants of Sri Lanka and of a Council of the Institute, which shall be responsible for the management of its affairs for the issue of Sri Lanka Accounting and Sri Lanka Auditing Standards and for the registration and control of and the maintenance of professional standards and discipline by members of the Institute and for matters connected with or incidental to the matters aforesaid.

1.2 Date of authorisation for issue

The financial statements were authorised for issue by the Council on 19th May 2017.

1.3 Principal activities and nature of operations

- To promote in general the theory and practice of accountancy and in particular auditing, financial management and taxation.
- To enrol, educate and train members who are desirous of learning or improving their skills and knowledge in disciplines such as auditing, financial management and taxation.
- Act as the sole authority for promulgating accounting and auditing standards in Sri Lanka.
- To organise, finance and maintain schemes for the granting of diplomas, certificates and other awards to members of the Institute and other professional bodies and to other persons who fulfil the prescribed conditions.
- Adoption and implementation of code of ethics and best practices.
- Conducting of technical awareness campaigns in the form of seminars, workshops and events to ensure continuous professional development of members.
- Regulation and supervision of student education and training.
- Activities on matters of public interest.

1.4 Going concern basis

Financial statements have been prepared on going concern basis.

1.5 Financial period

The financial period of the Institute represents a twelve month period from 1st January 2016 to 31st December 2016.

1.6 Accounting for Association of Public Finance Accountants of Sri Lanka (APFASL)

The assets and liabilities of Association of Public Finance Accountants of Sri Lanka (APFASL), which had been amalgamated with the Institute financials up to year 2015 have been derecognised from the financial statements of the Institute from the year 2016, due to the amendment of certain clauses and provisions of the constitution of APFASL in order to operate as a more autonomous entity.

1.7 Basis of preparation of financial statements

1.7.1 Statement of compliance

The financial statements of the Institute have been prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

These financial statements comprise the statement of financial position, Statement of Comprehensive Income, statement of changes in funds and reserves, statement of cash flows and notes to the financial statements.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented in the financial statements unless otherwise stated.

1.7.2 Basis of measurement

The financial statements have been prepared on accrual basis and under the historical cost basis, except where appropriate disclosures are made with regard to fair value under relevant notes.

1.7.3 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements, in order to enhance the understanding of the financial statements of the current period and to improve comparability.

Where necessary, comparative figures have been rearranged to conform to the current year's presentation.

1.7.4 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

1.7.5 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Institute's functional and presentation currency, in the primary economic environment in which the Institute operates.

All financial information presented in Sri Lankan Rupees have been rounded to the nearest thousand, unless stated otherwise.

1.8 Significant accounting estimates and judgements

The preparation and presentation of financial statements, in conformity with Sri Lanka Accounting Standards, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgements used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial

statements is as follows.

(a) Association of Accounting Technicians of Sri Lanka (AAT) and Accounting for Association of Public Finance Accountants of Sri Lanka (APFASL)

When determining that there is no requirement for consolidation, the consideration has been drawn to all factors and circumstances in SLFRS 10 'Consolidated Financial Statements' (Paragraph 7) as follows;

- (a) power over the investee
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Accordingly, management has determined that there is no requirement for consolidation.

(b) Defined benefit plans

The cost of the retirement benefit plan of employees is determined using Projected Unit Credit (PUC) method. Such method involves use of assumptions concerning the rate of interest, rate of salary increase and retirement age. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

(c) Changes in accounting estimates and judgements

Any changes in accounting estimates and critical judgements are disclosed in the relevant notes to the financial statements.

2. Summary of significant accounting policies

2.1 Assets and the bases of their valuation

2.1.1 Property, plant and equipment

(a) Basis of recognition and measurement

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Institute and the cost of the asset can be measured reliably.

All property, plant and equipment are stated initially at cost and subsequently measured at cost less accumulated depreciation and any impairment losses. Repair and maintenance cost are recognised in the statement of comprehensive income as incurred. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable.

(b) Depreciation

Depreciation is calculated by using a straight line method on the cost of all property, plant and equipment, in order to write-off such amounts over the estimated useful life of such assets.

The estimated useful lives of assets are as follows;

Asset category	Useful life years
Buildings	5-50
Furniture	5-10
Plant and Machinery	5-10
Motor vehicles	10
Computers	5

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Significant items of property, plant and equipment with different useful lives are separately identified and depreciated.

Depreciation on property plant & equipment, purchased through restricted funds is charged to the Statement of Comprehensive Income. The correspondent grant amount is amortised over the useful life of the related asset.

(c) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and included in the Statement of Comprehensive Income in the year, the asset is derecognised.

2.1.2 Library books

Cost of library books are written off on the straight-line basis over a period of three years.

2.1.3 Capital work in progress

Capital work in progress is stated at cost, less any impairment losses. These are expenses of a capital nature, directly incurred in the construction of property plant and equipment, awaiting capitalisation. Capital work in progress would be transferred to

the relevant asset category in property, plant and equipment, when it is available for use i.e. when it is in the location and conditions necessary for it to be capable of operating in the manner intended by the Institute.

2.1.4 Intangible assets

(a) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use. These costs are amortised over their estimated useful life of five (5) years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Institute are recognised as intangible assets when the following criteria are met:

1. it is technically feasible to complete the software product so that it will be available for use;
2. management intends to complete the software product and use it;
3. there is an ability to use the software product;
4. it can be demonstrated how the software product will generate probable future economic benefits;
5. adequate technical, financial and other resources to complete the development and to use the software product are available; and
6. the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Costs recognised as intangible assets are amortised over their estimated useful lives, which do not exceed five (5) years. Costs relating to development of software are carried in capital work in progress until the software is ready for use.

(b) Study Material

Costs that are directly attributable to the development of curriculum and study materials of the CA qualifications are recognised as intangible assets when it is technically feasible to implement the new curriculum, the investment attributable to the project during its development period can be reliably measured and it can be demonstrated that it will generate probable future economic benefits.

These costs are amortised over the effective period of the new curriculum and the remaining useful life is reviewed at least at each financial reporting year end.

2.1.5 Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventories is based on weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The inventories of the Institute include study packs, study material, publications, stationery and consumables.

2.1.6 Impairment of non-financial assets

The Institute assesses at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required, the Institute makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value, less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed, only if there has been a change in the estimates used to determine the assets recoverable amount, since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income.

2.1.7 Financial assets – Initial recognition and measurement

Financial assets within the scope of LKAS 39, are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets, not at fair value through profit or loss, directly attributable transaction costs.

The Institute initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Institute becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Institute has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The financial assets of the Institute include receivables, Loans and advances to staff, Held-to-Maturity Financial Assets, Available for Sale Financial Assets, repurchase agreements and cash and cash equivalent.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost, using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs.

Initially, loans and receivables are recognised on the date that they are originated. Loans and receivables are stated at their cost, net of an allowance on outstanding amounts to cover the risk of non-payment.

Loans and receivables comprise trade receivables, employee loans and advances, deposits and other receivables.

(b) Held-to-maturity financial assets (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Institute has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortised cost, using the Effective Interest Rate (EIR) method, less impairment. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in financial costs.

Investments in fixed deposits and Government securities have been classified under HTM investments.

(c) Available-for-sale financial assets (AFS)

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in funds and reserves. Interest income on AFS financial assets is calculated using the effective interest rate method (EIR) and is recognised in profit or loss. When an investment is derecognised, the gain or loss accumulated in funds and reserves is reclassified to profit or loss.

Investments in Government securities have been classified under AFS investments.

2.1.8 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (a) the rights to receive cash flows from the asset have expired
- (b) the Institute has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- (i) the Institute has transferred substantially all risks and rewards of the asset, or
- (ii) the Institute has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Institute has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Institute's continuing involvement in it.

In that case, the Institute also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflect the rights and obligations that the Institute has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Institute could be required to repay.

2.1.9 Impairment of financial assets

The Institute assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired and if such impairment has occurred, that amount of impairment is calculated by taking the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or assets (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty or default in interest or principal payments, the probability that they will enter bankruptcy or any financial reorganisation and when observable data indicate that there is a measurable decrease in future cash flows, such as change in arrears or economic conditions that correlate with defaults. If any indication exists, the asset's recoverable amount is estimated.

An impairment loss is then recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.1.10 Cash and cash equivalents

The Institute considers cash in hand, amounts due from banks and short-term deposits with an original maturity of three months or less to be 'Cash and cash equivalents'. Bank borrowings that are repayable on demand and form an integral part of the Institute's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents comprise cash in hand, cash at bank, deposits at bank and repurchase agreements.

Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the 'indirect method'.

2.2 Liabilities and Provisions

A liability is classified as current when it is expected to be settled in the normal operating cycle; held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Institute classifies all other liabilities as non-current.

2.2.1 Financial liabilities

Subsequent to initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the loan on an effective interest basis.

Interest free loans are recorded at fair value on initial recognition, which is the present value of the expected future cash flows, discounted using a market related rate. The difference between the cost and the fair value of these loans on initial recognition has been recognised immediately as interest income, while the

corresponding unamortised interest expenditure recognised in the statement of financial position, has been amortised over the period of the loan.

2.2.2 Deferred Income

Deferred income results when invoices relating to courses and study programmes are raised at the commencement of the courses where the course delivery take place over a period of several months. Deferred income is recognised in the statement of comprehensive income to the extent of course delivery taken place and the balance attributable to the remaining course period is recognised as a liability in the Statement of financial position until income is recognised.

2.2.3 Provisions

A provision is recognised in the statement of financial position, when the Institute has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably.

2.2.3.1 Employee benefits

(a) Employee Defined Benefit Plan – Gratuity

Defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit (PUC) method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation as of 31st December 2016. The Institute's accounting policy for gratuity is to recognise actuarial gains and losses in the period in which they occur in full in the statement of other comprehensive income. The Gratuity liability is not externally funded.

(b) Defined Contribution Plans- Employees 'Provident Fund and Employees' Trust Fund

Employees are eligible for Employees 'Provident Fund Contributions and Employees' Trust Fund Contributions, in line with respective statutes and regulations. These are recognised as an expense in the statement of comprehensive income as incurred. The Institute contributes 15% and 3% of gross emoluments of the employees to Employees 'Provident Fund and Employees' Trust Fund respectively.

2.2.4 Taxation**(a) Income tax**

The surplus and income of the Institute, other than surplus and income from dividends or interest, is exempt from income tax under Section 7 (b) (ii) of the Inland Revenue Act No. 10 of 2006.

(b) Other taxes

VAT has been paid in respect of rent received by the Institute, letting of movable or immovable property, being the only taxable activity carried on by the Institute. Since the Institute is not engaged in carrying on a trade or a business, the Institute is not liable to Economic Service Charge or Nation Building Tax. Therefore, no provision has been made for any other taxes.

(c) Deferred taxation

Provision has not been made for deferred tax, as surplus and income of the Institute, other than income from dividends or interest are exempt from income tax under section 7 (b) (ii) of the Inland Revenue Act No. 10 of 2006.

2.2.5 Translation of foreign currency transactions

Transactions in currencies other than Sri Lankan Rupees are converted into Sri Lankan Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Sri Lankan Rupees at the rate of exchange at that date. Non-monetary assets and

liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rate at the date of the transaction. Realised and unrealised exchange differences are reported in the Statement of Comprehensive Income.

2.3 Accounting for the receipt and utilisation of funds, grants and reserves

The Institute received various grants for specific development activities. Funds, grants and reserves have been classified as unrestricted funds, restricted funds and endowment funds.

2.3.1 Unrestricted funds

Unrestricted funds are those that are available for use by the Institute at the discretion of the Council and funds that are designated for a specific purpose by the Council in furtherance of the general objectives of the Institute. Allocations made by the council for the credit of the designated funds are charged to the Statement of Comprehensive Income. Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant donor agreements or with the subsequent approval of the donor.

Contributions and donations received from the general public are recognised in the Statement of Comprehensive Income at the time of receipt, where there are no terms of references.

Designated funds/Reserves

Unrestricted funds designated by the Council to a specific purpose are identified as designated funds. The Institute has accounted the following funds as designated funds and reserves and the purpose of such funds are elaborated as follows,

(a) Funds

Name of the designated fund	Purpose
Needy students' Scholarship Fund	
• L A Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
Merit Scholarship Funds	
• General Fund	Help deserving and promising students who have shown exceptional performance at CA
• CA Sri Lanka Scholarship Funds	Sri Lanka examinations and undergoing Business level training.
Other Funds	
• Faculty of Taxation Fund	Development of the tax profession
• Faculty of Auditing Fund	Development of the auditing profession
• Publication Fund	Development of publications
• Urgent Issues Task Force Fund	Interpretation of accounting issues
• Audit Quality Assurance Fund	Conducting audit quality assurance related activities

(b) Reserve

Reserve	Purpose
Capital expenditure reserve	Funds reserved for upgrading of building

2.3.2 Restricted funds

Where grants/donations are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the Statement of Comprehensive Income to match with expenses incurred in respect of that identified project. Unutilised funds are held in their respective fund accounts and included under accumulated fund and reserves in the statement of financial position until such time as they are required.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received, such amounts are recognised through receivables in the statement of financial position.

The Institute has accounted the following funds and grants as restricted funds and the purposes for such funds/grants are elaborated as follows.

Name of the restricted fund	Purpose
Needy students' Scholarship Funds	
<ul style="list-style-type: none">• CA Sri Lanka UK Members' Scholarship Fund	Help deserving and promising students to realise their future ambition of becoming a Chartered Accountant
<ul style="list-style-type: none">• Dalton Wijeyeratne Memorial Scholarship Fund	
<ul style="list-style-type: none">• Prof. Y A D S Samaratunga Memorial Fund	
<ul style="list-style-type: none">• Prof. Kodagoda Memorial Fund	
<ul style="list-style-type: none">• Members' Scholarship Fund	
<ul style="list-style-type: none">• PricewaterhouseCoopers Scholarship Fund	
<ul style="list-style-type: none">• Mr. Sanjaya Bandara Scholarship Fund	
<ul style="list-style-type: none">• Mr. Chandradasa Liyanage Scholarship Fund	
<ul style="list-style-type: none">• Mr. A L B Brito Mutunayagam Memorial Scholarship Fund	
<ul style="list-style-type: none">• Pelwatta Sugar Industries Ltd. Fund	
<ul style="list-style-type: none">• Ernst & Young scholarship Fund	Institute administrates the scholarships granted to Ernst & Young trainees
<ul style="list-style-type: none">• Miss. Inoka Gunaratne Memorial Fund	Help deserving and promising students
Grants	
<ul style="list-style-type: none">• World Bank Grant – IRQUE project	Capacity building project
<ul style="list-style-type: none">• World Bank Grant – strengthening the Institute of Chartered Accountants of Sri Lanka	Implementing an audit quality assurance, assist and educate SMPs, increase the awareness of IFRSs, strengthen the public sector financial management
<ul style="list-style-type: none">• Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	Promulgating accounting and auditing standards
<ul style="list-style-type: none">• PricewaterhouseCoopers grant – Human Resources Information System	Provided the HRIS developed by PricewaterhouseCoopers as a free grant to the Institute
<ul style="list-style-type: none">• GIZ Grant- SMEs Development Project	Carryout initiatives for the development of SMEs
<ul style="list-style-type: none">• Ernst & Young SME Grant	Provide training on audit tool kit for small and medium practices
<ul style="list-style-type: none">• GIZ Project Grant	Develop and strengthen the skills and capacities of SMEs and SMPs in the country
<ul style="list-style-type: none">• ICTA/SLASSCOM Grant	Development of the Business Process Outsourcing Service Professional Qualification
<ul style="list-style-type: none">• GIZ grant for SMPs	Development of business tools for SMPs in the country

Name of the restricted fund	Purpose
<ul style="list-style-type: none"> GLZ grant for Lagging Region Training Programme 	Conducting training programmes for SMPs and SMEs in Badulla, Trincomalee and Vavuniya
Other Restricted Funds	
<ul style="list-style-type: none"> Association of Public Finance Accountants of Sri Lanka- (APFASL) 	APFASL has been set up jointly with the Institute of Public Finance and Development Accountancy (IPFDA) and The Institute of Chartered Accountants of Sri Lanka in 2012, to enhance the capacity of public sector financial management professionals. Both parties have equally contributed for this project.
Best annual report competition Fund	
<ul style="list-style-type: none"> Deshabandu Albert Page 	To encourage excellence in the presentation of information in annual reports. Awards are presented to the winners annually.
<ul style="list-style-type: none"> Late Mr. Cyril Gardiner 	Categories under which the awards are presented are as follows;
<ul style="list-style-type: none"> Hayleys PLC 	<ul style="list-style-type: none"> Overall and sector Awards (Gold, Silver, Bronze) Corporate Governance Disclosure Award (Gold, Silver, Bronze) Corporate Social Responsibility Reporting Award (Gold, Silver, Bronze) Management Commentary Award Integrated Reporting Award (Gold, Silver, Bronze) Integrated Reporting-special award : Best disclosure on business model and capital management

Management is of the view that all terms and conditions pertaining to the above funds have been complied with.

2.3.3 Endowment funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognised and used as income.

Investment income and other gains realised from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

Name of the endowment fund	Purpose
Prize funds	
CA Sri Lanka President's fund	Awarding subject prizes and merit prizes for the best performance of each examination.
B R De Silva memorial fund	
A D B Talwatte fund	
Satchithananda memorial fund	
Kreston MNS fund	
Nivard Cabaal fund	
Reyaz Mihular fund	
D R Settinayake memorial fund	
A D E De S Wijeyeratne memorial fund	
Mohan Abeynaike fund	
KPMG fund	
Ernst & Young fund	
SJMS Associates fund	
Sunil Piyawardena & Co. fund	
Lal Nanayakkara & Co. fund	
G C B Wijeyesinghe memorial fund	
Nihal Hettiarachchi fund	
Jayaweera & Co. fund	
Brito Mutunayagam memorial fund	
PricewaterhouseCoopers fund	
K G H De Silva prize fund	
BDO Partners prize fund	

The Institute policies regarding the endowment funds are;

i. Investment policy:

Funds are invested only in Government Securities and fixed deposits in state owned banks. Investments are made after considering the higher yield on investment, liquidity and interest rate risk for reinvestment. All new investment and reinvestment decisions require the approval of the investment committee.

ii. Withdrawal policy:

Withdrawals are not made other than at maturity. Any early withdrawal requires the approval of the investment committee.

iii. Fund usage policy:

Usage is restricted for the specific purpose for which the fund was established.

2.3.4 Grants and subsidies

Grants and subsidies are recognised in the financial statements at their fair value. When the grant or subsidy relates to an expense, it is recognised as an income over the period necessary to match it with the costs, which is intended to compensate for on a systematic basis.

Grants and subsidies related to assets are generally deferred in the statement of financial position and credited to the Statement of Comprehensive Income over the useful life of the asset.

2.4 Statement of comprehensive income

2.4.1 Income recognition

(a) Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Institute and that it can be reliably measured.

(i) Subscriptions and annual renewal fees:

The subscription year for members, students, certificate to practice and Certified Business Accountants runs from 1st January to 31st December. Only the subscriptions that are attributable to the current financial year are recognised as income. Fees and subscription payments that relate to future periods are shown in the statement of financial position as fees received in advance under current liabilities.

Annual renewal fees from training partners and teaching colleges are recognised as income at the time of receipt of the payment. The renewal year runs from 1st January to 31st December.

(ii) Enrolment Fees:

Fees received in connection with enrolment to CA/ CBA membership, fellowship, practice, training and learning partners are recognised after receiving the approval of Council and payment due on such applications.

(iii) Examinations Fees:

Fees on examinations are recognised as income at generation of admission.

(iv) Income from supply of educational materials:

Supplies of educational materials are recognised as income at the time of dispatch or sale.

(v) Income from courses:

Income from other courses are recognised as income based on periodic basis.

(vi) Income from seminar/workshops:

Seminars, workshops, conference and continuous professional development (CPD) activities are recognised upon conducting the event.

(vii) Arrears, penalties and fines:

Arrears, penalties and fines in connection with the payments received after the due date are recognised upon receipt of income.

(viii) Fee from training agreement:

Training agreement fees are recognised at the time of registration for practical training.

(ix) Sponsorships and contributions:

Sponsorships for member/student related activities are recognised on acknowledgement.

(b) Other income

- (i) **Income from hire of halls:**
Income from hire of halls is recognised on accrual basis.
- (ii) **Gain/Loss from sale of property, plant and equipment:**
Net gains and losses on the disposal of property, plant and equipment is recognised in the Statement of Comprehensive Income, after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the revaluation reserve account is transferred to the Statement of Comprehensive Income.
- (iii) **Other income:**
Any other income not specified under above categories is recognised on accrual basis.

(c) Restricted contributions/income

Restricted contributions are provided based on agreements, contracts or other understanding, where the conditions for receipt of the funds are linked to a performance of a service or other process. The Institute earns the contribution through compliance with the conditions that have been laid down and meeting the envisaged obligations. Income is not recognised in the Statement of Comprehensive Income, until there is reasonable assurance that the contribution will be received and the conditions stipulated for its receipt have been complied with and the relevant expenses that it is expected to compensate has been incurred and charged to the statement of comprehensive income. Receipt of the funds does not by itself provide conclusive evidence that the conditions attached to the contribution have been or will be fulfilled. Until the conditions have been fulfilled, the contribution is regarded as part of restricted funds.

On receiving any restricted contributions, the contribution is recognised in the Statement of Financial Position. Thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed 'restricted' activities during the period, is taken to income. Unutilised funds are carried forward as such in the Statement of Financial Position. .

Any surplus remaining in a restricted fund on conclusion of project or planned activities are transferred as unrestricted income, unless it is prohibited by a condition attached to it or the obligation exist to revert back to the fund providers.

Funds received as donations without any direct request being made or without any defined terms and conditions being laid down with regard to utilisation, are unrestricted. In such circumstances, the funds are recognised as income when it is received.

Funds are recognised in the Statement of Comprehensive Income up to the extent that the Institute disburse the scholarship funds received for the agreed purpose.

(d) Finance income:

Interest income is recognised on accrual basis, using effective interest rate method (EIR) according to LKAS 39.

2.4.2 Expenditure recognition

Expenses in carrying out the projects and other activities of the Institute are recognised in the Statement of Comprehensive Income during the period in which they are incurred. Other expenses incurred in administering and running the Institute and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the Statement of Comprehensive Income.

The Institute has adopted the 'Function of Expense' method to present fairly, the elements of the Institute's activities in its Statement of Comprehensive Income.

(a) Project expenses

Expenses in carrying out the projects and other activities of the Institute are recognised in the Statement of Comprehensive Income during the period in which they are incurred and the basis for identifying project expenses are mainly on locations of the project, staff allocated to the project and projected activities of the project, according to the project proposal.

Expenses are recognised in the Statement of Comprehensive Income on the basis of direct association between the cost incurred and the earning of specific items of income.

(b) Operational expense

All expenditure incurred in the running of the Institute and in maintaining the capital assets in a state of efficiency has been charged against income in arriving at the surplus for the year.

Expenditure on examinations, seminars, courses and other educational and members' activities are recognised in the Statement of Comprehensive Income on the accruals basis.

(c) Finance expense

Finance expense is recognised on accrual basis, when it is paid or creates liabilities.

2.5 Statement of cash flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing of cash flows, in accordance with Sri Lanka Accounting Standard - LKAS 7 on the 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 11.

2.6 Capital commitments and contingencies

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Institute's control.

Capital commitments and contingent liabilities of the Institute are disclosed in the respective notes to the financial statements.

2.7 Events after the reporting period

The materiality of events occurring after the reporting period has been considered and appropriate adjustments, wherever necessary, have been made in the financial statements.

2.8 Standards issued but not yet effective

Following new accounting standards and amendments to existing standards, which have been issued but not yet effective as at the reporting date, have not been applied in preparing these financial statements.

2.8.1 Standards effective from the financial period beginning on or after 1st January 2018

New SLFRSs & interpretations:

- SLFRS 9 Financial Instruments ;
- SLFRS 15 Revenue from Contracts with Customers

Amendments to existing SLFRSs:

- Clarifications to SLFRS 15 Revenue from Contracts with Customers
- SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards
- SLFRS 12 Disclosure of Interests in Other Entities
- LKAS 28 Investments in Associates and Joint Ventures
- Amendments to SLFRS 2 Share-based Payments
- Amendments to SLFRS 4 Insurance Contracts : Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

2.8.2 Standards effective from the financial period beginning on or after 1st January 2019.

- SLFRS 16 Leases

3. Property, plant and equipment

	Buildings	Furniture	Plant and machinery	Motor vehicles	Computers	Capital work in progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost							
Balance as at 1st January 2015	499,811	94,454	122,369	12,121	67,236	46	796,037
Additions	-	1,936	1,422	161	6,456	-	9,975
Capitalised during the year	-	46	-	-	-	(46)	-
Balance as at 1st January 2016	499,811	96,436	123,791	12,282	73,692	-	806,012
Additions	7,218	1,226	13,092	-	1,825	-	23,361
Disposals	-	(764)	(2,119)	-	(7,685)	-	(10,568)
Balance as at 31st December 2016	507,029	96,898	134,764	12,282	67,832	-	818,805
Accumulated depreciation							
Balance as at 1st January 2015	40,993	32,237	36,591	8,729	48,304	-	166,854
Depreciation charge for the year	18,152	8,466	19,503	1,160	6,237	-	53,518
Balance as at 1st January 2016	59,145	40,703	56,094	9,889	54,541	-	220,372
Depreciation charge for the year	18,118	8,282	20,130	759	6,243	-	53,532
Disposals	-	(628)	(2,060)	-	(7,676)	-	(10,364)
Balance as at 31st December 2016	77,263	48,357	74,164	10,648	53,108	-	263,540
Carrying Amounts							
As at 31st December 2016	429,766	48,541	60,600	1,634	14,724	-	555,265
As at 31st December 2015	440,666	55,733	67,697	2,393	19,151	-	585,640

3.1 The cost of fully-depreciated assets as of 31st December 2016 amounted to Rs. 75 mn. (2015: Rs. 76.9 mn). Further fully-depreciated assets amounting to Rs. 10.1 mn have been disposed during the year.

3.2 The Institute received the deeds signed by the President of the Democratic Socialist Republic of Sri Lanka His Excellency Maithripala Sirisena and registered it with the Land Registry in March 2017, whereby the Institute has the freehold right over the premises.

4. Intangible assets

	Software Rs. '000	Software licences Rs. '000	Study material development Rs. '000	Work-in- progress - projects Rs. '000	Total Rs. '000
Cost					
Balance as at 1st January 2015	17,694	3,638	15,871	26,829	64,032
Additions	362	148	-	37,932	38,442
Capitalised during the year	-	-	62,854	(62,854)	-
Balance as at 1st January 2016	18,056	3,786	78,725	1,907	102,474
Additions	1,868	491	-	382	2,741
Derecognition of intangible assets of APFASL	-	-	(1,337)	-	(1,337)
Capitalised during the year	370	-	638	(1,008)	-
Work in progress written-off	-	-	-	(1,050)	(1,050)
Balance as at 31st December 2016	20,294	4,277	78,026	231	102,828
Amortisation					
Balance as at 1st January 2015	12,910	1,842	6,163	-	20,915
Amortisation for the year	1,380	743	14,336	-	16,459
Balance as at 1st January 2016	14,290	2,585	20,499	-	37,374
Amortisation for the year	1,628	620	14,497	-	16,745
Derecognition of amortisation of APFASL	-	-	-	-	-
Balance as at 31st December 2016	15,918	3,205	34,996	-	54,119
Carrying Amounts					
As at 31st December 2016	4,376	1,072	43,030	231	48,709
As at 31st December 2015	3,766	1,201	58,226	1,907	65,100

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
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5. Library books

Balance at the beginning of the year	1,510	1,377
Additions	1,407	1,551
Depreciation	(1,462)	(1,418)
Balance at the end of the year	1,455	1,510

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
6. Loans and advances to staff		
Receivable within one year	9,716	7,842
Receivable after one year	18,932	15,205
Total	28,648	23,047

7. Held-to-maturity financial assets

Maturity within one year – FDs	151,533	57,910
– Bonds	57,753	24,599
	209,286	82,509
Maturity after one year – FDs	172,297	179,528
– Bonds	101,968	89,467
	274,265	268,995
Total	483,551	351,504

Investments in FDs include Rs. 25mn designated for the Audit quality assurance fund.

Fixed deposits have been placed with and investments in treasury bonds have been made through state owned banks with a credit rating of AA+.

8. Available-for-sale financial assets

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Maturity after one year		
Balance as at 1st January	36,778	39,916
Investment made during the period	–	–
Disposals during the year	–	–
Interest for the year	3,150	3,190
Coupon interest received	(3,751)	(3,751)
Fair value changes	(1,630)	(2,577)
Balance as at 31st December	34,547	36,778

Investments in treasury bonds have been made through state owned banks with a credit rating of AA+.

Fair Value Measurement

The Institute uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1: Quoted (unadjusted) prices in active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

As at 31st December 2016 the Institute held the following financial assets carried at fair value on the statement of financial position:

Assets measured at fair value	Valuation date	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Available-for-sale financial assets	31.12.2016	-	34,547	-	34,547

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
9. Inventories		
Study packs and study materials	13,602	17,453
Publications	5,094	6,823
Stationery, consumables and others	5,741	4,172
Total	24,437	28,448

10. Receivables

Receivables - Lead sponsors	16,000	20,500
- Event sponsors	11,500	8,750
- Courses and other	17,497	23,208
Deposits and prepayments	5,700	9,438
Prepaid staff cost	4,542	2,518
Advances	2,666	3,881
Total	57,905	68,295

Prepaid staff cost amounting to Rs. 2.5 mn which had been classified under loans and advances to staff in the year 2015 has been re-classified under receivables.

Advance payment made to supplier amounting to Rs. 2.7 mn which had been classified under advances in the year 2015 has been set off against the payables to suppliers.

11. Cash and cash equivalents

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Favourable balances		
Treasury bill re-purchase agreements	53,000	90,000
Cash at banks	48,425	34,731
Cash in hand	285	293
Total	101,710	125,024
Unfavourable balances		
Bank overdrafts	(22,981)	(25,560)
Total cash and cash equivalents for the purpose of statement of cash flows	78,729	99,464

12. Capital Expenditure Reserve

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Capital expenditure reserve	-	24,000
Total	-	24,000

Capital expenditure reserve represented funds set aside out of the surpluses during the periods from 2002 to 2004 for upgrading of buildings. (2002:Rs.8 mn, 2003:Rs.8 mn, 2004:Rs.8 mn) This reserve was released to accumulated fund during the year due to the completion of major building upgradation projects by 2016.

13. Designated funds

13.1 Summary

	Notes	Balance as at 01.01.2016 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
Designated scholarship funds	13.2	26,071	11,528	3	(10,218)	27,384	26,071
Other designated funds	13.3	1,864	1,385	-	-	3,249	1,864
Total designated funds		27,935	12,913	3	(10,218)	30,633	27,935

13.2 Designated scholarship funds

L A Weerasinghe memorial needy scholarship fund		12,866	1,988	3	(2,417)	12,440	12,866
Merit scholarship fund		8,047	3,584	-	(4,735)	6,896	8,047
CA Sri Lanka scholarship funds		5,158	5,956	-	(3,066)	8,048	5,158
Total designated scholarship funds		26,071	11,528	3	(10,218)	27,384	26,071

	Balance as at 01.01.2016 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
13.3 Other designated funds						
Faculty of Taxation fund	569	46	-	-	615	569
Faculty of Auditing fund	549	45	-	-	594	549
Publication fund	356	29	-	-	385	356
Urgent Issues Task Force fund	390	32	-	-	422	390
Audit Quality Assurance fund	-	1,233	-	-	1,233	-
Total other designated funds	1,864	1,385	-	-	3,249	1,864

Audit Quality Assurance Fund was formed by designating an investment in Fixed Deposit amounting to Rs. 25 mn, of which the interest income is transferrable to the fund every year with effect from 1st July 2016.

14. Restricted funds and grants

14.1 Summary

	Note	Balance as at 1.1.2016 Rs. '000	Transfers to funds Rs. '000	Grants/ Donations received Rs. '000	De-recognition of APFASL fund	(Reimbursements & Amortisation) Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
Grants	14.2	11,324	3,598	9,401	-	(21,826)	-	2,497	11,324
Other restricted funds	14.3	31,666	548	-	(24,901)	(32)	-	7,281	31,666
Restricted scholarship funds	14.4	6,020	511	2,299	-	-	(954)	7,876	6,020
Total restricted funds and grants		49,010	4,657	11,700	(24,901)	(21,858)	(954)	17,654	49,010

14.2 Grants

	Notes	Balance as at 01.01.2016 Rs. '000	Contribution from the Institute Rs. '000	Grants received Rs. '000	(Reimbursements) Rs. '000	(Amortisation)	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
World Bank grant - IRQUE project	14.2.1	3,198	-	-	-	(1,232)	1,966	3,198
World Bank grant - Strengthening the Institute of Chartered Accountants of Sri Lanka	14.2.2	256	-	-	-	(111)	145	256
PricewaterhouseCoopers grant	14.2.3	680	-	-	-	(340)	340	680
Ernst & Young SME grant	14.2.4	1,300	-	-	(1,254)	-	46	1,300
GIZ Project grant	14.2.5	261	-	-	(261)	-	-	261
GIZ grant	14.2.6	1,714	1,161	2,792	(5,667)	-	-	1,714
ICTA/SLASSCOM grant	14.2.7	3,290	2,033	-	(5,323)	-	-	3,290
GIZ grant for SMPs	14.2.8	625	197	1,647	(2,469)	-	-	625
GIZ grant for Lagging Region Training Programme	14.2.9	-	207	1,862	(2,069)	-	-	-
		11,324	3,598	6,301	(17,043)*	(1,683)*	2,497	11,324
Revenue grants								
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	14.2.10	-	-	2,500	(2,500)	-	-	-
Government grant	14.2.11	-	-	600	(600)	-	-	-
Total grants		11,324	3,598	9,401	(20,143)	(1,683)	2,497	11,324

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000
Grants - Total expenditure		
World Bank grant - Strengthening The Institute of Chartered Accountants of Sri Lanka	111	10,643
World Bank grant - IRQUE project	1,232	1,596
PricewaterhouseCoopers grant	340	340
Ernst & Young SME grant	1,254	-
GIZ Project grant	261	804
GIZ grant	5,667	1,944
ICTA/SLASSCOM grant	5,323	2,153
GIZ grant for SMPs	2,469	-
GIZ grant for Lagging Region Training Programme	2,069	-
Total	18,726*	17,480

* Grants - Total expenditure of Rs. 18,726,000/- consist of reimbursements amounting to Rs. 17,043,000/- and amortisation amounting to Rs. 1,683,000/-.

14.2.1 World Bank grant - IRQUE project

	Balance as at 01.01.2016 Rs. '000	Grants received Rs. '000	(Amortisation) Rs. '000	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
Furniture and equipment	935	-	(467)	468	935
Motor coach	2,263	-	(765)	1,498	2,263
Total	3,198	-	(1,232)	1,966	3,198

Amortisation of grants consists of amortisation of property, plant and equipment-related grant amounting to Rs. 1,232,215/-.

14.2.2 World Bank Grant – Strengthening The Institute of Chartered Accountants of Sri Lanka:

Following activities have been carried out under the World Bank project on strengthening The Institute of Chartered Accountants of Sri Lanka.

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000
Component 1: Implementing an audit quality assurance programme	-	2,420
Component 2: Programme to assist and educate Small and Medium-sized Practices (SMPs)	-	1,998
Component 3: Programme to increase adoption of IFRSs	111	5,218
Component 4: Programme to strengthen Public Sector Financial Management	-	1,007
	111	10,643

Total expenditure of Rs. 111,000/- is the depreciation charge relating to two laptops and a digital screen.

14.2.3 PricewaterhouseCoopers Grant

This amount represents the HR system worth Rs. 1.7 mn, received free of charge from PricewaterhouseCoopers.

14.2.4 Ernst & Young SME Grant

This amount represents the grant received from Ernst & Young to provide training on audit tool kit for Small and Medium Practices (SMPs).

14.2.5 GIZ Project Grant

This amount represents the grant received from German Agency for International Cooperation to develop and strengthen the skills and capacities of Small and Medium-sized Entities (SMEs) and Small and Medium-sized Practices (SMPs) in the country.

14.2.6 GIZ Grant:

This amount represents the grant received from German Agency for International Cooperation for the development of the accounting standards for smaller size entities.

14.2.7 ICTA/SLASSCOM Grant

This grant has been received from Sri Lanka Association of Software and Services Companies (SLASSCOM) through Information and Communication Technology Agency (ICTA) as a part funding for the development of the Business Process Outsourcing Service Professional Qualification.

14.2.8 GIZ grant for SMPs

This amount represents the grant received from German Agency for International Cooperation for the development of business tools for Small and Medium-sized Practices (SMPs) in the country.

14.2.9 GIZ grant for Lagging Region Training Programme

This amount represents the grant received from German Agency for International Cooperation for conducting training programmes for Small and Medium-sized Practices (SMPs) and Small and Medium-sized Entities (SMEs) in Badulla, Trincomalee and Vavuniya.

14.2.10 SLAASMB Grant

A grant of Rs. 2.5 mn was received from the Treasury (through the Sri Lanka Accounting and Auditing Standards Monitoring Board – SLAASMB) for the development of accounting and auditing standards. This was utilised in full for the said purpose.

14.2.11 Government Grant

A grant of Rs. 600,000/- represents the annual recurrent grant received from the Treasury through the The Ministry of Co-operatives and Internal Trade.

14.3 Other restricted funds

	Balance as at 1.1.2016	Transfer of interest income to funds	Derecognition of APFASL fund	Grants/Donations received	(Reimbursements)	Balance as at 31.12.2016	Balance as at 31.12.2015
	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Association of Public Finance Accountants of Sri Lanka fund	24,901	-	(24,901)	-	-	-	24,901
Best annual report competition fund (Note 14.3.1)	6,765	548	-	-	(32)	7,281	6,765
Total other restricted funds	31,666	548	(24,901)	-	(32)	7,281	31,666

14.3.1 Best annual report competition fund

	Balance as at 1.1.2016	Transfer of interest income to funds	Donations received	(Reimbursements)	Balance as at 31.12.2016	Balance as at 31.12.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deshabandu Albert Page (1992)	917	74	-	(8)	983	917
Late Mr. Cyril Gardiner (1992)	5,518	447	-	(16)	5,949	5,518
Hayleys PLC (1994)	330	27	-	(8)	349	330
Total	6,765	548	-	(32)	7,281	6,765

14.4 Restricted scholarship funds

	Balance as at 01.01.2016	Contribution from the Institute	Donations received	(Payments)	Balance as at 31.12.2016	Balance as at 31.12.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
CA Sri Lanka UK Members' scholarship fund	34	3	-	-	37	34
Prof.Y A D S Samaratunga memorial fund	77	14	200	(17)	274	77
Prof. Kodagoda memorial fund	250	20	-	(22)	248	250
PricewaterhouseCoopers scholarship fund	224	18	14	(15)	241	224
Ernst & Young scholarship fund	3,166	261	567*	(463)	3,531	3,166
Miss. Inoka Gunaratne memorial fund	55	4	-	-	59	55
Pelwatta Sugar Industries Ltd. fund	512	40	-	(44)	508	512
Members' scholarship fund	974	84	450**	(328)	1,180	974
Dalton Wijeyeratne memorial scholarship fund	8	1	-	-	9	8
Mr. Sanjaya Bandara scholarship fund	720	66	241***	(52)	975	720
Mr. Chandradasa Liyanage scholarship fund	-	-	427	(13)	414	-
A L B Brito Mutunayagam memorial scholarship fund	-	-	400	-	400	-
Total restricted scholarship funds	6,020	511	2,299	(954)	7,876	6,020

* Includes Rs. 390,000/- paid to Mr. Manil Jayasinghe by the Institute for services rendered by him.

** Includes Rs. 31,500/- paid to Mr. Jagath Perera by the Institute for services rendered by him.

*** Represents Rs. 241,562.50 paid to Mr. Sanjaya Bandara by the Institute for the services rendered by him.

15. Endowment funds

15.1 Summary

		Balance as at 01.01.2016	Contribution from the Institute	Donations received	Transfers	(Payments)	Balance as at 31.12.2016	Balance as at 31.12.2015
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital balances – prize funds	15.2	1,392	-	-	-	-	1,392	1,392
Income balances – prize funds	15.3	598	172	-	-	(45)	725	598
Total endowment funds		1,990	172	-	-	(45)	2,117	1,990

15.2 Capital balances – prize funds

		Balance as at 01.01.2016 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Transfers to income account) Rs. '000	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
CA Sri Lanka President's fund	(1992)	25	-	-	-	25	25
B R De Silva Memorial fund	(1992)	25	-	-	-	25	25
A D B Talwatte fund	(1993)	25	-	-	-	25	25
Satchithananda Memorial fund	(1993)	16	-	-	-	16	16
Kreston MNS fund	(1993)	30	-	-	-	30	30
Nivard Cabraal fund	(1994)	50	-	-	-	50	50
Reyaz Mihular fund	(1996)	25	-	-	-	25	25
D R Settinayake Memorial fund	(1999)	68	-	-	-	68	68
ADE de S Wijeyeratne Memorial fund	(1999)	43	-	-	-	43	43
Mohan Abeynaikie fund	(1999)	25	-	-	-	25	25
KPMG fund	(1999)	113	-	-	-	113	113
Ernst & Young fund	(1999)	200	-	-	-	200	200
SJMS Associates fund	(1999)	66	-	-	-	66	66
Sunil Piyawardena & Co. fund	(1999)	55	-	-	-	55	55
Lal Nanayakkara & Co. fund	(2000)	75	-	-	-	75	75
G C B Wijeyesinghe Memorial fund	(2000)	50	-	-	-	50	50
Nihal Hettiarachchi fund	(2000)	51	-	-	-	51	51
Jayaweera & Co. fund	(2000)	25	-	-	-	25	25
Brito Mutunayagam Memorial fund	(2003)	129	-	-	-	129	129
PricewaterhouseCoopers fund	(2006)	150	-	-	-	150	150
K G H De Silva Prize fund	(2006)	121	-	-	-	121	121
BDO Partners Prize fund	(2014)	25	-	-	-	25	25
Total		1,392	-	-	-	1,392	1,392

15.3 Income balances – endowment funds

	Balance as at 01.01.2016 Rs. '000	Contribution from the Institute Rs. '000	Transfers from capital account Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
Prize funds – income balances	598	172	-	(45)	725	598
Total	598	172	-	(45)	725	598

16. Borrowings

	Balance as at 31.12.2016 Rs. '000	Balance as at 31.12.2015 Rs. '000
Payable within one year	-	1,582
Payable after one year	-	-
Total	-	1,582

Institute launched the corporate Directors' programme as a joint initiative with the Securities and Exchange Commission (SEC) for which the SEC granted an interest free loan payable in four equal payments starting from the second programme. This Loan has been fully settled during the year.

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
17. Retirement benefit obligation		
Balance at the beginning of the year	27,808	24,441
Provision made during the year (Note 17.1)	7,445	7,092
Payments made during the year	(3,432)	(3,725)
Balance at the end of the year	31,821	27,808
17.1 Provision made during the year		
Interest cost	2,598	1,955
Current service cost	3,397	3,011
	5,995	4,966
Net actuarial (gain)/loss recognised	1,450	2,126
Total provision made during the year	7,445	7,092

17.2 Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31st December 2016. The assumptions used in determining the cost of retirement benefits are as follows:

	2016	2015
Rate of discount (% per annum)	12	9.5
Rate of salary increase (%)	10.5	8.5
Retirement age (years)	55	55

	2016 Increase/(decrease) of defined benefit obligation Rs. '000	2015 Increase/(decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to discount rate		
One percentage point increase	(712)	(626)
One percentage point decrease	755	664
Sensitivity analysis to salary escalation rate		
One percentage point increase	876	755
One percentage point decrease	(842)	(724)

18. Payables

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Accrued charges	45,352	46,396
Payables to suppliers	20,156	22,662
Payables-capital projects	8,681	9,534
Amounts due to related parties (Note 18.1)	-	242
Payables on self-study courses and other payables	5,064	7,631
Value added tax payables	12	520
Total	79,265	86,985

Advance payment made to supplier amounting to Rs. 2.7 mn which had been classified under advances in the year 2015 has been set off against the payables to suppliers.

18.1 Amounts due to related parties

	2016 Rs. '000	2015 Rs. '000
Amount due to council members for rendering educational services	-	242
Total	-	242

19. Income tax liability

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Balance brought forward	90	782
Charge for the year (Note 29)	4,875	3,671
Interest income recognised for the year on which WHT deductions are due at maturity	(1,575)	469
Tax payable on cash basis	3,300	4,140
Over provision for previous years	-	(354)
Charge for previous years	143	-
Total payable	3,443	3,786
Notional tax credits	(2,157)	(1,261)
WHT deductions during the year	(1,018)	(2,776)
Tax paid during the year	(278)	(441)
	(3,453)	(4,478)
Balance carried forward	80	90

With-holding tax payable on fixed deposit interest which had been classified under income tax liability amounting to Rs. 3.7 mn in the year 2015 has been re-classified under held-to-maturity Financial Assets.

20. Receipts in advance

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Advances received for educational activities	133,861	150,673
Advances received for member subscription and events	50,905	17,035
Total	184,766	167,708

Deferred income amounting to Rs. 16 mn which had been classified under receipts in advance in the year 2015 has been shown on the face of the statement of financial position.

21. Income and expenditure (excluding employee costs)

For the year ended 31st December	2016			2015		
	Income Rs. '000	(Expenditure) Rs. '000	Net income/ (expenditure) Rs. '000	Income Rs. '000	(Expenditure) Rs. '000	Net income/ (expenditure) Rs. '000
Performance by activity						
Learning and professional development	569,308	(240,873)	328,435	587,549	(242,826)	344,723
Continuous professional development and member-related activities	137,904	(80,589)	57,315	122,014	(80,001)	42,013
Financial reporting and assurance standards-related activities	37,908	(32,688)	5,220	35,747	(30,757)	4,990
Library-related activities	584	(2,669)	(2,085)	415	(2,538)	(2,123)
Net sponsorship income*	6,685	-	6,685	9,509	-	9,509
Development of public finance	-	-	-	5,226	(4,495)	731
Total	752,389	(356,819)	395,570	760,460	(360,617)	399,843
Analysis by divisions						
Examinations	194,448	(98,280)	96,168	205,369	(92,912)	112,457
Registration, Education, Training, Library and Marketing	198,591	(63,164)	135,427	246,448	(73,845)	172,603
IT Training and Language Centre	45,573	(14,238)	31,335	39,700	(17,166)	22,534
Members' activities	177,082	(100,734)	76,348	156,646	(102,819)	53,827
Business school	51,345	(27,173)	24,172	44,957	(21,504)	23,453
Taxation faculty	24,008	(10,960)	13,048	16,929	(10,803)	6,126
School of Accounting and Business	48,121	(28,840)	19,281	27,753	(24,465)	3,288
CPD secretariat	618	(742)	(124)	2,164	(1,036)	1,128
Technical research	12,603	(12,688)	(85)	15,268	(11,572)	3,696
Association of Public Finance Accountants of Sri Lanka	-	-	-	5,226	(4,495)	731
Total	752,389	(356,819)	395,570	760,460	(360,617)	399,843

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000
Gross Sponsorship Income	16,000	21,000
Utilisation of sponsorship benefits	(9,315)	(11,491)
*Net Sponsorship Income	6,685	9,509
For the year ended 31st December	2016 Rs. '000	2015 Rs. '000
22. Other operating income		
Income from hire of halls	1,957	6,188
Profit on sale of publications	540	157
Gain on disposal of property, plant and equipment	123	-
Miscellaneous income	1,621	1,028
Total other operating income	4,241	7,373
23. Employee costs		
Salaries and wages	178,395	169,747
Defined contribution plan cost		
– Employees' Provident Fund	17,598	16,340
– Employees' Trust Fund	3,520	3,268
Amortisation of prepaid staff cost	2,480	1,683
Defined benefit plan cost	5,995	4,966
Total employee costs	207,988	196,004
No. of employees as at year end	151	148
24. Maintenance of premises		
Building maintenance and utility	38,671	35,616
Renovations-related expenditure	1,749	530
Total maintenance of premises	40,420	36,146
25. Depreciation and amortisation		
Depreciation for the year	53,532	53,518
Depreciation of library books	1,462	1,418
Amortisation of intangible assets	16,745	16,459
	71,739	71,395
Amortisation of capital grant	(1,683)	(2,046)
Depreciation charged to expenditure on learning and professional development	(1,861)	(1,818)
Total depreciation and amortisation	68,195	67,531

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000
26. Other expenses		
Communication expenses	26,270	24,781
Travelling expenses	1,586	1,410
Bank charges and commissions	3,760	2,869
Professional fees	2,800	2,205
Work in progress written-off	1,050	-
Auditors' remuneration	300	300
Legal fees	6,897	1,902
Review of business plan and HR plan	3,071	-
Stationery and sundry expenses	2,813	2,711
Total other expenses	48,547	36,178
27. Finance Income		
Interest income on available-for-sale financial assets	3,500	3,544
Interest income on investments in re-purchase agreements	4,788	1,296
Interest income on held-to-maturity financial assets	39,213	30,976
	47,501	35,816
Interest income on loans and receivables	3,729	2,579
Total Finance income	51,230	38,395
28. Finance cost		
Interest expense	127	326
Total finance cost	127	326

The Institute received an interest free loan from Securities and Exchange Commission and the above amount represents the adjustment for the market interest rate. This loan has been fully settled during the year.

29. Income Tax

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000
Reconciliation between current tax expenses/(reversal) and the accounting surplus/(deficit):		
Surplus for the year before tax	71,154	99,196
Finance income	(51,230)	(38,395)
Surplus not liable for tax (Note 29.1)	19,924	60,801
Finance income for the year	51,230	38,395
Amortisation of prepaid staff cost	(2,480)	(1,683)
Finance income liable for income tax	48,750	36,712
Taxation at 10%	4,875	3,671
Current tax provision	4,875	3,671
Over/Under provision in respect of previous years	143	(354)
Charge for the year	5,018	3,317

29.1 The amount shown as the charge for the year in respect of tax liability of the Institute is the amount referable to finance income considered on the accrual basis. However, in the income tax returns, the interest income liable to withholding tax would be reported on a cash basis, i.e. on the basis taxes are withheld.

30. De-recognition of APFASL Balances

As referred to in Note 1.6 to the Accounting Policies, the assets and liabilities of APFASL which had been amalgamated with the Institute financials up to year 2015 have been de-recognised from the financial statements of the Institute from the year 2016. APFASL balances which had been included in the comparatives of 2015 are given below.

Included under Statement of Financial Position

As at	31.12.2015 Rs. '000
Non Current Assets	
Intangible Asset- Educational Materials	1,337
Held to maturity financial assets	22,785
Current Assets	
Receivables	2,007
Cash and cash equivalents	6
Restricted funds	24,901
Current Liabilities	
Payables	929
Receipts in advance	99
Bank overdraft	206

Included in the Statement of Comprehensive Income

For the year ended 31st December	2015 Rs. '000
Income	5,226
Expenditure	(4,495)
Finance income	1,431
Income tax	(130)

31. Events Occurring after the Reporting Period

There are no material events occurring after the reporting period that require adjustment or disclosure in the financial statements.

32. Commitments

Capital commitments

As at	31.12.2016 Rs. '000	31.12.2015 Rs. '000
Authorised but not contracted		
Intangible assets	100,000	100,000
Property, plant and equipment	-	6,800
Total	100,000	106,800

Capital commitments represent the Rs. 100 mn approved by the council for ERP Project.

33. Contingent liabilities

The Institute has received assessments in respect of Value Added Tax (VAT) and Nation Building Tax (NBT) for the periods ended 30th June 2012 to 31st December 2014 which amounted to Rs. 61 mn and Rs. 54 mn respectively in separate instances. Further, the Institute has received a letter of intimation amounting to Rs. 3 mn in respect of Economic Service Charge (ESC) for the quarters ended 31st March 2009 to 31st December 2010 and for the Y/A 2011/12. The Institute has already appealed against the VAT assessment and is in the process of appealing against the NBT assessment.

No provision has been made in the financial statements based on the consultation received that the Institute is not liable for above mentioned taxes assessed.

34. Related party transactions

Payments are made in the ordinary course of business to any member of the Institute for certain specified activities. During the reporting period, the following members of the Council have been involved in such activities at the request of the Council on behalf of the Institute.

For the year ended 31st December Name	Transactions	2016 Rs. '000	2015 Rs. '000
Mr. S M S S Bandara*	Educational activities	226	2,360
	Technical activities	171	146
	Lecture fees	19	104
Mr. Heshana Kuruppu	Lecture fees	-	8
	Educational activities	3	75
Mr. Manil Jayasinghe**	Technical activities	390	441
	Educational activities	-	75
Mr. Tishan Subasinghe	Technical activities	-	26
Mr. Kapila Atukorala	Educational activities	138	-
Mr. Jagath Perera ***	Lecture fees	32	-
Mr. Dulitha Perera	Technical activities	10	-

*An amount of Rs. 241,563/- which had been paid to Mr. S M S S Bandara by the Institute in connection with the services rendered during the year was returned to the Institute and credited to Mr. Sanjaya Bandara scholarship fund at the request of Mr. S M S S Bandara.

**An amount of Rs. 390,000/- which had been paid to Mr. Manil Jayasinghe by the Institute in connection with the services rendered during the year was returned to the Institute and credited to the Ernst & Young scholarship fund at the request of Mr. Manil Jayasinghe.

***An amount of Rs. 31,500/- which had been paid to Mr. Jagath Perera by the Institute in connection with the services rendered during the year was returned to the Institute and credited to the Members' scholarship fund at the request of Mr. Jagath Perera.

35. Transactions entered in to by the Institute with other organisations where Council members are partners of those organisations

An amount of Rs. 978,617/- was paid to KPMG, where Mr. Jagath Perera and Mr. Dulitha Perera are partners and also members of the Council of the Institute for the outsourcing of the payroll function.

An amount of Rs. 244,750/- was paid to Saagra Accounting and Business School, where Mr. Kapila Atukorala is a partner and also a member of the Council of the Institute for conducting SEI Courses.

An amount of Rs. 205,494/- is payable for the year to PricewaterhouseCoopers where Mr. Thivanka Jayasinghe is a partner and also a member of the council of the Institute, in connection with the subsequent modifications and upgradations made to the Human Resources Information System.

36. Transactions engaged between CA Sri Lanka and AAT, where CA Sri Lanka appoints eight Council members out of the sixteen of AAT

	2016 Rs. '000	2015 Rs. '000
Advertisement in organiser	30	20
Sponsorships paid to AAT	750	1,250

37. Financial risk management

The Institute has exposure to the following risks from its use of financial instruments. These are monitored by the Council and Operational Review Committee on a regular basis:

1. Credit risk
2. Liquidity risk
3. Market risk

37.1 Credit risk

Credit risk is the risk of financial losses to the Institute if a recipient of a service or counterparty to a financial instrument fails to meet its contractual obligations.

To minimise the credit risk fixed deposits are held with state owned banking Institutions and investments in treasury bonds and re-purchase agreements are made only through state owned banks.

Carrying value as at 31st December	2016 Rs. '000	2015 Rs. '000
Fixed deposits	323,830	237,438
Treasury bonds	194,268	150,844
Loans and receivables	73,645	75,505
Treasury bill re-purchase agreements	53,000	90,000
Total	644,743	553,787

37.2 Liquidity risk

The Institute is managing the liquidity risk by ensuring that there will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable damages to the Institute's reputation.

Maturity analysis of financial assets and liabilities

Description	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	2 to 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000
Financial Assets						
Receivables	30,066	14,931	-	-	-	44,997
Loans and advances to staff	-	2,711	7,005	14,181	4,751	28,648
Fixed deposits	-	-	151,533	172,297	-	323,830
Treasury bonds	-	-	57,752	64,776	71,740	194,268
Treasury bill re-purchase agreements	-	53,000	-	-	-	53,000
Cash and cash equivalents	48,710	-	-	-	-	48,710
	78,776	70,642	216,290	251,254	76,491	693,453
Financial liabilities						
Payables	(20,156)	(5,076)	(8,681)	-	-	(33,913)
Bank overdrafts	(22,981)	-	-	-	-	(22,981)
	(43,137)	(5,076)	(8,681)	-	-	(56,894)
Net financial assets	35,639	65,566	207,609	251,254	76,491	636,559

37.3 Market risk

Market risk is the risk that changes in interest rates which will affect the Institute's income or the value of its holding of financial instruments.

The Institute manages and controls the market risk exposure within acceptable parameters, while optimising the return.

Statement of Financial Position

As at	31.12.2016		31.12.2015	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Balance at National Savings Bank		703		673
		703		673
Equity and liabilities				
Capital		13		13
Income account				
Balance as at 1st January	660		628	
Add: Interest for the year	30	690	32	660
		703		673

Statement of Financial Position

As at	31.12.2016		31.12.2015	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Balance at National Savings Bank		224		214
Total		224		214
Equity and liabilities				
Capital		10		10
Income account				
Balance as at 1st January	80		108	
Add: Interest for the year	10		11	
Less: Prize paid	(17)		(39)	
Balance as at 31st December		73		80
Creditors – CA Sri Lanka		141		124
Total		224		214

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Statements Of Financial Position

As at 31st December	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000
Assets										
Total non-current assets	933,173	973,228	892,904	617,016	630,701	224,097	89,406	70,976	62,535	54,394
Total current assets	403,054	312,118	267,506	433,258	390,805	518,458	513,663	420,034	319,126	237,655
Total Assets	1,336,227	1,285,346	1,160,410	1,050,274	1,021,506	742,555	603,069	491,010	381,661	292,049
Funds And Liabilities										
Total accumulated fund and reserves	943,672	880,616	789,440	684,927	580,843	489,085	383,817	292,551	214,869	152,337
Total funds and grants	50,404	78,935	89,301	61,531	86,453	42,759	52,069	60,000	48,474	43,919
Total Non-current liabilities	31,821	27,808	25,270	23,018	20,197	17,626	17,210	19,455	19,079	20,046
Total Current liabilities	310,330	297,987	256,399	280,798	334,013	193,085	149,973	119,004	99,239	75,747
Total Funds and Liabilities	1,336,227	1,285,346	1,160,410	1,050,274	1,021,506	742,555	603,069	491,010	381,661	292,049

Statements of Comprehensive Income

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000
Income	752,389	760,460	760,890	653,545	516,207	463,757	383,424	341,891	269,471	221,635
Expenditure	(356,819)	(360,617)	(351,735)	(309,054)	(238,007)	(225,055)	(173,897)	(161,464)	(123,724)	(101,830)
Net income before employee costs and overheads	395,570	399,843	409,155	344,491	278,200	238,702	209,527	180,427	145,747	119,805
Other operating income	4,241	7,373	3,369	5,672	4,524	5,319	2,769	4,324	1,454	515
Operating income	399,811	407,216	412,524	350,163	282,724	244,021	212,296	184,751	147,201	120,320
Total overhead expenses	(365,150)	(335,859)	(324,486)	(275,900)	(205,547)	(169,847)	(153,491)	(151,101)	(120,566)	(112,444)
Net operating income	34,661	71,357	88,038	74,263	77,177	74,174	58,805	33,650	26,635	7,876
Finance income	51,230	38,395	39,957	41,681	31,232	30,322	32,111	43,732	35,597	24,291
Finance cost	(127)	(326)	-	-	(265)	-	-	-	-	-
Surplus for the year after tax	66,136	95,879	104,102	105,039	102,007	104,846	91,266	77,682	62,532	32,467
Defined benefit plan actuarial (loss)/gain	(1,450)	(2,126)	683	(955)	(249)	422	-	-	-	-
Fair value changes on available-for-sale investments	(1,630)	(2,577)	(272)	-	-	-	-	-	-	-
Total comprehensive income	63,056	91,176	104,513	104,084	101,758	105,268	91,266	77,682	62,532	32,467

Statements of Cash Flows

For the year ended 31st December	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000
Net cash inflow/(outflow) from operating activities	116,685	125,099	77,783	23,900	217,619	119,550	81,014	56,442	45,787	31,229
Net cash inflow/(outflow) from investing activities	(136,397)	(103,290)	(44,787)	(100,372)	(182,117)	(295,442)	(4,939)	23,485	14,318	3,945
Net cash inflow/(outflow) from financing activities	(1,223)	(3,585)	36,927	25,677	13,863	1,308	3,387	16,709	13,037	11,798
Cash and cash equivalents	78,729	99,464	81,240	11,317	61,770	12,405	204,211	366,527	266,779	196,749

The Council of CA Sri Lanka acknowledges with appreciation the assistance and support extended to the Institute by the following and wishes to thank them:

- His Excellency the President
- Secretary and staff of the Presidential Secretariat
- Regulatory Bodies and Ministries
- Committee members of the Institute
- Members of the Institute
- Staff of the Institute
- Other professional bodies that have lent support during the year
- Institute's lead sponsors and other sponsors
- Resource persons at conferences, seminars, discussion groups and lecturers
- Training partners, examiners and marking examiners
- Institute's media sponsors and all the representatives of media
- CA Sri Lanka Teaching Colleges
- Government officials
- Service providers and others who made their contributions during 2016 and are too numerous to mention individually

By order of the Council,



Aruna Alwis
Secretary/Chief Executive Officer

Regional Information Centres →

Central Province

42/1/2, A A Dharmasena
Mawatha
Mahaiyawa, Kandy
Tel. : 00(94) 81 -2222933
E-Mail: kandy@casrilanka.org

Northern Province

Jaffna College Undergraduate
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E-Mail: jaffna@casrilanka.org

Sabaragamuwa Province

Chamber of Commerce and
Industries Building,
8/1, Bandaranayake Mawatha,
Ratnapura
Tel. : 00(94) 45 -2226760
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casrilanka.org

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Legal Form

The Institute of Chartered Accountants
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Act of Parliament No. 23 of 1959.

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Lawyers

Julius & Creasy
Attorneys-at-Law and Notaries Public
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Bankers

Bank of Ceylon
People's Bank
Sampath Bank PLC
Hatton National Bank PLC

Lead Sponsors →

Aitken Spence PLC
Cargills (Ceylon) PLC
Sri Lanka Telecom PLC

Hayleys PLC
Hatton National Bank PLC

John Keells Holdings PLC
Sri Lanka Insurance Corporation Ltd.



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