

In the vanguard

Annual Report 2017

About the Institute

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 5,526.

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

CA Sri Lanka is the pivotal body for Professional Accountancy in Sri Lanka. We are in the vanguard not only of the bestowal of a highly respected professional qualification in Chartered Accountancy, but also in fostering the attendant morals, ethics and conduct that go to make a well rounded professional.

We truly...Lead from the Front!

Contents

03

Preamble

Vision, Mission, Objectives
and Core Values – 3
About This Report – 5
Highlights of the Year – 6

08

Messages

President's Message – 8
Secretary/CEO's Review – 11

14

Review of the Year

Operating Environment – 14
Operational Structure – 15
Stakeholder Engagement – 16
Financial Review – 18

40

Delivering Dynamic
and Proactive
Service

36

Leadership
through
Ideas and
Influence

19

Upholding
Standards in
the Public Interest

Standard Setting Committees
under Statute – 24

27

Excellence in
Education and
Professional
Development



45

Stewardship

Past Presidents – 45
The Council 2017/2018 – 46
Council Members' Profiles – 48
Management Team – 50
Governance – 51
Report of the Governance and
Audit Committee – 56
Risk Management – 57

59

Financial Reports

Statement of Responsibility
of the Management – 60
The Report of the Auditor – 61

Statement of Financial Position – 62
Statement of Comprehensive Income – 64
Statement of Changes in
Funds and Reserves – 65

Statement of Cash Flows – 66
Notes to the Financial Statements – 68
F B Lander Prize Fund – 99
Cyril E Begbie Memorial Prize Fund – 100

101

Annexes

Ten Year Summary – 102
Appreciation – 103
Regional Information Centres – 104
Corporate Information – 104
Lead Sponsors – 104

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

ABOUT THIS REPORT

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 2017 covers the 12-month period 1st January to 31st December 2017, 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 E-mail as follows:

Address:
Secretary/Chief Executive Officer
The Institute of Chartered Accountants of Sri Lanka
No. 30A, Malalasekera Mawatha
Colombo 7
Sri Lanka
E-mail: secretariat@casrilanka.org

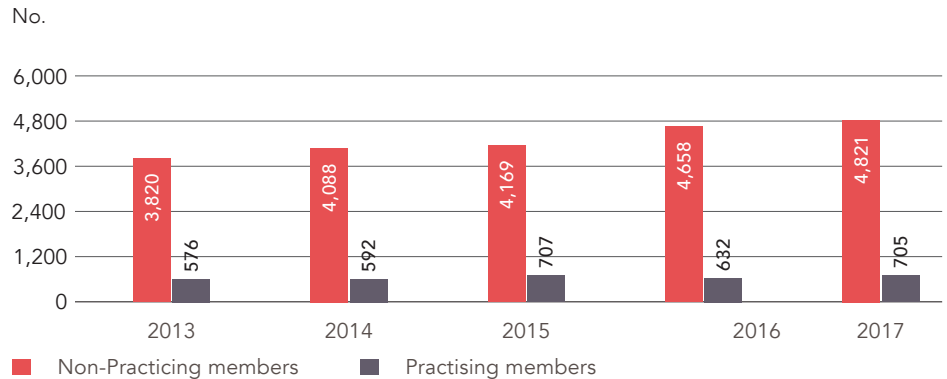
HIGHLIGHTS OF THE YEAR

For the Years Ended 31st December	2017	2016	Growth %
Members:			
No. of members	5,526	5,290	4.4
Ratio of resident and non-resident members	85:15	84:16	
Ratio of practicing and non-practising members	12:88	13:87	
Membership retention rate (%)	99	97	2
No. of new admissions to ACA	291	310	(6.1)
Students:			
No. of students	39,456	42,197	(6.5)
Studentship renewal rate (%)	75	78.8	
No. of new enrolments	7,030	7,015	0.2
Value of scholarships (Rs. '000)	13,097	11,172	17
Financial Performance:			
Total Income (Rs.'000)	756,261	752,389	0.5
Surplus excluding Government grant (Rs.'000)	93,992	63,056	49
Total Assets (Rs.'000)	2,104,993	1,336,227	58
Other:			
No. of applications for Annual Report Awards	134	140	(4.2)

HIGHLIGHTS OF THE YEAR

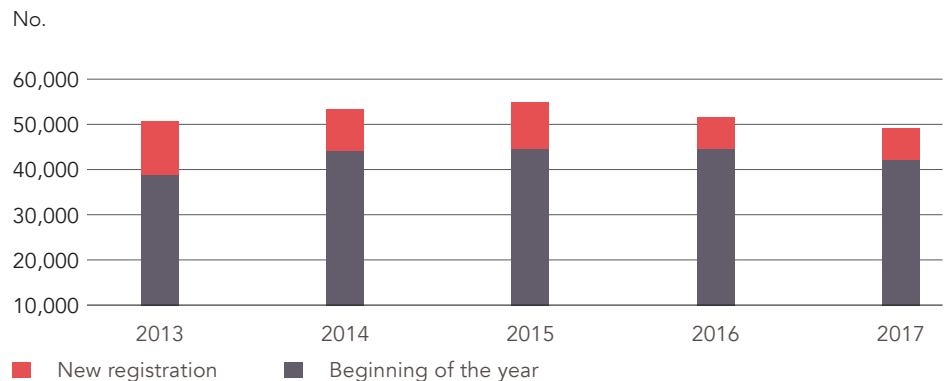
Membership growth

A total number of 291 new admissions during the year increased the total member population to 5,526 as at 31st December 2017.



Student population growth

A total number of 7,030 new students were enrolled during the year. Total number of students at the end of the year was 39,456.



Upholding standards in the public interest

- CA Sri Lanka issued the Annual Sri Lanka Accounting Standards Bound Volume 2017 and a Publication on SLFRSs not yet effective covering SLFRS 9, 15 and 16
- The Institute held an Annual Seminar Series on Sri Lanka Accounting Standards to update the theoretical and practical knowledge on SLFRSs that are applicable for the year 2017 with the contribution of an eminent pool of resources. The average number of participants per programme reached 150.
- CA Sri Lanka is indeed proud to be the pioneer in introducing good corporate governance principles and practices to the corporate community with the introduction of the Code of Best Practice on Corporate Governance.

Excellence in education and professional development

- Ten Exam Support Workshops and three Train the Trainer sessions for Business and Corporate levels were conducted during the year.
- The validity of the CA professional qualification was further augmented when it was benchmarked by the National Recognition Information Centre (NARIC) of UK, to be on a par with the Regulated Qualifications Framework (RQF) Level 7 standard, as per the UK education system.
- The Institute also signed a Memorandum of Agreement (MOA) with the Chartered Institute of Management Accountants (CIMA), UK during the Year 2017. The agreement paves way for CA members to obtain CIMA's CGMA designation and CIMA members to obtain the CA Sri Lanka membership.

Leadership through ideas and influence

- 38th National Conference to stimulate "Agility in Leadership"
- The 53rd Annual Reports Award competition grand finale was held under the theme "Quintessence of Eminence"
- Held its first ever research conference on 20th December 2017, where corporate governance, sustainability assurance and forensic accounting which are deemed extremely relevant and important to the accounting profession in the current context were discussed and deliberated at length.

Delivering dynamic and proactive service

- The practicing E-learner module was developed internally in our Learning Management System was launched to facilitate the new practicing members and the members who have not renewed their practicing certificate for a consecutive period of three years.
- IT Training modules and communication skills at the executive level are hosted in Learning Management Systems (LMS).
- The launch of the CPD Online Academy was a highlight this year, which allowed our members to enhance their knowledge and earn the required CPD hours necessary for their membership in convenience at their desk.

President's Message

PRESIDENT'S MESSAGE

Dear member,

It is with great pleasure that I announce the successful completion of year 2017 with several notable achievements.

The role of accountant is changing from traditional activities towards activities such as risk management, critical thinking and cross-functional collaboration. When looked at from the technological front, we are experiencing the 4th Industrial Revolution. Global economic development, however, is a great opportunity for an accountant, whether it is in the industry or in public practice.

Maintaining the leading position as a premier accountancy body

Steps were taken to further enhance the profession of accountancy during the year. A new Code of Ethics was introduced while ensuring that Sri Lanka was in line with all international standards. An Exposure Draft was released on Audits of Non-Specified Business Enterprises and our next step is to develop a toolkit to ensure the correct application of such a novel standard. A dedicated website for the Accounting and Auditing Standards Committee, which includes all technical pronouncements, was also launched. The Sinhala and Tamil translations of the Glossary of Accounting, Auditing and Business Management Terminology are being updated. Further CA Sri Lanka launched the first Transfer Pricing Guideline Book and also established a Centre to access the transfer pricing database at the Institute.

Serving our members

Several technical sessions and initiatives were taken to improve technical knowledge on Sri Lanka Accounting and Auditing Standards. These initiatives include awareness programmes on changes to Auditor's Reporting and application level training programmes on existing and upcoming Accounting Standards.

The CPD Online Academy was launched to enhance the professional skills of its members living locally and overseas whereby they can obtain CPD without coming to the Institute. We also rolled out a Forensic Accounting Certificate Course during the year.

Excellence in Education

We have embarked on an ambitious revision of our syllabi, "Curriculum 2025" which takes a futuristic view of chartered accountants. The education providers have to take the challenge of preparing our next generation to deal with an "unknown future".

Fulfilling our national responsibility

In continuing to give leadership to corporates to adhere to the best practices of corporate governance, we have also issued the revised Code of Best Practice on Corporate Governance and also adopted the NOCLAR, i.e., Non Compliance with Laws and Regulations standard along with the updated Code of Ethics for our members with effect from 15th July last year, the date on which the Standard was effected internationally.

Having an understanding of the importance of research study for developing the profession, we conducted the inaugural research conference in December 2017. This was followed by the publication of the inaugural CA Journal of Applied Research.

Professional development

Globalisation, of course – is not a challenge but an opportunity. Our qualification needs to be on par with global standards. By the end of last year, under the Presidency of Mr. Lasantha Wickremasinghe, we had a significant achievement where our qualification was benchmarked by UK NARIC (National Academic Recognition Information Centre). Consequently, we must revisit the existing Memorandums of Understanding (MOU) and enter into new MOUs with other professional accountancy organisations.

We have already initiated to develop of a Guideline for the Recommended Minimum Scale of Fees in Audit Services, also established a Quality Assurance Fund for the benefit of our practising members.

Participating in the nation building process

The profession can make a tangible contribution towards ensuring that our businesses and the public sectors are appropriately capacitated to deal with their many challenges. Keeping this in mind, CA Sri Lanka has already entered into an MOU with CIPFA – London. We will further strengthen this qualification in the public service sector in the future.

In this context, we have much to contribute to root out corruption, design and monitor early warning systems so as to ensure improved service delivery, and institute controls that would minimise instances of wasteful expenditure.

Overcoming challenges

We have given more flexibility to Standard Setting committees to assist CA Sri Lanka in adoption of Accounting Standards and we also have invited non-members to the Professional Conduct (Ethics) Committee.

PRESIDENT'S MESSAGE

Further, the declining growth of the student population is a challenge due to students being able to explore diversified career opportunities available for them. We have taken several steps to manage the situation and maintain the student population at a similar level.

Future plans

Chartered accountants are considered leaders in the accountancy profession in Sri Lanka and also they are entrusted with the power to audit. In order to strengthen the profession we must bring management accountants of CMA and the accounting technicians of AAT into one fold. With this intention CA Sri Lanka will introduce the One Voice, One Profession initiative. Accordingly we plan to develop joint conferences, seminars and programmes in relation to professional development in the near future.

In order to sustain the professional practice in Sri Lanka, we intend to take necessary steps to bring the limited liability partnerships (LLPs) and multidisciplinary partnership laws for the profession.

Appreciation

As CA Sri Lanka has successfully completed another 12 months, we take this opportunity to appreciate and acknowledge the many people who were instrumental in our success, including my fellow members of the Council, members of all committees/task forces, students, all staff members of CA Sri Lanka, our business partners in Sri Lanka and overseas, Hon. Minister and the Secretary to Ministry of Trade & Industries, the membership at large who are the driving force behind the profession and all others who assisted us during the year.

We are pleased to announce that the Institute received free hold rights to the land on which our office is constructed during the early part of 2017 and I take this opportunity to thank the Government for this grant.

In conclusion CA Sri Lanka is at the vanguard – the foremost professional accountancy organisation in the country having the objective of enhancing leadership and entrepreneurship, upholding standards, and championing excellence in education and professional development in our key stakeholders – members and students. To be a catalyst in Sri Lanka's journey we must understand that we cannot grow without innovation and we cannot act in the public interest without integrity.



Jagath Perera
President

Secretary/CEO's Review

SECRETARY/CEO'S REVIEW

With an existence spanning nearly 60 long years, CA Sri Lanka has forged ahead, going from strength to strength, commanding recognition as an influential professional body in the region that has crafted highly skilled Chartered Accountants, who continue to successfully lead organisations both big and small across Sri Lanka as well as overseas.

As the flagship accounting body of the country, CA Sri Lanka has an onerous task, which is to ensure that our qualification not only reaches the most rural parts of the country, but that every student following the CA programme gains a highly respected and acceptable technical qualification which builds professional character and complements their journey to reach the top. As such, the responsibility to discharge that duty, ensuring the financial fabric of any organisation and in a macro sense the financial fabric of the nation as a whole, are in capable hands, is challenging.

When a student who has completed his or her Advanced Level Examination decides to pursue the CA programme by enrolling at our Institute, we as an Institute take on the responsibility in ensuring that this student is provided with a journey of a lifetime. Embarking on a career in accounting requires commitment, dedication and a need to cultivate an analytical and entrepreneurial spirit, which is hard work. Therefore, as a responsible institute which also stakes claim to be one of the country's leading and largest tertiary education providers, it is our bounded duty, that the trust placed in the Institute by this student, is discharged ethically and well.

To achieve this, first and foremost, we are continuously revising our syllabi, because in the current context, it has become increasingly important to remain relevant in the market. As a professional body we understand that our students and members have to adapt with time, and be ready to change, and as an institute we understand that we must spearhead this change, and hence a hands-on approach has been adopted in the process of revising the syllabus. This revision itself, is a giant stride towards facilitating the students in preparing them for the future.

Continued assessments and a variety of training opportunities offered via classroom and through our online portal, further facilitate the growth of the student. Taking cognisance of the fact that becoming a Chartered Accountant is a significant journey, we have opened out several other platforms, if a student needs to achieve a certain level in that journey. CA Sri Lanka offers the Certified Business Accountant (CBA) and Senior Certified Business Accountant (SCBA) level qualifications so that the student has the option to further progress professionally, thereafter based on their preference. We see this as a considerable boost to our student population.

We also conduct special focused sessions for repeat students so that the student can pin-point the cause of a repeat. Additionally, the Institute has launched the updated Corporate Governance Framework and the Code of Ethics to be in line with the global platform. Also during the year, the Council introduced the code of conduct for the members of the Council.

We also endeavour to achieve our commitment by focusing on the syllabi at our Business School to ensure the programmes offered by the Business School also continues to remain relevant. We are keen to ensure that all programmes offered at the Institute remains relevant and valid for the needs of the market. Benchmarking CA Sri Lanka's qualification with NARIC UK is a landmark in this endeavour, so that our qualification continues to command global acceptance and recognition. This benchmarking provides the student with a futuristic view as to how a member can benefit from a world-class qualification. We believe this will be an impetus to their journey.

We have two overseas centres that offer the CA examination facility to our students living and working outside Sri Lanka. One in Doha Qatar as most of our overseas membership is concentrated in the Middle East and the other, in the Maldives.

Another valued stakeholder segment for us is our membership, who are identified as the primary stakeholders of the Institute. During the year 2017, we have further enhanced the value offered to our members through various services, events and online service portals, so that our members can continue to develop and become sought after proactive contributors to their organisations. The 38th National Conference of Chartered Accountants concluded on a high note and so did several other high profile events that were carried out with eminent resource personnel from here and overseas, expounding on the levels of professionalism that is needed globally, by a Chartered Accountant.

Our CFO and CEO forums continued to attract a relevant audience. Inclusion of our students in various forums also gave them a first-hand glimpse as to what levels they can climb in the corporate ladder, with the right mix of qualification, skills, attitudes and dedication. We, indeed, are thankful to those CFOs and CEOs who have dedicated their valuable time, to share their experiences with our membership and students alike.

SECRETARY/CEO'S REVIEW

Digitisation and disruptive technology is defining not only the way we live, but the way we practice as Chartered Accountants and auditing professionals. Technology is leading from the front, in this fast evolving workplace. A Chartered Accountant must carry the necessary qualification, professional development and also the soft skills needed to climb the corporate ladder. Being digitally savvy and using technology to him or her maximum advantage, is not an option now, but a must. As such, the Institute has initiated many online portals, IT courses – tailor-made to cater to specific needs and also upgrade their soft skills through many other learning opportunities and avenues and thereby upgrade and widen their position as globally sought after professional accountants.

I am thankful to our staff members at the Institute, whose sheer dedication and commitment is a mark of excellence by itself. Daily demands placed on them are heavy but the discharge of it towards all our stakeholders, is remarkable and deserves credit.

Finally, I wish to thank the President, members of the Council, the Chairmen and members of the committees for the confidence they placed in me and also for the unstinted support and encouragement I received from each and every one of them, at all times.



Aruna Alwis
Secretary/Chief Executive Officer

REVIEW OF THE YEAR – OPERATING ENVIRONMENT

In order to achieve the objectives laid down in the Act of Parliament, No. 23 of 1959 of 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 the 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 the 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 by 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

Economic growth further slowed down to 3.1% in 2017 compared to 4.4% last year. This is primarily attributed to the poor performance of the agricultural sector due to weather related issues. Tight monetary policy stance of the Central Bank helped to keep core inflation at mid single digit levels. Interest rates gradually declined towards the latter part of the year due to market liquidity, moderate inflation and enhanced revenue reducing government borrowings. Restoration of GSP+ boosted exports, yet increased import expenditure widened the trade deficit. The Government securities market and the Colombo Stock Exchange witnessed net inflows which helped to ease pressure on external accounts. Rupee depreciated by 2.50% against the US dollar. Under the enhanced monetary policy framework, the Central Bank maintained a flexible exchange rate regime. Sri Lanka's economic reform agenda as envisaged in the "Vision 2025 – A Country Enriched" and the Central Bank's Road Map 2018 is expected to boost macroeconomic stability.

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.

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.

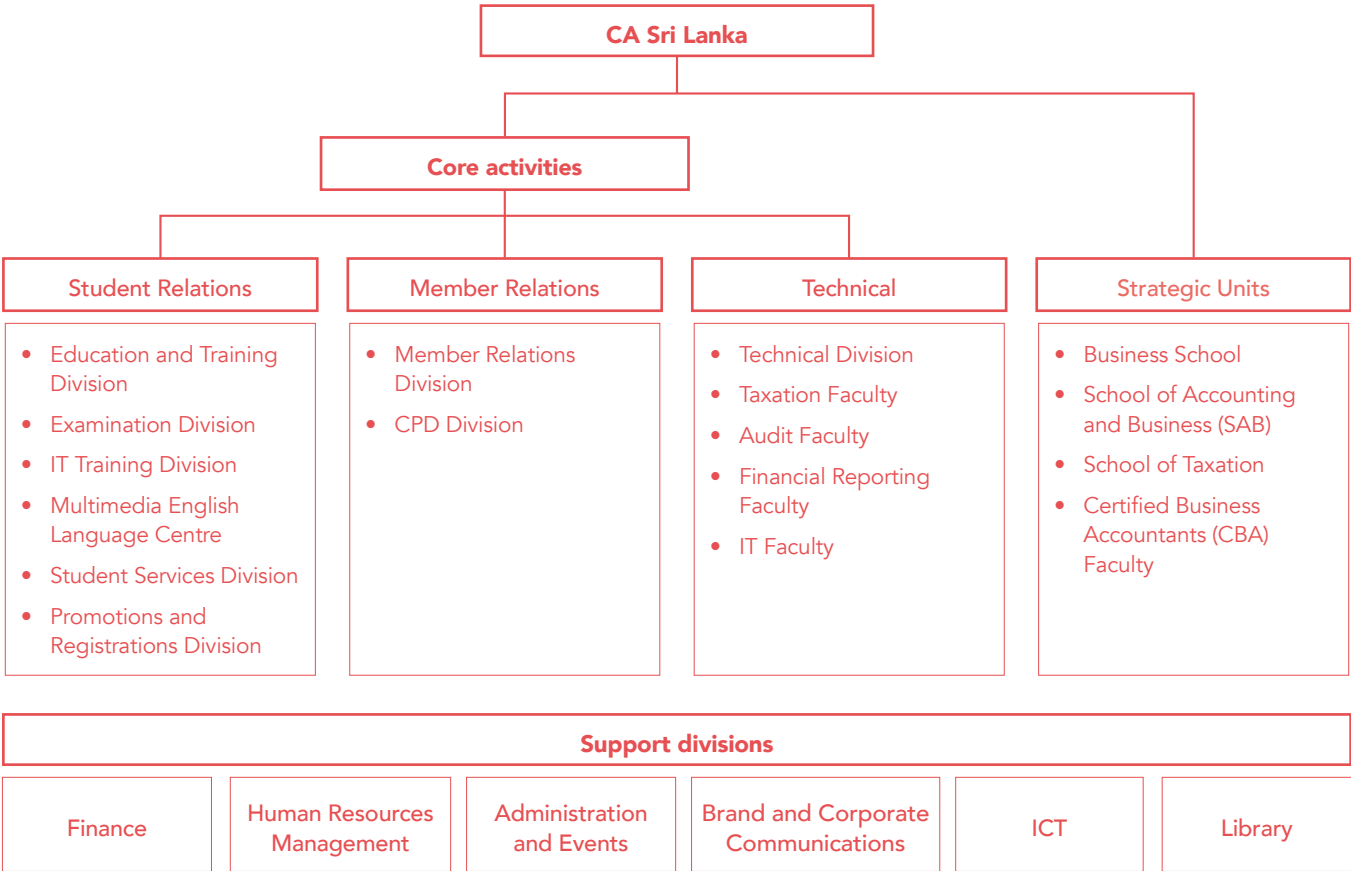
Technological Environment

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.

REVIEW OF THE YEAR – OPERATIONAL STRUCTURE

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.



REVIEW OF THE YEAR – STAKEHOLDER ENGAGEMENT

Stakeholder	Method of engagement	Topics discussed
Members	<ul style="list-style-type: none"> • Training/Panel discussions • Updating of website • Events and other engagements • Press releases • Social media • Webinars • 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 • Training assessments/Viva panels • Training partners review
Students (current and potential)	<ul style="list-style-type: none"> • Workshops, seminars and webinars • Competitions • Practical training and assessments • Viva Voce • Social media • Press releases • 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 • Online ethics module
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

REVIEW OF THE YEAR – STAKEHOLDER ENGAGEMENT

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 members 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 2017 is also unique in reflecting how close we are 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.

REVIEW OF THE YEAR – FINANCIAL REVIEW

Assets

The value of total assets which was Rs. 1.336 bn as at end of 2016 grew to Rs. 2.105 bn during the year, which is indicating a 58% growth in comparison to the year 2016. The growth is mainly reflected in the increase in Property, plant and equipment which includes the land received from Government of Sri Lanka valued at Rs. 699 mn. Also Investments in fixed deposits and the rate of interest together with excess cash generated contributed to the increased fixed deposit base of the institute.

Liabilities

The non-current liabilities of the Institute relate to the retirement benefit obligation which has been accounted for based on 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 2018.

Income

The total revenue generated from Examination Registration Education, Training and Member activities is Rs. 560 mn in 2017 which is 74% and in 2016 core activities have generated Rs. 570 mn which is 76% out of the total revenue. School of Accounting and Business (SAB) recorded a revenue of Rs. 80.9 mn in 2017 which shows 11% out of the total revenue and in 2016, has recorded a revenue of Rs. 48 mn which shows 6% contribution to the total revenue.

Income from learning and professional development activities

During the year under review, Learning and Professional Development activities recorded a total income of Rs. 560 mn, against the Rs. 569.3 mn in 2016. 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.

The School of Accounting and Business recorded Rs. 80.9 mn income with an increase of Rs. 32.8 mn (68%) compared to last year. This is mainly due to increase in student enrolments significantly. The student numbers have increased from 336 in 2016 to 587 as at 31st December 2017, which shows an increase of 75%.

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 practising certificates, national conference and CPD programmes recorded an income of Rs. 146.4 mn, as compared to Rs. 137.9 mn in the previous year.

Income from financial reporting and assurance standards related activities

Financial reporting and assurance standards activities-related income increased to Rs. 40.2 mn during the year under review from Rs. 37.9 mn in 2016. This comprised income received from the Accounting and Auditing Standards seminar series, sale of publications and Annual Report Awards competition.

Expenditure

Overhead expenses has increased by Rs. 4 mn compared to last year. This was mainly due to the annual increments of employees and early recognition of amortisation of expenses pertaining to curriculum development.

Net operating income

The net operating income recorded an increase from Rs. 34.6 mn to Rs. 35.8 mn.

Finance income

Finance income recorded a significant growth of Rs. 23.2 mn which is a 45.3% increase compared to last year. This was mainly due to increase in investment portfolio and the market interest rates.

Surplus

Surplus for the year after tax amounted to Rs. 787.7 mn compared to Rs. 66.1 mn in the year 2016, an increase of Rs. 721.5 mn mainly due to the recognition of government grant.

Upholding Standards in
the Public Interest

REVIEW OF THE YEAR – UPHOLDING STANDARDS IN THE PUBLIC INTEREST

Guardian of the Accounting Profession

Adoption of Sri Lanka Accounting and Auditing Standards

The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 has empowered the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to promulgate and adopt Sri Lanka Accounting Standards and Sri Lanka Auditing Standards in the country. The observances of the said standards are mandatory for Specified Business Enterprises (SBEs) in Sri Lanka. Accordingly the Accounting Standard Committee and Auditing Standards Committee assist the Council of CA Sri Lanka in the development of these standards.

Implementation of Sri Lanka Accounting and Auditing Standards

Implementation of Sri Lanka Accounting Standards

Training Programmes

The Annual Seminar Series

The Institute held an Annual Seminar Series on Sri Lanka Accounting Standards to update the theoretical and practical knowledge on SLFRSs that are applicable for the year 2017 with the contribution of an eminent pool of resources. The average number of participants per programme reached 150.

Programme on SLFRS for Small and Medium Sized Entities

This was a five-day programme to cover the theoretical and practical aspects on SLFRS for SMEs.

Programme on Implications of Upcoming SLFRSs

This three-day programme covered the implications on SLFRSs, which are not yet effective. Financial Instruments (SLFRS 9) and implementation of Basel III; new Revenue Standard (SLFRS 15) and new SLFRS on Leases (SLFRS 16), were also covered under this training programme.

Publications Issued

CA Sri Lanka issued the Annual Sri Lanka Accounting Standards Bound Volume 2017 and a publication on SLFRSs not yet effective covering SLFRS 9, 15 and 16 as well.



CA Sri Lanka is launching its latest Sri Lanka Accounting and Auditing Standards Bound Volumes.

SLFRS Service Desk and Financial Reporting Standards Implementation and Interpretation Committee

In 2017, the committee deliberated a number of issues related to the application of Sri Lanka Accounting Standards of the companies and some issues, which were industry specific.

During the year, following were issued:

- i. Guideline on Impairment of Available for Sale (AFS) Equity Investments
- ii. Option to continue the application of LKAS 39 – Financial Instruments: Recognition and Measurement in the preparation of the interim financial statements (in accordance with LKAS 34 – Interim Financial Reporting) for the first financial reporting period beginning on or after 1st January 2018.

Operation of the formal SLFRS service desk within the Technical Division of the Institute, to provide technical assistance to all our stakeholders on various matters concerning SLFRSs. This advisory helpline service covers all enquiries relating to clarification of Sri Lanka Accounting Standards.

Online Learning

The objective of introducing this online learning portal was to offer a web-based learning on Sri Lanka Accounting Standards through the SLFRS Online Certification Course and Webinars on Sri Lanka Accounting and Auditing Standards.

CA Sri Lanka will move all other web-based learning programmes to the new Learning Management System, which was developed, in-house.

REVIEW OF THE YEAR – UPHOLDING STANDARDS IN THE PUBLIC INTEREST

Implementation of Sri Lanka Auditing Standards

The Audit Faculty is a forum for serving the necessity of the auditing sector and promoting best practices in the profession. The Audit Faculty annually conducts seminars and workshops on Sri Lanka Auditing Standards and related pronouncements in order to keep the practitioners up to date on the contemporary changes. SMP Capacity Building Task Force has also assisted on several initiatives aiming the capacity building of practicing members of the Institute.

I. Changes to the Audit Reporting

Several programmes were conducted during the year to raise the awareness on the new audit report.

II. Case Study-Based Two Day Workshop on Audit Manual

Having done the revisions to the Audit Manual by incorporating a novel case study that caters to practical scenarios in the country and updating the templates through a comprehensive project, CA Sri Lanka has continued its efforts through comprehensive series of two-day interactive workshops for SMPs to apply Clarified Auditing Standards for the audit of SMEs to enable SMPs to carry out audits of SMEs in compliance with the Sri Lanka Auditing Standards and other Best Practices during the year as well.

III. CA Sri Lanka developed a guideline on minimum recommended scale of fees in audit services provided by the Practicing Chartered Accountants of Sri Lanka and exposed for the comments of the members of CA Sri Lanka followed by a survey.

IV. CA Sri Lanka also launched exposure draft on Auditing Standards for the Audits of Non-Specified Business Enterprises (Non-SBEs). This proposed standard has proposed numerous specifications, without reducing the quality of the audits.

Publications

CA Sri Lanka issued the 2017 Auditing Standards Bound Volume I, II and III publications.

2017 Sri Lanka Auditing Standards and Sri Lanka Standard on Quality Control (Volume I), Sri Lanka Standards on other Assurance Engagements and Related Services (Volume II), Framework for Audit Quality and Sri Lanka Framework for Assurance Engagements (Volume III) are based on the latest edition of the auditing handbook by IFAC with new and revised auditor reporting standards designed to enhance auditor's reports for investors and other users of financial statements, as well as changes to other International Standards on Auditing to address the auditor's responsibilities in relation to going concern, financial statement disclosures, and other information (i.e., annual reports). In the local context, these substantial changes are effective for audits of financial statements ending on or after 31st March 2018.

IFAC's brochure on choosing the right service

CA Sri Lanka co-branded and published IFAC's brochure on choosing the right service, comparing audit, review, compilation and agreed upon procedures.

The Audit Quality Assurance Programme

The main aim of introducing an audit quality monitoring regime with audit quality reviews (which include reviews of both assurance engagements as well as firm policies, practices, and procedures) is to improve the quality of audit work and, in so doing, it will enhance transparency, increase public trust and confidence in financial reporting and auditing, support the growing economy and raise the profile of CA Sri Lanka and its members internationally.

As the National Accounting body of the Country, there is a need to establish a proper agenda to maintain the quality of Audit conducted by the practitioners. CA Sri Lanka being the sole authoritative body to adopt Sri Lanka Accounting and Auditing Standards has initiated the Audit Quality Assurance.

Corporate Governance Publication issued during the year

CA Sri Lanka is indeed proud to be the pioneer in introducing good corporate governance principles and practices to the corporate community with the introduction of the Code of Best Practice on Corporate Governance. Therefore, the Council has appointed the Corporate Governance Committee to keep a track of developments in corporate governance in other countries, and carry out review processes to update the Sri Lanka Code of Corporate Governance in line with those developments.

In continuing to give leadership to corporates in the country to adhere to the best practices of corporate governance, CA Sri Lanka launched the revised Code of Best Practice on Corporate Governance in 2017. The code of 2017 builds on the previous codes to strengthen best practice in governance in the context of global developments relevant to Sri Lanka, emerging contemporary matters of governance and challenges with greater importance to the Sri Lankan capital market.

Integrated Reporting

Integrated Reporting is gaining popularity worldwide as a secondary reporting framework which requires disclosures relating to many areas, such as human capital, intellectual capital, issues material to the organisation, etc. These areas of disclosure are not captured by the traditional financial reporting requirements. Therefore, investors and providers of financial capital are not aware of information which is very important to their decision-making. Several companies, including top corporates in Sri Lanka have begun embracing the integrated reporting framework.

REVIEW OF THE YEAR – UPHOLDING STANDARDS IN THE PUBLIC INTEREST

CA Sri Lanka in collaboration with the Integrated Reporting Council of Sri Lanka (IRCSL) launched “A Supplement to a Preparer’s Guide to Integrated Corporate Reporting” in the presence of Mr. Richard Howitt, Chief Executive Officer of the International Integrated Reporting Council (IIRC).

The supplement aims to provide implementation assistance on the workings of the Guiding Principles to corporates engaged in Integrated Reporting covering; connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability.

Integrated Reporting: Kick Start the Journey to Better Business Reporting

CA Sri Lanka joined hands with the Integrated Reporting Council of Sri Lanka (IRCSL) and the Deakin University, Australia to help corporates kick start their integrated reporting journey, by organising a one day workshop which featured two international experts on the subject namely Mr. Michael Bray, a Corporate Reporting Specialist with 40 years of experience in providing assurance and advisory services, and Dr. Luckmika Perera, an experienced business consultant and academic, specialising in the areas including integrated reporting <IR>, environmental accounting and sustainability.

Liaise with Regulatory Authorities to Promote Best Corporate Reporting and Good Governance in Sri Lanka

I. Recommendations for the Proposed Legislations

It is the CA Sri Lanka responsibility to highlight improvements that may be required for any legal framework while removing adverse impact to the Institute or to the Accounting profession and also the Institute must get involved in the development of the legal framework in Sri Lanka as the national accounting body. To achieve that objective, The Institute of Chartered Accountants of Sri Lanka has engaged itself with the Government and other regulatory authorities and submitted recommendations of the Institutes’ stakeholders to the relevant parties on many Bills and Regulations such as:

- Inland Revenue Bill
- Proposed enforcement actions of the Colombo Stock Exchange for non-compliances with key continuous listing requirements
- Foreign Exchange Bill
- Bill to incorporate the Institute of Certified Public Accountants
- Bilateral Trade Agreements
- Proposed rules on Customer Due Diligence (CDD) issued by Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka
- Amendments to the Securities and Exchange Commission Act,
- Amendments to the Sri Lanka Accounting and Auditing Standards Act.

II. Joint Proposal on “School to Business”

It crafted a Joint Proposal on “School to Business” in collaboration with AAT Sri Lanka and submitted it to the Hon. Prime Minister and the Minister of Education of Sri Lanka.

CA Sri Lanka is pleased to assist the Ministry of Education on implementing Government’s planned education policy reforms in the national interest as responsible professional accountancy organisation in Sri Lanka.

III. RoSC and Subcommittees

World Bank has issued its Second Report on Observance of Standards and Codes (RoSC) Accounting and Auditing (A&A) – Sri Lanka in 2015. This Report assessed the progress made since the first RoSC A&A in 2004 and identified reforms necessary to strengthen the accountancy profession in Sri Lanka, including Strengthening Accounting, Auditing, Small and Medium Practitioners and Enterprises and Developing Professional Accountancy Organisations.

As the implementation agency of RoSC 2015, The Council of CA Sri Lanka has formed a Steering Committee and four other Subcommittees, namely; Reforms to strengthen financial reporting, Reforms to strengthen auditing, Developing Sri Lanka’s professional accountancy organisations and Strengthening Small and Medium practitioners and Enterprises on assisting the implementation of policy recommendations specified in RoSC 2015.

IV. Developing a Capacity Building Programme for SOEs

CA Sri Lanka has been partnering with the Ministry of Public Enterprise Development, Chartered Institute of Management Accountants (CIMA) and the World Bank to develop a comprehensive syllabus and training programme for the benefit of public sector in Sri Lanka. The objective of this initiative is to improve the efficiency of economic activities including the competitiveness and the performance of public enterprises.

The key pillars to carry forward the mandate to build the capacity are identified as policy makers, Board members and the senior management of state-owned enterprises. Training modules have been developed under the broader areas of Corporate Governance, Financial Oversight and Management Accounting. During the year, capacity building framework called “Transforming Public Enterprises for Growth” was launched. Accordingly, workshops were conducted for Senior Managers and Board of Directors on Corporate Governance of State-Owned Enterprises.

V. Restructuring and Revival of Companies in the Country

All over the world, the study and practice of business turnaround and insolvency management has become more and more specialised and sophisticated. Reforms in bankruptcy laws and practices, emergence of diverse methods of handling and managing corporate turnarounds etc., have been receiving the attention of many professionals in Sri Lanka and worldwide.

REVIEW OF THE YEAR – UPHOLDING STANDARDS IN THE PUBLIC INTEREST

In Sri Lanka with the proposed Amendments to the Companies Act No. 07 of 2007 (corporate legal reforms in corporate bankruptcy laws); attention over the corporate insolvency area has been emerged as an important area.

CA Sri Lanka intends to take a leading role in capacity building for corporate insolvency services within the country with the collaboration of the Registrar of Companies and Business Recovery and Insolvency Practitioners' Association of Sri Lanka (BRIPASL).

CA Sri Lanka signed a Memorandum of Understanding with BRIPASL during the year with an intention of the Parties to establish a framework for mutual assistance in building capacity for corporate insolvency services within the country and to facilitate the exchange of information between the Parties.

The World Bank along with the Ministry of Development Strategies and International Trade Sri Lanka has built up a roadmap to improve the investment climate in Sri Lanka. Under this there is a task force for improving Sri Lanka's regulatory environment in enforcing contracts. CA Sri Lanka is representing an accounting professional body to support on building up a new profession of insolvency practitioners once the Insolvency is in operation in the Country.

VI. Handbook on "Good Governance for Chairmen and Board of Directors of Public Enterprises"

The Institute launched the updated handbook on "Good Governance for Chairmen and Board of Directors of Public Enterprises" by handing over the first copy to the Hon. Prime Minister at the Annual Report Awards Ceremony held at the BMICH in December, as part of an initiative of the National Human Resource Development Council of Sri Lanka.

Right to Information Compliance

In line with the recommendations the RTI Act, CA Sri Lanka took necessary steps to implement the recommended actions at the Institute.

Public Sector Improvements

Taking leadership in strengthening public financial management practices, Public Sector Wing of CA Sri Lanka has undertaken the following professional development activities in strengthening public financial management practices in the country.

Introduction of New Professional Qualification in Public sector

With a vision of raising the bar of the professionals in the public sector and to further enhance their standing in the professional arena, CA Sri Lanka together with APFASL launched the Chartered Public Finance Accountancy (CPFA), a new professional qualification exclusively for professionals in the public sector and the examination is being conducted by CA Sri Lanka, based on the syllabuses, curriculum and the study materials obtained from CIPFA (London). This qualification has been recognised by CIPFA equivalent to their CPFA qualification.

Adoption and implementation of Public Sector Accounting Standards (SLPSAS)

APFASL together with the Ministry of Finance launched and implemented ten Sri Lanka Public Sector Accounting Standards, while an additional ten standards are formulated in 2017 based on the current requirements.

Additionally, on the request of the Ministry of Provincial Councils and Local Governments, simplified single Public Sector Accounting Standard for Local authorities together with explanatory guidance and illustrative formats has been formulated with the financial assistance from the NELSIP project. This was a an introduction of more simplified accounting system complying to the accounting standards by improving the existing system in Local Authorities after three decades and it can be considered as a mile stone in the history.

APFSL in collaboration with the Ministry of Finance and the Auditor General's Department held the first "Best Annual Reports and Accounts Awards competition" as an effort to bring about excellence in financial reporting in compliance with Sri Lanka Public Sector Accounting Standards. The event took place at BMICH under the patronage of his excellency President Maithripala Sirisena.

Member-Related Activities

In ensuring that Code of Ethics of CA Sri Lanka is in line with the latest international ethics standards, the Council of CA Sri Lanka has decided to adopt "Handbook of International Ethics Standard for Professional Accountants (IESPA) – 2016" as the "Code of Ethics of CA Sri Lanka" with effect from 15th July 2017.

NOCLAR is one of the key changes to the Code of Ethics of CA Sri Lanka which is an international ethics standard for auditors and other Professional Accountants (PAs). It sets out a first-of-its-kind framework to guide PAs in what actions to take in the public interest when they become aware of a potential illegal act, known as NOCLAR, committed by a client or employer.

The standard applies to all categories of professional accountants, including auditors, other professional accountants in public practice, and professional accountants in organisations, including those in businesses, government, education, and the not-for-profit sector. It addresses breaches of laws and regulations that deal with matters such as fraud, corruption and bribery, money laundering, tax payments, financial products and services, environmental protection, and public health and safety.

Standard Setting Committees under Statute

REVIEW OF THE YEAR – STANDARD SETTING COMMITTEES UNDER STATUTE

Standard Setting Committees under Statute

In terms of the Sri Lanka Accounting and Auditing Standards Act (A&A Act) No. 15 of 1995, the Accounting Standards Committee and the Auditing Standards Committee have been set up to assist The Institute of Chartered Accountants of Sri Lanka. Accordingly responsibility of the two statutory committees are to recommend Sri Lanka Accounting and Auditing Standards for the adoption by the Council of The Institute of Chartered Accountants of Sri Lanka. Hence, these two standards setting committees act as the technical arm to assist the adoption process of Sri Lanka Accounting Standards (SLFRSs) and Sri Lanka Auditing Standards (SLAuSs) along with the Public Interest group of the Institute.

A dedicated website has been launched for the two committees, providing access to technical pronouncements and developments on the related Accounting and Auditing Standards. Once Standards are adopted by the Council, those are translated and gazetted in all three languages.

At the beginning of the year, a dedicated website has been launched for the Accounting and Auditing Standards Committees. All the communications released by the two committees, related accounting and auditing pronouncements and developments including the respective gazettes in all three languages could be accessed in website, i.e. www.slaasc.lk. This has been done to enhance visibility and the independence of the accounting and auditing standards adoption process in the country.

The members of the two committees have continued their support through recommending Sri Lanka Accounting and Auditing Standards together with the other pronouncements for the adoption by the Council of CA Sri Lanka.

Accounting Standards Committee

At present, following three frameworks and one Statement of Recommended Practice have been adopted in Sri Lanka:

- SLFRSs – Mandatory for Specified Business Enterprises (SBEs) as per A&A Act (except the SBEs as prescribed by Extraordinary Gazette No. 1074/7 dated 7th April 1999).
- SLFRS for SMEs – Applicable for the entities which do not have public accountability and publish general purpose financial statements for external users. The list of SBEs that are stated in Section 1.1 of the aforesaid SLFRS has been scoped out from the application. Amendments to SLFRS for SMEs issued in 2015 are effective from 1st January 2016.
- SLFRS for Smaller Entities – Provides a further simple financial reporting standard which could be cost effectively used by smaller entities. The requirements stated in SLFRS for Smaller Entities recognise the size, level of complexity, availability of resources and their effect on cost effectiveness in the preparation and presentation of financial statements of smaller entities.
- Statement of Recommended Practice (SoRP) for NGOs/NPOs – Intended to apply to all NPOs operating in Sri Lanka, regardless of their size or complexity.

In addition, in order to address the timely practical issues faced by the business community, following pronouncements have been issued:

Pronouncement	Objectives	Name of the Pronouncements
Statement of Recommended Practices (SoRPs)	To provide guidance to the accounting professionals, on an issue faced by the industry, where the current SLFRSs do not address such transaction or event.	<ul style="list-style-type: none"> • Merger Accounting for Common Control Combinations. • SoRP for Not for Profit Organisations (including NGOs)
Statement of Alternative Treatments (SoATs)	To commend an alternate treatment, where SLFRSs prescribe another treatment to be followed in accounting for a particular transaction or event.	<ul style="list-style-type: none"> • Right-to-use of land on lease • SoAT on accounting for Super Gain Tax
Financial Reporting Guidelines	To provide further guidance or clarification on a particular transaction or event that would lead to provide transparent and comparable information in general purpose financial statements.	<ul style="list-style-type: none"> • Reinstatement of fully depreciated assets in the statement of financial position • Application of Deferred Taxation as per LKAS 12 Income Taxes (w.e.f. 1st January 2012) to entities enjoying a Tax Holiday period • Guidelines on valuation of property, plant and equipment, investment property and biological assets for the purpose of Financial Reporting • Guideline on Application of Tax Rates in Measurement of Deferred Tax • Guideline on Impairment of available-for-sale (AFS) equity investments

REVIEW OF THE YEAR – STANDARD SETTING COMMITTEES UNDER STATUTE

Following international pronouncements are also available in Sri Lanka as part of the Sri Lanka Accounting Standards:

- Interpretations of International Financial Reporting Interpretations Committee (IFRIC)
- Interpretations of Standing Interpretation Committee (SIC)

The main activities carried out during the year in relation to revision of Accounting Standards were as follows:

- (a) Issue of the SLFRS bound volume for the year 2017 which incorporates all of the latest standards based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and gazetting the changes from the previous bound volume.
- (b) Amendments to following existing SLFRSs which were gazetted during the year:
 - Annual Improvements to SLFRSs – 2016, that includes;
 - SLFRS 1 First-time Adoption of International Financial Reporting Standards (w.e.f. 1st January 2018)
 - LKAS 28 Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value (w.e.f. 1st January 2018)
 - SLFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the Standard (w.e.f. 1st January 2017)
 - Amendments to IAS 40 regarding transfers of investment property (w.e.f. 1st January 2018)
 - Amendments to SLFRS 9 and LKAS 28 (w.e.f. 1st January 2019)
- (c) SoAT on the figures in the Interim Financial Statements was issued and being gazetted during the year.
- (d) Financial Reporting Guideline on Impairment of Available-for-sale Equity Investments was issued during the year.
- (e) During the year Accounting Standards Committee has submitted comments to the below Exposure Drafts and discussion papers issued by the International Accounting Standards Board (IASB);
 - Annual Improvements 2015 – 17 cycle
 - Narrow Scope Amendments to IAS 16 Property, Plant and Equipment
 - Request for Information on IFRS13 Post Implementation Review

In addition, the Committee has provided its contribution in responding to the survey conducted by Asian-Oceanian Standard-Setters Group (AOSSG) on IFRS for SMEs.

- (f) Following pronouncements issued by the IASB were at the deliberation stage of the Committee as at 31st December 2017:

- Materiality Practice Statement
- IFRS 17 Insurance Contracts
- Exposure Draft on Definition of Material
- Exposure Draft on Accounting Policies and Accounting Estimates.

Auditing Standards Committee

SLAuS 2017 Bound Volume has been finalised and the changes to SLAuS to be effective for audits of financial statements for periods ending on or after 31st March, 2018 are being gazetted.

The International Auditing and Assurance Standards Board (IAASB) of International Federation of Accountants (IFAC) released its new and revised auditing standards that designed to significantly enhance Auditors Reports for investors and other users of financial statements. Consequently, Auditing Standards Committee recommended to the Council of CA Sri Lanka to adopt those changes.

These changes will substantively change the auditors reporting and there would be anticipated benefits such as enhanced communication between auditors and investor, increased user confidence in audit reports and financial statements, increased transparency, audit quality, and enhanced information value, increased attention by management and financial statement preparers to disclosures referencing the auditors report, renewed auditor focus on matters to be reported that could result in an increase in professional scepticism, enhanced financial reporting in the public interest which means improved auditors report will enhance the transparency in financial reporting as a whole.

- (i) During the year, Auditing Standards Committee responded to the below Exposure Drafts, discussion papers and other recent developments;
 - ED 540 – Auditing Accounting Estimates and Related Disclosures
 - Discussion Paper on Exploring the Demand for Agreed Upon Procedures Engagements and Other Services, and the Implications for The IAASB's International Standards
 - The Committee also had many deliberations on the new reporting standards including drafting guidance on the format of the report

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) has provided an annual grant of Rs. 2.5 mn as a subsidy to CA Sri Lanka to meet a part of the expenditure for the operation of the Standards Setting Committees. However, annual expenses on running the operations of the two committees along with the related activities are approximately Rs. 12 mn.

Excellence in Education
and Professional
Development

REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

It is evident that for professions, where a technical qualification is a must, a baseline qualification alone will not suffice to survive and thrive in such markets.

Adding to this existing challenge is the need to be in tandem with the giant steps the information technology is making, almost daily. Both, Accounting and Auditing professions have undergone a metamorphosis in the IT area, as acclimatising to new technological platforms is key, to an Accountant's or an Auditor's upward climb of the corporate ladder.

With these challenges as the key focus, the Institute took timely action to innovate its curriculum and provide several value-adding opportunities to its students and members, to help them remain relevant and dynamic, in their chosen field.

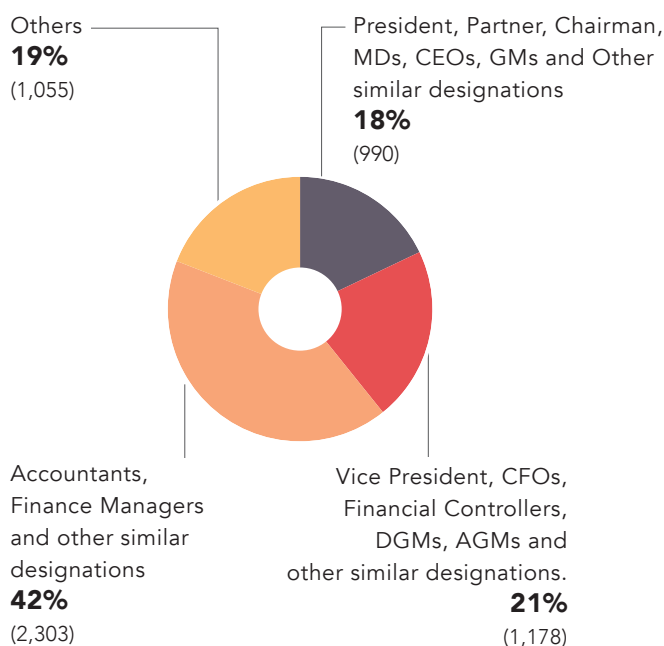
New Members

Annual Convocation

In 2017, the Associate Chartered Accountant (ACA) status was conferred to 291 new Chartered Accountants, joining a fraternity of over 5,200 existing members. This signifies the completion of their globally recognised professional qualification in Chartered Accountancy offered by CA Sri Lanka.

At the convocation, a total of 62 Associate Members were also granted Fellow (FCA) status. The Annual Convocation was held on 12th September 2017, at the BMICH, under the patronage of Mr. Rishad Bathiudeen, Minister of Industry and Commerce, Mr. Chandima Weerakoddy, Minister of Skills Development and Vocational Training and Mr. Lasantha Wickremasinghe, President of CA Sri Lanka.

Designation-wise Analysis of members



FCA Convocation

The Institute conferred 200 Chartered Accountants the Fellow (FCA) status at the 2016 Annual FCA Convocation held on 31st July 2017 denoting the attainment of the highest stratum as a member of the Institute.

The event was held at the auditorium of CA Sri Lanka under the patronage of Deputy Minister of National Policies and Economic Affairs, Dr. Harsha De Silva, Chairman University Grants Commission Prof. Mohan de Silva and CA Sri Lanka President, Mr. Lasantha Wickremasinghe.

Education

CA Sri Lanka Professional Qualification

Complexities of today's market place and organisations are further exacerbated by the challenge to change, at the speed change is taking place. Such an environment calls for the accounting and auditing professionals to remain relevant and dynamic and continually transforming to be useful in the progress and development of the people and the organisations that are served.

CA Sri Lanka is now in the process of developing a new curriculum aiming 2025. The Council approved to engage a new consultant to develop the new curriculum and also to setup a curriculum review task force for this purpose.

The objective of this revision is to make the CA qualification relevant to current and future needs of the businesses and to serve as an enhancement to the learning experience of our student body.

There are several activities in relation to improving the student contributions during the year under review. Some of them are as follows:

- **Exam Support Workshops**
Several Exam Support Workshops and three Train the Trainer sessions for Business and Corporate levels were conducted during the year.
- **Study Support Material Development**
Published 15 additional study support materials for Executive level in all three mediums. Issued eight Taxation Study materials for the Year of Assessment.
- **Exemptions for Prior Learning**
New exemptions were granted and reviewed the existing exemptions of Universities and Professional Qualifications.

REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

Learning Partners and Lecturers Accreditation

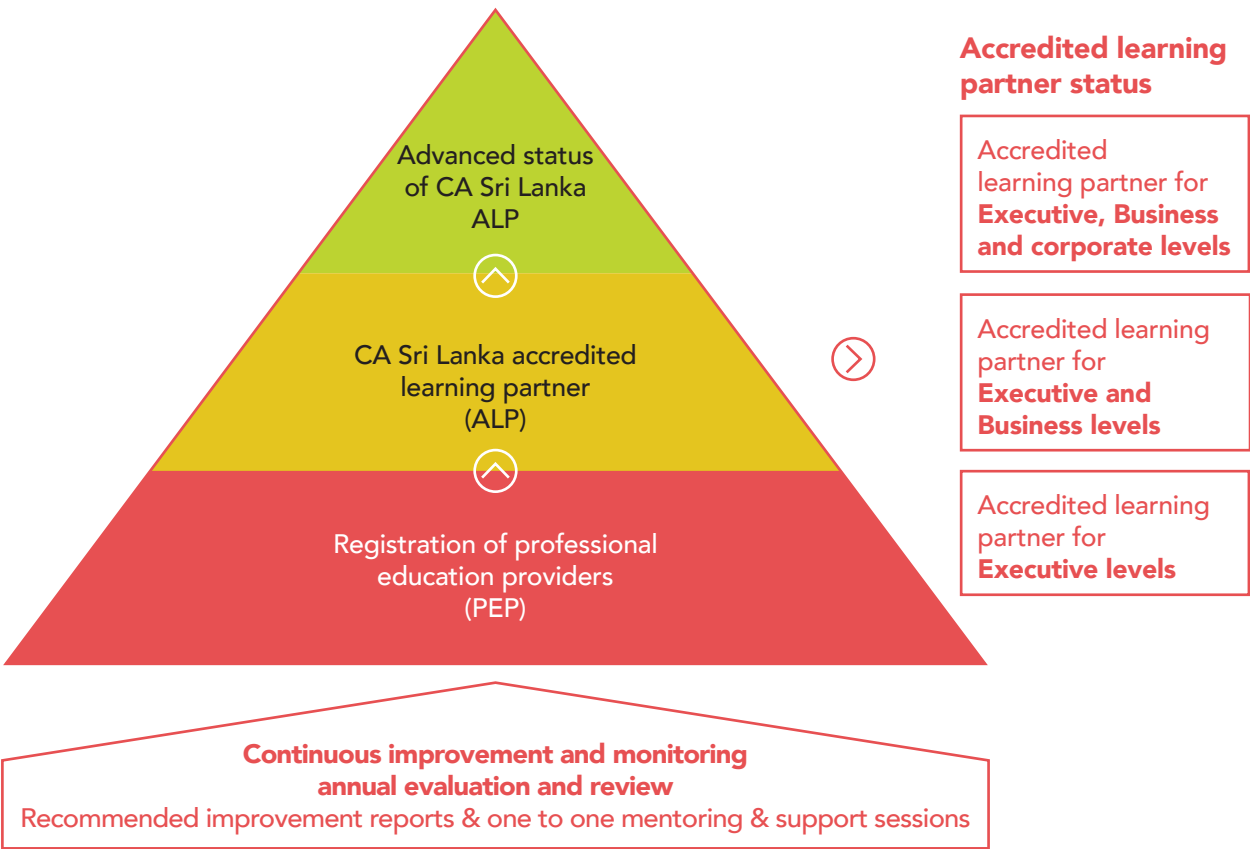
Learning Partners and Lecturers of CA Sri Lanka are the key pillars of professional education. They play a vital role in learner education and knowledge delivery processes. Therefore, CA Sri Lanka has initiated a process to Learning Partners and Lecturers to strengthen the quality assurance standards of knowledge delivery while recognising the contribution of our learning partners and lecturers who have been supporting immensely to uplift the standards of the CA professional qualification.

CA Sri Lanka Registered Professional Education Providers

The Professional Education Providers registered with CA Sri Lanka are increased to 23 by end of 2017 where as it was 17 by end of 2016.

CA Sri Lanka Accredited Learning Partners

CA Sri Lanka Learning Partners’ Accreditation Scheme was introduced in the Year 2016 and a total of 13 CA Sri Lanka Learning Partners for all three levels of Executive, Business and Corporate levels in curriculum 2015 were accredited by the year 2017:



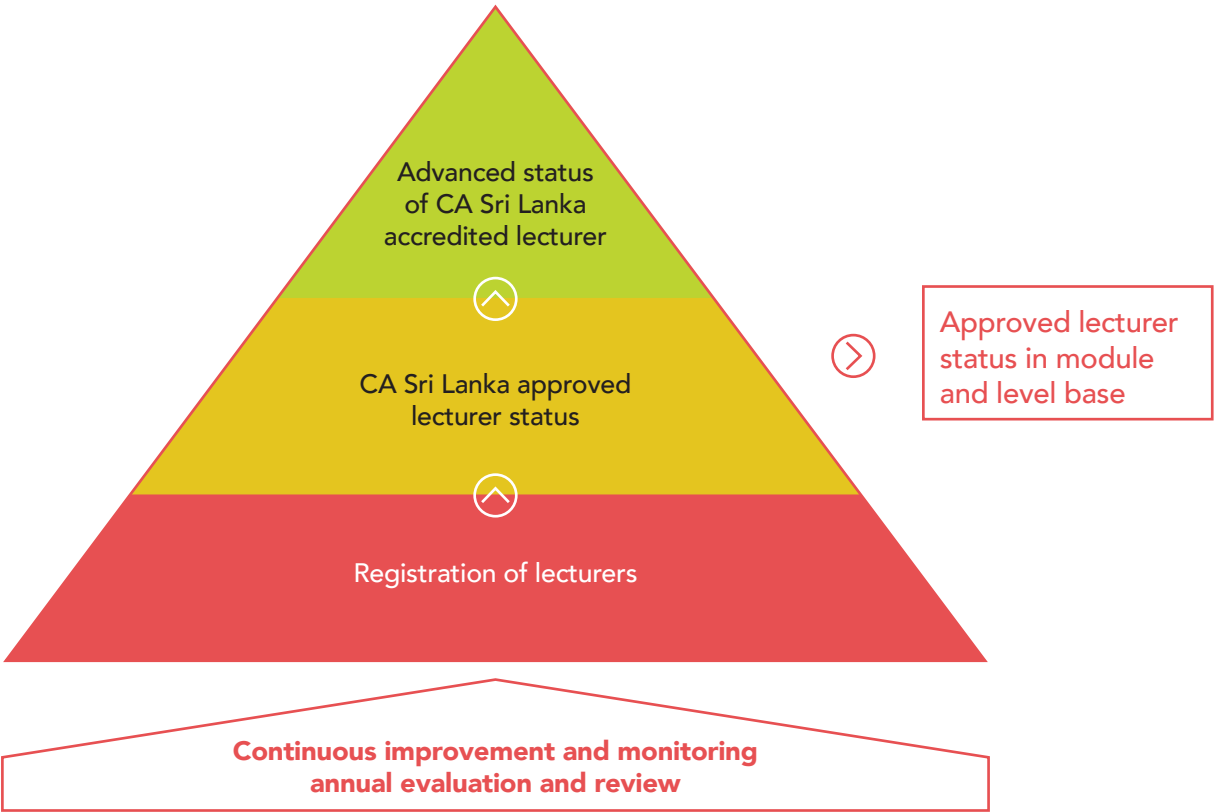
REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT



CA Sri Lanka accredited learning partners awarding ceremony.

CA Sri Lanka Registered Lecturers

The Institute introduced the Lecturers’ Accreditation Scheme in the Year 2017 and a total of 67 lecturers were registered during the year under review.



REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

Benchmarking of the CA Qualification by the National Recognition Information Centre for the United Kingdom (NARIC – UK)

The validity of CA professional qualification was further augmented when it was benchmarked by the National Recognition Information Centre (NARIC) of UK, to be on par with the Regulated Qualifications Framework (RQF) as per the UK education system.

Following an extensive review of the qualification, NARIC – UK, which is the national agency in the UK providing information and expert opinion on worldwide qualifications and skills, independently benchmarked the Associate Chartered Accountants (ACA) as comparable to the Regulated Qualifications Framework (RQF) Level 7.

The agency also benchmarked the Certified Senior Business Accountant (CSBA) at RQF Level 6, while the Certified Business Accountant (CBA) qualification was benchmarked at RQF Level 4.

National Recognition Information Centre for the United Kingdom NARIC – UK is part of a wider NARIC network in the Member States of the EU, the European Economic Area (EEA) countries and the associated countries in Central and Eastern Europe and Cyprus. It is also the UK National Agency in the wider European Network of Information Centres (ENICs), including countries such as Australia, Canada, New Zealand and the USA. It helps individuals and organisations understand qualifications and skills from across the globe, enabling pursuit of employment and education opportunities.

Reciprocal Arrangements and MOUs with Academic and Professional Bodies

CA Sri Lanka has entered into reciprocal arrangements with the Institute of Chartered Accountants in England and Wales (ICAEW) and CPA Australia by creating membership pathways for members while also uplifting the Institute's profile globally.

The Institute also signed a Memorandum of Agreement (MOA) with the Chartered Institute of Management Accountants (CIMA), UK during the Year 2017. The agreement paves way for CA members to obtain CIMA's CGMA designation and CIMA members to obtain the CA Sri Lanka membership.

CA Sri Lanka also renewed its Memorandum of Understanding with the ISACA Sri Lanka Chapter in July 2017.

During the year under review, CA Sri Lanka signed a Memorandum of Understanding with the Wayamba University, in an effort to enhance the cooperation between the two bodies which will pave way for the further development of the accounting profession in the country and the Institute also joined hands with the International Chamber of Commerce Sri Lanka (ICCSL) to jointly promote accounting as the preferred career choice among the students' population and the business community in the country.

Practical Training

An obvious need that arose from the revised curriculum, was the enhanced training needs to align with the knowledge and skill expansion, in that students were given the opportunity to gain practical experience alongside the theoretical knowledge. Revision took cognisance of the fact that, today's Chartered Accountant should not only possess the technical knowledge and professional skills, but must combine both these areas along with the desired values, ethics and the right attitude in delivery.

Concentrating, therefore, on a strong training culture, CA Sri Lanka conducted the Training Partners Programme during the year under review. Mr. Fayaz Saleem, Principal Consultant and Managing Director of Executive Search Ltd., addressed a total of 150 attendees at the Training Partners' Forum held in February 2017, on "Developing Personalities and Skills needed by a future Chartered Accountant".

A total of 3,279 students enrolled in the training agreements offered at three levels by end of 2017. A total of 920 trainees were afforded the opportunity of providing feedback on continuous assessment to the training supervisors, to identify and fix any gaps in the training schedules.



Mr. Fayaz Saleem addressing the audience of the training partner forum – 2017.

REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

Details of enrolments and training are given in the table below:

Category	Year	
	2017	2016
ACA Enrolment	291	310
CAB/CBA/CSBA Certificates	456	483
Approval of New Training Organisations		
– Public Practice Executive Level	14	3
– Public Practice Business and Corporate Level	4	6
– Non-Public Practice Executive Level	34	25
– Non-Public Practice Business and Corporate Level	16	14
Assessment of Trainees	920	1,100
New Training Agreements Registered	3,279	3,299

Online Module for Professional Values, Ethics and Attitudes

As of 1st July 2017, CA Sri Lanka introduced a web-based module for Professional Values, Ethics and Attitudes, which needs to be completed prior to applying for viva voce.

CA Sri Lanka expects training organisations to provide trainees with adequate opportunities to learn professional values, ethics and attitudes during the period of training consequently by the end of the training period, the trainees will be:

- Familiar with the Institute's Professional Code of Ethics
- Able to identify and analyse ethical issues likely to be encountered in their work environment
- Understand the procedure for resolving such ethical issues

Developing Language and Other Soft Skills

Multimedia English Language Centre

The Multimedia English Language Centre (MELC) of CA Sri Lanka with the core objective of enhancing the communication skills of CA students has been conducting skills development programmes at all three levels.

The Communication and People Skills programme that was introduced at the Executive Level can be highlighted as a vital component in upgrading students' Business English Skills as well as helping students gain academic success. Offered through approved Teaching Colleges of CA Sri Lanka island-wide since 2015, a total of 4,014 students have successfully completed this programme under the year reviewed. In the ever-evolving global business arena, there is a high demand for robust accounting professionals to be well rounded with necessary soft skills to prepare for a lucrative career. CA Sri Lanka in its continuous endeavour to provide the best to finance and accountancy professionals, has been offering Cambridge BEC Higher in collaboration with the University of Cambridge (ESOL) at the Business Level. The main objective of this programme is to equip the promising accounting professionals with the necessary communication skills to drive business accomplishments not only locally but also in the international arena more efficiently. In 2017, 633 students successfully completed this course at CA Sri Lanka.

CA Sri Lanka also partnered with the Cambridge Assessment English as an accredited exam centre of Cambridge University in conducting Cambridge BEC Higher exams. The examination process, therefore, has been made more efficient as both Paper Based and Computer-Based Exams have been introduced for the benefit of the students.

The soft skills programme at the Corporate Level is another significant programme that has been conducted to groom the prospective Chartered Accountants with the necessary career skills to gain professional success. It is significant that owing to the high demand, eleven such programmes were conducted for professionals, with a total of 257 participants.

Yet another valuable opportunity is the Student Best Speaker Contest, which provides students an important platform to hone their communication skills. In collaboration with the CA Toastmasters Club and the Gavel Club the Best Speaker Contest was held for the 5th consecutive year in 2017. The contest comprised of three stages namely; Preliminary, Semi-Finals and the Grand Finale where a total of 134 contestants vied for the title. All participants were trained on public speaking skills and facilitated them to building their confidence with their skills blossomed over a period of time through guidance and practice.

REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

IT Training

Information technology and its latest applications is a key component in today's global business world. As a Chartered Accountant, being up to date and competent with this aspect, is a mandatory criterion to achieve holistic success. With this in mind, CA Sri Lanka carried out compulsory IT training programmes during the year under review, for all levels. These training courses were further strengthened by programmes for professional development in information technology. In addition to the compulsory IT Training programmes a series of programmes for professional development was conducted.

The International Computer Driving License course, designed and approved by academic and international experts from around the world, was successfully conducted in the Year 2017. This, undoubtedly, allowed the participants the benefit of obtaining an internationally recognised certification and also helped them gain the necessary knowledge in the sphere of Information Technology.

During the year under review, the Diploma in Information System Security Control and Audit (DISSCA) was jointly conducted with the Institute of Chartered Accountants of India. This programme featured lecturers from Sri Lanka as well as India.

The MS Excel – Master Course for Accounting Professionals was among the most sought after programmes conducted for over 100 professionals.

During the year under review, the CA Sri Lanka IT faculty organised a "Discussion on Cybersecurity in the Apps Era: Securing an Interconnected World" which was presented by Mr. Sujith Christy. An evening Discussion on "Data Breach and Privacy" by Mr. Sumann Subramaniam was held in September.

The School of Accounting and Business

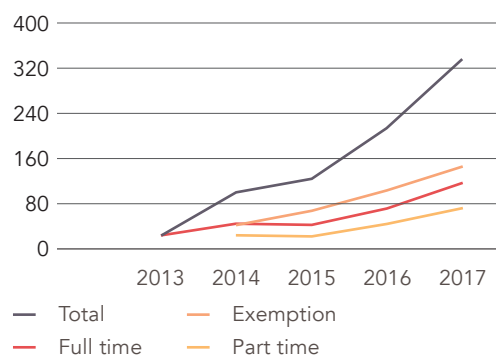
The School of Accounting and Business (SAB) which offers the BSc. (Applied Accounting) General and Special Degree programmes, continued to enjoy unparalleled successes including during the year under review with a significant number of student enrolments during the March and September 2017 intakes. The student population for the degree programme has grown to 708 students, within the past four years, since the degree was introduced.

On par with international standards in its content, the Degree has also gained accreditation from leading professional bodies such as the Association of Chartered Certified Accountants (ACCA) and Certified Practising Accountants (CPA) Australia. Further augmenting its value, Australian Universities, Deakin University and La Trobe University currently offer credit transfer opportunities to students who are reading for the CA Sri Lanka Applied Accounting Degree. Highlighting the theoretical value of the Degree and its acceptance locally, third and final year students are receiving practical experience, in some of the leading companies in Sri Lanka.

120 Graduates were conferred with the BSc. in Applied Accounting at the Annual Convocation held in December of 2017. The event was held under the patronage of Emeritus Prof. M W Wickramarachchi, University of Sri Jayawardenapura and a former council member of CA Sri Lanka.

Student enrolment – SAB

No.



Annual convocation of the SAB held in December 2017 at BMICH.

REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

Faculty of Taxation

The Faculty of Taxation assists members and those specialising in taxation to widen their knowledge while sharing their expertise in contributing significantly, towards the implementation of tax legislation.

In January 2017, the 21st Annual Tax Oration was conducted on the topic “Revenue Based Fiscal Consolidation Towards Sustainable Growth” by Dr. Indrajit Coomaraswamy, Governor, Central Bank of Sri Lanka, with a virtuous audience.

“Certified Tax Advisor – Study Guide 1 and 2” were published during the year which are used by Tax School participants as well as other students of the Institute.

As a response to the challenge faced by the professionals and students in seeking information and guiding principles on contemporary tax issues, seven Tax Seminars were conducted. These were in addition to the Budget Seminar held in November 2017, with expert contributions from an eminent panel of resource persons, representing the fields of Tax, Finance and Law.

CA Sri Lanka felicitated the newly appointed Commissioner General of Inland Revenue, Mr. Ivan Dissanayake in July 2017 with a large gathering of tax professionals. CA Sri Lanka also launched the “CA Sri Lanka Transfer Pricing Guidelines”, the first ever publication in this field.

School of Taxation

The Certified Tax Advisor (CTA) course conducted is among the most recognised tax advisor programmes in the country, which is complemented with the latest curriculum based on the Sri Lankan tax system as well as global tax trends. The main objective of the course which is offered at Awareness, Advisory and Application levels help to equip Tax Advisors with the necessary knowledge so that they can offer necessary tax advice to the tax payers, while contributing at a higher level to the legislature in formulating tax laws.

In January 2017, a total of 53 students graduated as Chartered Tax Advisors at the 2017 Convocation which was held under the patronage of the Commissioner General of Inland Revenue Ms. Kalyani Dahanayake. In addition, a group of another 32 candidates completed the exams successfully along with viva voce during the year while another 29 candidates completed CTA exams and are awaiting the viva voce.

In the year under review, three one day workshops were organised on Taxation as a thought-sharing platform geared to educate the Tax paying corporates.

Taxation Committee

CA Sri Lanka Taxation Committee, comprising 48 members who are in active taxation practice, held ten monthly meetings, with a view to resolving several taxation issues.

Business School

During the year 2017, the Business School commenced the Executive Diploma and the Postgraduate Diploma under the new curriculum, with special focus on strategy to enhance and educate corporate executives and business entrepreneurs about how value is created, measured, and continuously improved through accounting, finance, and strategic principles and best practices. Over 100 students followed the Postgraduate Diploma while over 60 followed the Executive Diploma.

The MBA programme, is seen as one of the most reputed and accepted programmes among members. It also attracted other professionals and contributed towards an increased number of professionals enrolling for the programme in the year 2017. The University of Southern Queensland confirmed an exemption for CA members from the IELTS requirement which increased registrations. The University reinstated the exemptions for a number of other qualifications such as CA, Postgraduate Diploma in Business, Finance and Strategy and CIM, enabling students a convenient academic pathway.

Executive Education is a key area of the CA Business School, training country's senior professionals including CEOs, CFOs, Directors, Heads of Finance and Senior Managers. The programmes which were conducted in partnership with University of Sussex – UK, La Trobe University – Australia and Indian Institute of Management – Bangalore, India were some of the key programmes for the year under review. These programmes were conducted under a wide range of subjects pertinent to the current corporate context.

The Certificate course in Forensic Accounting still proves to be one of the most demanded courses by finance professionals. CA Sri Lanka Business School trained over 60 professionals during the year.

REVIEW OF THE YEAR – EXCELLENCE IN EDUCATION AND PROFESSIONAL DEVELOPMENT

“The Next Generation CFOs” – a breakfast chat with Prof. P C Narayan, Indian Institute of Management – Bangalore, India is another example of a successful programme that saw the participation of over 75 senior professionals which was followed by a one-day workshop to deliberate the topic “The Emerging CFO – Financial Leadership” which was attended by middle level finance professionals.

Examinations

Supportive revision programmes for Executive, Business and Corporate Level examinations by way of webinars were continued throughout the year under review. A webinar series for Taxation at Corporate Level was commenced which positively impacted the pass rate of the CA examinations. Uploading of suggested answers to the CA Sri Lanka web were continued for all three levels of exams held during the year.

A special workshop was held prior to the June 2017 Corporate Level exam, to guide the students who were repeatedly unsuccessful in KC4 paper (Corporate Governance, Assurance and Ethics).

The Examination and Education Divisions jointly guided the subject lecturers of the Business and Corporate Levels. A training session was organised in June 2017 for the marking examiners prior to business and corporate level examination making session by the former Commissioner General of Examinations.

Two separate question papers for Law and Taxation at Executive Level were introduced instead of one combined paper. Simultaneously, the Executive Level examination was segmented as Executive Level 1 and Executive Level 2. This was to facilitate and enhance student morale and confidence in completing a single level. A centre was established at Bandarawela for Executive Level examinations, thus providing convenience for the students in the surrounding areas. The examination halls at the Institute were arranged for the final paper at Corporate Level, KC5 (Corporate Strategy and Contemporary Issues), deviating from the practice of hiring outside centres.

Conducting of Executive Level Communications and Peoples Skills examination (SE1) was taken over by the Examination Division from the third party company who provided the logistics for this exam since 2015. Three SE1 examinations were conducted successfully during 2017 and the Institute was able to gain a significant cost saving from the takeover.

Prize winners of the Executive, Business and Corporate Level examinations were awarded additional benefits under a new scheme. Free study packs and exemption from examination fees until the completion of the subject pillars, were among the benefits granted to them. The prize winners were also invited for a discussion with the President and the Vice-President, as a gesture to value their achievement and motivate them to move further in their studies.

Business Plan Competition

Arrangements are being underway to organise the CA Sri Lanka Business Plan Competition Season 3, 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 to Sri Lankan winning team to travel to Brisbane and compete in the BlueShift competition in Australia. The Competition will be organised in two rounds; regional and grand finale. Teams from Colombo, Kandy, Kurunegala, Gampaha, Galle and Jaffna will be taking part in this Competition.

Leadership Through Ideas and Influence

REVIEW OF THE YEAR – LEADERSHIP THROUGH IDEAS AND INFLUENCE

38th National Conference of Chartered Accountants

The National Conference of Chartered Accountants is one of the most sought after business summits in the country that attracts Chartered Accountants, including business leaders and high profile professionals, in changing the corporate landscape in the country.

During the year under review, the Institute organised its 38th National Conference from 25th to 27th October, which was inaugurated by Hon. (Dr.) Harsha De Silva, Deputy Minister of National Policies and Economic Affairs. The keynote speech was delivered by Dr. Binod K. Chaudhary, Chairman, CG Corp Global. “Agility in Leadership” being the theme of the Conference, which also consisted of two days of technical sessions, recorded an all-time high number of registrations having over 1,800 delegates.

The technical sessions were conducted by local and foreign speakers who are leaders in their own fields, and along the lines of the theme. The speakers at the conference included Prof. Sudhanshu Palsule, Mr. Tom Hood, Ms. Carmen Niethammer, Mr. Reyaz Mihular, Mr. Conrad Dias, Mr. D. K. Rajapaksa, and Mr. Michael Nugawela, who spoke on opening up their organisations to a world of opportunities. The inauguration was attended by Sri Lanka’s corporate glitterati, government officials, members from the diplomatic corp and finance professionals.

The live webcast feed of the conference proceedings drew around 260 registrations from Sri Lanka and overseas.



Dr. Harsha De Silva delivering his speech at the 38th National Conference of CA Sri Lanka.

53rd Annual Report Award Ceremony Organised by CA Sri Lanka

The Annual Report Awards competition organised by CA Sri Lanka is one of the most prestigious competitions in the country’s financial arena. Since its inception in 1964 the competition has set a remarkable benchmark in annual financial reporting. The competition aims to promote transparency, accountability, and social responsibility in financial reporting among organisations that produce an Annual Report.

The competition also aims to encourage effective communication to stakeholders through publication of informative annual reports, promoting effective presentation of financial and non-financial information, and compliance with legislative requirements.

This year, 134 organisations from small time community groups, blue-chip companies to conglomerates vied for honours at the competition. The theme at the 2017 competition was, “Quintessence of Eminence” which recognised the most cohesive, clear, and customised Annual Reports that best reflect an entity’s operation, whilst going beyond its financial performance.

The grand finale was held on 5th December 2017, at the Sirimavo Bandaranaike Hall, BMICH under the patronage of Hon. Ranil Wickremasinghe, Prime Minister of Sri Lanka, who graced the occasion as Chief Guest and Dr. Indrajit Coomaraswamy, Governor of the Central Bank as Guest of Honour. The grand finale saw an overwhelming participation of over 700 guests, comprising the country’s leading businessmen, Company Chairmen, CEOs, Directors, CFOs, as well as high-ranking government officials.

During the year, CA Sri Lanka published and issued the updated Guidelines for the presentation of Annual Reports 2017.



53rd Annual Report awards competition held in December 2017 at BMICH.

REVIEW OF THE YEAR – LEADERSHIP THROUGH IDEAS AND INFLUENCE

Inaugural Posthumous Awards

During the year under review, CA Sri Lanka Inaugurated the Posthumous Awards in recognition of the contribution made by the Founder Members of the Institute to recognise their outstanding contribution who have been instrumental in laying the foundation towards both the development of the Institute and the Accounting profession in the country.

CA Sri Lanka paid tribute to four founding members; the Institute's founding President Mr. L A Weerasinghe, the Institute's first elected President Mr. K Satchithananda, founding Council Member Mr. R S Wijeyesekera, and a founding member, Mr. M T L Fernando, by posthumously inducting them to the CA Sri Lanka Hall of Fame at a ceremony held during the 38th National Conference of Chartered Accountants in October 2017.

Hall of Fame

CA Sri Lanka also recognised two other eminent Chartered Accountants, Anthony Nirmal Fernando and Someswaran Thirunavukarasu by inducting them to the CA Sri Lanka Hall of Fame for the year 2017 in recognition of their exemplary contribution towards the development of the accounting profession, the business world and the country.

Research Initiatives – Inaugural Research Conference Conducted during the Year

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) held its first ever research conference on 20th December 2017, where corporate governance, sustainability assurance and forensic accounting which are deemed extremely relevant and important to the accounting profession in the current context was discussed and deliberated at length.

The research conference was held under the patronage of Professor Sampath Amaratunge, Vice Chancellor of the University of Sri Jayawardenapura, who was also the Keynote Speaker, while Professor Hitoshi Takehara, the Associate Dean of the Waseda Business School of the Waseda University – Tokyo, Japan was the Guest of Honour.

This one day conference also saw the launch of the Institute's inaugural journal of Applied Research, where six research papers penned by academics attached to leading universities in Sri Lanka and overseas gave their insights on corporate governance, sustainability assurance and forensic accounting.



Inaugural Research Conference held in December 2017.

International Recognition

International Federation of Accountants (IFAC)

IFAC is the global organisation for the Accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of over 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million Accountants in Public Practice, Education, Government service, Industry, and Commerce. CA Sri Lanka is a full membership of IFAC.

The members of CA Sri Lanka hold following positions in Boards and Committees of IFAC:

- Technical Advisor to the Chair of the Small and Medium Practices (SMP) Committee
- Chair – Professional Accountancy Organisation Development Committee (PAO Dev. Com.)
- Member, International Accounting Education Standards Board (IAESB)
- Member, International Ethics Standards Board for Accountants (IESBA)
- Member, the International Accounting Education Standards Board Consultative Advisory Group (IAESB CAG)

REVIEW OF THE YEAR – LEADERSHIP THROUGH IDEAS AND INFLUENCE

Confederation of Asian and Pacific Accountants (CAPA)

CAPA represents national professional accounting organisations in the Asia-Pacific region. CAPA has a membership of 32 accounting organisations in 23 jurisdictions. CAPA is by far the largest regional accounting organisation and its geographical area spans half the globe. CA Sri Lanka holds full membership of CAPA and holds Board Member position and Member of Public Sector Financial Management Committee (PSFMC)

South Asian Federation of Accountants (SAFA)

SAFA, an Apex Body of SAARC is a forum of Professional Accountancy bodies in the SAARC Region and is committed to positioning, maintaining, and developing the profession in its member countries and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region. CA Sri Lanka holds Board position and Board Technical Advisor positions in the SAFA.

The Committee on Accounting and Auditing Standards and Committee for Improvement in Transparency, Accountability, and Governance are chaired by members of CA Sri Lanka. CA Sri Lanka represented in the following SAFA committees:

- Committee on Education, Training and CPD
- Committee on Professional Ethics and Independence
- Committee on Quality Control
- Committee on Professional Accountants in Business
- Small and Medium Practices Committee
- Committee on Harmonisation of Fiscal and Tariff Regimes in SAFA Region
- Committee on Governmental and Public Sector Enterprises Accounting
- International Relations Committee
- Committee on NPOs and Cooperative Sector
- Task Force to Implement Basel-II Report in SAARC Countries
- Committee to Govern the Virtual Knowledge and Training Centre
- Task Force – Sustainable Development Goals (SDGs) and the Accountancy Profession
- Content Review Committee

SAFA Best Presented Annual Reports Awards

The SAFA BPA Awards for the “Best Presented Annual Reports”, is considered as the most prestigious accolade for financial reporting in the South Asian region and signifies SAFA’s recognition and reward for organisations in the region which have achieved excellence in presentation and disclosure of high quality, relevant, reliable, and objective financial statements.

The SAFA BPA awards involves judging the annual reports nominated by the Accounting bodies in India, Pakistan, Bangladesh, Nepal and Sri Lanka which are appraised under different categories on the basis of evaluation administered by SAFA’s committee for improvement in transparency, accountability and governance in an Annual Report.

A significant number of leading companies in Sri Lanka have won the prestigious SAFA BPA awards this year and the award ceremony was held in January, 2018 in Nepal.

Chartered Accountants Worldwide (CAW)

CAW brings together the members of leading organisations of Chartered Accountants to create a community of hundreds of thousands of Chartered Accountants in more than 200 countries, committed to promote the prestige of Chartered Accountants and the value they can offer to organisations. They advance the unrivalled capabilities that Chartered Accountants can offer to businesses, organisations, individuals, and communities around the world.

CAW continues to build Chartered Accountancy’s position as the professional designation of choice among business leaders, financial experts, and Accountancy specialists. CA Sri Lanka is an associate member of CAW.

The International Integrated Reporting Council (IIRC)

IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession, and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting. CA Sri Lanka is a member of IIRC.

Delivering Dynamic
and Proactive Service

REVIEW OF THE YEAR – DELIVERING DYNAMIC AND PROACTIVE SERVICE

CA Foundation

CA Sri Lanka awarded scholarships to 71 top performers at the GCE (A/L) Commerce and Science/Mathematics streams under the L A Weerasinghe Scholarship Scheme. Donations received at the National Conference were utilised to award 10 more scholarships.

Top 10 students in the island-wide category and the students who were district first in the Commerce stream at GCE (A/L) were offered full scholarships. Sixteen scholarships were also offered to Business Level Trainees, based on the income levels.

As such, the total number of scholarships awarded under CA Sri Lanka Scholarship Scheme amounted to 141, with the national conference scholarships during the year under review.

Category	2017	2016
GCE A/L Island Top 10 Scholarship Scheme	11	12
GCE A/L Island District 1st (Commerce) Scholarship Scheme	19	15
LA Weerasinghe Memorial Scholarship Scheme	71	64
Business Level Trainee Scholarship Scheme	16	40
Members/Other Sponsorship Schemes	14	49

CA Talent Scholarship fund

Inaugural CA Talent Scholarship award took place in 2017 to promote the CA qualification among the students from the non-commerce stream who have excelled in extra-curricular activities.

Student Services

During the year under review, CA Sri Lanka arranged one student Exchange Programme for eight students with the Institute of Chartered Accountants of India (ICAI). It was held in Pune, India.

CA Student Society

“Transmute to Transmute” was the theme of the 31st International CA Students’ Conference, held by the CA Student Society (CASS) on 5th April 2017, at the Cinnamon Lakeside in Colombo 2. Convened to discuss the requirement for continuous change, the conference drew some 650 students from Sri Lanka, India, Pakistan, Nepal, and Bangladesh.

This conference is a significant highlight in the CASS’s and boasts about the highest student attendance. The Ingenio 2016 Talent Show, Blood Donation Campaign, CSR Project, Awards Night, Sports Activities and the launch of “Fusion” Business Magazine, are some of the other activities of CASS that took place during the Year 2017.

Student Gavel Club

The Student Gavel Club is a platform that allows CA students to improve communication and leadership skills. The Club was instrumental in preparing three of its students to gain recognition as competent communicators by the Toastmasters International, post completion of the required speech projects.

Rotaract Club

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) launched a Rotaract Club in the presence of Rotary International President Ian Riseley. This was a Rotaract Club initiative taken by the President of the Rotary Club of Colombo East, Indrajith Fernando who is also a Past President of the Institute.

The CA Sri Lanka Rotaract Club will bring together CA members and students to exchange ideas, develop their leadership and professional skills while taking serving the community.

President of CA Sri Lanka Mr. Lasantha Wickremasinghe, President of the Rotaract Club Ms. Dinushki Heart, District Governor Ven. Dr. Bandagiriye Somawansa Thero, CA Sri Lanka’s former Council Member Mr N R Gajendran and Chief Executive Officer Aruna Alwis were also present at the launch.

Member Services

In order to fulfil routine and ad hoc requirements of the membership to their satisfaction, activities mentioned below were conducted.

- Issuance of Certificates and other specialised documents
- Promote and facilitate enquiries relating to reciprocal arrangements with CPA Australia, Institute of Chartered Accountants of England and Wales, and CIMA UK
- Publishing of the Directory of Members and Firms

The NFC enabled Identity Card issued to the membership carries the unique “tap and go” method at all events, thereby, updating the CPD within the same day, to maintain a current and relevant database.

CA Sri Lanka introduced Speech Craft programmes for new members. The programmes helped members to develop their soft skills and their personalities in order to climb the corporate ladder. A substantial number of new members benefitted through this programme.

REVIEW OF THE YEAR – DELIVERING DYNAMIC AND PROACTIVE SERVICE

Life Insurance Policy Exclusively for CA Members

A unique Life Insurance Cover coupled with an annual health check was introduced to the membership of the Institute, at an attractive premium and with a range of benefits. The cover gave the members the option of choosing between investment and purely utilising the benefits. The insurer has had a satisfactory number of inquiries from the membership.

Member Networking Events

Several social networking events were organised by the Member Relations Committee to create camaraderie among the membership, colleagues and friends. The relaxed atmosphere is an excellent forum where the accounting fraternity can network and interact, away from their work places. The Fellowship Dinner at Gärten's Ark in February 2017, was the first of its kind, all participants had a memorable time experience in the unique opportunity to dine in on the floating waters of Diyawanna Lake. To take time-off from their busy and tedious schedules, the Institute also organised Yoga classes for members at its premises.

Quiz Night

Member Quiz Night 2017 was held in July where eleven teams vied for the championship. Quiz Master Amrik Wilson conducted the competition which included 5 rounds with 10 questions each from areas such as Economics, Entertainment, Geography, Sports & International affairs. In a keenly contested competition, the "Team Challengers" emerged victorious.

The Abacus Magazine

"Abacus" magazine provides the CA Sri Lanka membership with current topical and analytical material, ranging from accounting to one-on-one interviews with industry leaders. CA Sri Lanka's primary stakeholder base, which is its membership, is the valued target audience for this magazine, which had three issues published in 2017. The magazine also reached the organisations in the corporate sector.

Overseas Chapters

Out of a 5,526 CA membership, substantial number of members reside overseas, spreading across over 30 countries, with Europe, Middle East, South Asia, Australia and the United States taking the lead. Several CA Sri Lanka Chapters are in existence to further support the members based overseas. These chapters help share diversity of experience in working in those regions while building inter-relationships among the membership distribution. Several CA Sri Lanka overseas chapters including in Bahrain, Qatar, Kuwait, and the UAE cater to the professional needs of our overseas membership.

E-learner for Practising Members

During the year, the E-learner module was developed internally in our Learning Management System (LMS) and launched to facilitate the new practicing members and the members who have not renewed their practicing certificate for a consecutive period of three years. The main objective of this initiative was to provide a single location for the members in practice to update their technical knowhow and access all the necessary resources useful for their practice.

Certified Business Accountant (CBA)

CBA faculty has a firm foundation for a rewarding career at entry to middle level of an Organisation. This gives an impetus to progress further in career and subsequently become a fully-fledged Chartered Accountant. Holder of a CBA has the choice of serving in Sri Lanka or moving overseas to any public or private sector organisation, with the technical knowledge they possess in the field of accountancy.

Focus was on enhancing soft skills with programmes conducted to upgrade English Language and leadership skills among the CBA Faculty members. To augment the performance of their employment requirements efficiently, training programmes in Microsoft Excel were also conducted.

A large number of members of the CBA Faculty, participated in the educational events organised by the CBA Faculty which was offered to the members free of charge. The CBA Toastmasters' Club, which is the most active unit of the CBA Faculty, had the Toastmaster 4th Installation Ceremony during the month of August.

CPD

CPD is an integral part of the professional framework for CA members in that it is not only a way of maintaining relevancy of technical knowledge and ensuring members remain professional; it is also a way of enhancing and developing knowledge and expanding the competencies of members in their capacity as professionals. The existing CPD framework is reviewed in sufficient frequency as CA Sri Lanka's commitment towards the continuous improvement of CPD activities.

CA Sri Lanka was fully-committed in meeting all membership obligations of IFAC. In keeping with this premise CA Sri Lanka launched the revised CPD guide in 2017, drawn in compliance with the requirement of IFAC.

The CPD process was restructured in addition to providing CPD activities to the benefit of the CA membership. The CPD Governance Policy was developed to encourage members to identify development opportunities across the six professional dimensions that is in line with International Education Standards (IES).

REVIEW OF THE YEAR – DELIVERING DYNAMIC AND PROACTIVE SERVICE

The quarterly CPD E-statement for members was further developed to provide the members an accurate update of the individual CPD status. Also the improved monthly “CPD Event Calendar” was another initiation that enabled the members to receive updates on the list of CPD accredited programmes offered at CA Sri Lanka on a regular basis. Additionally, the CPD hour allocation for technical committees at CA Sri Lanka was streamlined providing the committee members an opportunity to obtain CPD hours on all technical aspects despite the nature of the committees.

The CPD Committee continuously explored ways to collaborate with local and international resources including subject matter experts to deliver high quality seminars, workshops, panel discussions and webinars. During 2017, CA Sri Lanka has conducted 81 CPD accredited programmes, allowing CA members to obtain 380.5 CPD hours throughout the year in a wide range of subject areas including Taxation, Business, Marketing, Leadership, Accounting and Finance, IT, Audit and Assurance, Financial Management, Corporate Strategy, Finance Strategy, etc.

A number of new initiatives were introduced in 2017 to enhance the professional knowledge and skills of the CAs to perform the role of a “Professional Accountant”. The launch of the CPD Online Academy was a highlight this year, which allowed our members to enhance their knowledge and earn the required CPD hours necessary for their membership in convenience at their desk. Furthermore, CPD Online Academy partnered with Accounting CPD, a renowned UK organisation who offers over 150 courses to help our members enhance their knowledge on pertinent topics in relation to their professional progression. During the year 2017, the CPD Online Academy offered a wide range of subjects with over 30 CPD hours.

The “Nurturing Aspirations”, mentoring programme for young CAs was conducted again in 2017 which attracted over 75 young members and 15 distinguished Chartered Accountants, who played the role of mentors. The purpose of the programme was to assist the new CAs to develop their soft skills, improve their professional performance and to help them elevate their standing as Chartered Accountants.

Young Chartered Accountants Forum (YCAF)

YCAF is a platform for young members to network and develop their leadership and entrepreneurship skills towards becoming smarter professionals.

During the year under review, YCAF organised monthly knowledge forums focusing on timely topics such as cyber security, digital business and entrepreneurship and share investments. The Year 2017 started off with the YCAF Fun Drive – A Day of Entertainment with friends and family. Further, the “Young Peacemakers of Sri Lanka” – a peer mediation workshop was conducted in partnership with Oxford Psychometrics as research reveals that productivity is enhanced in organisations where effective mediation takes place.

During the year under review, the forum also organised the “YCAF Pirates Night 2017” – which was the Annual Freshers’ Eve organised for the new members. The evening was organised to help new members to mingle and network with new, junior and senior fellows of their own profession.

A career guidance workshop was held addressing critical aspects such as CV writing and facing interviews, which was followed by a panel discussion by Young Chartered Accountants who are corporate executives and entrepreneurs. Not forgetting its contribution towards the society, the Committee organised “Christmas with Children” where an evening was spent with the children at Vajira Child Development Centre. The responses by way of contribution was overwhelming. YCAF also initiated the hosting of 32 delegates from the Association of Chartered Accountants of Nepal.

Toastmasters’ Club

The first half of 2017 was an enthralling time for the CA Sri Lanka Toastmasters’ Club. Achieving the “Distinguished Club” status at Area, Division and District levels, this time could be documented as the culminating glory of the Club, under the able leadership of President Mr. Jayanath Herath.

Many novel ideas were presented at the eleven themed meetings held during the first half of the year. “Healthy Lifestyle”, “Wastage” and “New Year” were among the themes adopted for the meetings. New Year meeting was celebrated in a cultural theme, with attire and games to complement the theme.

To expand its network, the Club had joint meetings with BCIS Toastmasters’ Club, Lions Toastmasters’ Club and PLC Toastmasters’ Club. Further, it held its first ever outdoor meeting to provide its members with a unique experience. The Club elected Toastmaster Sathiyaseelan Suhashini as its new President for the year 2017/18 (July 2017 to June 2018). The theme selected by her for the year “Every Moment Matters” was revealed at the 11th Installation Ceremony of the Club. The event was graced by Mr. Jagath Perera – The Vice-President of CA Sri Lanka as the Chief Guest and Mr. Reyaz Mihular – Managing Partner of KPMG as the Keynote Speaker.

CA Sri Lanka Flag was raised high, when TM Sameera Giragama of CA Sri Lanka. Toastmasters’ Club won the first place in the Humorous Speech Contest at Area Level and represented the Club at Division Level. TM Anuradha Bandara became the second runner-up in the Evaluation Contest held at Area Level.

REVIEW OF THE YEAR – DELIVERING DYNAMIC AND PROACTIVE SERVICE

TM Suhashini and her team continued to organise numerous themed meetings, “Back to Childhood”, “Colours of Life” and “Fashions”, being some of the themes. For the first time in the history of Toastmasters’ Accountants joint meeting was initiated and hosted by the CA Sri Lanka Toastmasters’ Club accommodating CIMA Sri Lanka Toastmasters’ Club, CMA Toastmasters’ Club, AAT Toastmasters’ Club and CBA Toastmasters’ Club. Energetic members represented our Club at the Members cricket fiesta organised by the member relations committee of CA Sri Lanka. Further, a members’ day out was arranged to Kandy followed by a joint meeting with Hill Capital Toastmasters’ Club in Kandy in December 2017.

The Club continued to conduct speech craft programmes for the new members and two such programmes were conducted during this period with the immense support of TM Thivanka Jayasinghe – Chairman, Member Relations Committee.

Members’ Benevolent Society

Boasting of a history of 34 years, a member base exceeding 1,125 and members’ funds of over Rs. 60 mn, the Members’ Benevolent Society (MBS) continues to cater to the needs of both MBS members as well as CA members.

While providing financial assistance to members, the Society also focuses on organising events that promote members’ welfare and provides a platform for networking amongst members and families. MBS provides financial assistance to needy CA members to cover medical and other health-related expenses, death donations and benefits under the insurance scheme to active MBS members, while investing and maintaining a healthy return on the membership funds.

The Society organised several events for the welfare of the membership and their families during 2017. Guest lectures were carried out providing valuable insights into “Adults Urine Problem”, “Refractive Errors”, “Cataract”, “Glaucoma”, “Computer Vision Syndrome”, “Diabetes”, “Eye Problem in Children” “Enhance Your Bottom Line with Implementing of ERP”, and “Practical Application of Good Governance”.

The New Year event organised for the fifth consecutive year catered to over 450 members and family members, providing them with an opportunity to interact with fellow Chartered Accountants. The Society organised a Medical Camp.

A Members’ Day outing with a large number of members and their families in attendance. The third CSR project organised was held at Diyakaduwa Kanishta Vidyalaya, Matugama, a school which was heavily affected by the floods. School books, and many other school equipment were distributed among students.

Under the leadership of the Society’s New President, Mr. Gamalath and the new Committee of Management, the Members Benevolent Society is planning on increasing its services to its membership.

Information and Communication Technology

Our primary aim is to deliver strength, advantages to members we attempt to provide opportunities for innovative and cost effective use of technology.

IT Training modules and communication skills at the executive level are hosted in Learning Management Systems (LMS).

A CD containing Sinhala and Tamil glossary of terms equal to those in the English accounting glossary terms was developed.

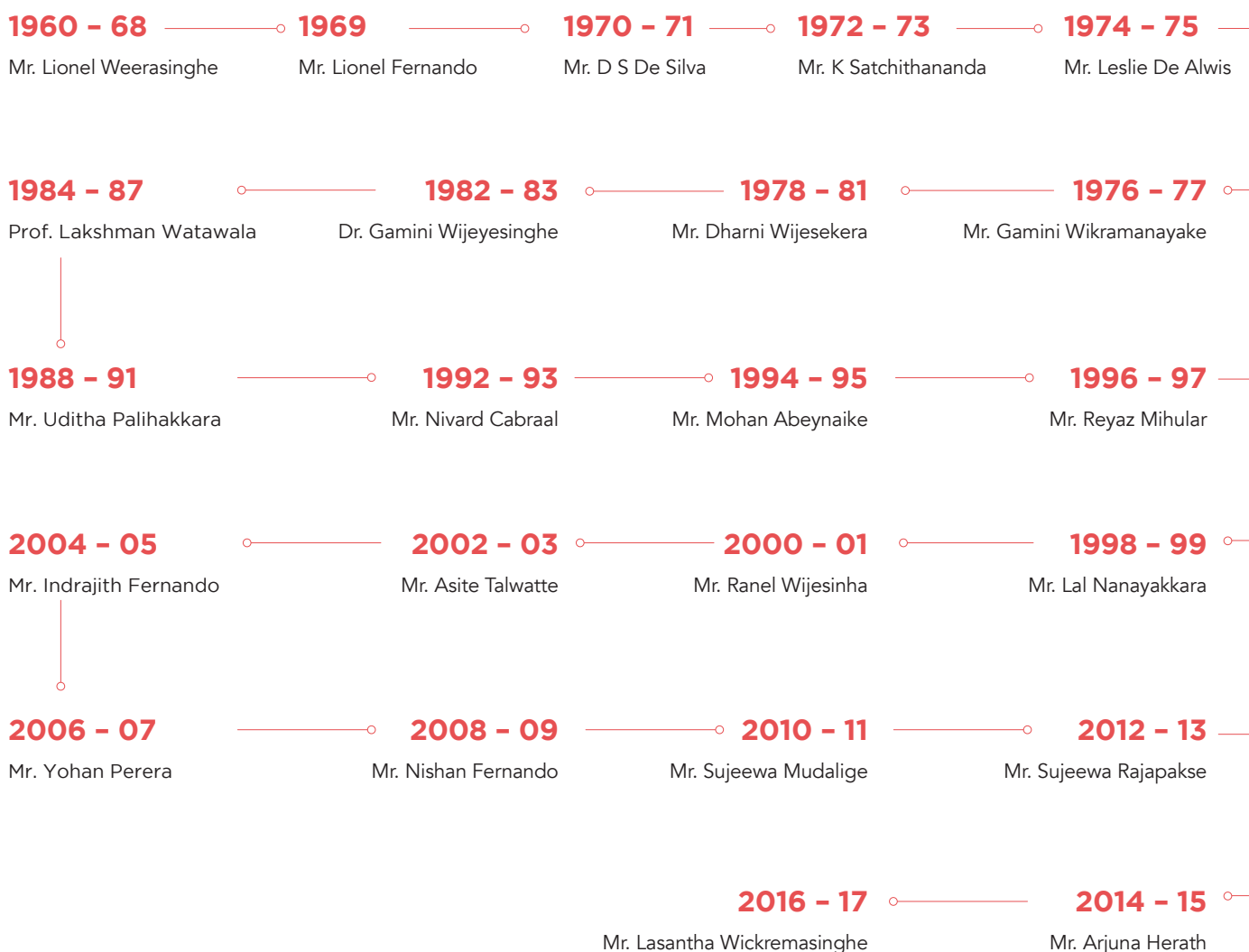
Also implemented and deployed a Transfer Pricing Data Base in collaboration with Capitaline India for the benefit of members. It further implemented an online document management system via MS Share Point to facilitate document repository in compliance with various legislation and requirements such as Right to Information Act (RTI).

Library

The CA Sri Lanka’s Library is a vital knowledge resource base 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 initiative to digitalise all annual reports of listed companies.

STEWARDSHIP – PAST PRESIDENTS



STEWARDSHIP – THE COUNCIL



STEWARDSHIP – THE COUNCIL

Mr. Manil Jayesinghe
FCA, FCMA (UK), CPFA (UK)

Mr. N R Gajendran
FCA, FCMA

Mr. Gamini Wijesinghe
FCA, MA (Econ.), BSc. (Pub. Ad.) (Sp.)

Mr. Laknath Peiris
FCA, Attorney-at-Law, Passed
Finalist CIMA (UK)



Mr. Lasantha Wickremasinghe
FCA, FMAAT

Mr. S Abdul Azeez
FCA, ACMA

Mr. Chaaminda Kumarasiri
FCA, FMAAT, ACMA, FCCA,
MBA (Finance) (Col.), BSc.
(Accy.) Sp. 1st Class (Sri J'Pura)

Mr. Dulitha Perera
FCA, FCMA

STEWARDSHIP – COUNCIL MEMBERS' PROFILES

Mr. Jagath Perera

FCA, BSc. (Bus. Admin.) Sp., CFE (USA)

President and Partner, KPMG Sri Lanka and Maldives

He serves on three committees of the South Asian Federation of Accountants (SAFA); Professional Ethics and Independence Committee, Small & Medium Practices Committee and the Sustainability Development Goals SDGs Task Force. Member of the Public Sector Financial Management Committee of the Confederation of Asia Pacific Accountants (CAPA). Director of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB). Chairman of the Remuneration Committee, Nomination Committee and Student Enrolment and Counselling Committee. Commission Member of the Securities and Exchange Commission of Sri Lanka. Member of the Board of Directors of Postgraduate Institute of Management (PIM).

Mr. Manil Jayasinghe

FCA, FCMA (UK), CPFA (UK)

Vice-President and Partner, Ernst & Young

Mr. Jayasinghe is a member of the International Accountancy Education Standards Boards of the International Federation of Accountants (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 South Asian Federation of Accountants (SAFA). Member of the Exemptions and Reciprocal Arrangements Committee, Financial Reporting Standards Implementation and Interpretation Committee and Curriculum Review Task Force, Member of the Auditing Standards Committee, Chairman of the Accounting Standards Committee. Ex-Officio member to the Governing Council of CMA Sri Lanka. He also serves as the Chairman of the Finance and Administration Committee and International Relations Committee of CA Sri Lanka.

Mr. Lasantha Wickremasinghe

FCA, FMAAT

Immediate Past President

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

Member of the Board of Directors of South Asian Federation of Accountants (SAFA), Member of the Board of Directors of Confederation of Asia Pacific Accountants (CAPA), Member of Governance and Audit Committee (CAPA). Director of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB). Technical Advisor to the Chairperson of the SMP committee of the International Federation of Accountants (IFAC). Member to the Governing Council of the Sri Lanka Institute of Advanced Technological Education (SLIATE), Board Member to the *Api Wenuwen Api* Fund and Skills Development Fund Ltd. Consultant to the Audit Committee of Board of Investment of Sri Lanka and Financial Advisory Committee member of Sri Lanka Cricket. Mr. Wickremasinghe also serves as the Chairman of the Past Presidents' Guild and Infrastructure and Facilities Management Committee.

Mr. Gamini Wijesinghe

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

Auditor General, Auditor General's Department

Mr. Kapila Atukorala

FCA, ACMA

Partner Kreston MNS & Co.

Mr. Atukorala serves as Chairman of the Education Committee at CA Sri Lanka

Mr. S Abdul Azeez

FCA, ACMA

Chief Executive Officer, AZ Associates

Mr. S M S Sanjaya Bandara

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

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

Member of Committee on Quality Control of South Asian Federation of Accountants (SAFA). Mr. Bandara also serves as the Chairman of the Member Relations Committee and Chairman, Board of Management of the School of Accounting and Business of CA Sri Lanka.

Mr. N R Gajendran

FCA, FCMA

Partner Gajma & Co.

Mr. Gajendran is the Chairman of the Regulatory Reforms Review Committee of CA Sri Lanka.

Mr. Duminda Hulangamuwa

FCA, FCMA (UK), LL.B (London)

Partner, Ernst & Young

Mr. Hulangamuwa is the Chairman of the World Bank Report on the Observance of Standards and Code (ROSC) – Steering Committee.

Mr. Chandrasiri Kalupahana

FCA, FMAAT, FCPM

Group Chief Internal Auditor – Sri Lanka Telecom PLC

Mr. Kalupahana serves as the Chairman of the Business School Committee of CA Sri Lanka. Past President of the Benevolent Society of CA Sri Lanka. A Committee member of the Finance & Administration Committee of CA Sri Lanka.

STEWARDSHIP – COUNCIL MEMBERS' PROFILES

Mr. Chaaminda Kumarasiri

FCA, FMAAT, ACMA, FCCA, MBA (Finance) (Col.), BSc. (Accy.) Sp. 1st Class (Sri J'Pura)

Chairman – H C P Consulting (Pvt) Ltd.

Mr. Kumarasiri serves as the Chairman of the Curriculum Development Task Force of CA Sri Lanka.

Mr. Heshana Kuruppu

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

Group Chief Financial Officer – David Peiris Holdings (Pvt) Ltd.

Member of the Committee on Professional Accountants in Business of South Asian Federation of Accountants (SAFA). Mr. Kuruppu also serves as the Chairman of the CPD Academy, Journal Committee and Annual Report Awards Committee.

Mr. Mohamed Aslam Omar

FCA

Managing Director – Phoenix Ventures Ltd.

Mr. Aslam Omar serves as the Chairman of Entrepreneurship and Leadership Development Committee of CA Sri Lanka.

Mr. Laknath Peiris

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

Managing Partner, PLC Law Chambers

Board Member of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB). Chairman of the Media and Communication Committee of CA Sri Lanka.

Mr. Dulitha Perera

FCA, FCMA

Partner, KPMG

Vice-President of The Organisation of Professional Associations of Sri Lanka. Mr. Perera is the Chairman of the Student Training and Skills Development Committee and the National Conference Committee of CA Sri Lanka.

Mr. Tishan Subasinghe

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

Member of the Committee on NPOs and Co-operative Sector of South Asian Federation of Accountants (SAFA), Chairman of the Committee for Improvement in Transparency, Accountability and Governance (SAFA). Mr. Subasinghe serves as the Chairman of the Examinations Committee at CA Sri Lanka and Exemptions and Reciprocal Arrangements Task Force.

STEWARDSHIP – MANAGEMENT TEAM

Secretary's Division

Mr. Aruna Alwis
Secretary/Chief Executive Officer

Ms. Keshini Sumanasekera
Legal Officer

Administration and Events

Mr. Thushara Yasaratna
Manager –
Administration & Events

Mr. Nishantha Pushpakumara
Deputy Manager Events

Association of Public Finance Accountants

Mr. Ananda Amarawansa
Consultant – Public Sector

Business School

Ms. Niroshi Siriwanza
Head of Business School

Ms. Nabeeha Siddique
Deputy Manager – Business School

Ms. Sajani Kariyawasam
Deputy Manager – CPD

Education Division

Dr. Nagalingam Nagendrakumar
Head of Education and Training

Ms. Lakmini Perera
Deputy Manager – Education

Mr. Aruna Rupasinghe
Deputy Manager – Education

Training Division

Ms. Kalani Ariyaratne
Deputy Manager –
Training

Examinations Division

Examination

Mr. Prasanna Liyanage
Director Examinations

Examinations – Technical

Mr. W W G Dayananda
Consultant – Examinations

Ms. Yashodha Kulawardhana
Manager –
Examinations (Technical)

Ms. Harini Vimukthi Mahanama
Manager –
Examinations (Technical)

Ms. Thilini Nadeesha
Manager/Pillar Coordinator

Examinations – Operations

Mr. Suresh Ranasinghe
Manager –
Examinations (IT)

Ms. Thashitha Wijesinghe
Deputy Manager – Examinations

Finance Division

Ms. Hemanthi Kevitiyagala
Head of Finance

Ms. Janani Danansuriya
Accountant

Mr. H D S Priyantha
Asst. Accountant

Ms. Bagya Godage
Asst. Accountant

ICT Division

Mr. Asanka Upamal
Head of ICT

Mr. Roshan Ruvendra
Manager – ICT

Mr. Nirosha Illangasinghe
Systems and Database
Administrator

IT Training Division

Mr. Asanka Weerasooriya
Manager – IT Training

Ms. Maheeka Basnayake
Deputy Manager –
IT Faculty

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

Prof. Sanath Dhammika
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

Technical Division

Mr. Lakshman Athukorala
Technical Consultant/Advisor

Ms. Nilangi Dilrukshi
Manager – Technical

Ms. Saumya Madhubashini
Manager – Technical

Ms. Shakthi Karunanathan
Manager – Technical

Ms. Diluka Pathirana
Manager – Technical

Ms. Pranadhi Fernando
Manager – Technical

Ms. Karen Senanayake
Manager –
Public Information

STEWARDSHIP – GOVERNANCE

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 1st March 2017 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 – 2016/17

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 (GAC)

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 two Council members. 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 committees. 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 2017, 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.

STEWARDSHIP – GOVERNANCE

Committees of the Institute – 2017

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	Dayananda Wijesekera
Operational Support			
Operational Review Committee	Jagath Perera	Manil Jayesinghe	Hemanthi Kevitiyagala
Member Relations Committee	Thivanka Jayasinghe	Naleen De Silva	Senaka Abeyakoon
CPD Committee	Heshana Kuruppu	N R Gajendran	Niroshi Siriwanasa
Professional Accountants in Business Committee (Up to April 2017)	Channa Gunasekera		Nilangi Dilrukshi
Student Training and Development Committee	Dulitha Perera	Gerard Suares	Kalani Ariyaratne
Urban Schools and Non-Commerce Stream Student Promotions Committee	Coralie Pietersz	Dulitha Perera	Sujeewa Munidasa
Education and Curriculum Development Committee	Kapila Atukorala	Sanjaya Bandara	Lakmini Perera
Exemptions and Reciprocal Arrangements Committee	Nishan Fernando		Lakmini Perera
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 October 2016)	Omar Fatha Rally/Heshana Kuruppu		Niroshi Siriwanasa
Taxation Committee	Denzil Rodrigo	Hiranthi Rathnayake	Nandani Abrew
Corporate Governance Committee	Asite Talwatte	Sujeewa Mudalige	Karen Rubera
Library and Journal Committee	Shan Shanmuganathan	Thivanka Jayasinghe	Senaka Abeyakoon
ICT and Process Improvement Committee	Priyanka Jayathillake	Sanjeewa Bandaranayake	Asanka Upamal

STEWARDSHIP – GOVERNANCE

Committee	Chairman	Alternate Chairman	Secretary
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	Ananda Amarawansa
Financial Reporting Standards Implementation and 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	Pranadhi Fernando
Annual Report Awards Committee	Sanjaya Bandara	Dulitha Perera	Shakthi Karunanathan
Lifetime Achievement and Hall of Fame Committee	Mohan Abeynaike		Aruna Alwis
Task Forces			
Strategic Planning Implementation and Review Committee	Lasantha Wickremasinghe	Jagath Perera	Aruna Alwis
Quality Assurance Board	Tissa Bandaranaike	Deva Rodrigo	Pranadhi Fernando
Integrated Reporting Council	Asite Talwatte	Suresh Gooneratne	Karen Rubera
SMP Capacity Building Task Force	Somasiri Munaweera	Sanath Fernando	Pranadhi Fernando
SLFRS Education Committee	Sanath Fernando	Shamira Hadgie	Shakthi Karunanathan
ICT Project Steering Committee	Lasantha Wickremasinghe	Priyanka Jayathillake	Asanka Upamal
World Bank ROSC Steering Committee	Lasantha Wickremasinghe		Saumya Madubashini
Faculties			
Taxation Faculty	Duminda Hulangamuwa	Shamila Jayasekara	Nandani Abrew
Audit Faculty	Yohan Perera	Manil Jayasinghe	Diluka Pathiranage
IT Faculty	Ashane Jayasekara	Sujatha Nadsan	Mahika Basnayake
Certified Business Accountants Faculty	Somasiri Munaweera		Senaka Abeyakoon

STEWARDSHIP – GOVERNANCE

Committee	Authorised Representative
Committees in which Members Served as Ex-officio Members	
Accounting Standards Committee	Manil Jayasinghe (Chairman) Shamura Hadgie (Alternate Chairperson) Nilangi Dilrukshi (Secretary)
Auditing Standards Committee	Suren Rajakarier (Chairman) Sanath Fernando (Alternate Chairman) Diluka Nadeeshani (Secretary)
Sri Lanka Accounting and Auditing Standards Monitoring Board	Lasantha Wickremasinghe Arjuna Herath Jagath Perera
Securities and Exchange Commission of Sri Lanka	Jagath Perera
Postgraduate Institute of Management	Jagath Perera

Committee	Chairman/President	Alternate Chairman/ Vice President	Secretary/Treasurer
Other Societies and Associations of the Institute			
Practicing Chartered Accountants Forum	I B Dickson Jayasinghe	Gamini Uduwara Arachchi	V Sivagurunathan S L A S Dias
Members' Benevolent Society	Bannet Gamlath	Kapila Ranasinghe/ W D L Dushmantha	T A Kariyawasam Gamini Samarasekara
Young Chartered Accountants Forum	Vindya Cooray	Jani Ganeshan	J.M. Fazeer Thilini Nadeesha
Toastmasters' Club	Jayanath Herath	Suhashini Sathyaseelan	Chanaka De Silva Noel Bandaranayake
CA Students Society	Asanka Senevirathna	Kaushalya Sammani	Kasun Gayantha Rajendran Prasath
Students Gavel Club	Gayan Jayaweera	Amali Udayangani	Maryam Mohideen Sahmi Saly
Association of Public Finance Accountants of Sri Lanka	V Kanagasabapathy	Gamini Wijesinghe	Ananda Amarawansa

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 and Initiatives approved by the Council.

STEWARDSHIP – GOVERNANCE

Attendance at Council Meetings

Given below is the Council members' attendance at the Council meetings held during 2017.

Name	Scheduled Meetings	
	Attended	Held
1. Mr. Lasantha Wickremasinghe (President)	25	26
2. Mr. Jagath Perera (Vice President)	25	26
3. Mr. Arjuna Herath (Immediate Past President)	12	26
4. Mr. Nishantha Kapila Atukorala	23	26
5. Mr. S M S Sanjaya Bandara	14	26
6. Mr. N R Gajendran	13	26
7. Mr. Thivanka Jayasinghe	18	26
8. Mr. Manil Jayasinghe	19	26
9. Mr. V Kanagasabapathy	17	26
10. Mr. Heshana Kuruppu	19	26
11. Mr. Laknath Peiris	9	26
12. Mr. Dulitha Perera	22	26
13. Ms. Coralie Pietersz	16	26
14. Mr. Asoka Peiris	11	26
15. Mr. Tishan Subasinghe	21	26
16. Mr. Gamini Wijesinghe	1	26

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 Annual Report Task Force look into the presentation and disclosure of the Annual Report. The Governance and Audit Committee (GAC) reviews and submits the financial statements to the Council for approval and publication.

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

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.

Periodic Reporting Requirements

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

Monthly financial statements 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.

STEWARDSHIP – REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE

The GAC consists of six 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
- Recommend 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 Mr. D V Dayarathna, Chartered Accountant, who commenced the audit of the financial statements of the Institute.

Meetings of Governance and Audit Committee

The GAC meetings held for the year ended 31st December 2017 under the Chairmanship of Mr. R N Asirwatham are given as follows:

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

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

28th March 2018

Colombo

STEWARDSHIP – RISK MANAGEMENT

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, implications and the risk mitigating measures in place.

Risk Element	Implications	Mitigating Measures
Reputational Risks		
R/1 Curriculum becoming irrelevant	Negative impact on employability of new members Decrease in demand for the qualification Lack of new products being introduced and existing products not being upgraded	Revising and reviewing the curriculum every five years. Fulfilling IFA, IES requirements and achieve competency in areas defined. Ongoing monitoring and continuous improvements to the CA Sri Lanka curriculum and other learning programmes Accreditation of syllabus by global bodies Close monitoring by the Council and committees Periodic market research on the demand and acceptance of the qualification
R/2 Poor conduct of members	Loss of brand reputation Loss of market share Poor employability of members	Code of Conduct and Ethics, and Ethics Committee Monitoring CPD compliance CPD seminars and Accounting and Auditing Standards seminar series focusing on new developments in the field of accounting Audit tool kit, training programmes and workshops
Operational Risks		
O/1 Student experience	Failure to meet student expectations Failure to provide the range and structure of courses that meet the expectations of student/ poor product offering Failure to meet teaching quality and standard of facilities up to the expectations of the students	Customer satisfaction surveys Ongoing monitoring and continuous improvements to the curriculum and services Improved communication with schools, colleges and industry Monitoring and supervision of the operation by the committees and Management Continuous review of student service functions Establishment of a call centre Review of the quality of teaching and infrastructure of teaching colleges by Education Committee Registration of teaching colleges towards accreditation

STEWARDSHIP – RISK MANAGEMENT

Risk Element	Implications	Mitigating Measures
O/2 Substandard exam delivery standards	Failure to meet exam delivery standards Inaccurate assessment of student performance at examination	Closely monitoring of operations by the Examination Committee Clearly laid down operational procedures and internal controls for conducting examinations System and physical access controls Post-exam reviews with students and lecturers Policies and procedures manual Regular training for paper setters and examiners
O/3 Substandard HR practices	Failure to attract staff of good calibre and standing Failure to develop and retain high quality staff Failure to adhere to employment legislation and standards of good practice Risk of dependency on key managerial persons	Periodic review of remuneration packages Periodic appraisal process Review of unfilled positions Monitoring staff turnover rates Review of exit interview reports Review of working environment Regular review of policies and procedures Monitoring and timely payment of statutory levies
O/4 Instability of IT systems	Disruption to IT systems Disruption to teaching and/or support services Failure to provide accurate and complete information (operational and student /member management) Disruption to support services Damage to reputation	ICT Committee supervision IT disaster recovery plan in place and regularly tested Audit reports on IT security Regular penetration audits Regular review of current and future requirements
Financial Risks		
F/1 Weak financial management and internal controls	Failure to meet financial liabilities Failure to achieve financial targets Fraud and theft Exceptional increase in expenditure	Diversify sources of income to decrease reliance on any one source Budgeting controls Operational Review Committee supervision System of internal controls Internal audit/External audit

FINANCIAL REPORTS

Statement of Responsibility of the Management – 60

The Report of the Auditor – 61

Statement of Financial Position – 62

Statement of Comprehensive Income – 64

Statement of Changes in Funds and Reserves – 65

Statement of Cash Flows – 66

Notes to the Financial Statements – 68

F B Lander Prize Fund – 99

Cyril E Begbie Memorial Prize Fund – 100

FINANCIAL REPORTS – STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The financial statements comprise the Statement of Financial Position ('SOFPI'), Statement of Comprehensive Income ('SOCI'), Statement of Changes in Funds and 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 (SLFRSs and LKASs) 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.

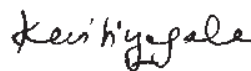
All significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Governance and Audit Committee. We confirm that, to the best of our knowledge, the financial statements and other financial information included in 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. D. V. Dayarathna, ACA, B. Sc. (B.Ad).



Aruna Alwis
Secretary/Chief Executive Officer



Hemanthi Kevitiyagala
Head of Finance

FINANCIAL REPORTS – THE REPORT OF THE AUDITOR

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 2017, 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 2017.

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

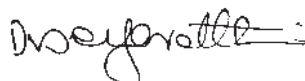
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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, 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



D.V. Dayaratna
Chartered Accountant
Colombo

28th March 2018

FINANCIAL REPORTS – STATEMENT OF FINANCIAL POSITION

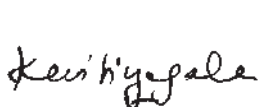
As at	Notes	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Assets			
Non-current assets			
Property, plant and equipment	3	1,202,568	555,265
Intangible assets	4	28,233	48,709
Library books	5	704	1,455
Loans and advances to staff	6	11,336	18,932
Held to maturity financial assets	7	71,517	274,265
Available for sale financial assets	8	36,019	34,547
Total non-current assets		1,350,377	933,173
Current assets			
Inventories	9	16,306	24,437
Receivables	10	49,401	57,905
Loans and advances to staff	6	7,762	9,716
Held to maturity financial assets	7	586,136	209,286
Cash and cash equivalents	11	95,011	101,710
Total current assets		754,616	403,054
Total assets		2,104,993	1,336,227
Funds and liabilities			
Accumulated fund and reserves			
Accumulated fund		1,040,010	948,151
Government grant		699,000	–
AFS reserve		(2,346)	(4,479)
Total accumulated fund and reserves		1,736,664	943,672
Funds and grants			
Designated funds	12	35,773	30,633
Restricted funds and grants	13	17,172	17,654
Endowment funds	14	1,958	2,117
Total funds and grants		54,903	50,404

FINANCIAL REPORTS – STATEMENT OF FINANCIAL POSITION

As at	Notes	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Non-current liabilities			
Retirement benefit obligation	15	27,821	31,821
Total non-current liabilities		27,821	31,821
Current liabilities			
Payables	16	85,040	79,265
Income tax liability	17	79	80
Receipts in advance	18	166,191	184,766
Deferred Income		23,544	23,238
Bank overdrafts	11	10,751	22,981
Total current liabilities		285,605	310,330
Total liabilities		313,426	342,151
Total funds and liabilities		2,104,993	1,336,227

The accounting policies and notes on pages 68 to 98 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.



Hemanthi Kevitiyagala
Head of Finance



Aruna Alwis
Secretary/Chief Executive Officer

Signed for and on behalf of the Council.



Jagath Perera
President
Colombo



Manil Jayasinghe
Vice-President

28th March 2018

FINANCIAL REPORTS – STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Notes	2017 Rs. '000	2016 Rs. '000
Income	19	756,261	752,389
Expenditure	19	(357,215)	(356,819)
Net income before employee costs and overheads		399,046	395,570
Other income			
Other operating income	20	6,027	4,241
Operating income		405,073	399,811
Overhead expenses			
Employee costs	21	(217,601)	(207,988)
Maintenance of premises	22	(35,312)	(40,420)
Depreciation and amortisation	23	(76,693)	(68,195)
Other expenses	24	(39,584)	(48,547)
Total overhead expenses		(369,190)	(365,150)
Net operating income		35,883	34,661
Grants and other restricted funds	13.1	4,801	21,858
Related expenditure of grants	13.2	(1,667)	(18,726)
Contribution to designated funds	12	(16,047)	(12,913)
Transfers to restricted funds and grants	13.1	(1,389)	(4,657)
Contribution to endowment funds	14	(204)	(172)
		(14,506)	(14,610)
Finance income	25	74,414	51,230
Finance cost	26	–	(127)
Surplus for the year before Government grant		95,791	71,154
Government grant	3.2	699,000	–
Surplus for the year before tax		794,791	71,154
Income tax	27	(7,060)	(5,018)
Surplus for the year after tax		787,731	66,136
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value changes on available for sale investments	8	2,133	(1,630)
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plan actuarial gain/(loss)	15.1	3,128	(1,450)
Total comprehensive income		792,992	63,056

The accounting policies and notes on pages 68 to 98 form an integral part of these financial statements.

FINANCIAL REPORTS – STATEMENT OF CHANGES IN FUNDS AND RESERVES

	Accumulated fund	Government grant	Capital expenditure reserve	Available-for-sale reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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
Balance as at 1st January 2017	948,151	–	–	(4,479)	943,672
Surplus for the year after tax	787,731	–	–	–	787,731
Land received as government grant	(699,000)	699,000	–	–	–
Actuarial gain on defined benefit obligation	3,128	–	–	–	3,128
Fair value changes on available for sale investments	–	–	–	2,133	2,133
Balance as at 31st December 2017	1,040,010	699,000	–	(2,346)	1,736,664

Government grant received from the Democratic Socialist Republic of Sri Lanka as further explained in note 3.2.

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 transferred to accumulated fund during the year 2016 due to the completion of major building upgrading projects.

The accounting policies and notes on pages 68 to 98 form an integral part of these financial statements.

FINANCIAL REPORTS – STATEMENT OF CASH FLOWS

For the year ended 31st December	Notes	2017 Rs. '000	2016 Rs. '000
Cash flow from operating activities			
Surplus for the year before tax		794,791	71,154
Adjustments for;			
Depreciation and amortisation	23	79,864	71,739
Reimbursements and amortisation of restricted funds and grants	13	(4,801)	(21,858)
Contribution to designated funds	12	16,047	12,913
Transfers to restricted funds and grants	13	1,389	4,657
Contribution to endowment funds	14	204	172
Provision for defined benefit plan	15	6,731	5,995
(Profit)/loss on disposal of property, plant and equipment	20	(10)	(123)
Work in progress written off	4	-	1,050
Amortisation of pre-paid staff cost	21	3,816	2,480
Interest expense	26	-	127
Finance income	25	(74,414)	(51,230)
Government grant	3.2	(699,000)	-
Operating surplus before working capital changes		124,617	97,076
(Increase)/decrease in inventory	9	8,131	4,011
(Increase)/decrease in receivables	10	8,504	8,384
(Increase)/decrease in loans and advances to staff	6	9,550	(5,603)
Increase/(decrease) in payables	16	5,775	(6,790)
Increase/(decrease) in deferred income		306	7,176
Increase/(decrease) in receipts in advance	18	(18,575)	17,158
Cash generated from operations		138,308	121,412
Tax paid	17	(1,511)	(1,296)
Gratuity paid	15	(7,603)	(3,432)
Net cash inflow from operating activities		129,194	116,684

FINANCIAL REPORTS – STATEMENT OF CASH FLOWS

For the year ended 31st December	Notes	2017 Rs. '000	2016 Rs. '000
Cash flows from/(used in) investing activities			
Acquisition of property, plant and equipment and library books	3,5	(3,169)	(24,768)
Acquisition of intangible assets	4	(3,771)	(2,741)
Investment in held to maturity financial assets	7.1	(535,750)	(470,750)
Maturity proceeds received from held to maturity financial assets	7.1	392,426	329,844
Proceeds on disposal of property, plant and equipment		10	327
Finance income received		34,931	31,692
Net cash flow from/(used in) investing activities		(115,323)	(136,396)
Cash flows from/(used in) financing activities			
Donations received to designated funds	12	27	3
Receipts to restricted funds and grants	13	5,093	11,700
Donations received to endowment funds	14	91	–
Payments made from designated funds	12	(10,934)	(10,218)
Payments made from restricted funds	13	(2,163)	(954)
Payments made from endowment funds	14	(454)	(45)
Proceeds received/(settlements made) on borrowings		–	(1,709)
Net cash flow from/(used in) financing activities		(8,340)	(1,223)
Net increase/(decrease) in cash and cash equivalents		5,531	(20,935)
Cash and cash equivalents at the beginning of the year		78,729	99,464
Derecognition of cash and cash equivalents of APFASL		–	200
Cash and cash equivalents at the end of the year	11	84,260	78,729

The accounting policies and notes on pages 68 to 98 form an integral part of these financial statements.

FINANCIAL REPORTS – NOTES TO THE 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 30A, 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 28th March 2018.

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 the members.
- Regulation and supervision of student education and training.
- Activities on matters of public interest.

1.4 Going concern

Financial statements have been prepared on the assumption that the Institute is a going concern. The Council have made an assessment of the Institute's ability to continue as a going concern in the foreseeable future. Furthermore, The Council is not aware of any material uncertainties that may cast significant doubt upon the Institute's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Institute. Therefore, the financial statements continue to be prepared on the going concern basis.

1.5 Financial period

The financial period of the Institute represents a twelve month period from 1st January 2017 to 31st December 2017.

1.6 Accounting for 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 (CA Sri Lanka) in 2012, to enhance the capacity of public sector financial management professionals. Both CA Sri Lanka and IPFDA have equally contributed Rs. 10 mn as initial investment for this project. In terms of Paragraph 5.9 of the Articles of Constitution of APFASL, on the occasion of dissolution, the fund will be either be spent for collective welfare purpose or be granted towards any good cause as the general membership feels best.

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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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	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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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

Depreciation on property, plant and 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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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 equivalents.

(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 (EIR) method and is recognised in the statement of comprehensive income. 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 the 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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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 reflects 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 as 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 on the statement of financial position until income is recognised.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

2.2.3 Provisions

A provision is recognised in the statement of financial position, when 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 increments 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 2017. 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.

(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 for 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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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 Sri Lanka examinations and undergoing Business level training.
• CA Sri Lanka Scholarship Funds	
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) Reserves

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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

The Institute has accounted the following funds and grants as restricted funds and the purpose of such funds and grants are elaborated as follows:

Name of the restricted fund	Purpose
Needy students' scholarship funds	
• CA Sri Lanka UK Members' Scholarship Fund	
• Dalton Wijeyeratne Memorial Scholarship Fund	
• Prof. Y A D S Samaratunga Memorial Fund	
• Prof. Kodagoda Memorial Fund	
• Members' Scholarship Fund	
• PricewaterhouseCoopers Scholarship Fund	
• Mr. Sanjaya Bandara Scholarship Fund	Help deserving and promising students to realise their future ambition of becoming a Chartered Accountant
• Mr. Chandradasa Liyanage Scholarship Fund	
• Mr. A L B Brito Mutunayagam Memorial Scholarship Fund	
• Pelwatta Sugar Industries Ltd. Fund	
• CA Qatar Chapter Scholarship Fund	
• Ernst & Young Scholarship Fund	Institute administrates the scholarships granted to Ernst & Young trainees
• Miss. Inoka Gunaratne Memorial Fund	Help deserving and promising students
Grants	
• World Bank Grant – IRQUE project	Capacity building project
• 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
• Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant	Promulgating accounting and auditing standards
• PricewaterhouseCoopers Grant – Human Resources Information System	Provided the HRIS developed by PricewaterhouseCoopers as a free grant to the Institute
• Ernst & Young SME Grant	Provide training on audit tool kit for small and medium practices
Other restricted funds	
Best annual report competition fund	
• Deshabandu Albert Page	To encourage excellence in the presentation of information in annual reports. Awards are presented to the winners annually.
• Late Mr. Cyril Gardiner	Categories under which the awards are presented are as follows:
• 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

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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 Cabraal Fund	
• Reyaz Mihular Fund	
• D R Settinayake Memorial Fund	
• ADE 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	

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

The Institute's 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

2.3.4.1 Revenue grants

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.

Government grants for non-monetary assets are recognised when there is reasonable assurance that the grant will be received and all attached conditions have been complied with.

The method adopted for accounting for Government grant is income approach, where the grant relating to non-depreciable asset is recognised in the statement of comprehensive income.

Fair value is treated as deemed cost of the land at the date of the recognition of Government grant given in the financial statements.

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 the 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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

(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) Gains/Losses from sale of property, plant and equipment:

Net gains and losses on the disposal of property, plant and equipment are 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 is 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.

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.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

(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 "Statement of Cash Flows". Cash and cash equivalents as referred to in the statement of cash flows are comprised 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 and 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
- LKAS 28 – Investments in Associates and Joint Ventures
- Amendments to SLFRS 2 – Share-based Payments
- Amendments to SLFRS 4 – *Insurance Contracts* : Applying SLFRS 9 Financial Instruments with SLFRS 4 – *Insurance Contracts*

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

- SLFRS 16 – *Leases*

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

	Land	Buildings	Furniture	Plant and machinery	Motor vehicles	Computers	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost							
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 1st January 2017	–	507,029	96,898	134,764	12,282	67,832	818,805
Land granted by the Government *	699,000	–	–	–	–	–	699,000
Additions	–	–	1,206	660	–	950	2,816
Disposals	–	–	–	–	–	(48)	(48)
Balance as at 31st December 2017	699,000	507,029	98,104	135,424	12,282	68,734	1,520,573
Accumulated depreciation							
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 1st January 2017	–	77,263	48,357	74,164	10,648	53,108	263,540
Depreciation charge for the year	–	18,618	8,329	21,316	770	5,480	54,513
Disposals	–	–	–	–	–	(48)	(48)
Balance as at 31st December 2017	–	95,881	56,686	95,480	11,418	58,540	318,005
Carrying Amounts							
As at 31st December 2017	699,000	411,148	41,418	39,944	864	10,194	1,202,568
As at 31st December 2016	–	429,766	48,541	60,600	1,634	14,724	555,265

3.1 The cost of fully-depreciated assets as of 31st December 2017 amounted to Rs. 123 mn. (2016: Rs. 75 mn). Further fully-depreciated assets amounting to Rs. 48,000/- have been disposed during the year.

*3.2 The land on which the Institute's buildings are situated is a Government grant to the Institute under the hand of His Excellency the President Maithripala Sirisena.

This grant amounting to Rs. 699 mn received on 17th March 2017 is at the valuation done by the Government Chief Valuer. The land is situated at 30A, Malalasekara Mawatha, Colombo 07 with a land extent of 174.76 perches. This grant needs to be utilised for the provisions under Section 2 sub-schedule 1 and 2 of the State Land Ordinance as stated in the Presidential grant No. 4/10/22311 dated 17th March 2017.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

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 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 1st January 2017	20,294	4,277	78,026	231	102,828
Additions	976	663	53	2,079	3,771
Capitalised during the year	–	–	275	(275)	–
Balance as at 31st December 2017	21,270	4,940	78,354	2,035	106,599
Amortisation					
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
Balance as at 1st January 2017	15,918	3,205	34,996	–	54,119
Amortisation for the year	1,946	673	21,628	–	24,247
Balance as at 31st December 2017	17,864	3,878	56,624	–	78,366
Carrying Amounts					
As at 31st December 2017	3,406	1,062	21,730	2,035	28,233
As at 31st December 2016	4,376	1,072	43,030	231	48,709

5. Library books

As at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Balance at the beginning of the year	1,455	1,510
Additions	353	1,407
Depreciation	(1,104)	(1,462)
Balance at the end of the year	704	1,455

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

As at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
6. Loans and advances to staff		
Receivable within one year	7,762	9,716
Receivable after one year	11,336	18,932
Total	19,098	28,648
7. Held to maturity financial assets		
Maturity within one year – FDs	556,304	151,533
– Bonds	29,832	57,753
	586,136	209,286
Maturity after one year – FDs	–	172,297
– Bonds	71,517	101,968
	71,517	274,265
Total	657,653	483,551
7.1 Movement during the year		
Balance as at 1st January	483,551	328,718
Investments made during the year	535,750	470,750
Maturities during the year	(392,426)	(329,844)
Net interest for the year	56,110	35,292
Net interest received	(25,332)	(21,365)
Balance as at 31st December	657,653	483,551

Investments in FDs include Rs. 25 mn 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	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Maturity after one year		
Balance as at 1st January	34,547	36,778
Interest for the year	3,090	3,150
Coupon interest received	(3,751)	(3,751)
Fair value changes	2,133	(1,630)
Balance as at 31st December	36,019	34,547

Investments in Treasury Bonds have been made through state owned-banks with a credit rating of AA+.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurement

The Institute uses Level 2 inputs in the valuation hierarchy as per SLFRS 13 in determining and disclosing the fair value of assets and liabilities by valuation techniques:

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

As at 31st December 2017 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 2 Rs. '000
Available for sale financial assets	31.12.2017	36,019

As at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
-------	------------------------	------------------------

9. Inventories

Study packs and study materials	8,179	13,602
Publications	4,240	5,094
Stationery, consumables and others	3,887	5,741
Total	16,306	24,437

10. Receivables

Receivables – Lead sponsors	11,000	16,000
– Event sponsors	6,750	11,500
– Courses and other	19,543	17,497
Deposits and prepayments	5,334	5,700
Prepaid staff cost	2,960	4,542
Advances	3,814	2,666
Total	49,401	57,905

11. Cash and cash equivalents

Favourable balances

Treasury bill repurchase agreements	45,014	53,000
Cash at banks	49,896	48,425
Cash in hand	101	285
Total	95,011	101,710

Unfavourable balances

Bank overdrafts	(10,751)	(22,981)
Total cash and cash equivalents for the purpose of statement of cash flows	84,260	78,729

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

12. Designated funds

12.1 Summary

	Notes	Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Designated scholarship funds	12.2	27,384	12,987	27	(10,934)	29,464	27,384
Other designated funds	12.3	3,249	3,060	–	–	6,309	3,249
Total designated funds		30,633	16,047	27	(10,934)	35,773	30,633

12.2 Designated scholarship funds

L A Weerasinghe Memorial Needy Scholarship Fund		12,440	1,042	27	(3,081)	10,428	12,440
Merit Scholarship Fund		6,896	2,050	–	(3,777)	5,169	6,896
CA Sri Lanka Scholarship Funds		8,048	9,895	–	(4,076)	13,867	8,048
Total designated scholarship funds		27,384	12,987	27	(10,934)	29,464	27,384

	Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
12.3 Other designated funds						
Faculty of Taxation Fund	615	59	–	–	674	615
Faculty of Auditing Fund	594	57	–	–	651	594
Publication Fund	385	37	–	–	422	385
Urgent Issues Task Force Fund	422	40	–	–	462	422
Audit Quality Assurance Fund	1,233	2,867	–	–	4,100	1,233
Total other designated funds	3,249	3,060	–	–	6,309	3,249

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. During the year 2017 interest amounting to Rs. 2,866,890/- has been transferred to Audit Quality Assurance Fund.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

13. Restricted funds and grants

13.1 Summary

	Notes	Balance as at 1.1.2017 Rs. '000	Transfers to funds Rs. '000	Grants/ Donations received Rs. '000	(Reimbursements & Amortisation) Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Grants	13.2	2,497	–	3,100	(4,767)	–	830	2,497
Other restricted funds	13.3	7,281	694	–	(34)	–	7,941	7,281
Restricted scholarship funds	13.4	7,876	695	1,993	–	(2,163)	8,401	7,876
Total restricted funds and grants		17,654	1,389	5,093	(4,801)	(2,163)	17,172	17,654

13.2 Grants

	Notes	Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Grants received Rs. '000	(Reimbursements) Rs. '000	(Amortisation) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
World Bank grant - IRQUE project	13.2.1	1,966	–	–	–	(1,217)	749	1,966
World Bank grant – Strengthening The Institute of Chartered Accountants of Sri Lanka	13.2.2	145	–	–	–	(110)	35	145
PricewaterhouseCoopers grant	13.2.3	340	–	–	–	(340)	–	340
Ernst & Young SME grant	13.2.4	46	–	–	–	–	46	46
		2,497	–	–	–*	(1,667)*	830	2,497

Revenue grants

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) grant	13.2.5	–	–	2,500	(2,500)	–	–	–
Government grant	13.2.6	–	–	600	(600)	–	–	–
Total grants		2,497	–	3,100	(3,100)	(1,667)	830	2,497

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2017 Rs. '000	2016 Rs. '000
Grants – Total expenditure		
World Bank grant – Strengthening The Institute of Chartered Accountants of Sri Lanka	110	111
World Bank grant – IRQUE project	1,217	1,232
PricewaterhouseCoopers grant	340	340
Ernst & Young SME grant	–	1,254
GIZ Project grant	–	261
GIZ grant	–	5,667
ICTA/SLASSCOM grant	–	5,323
GIZ grant for SMPs	–	2,469
GIZ grant for Lagging Region Training Programme	–	2,069
Total	1,667*	18,726

* Grants – Total expenditure represents amortisation amounting to Rs. 1,667,000/-.

13.2.1 World Bank grant – IRQUE project

	Balance as at 01.01.2017 Rs. '000	Grants received Rs. '000	(Amortisation) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Furniture and equipment	468	–	(468)	–	468
Motor coach	1,498	–	(749)	749	1,498
Total	1,966	–	(1,217)	749	1,966

Amortisation of grants consists of amortisation of Property, Plant and Equipment related grant amounting to Rs. 1,216,812/- (Note 3).

13.2.2 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	2017 Rs. '000	2016 Rs. '000
Component 3: Programme to increase adoption of IFRSs	110	111
	110	111

Total expenditure of Rs. 110,000/- is the depreciation charge relating to two laptops and a digital screen.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

13.2.3 PricewaterhouseCoopers grant

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

13.2.4 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).

13.2.5 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.

13.2.6 Government grant

A grant of Rs. 600,000/- represents the annual recurrent grant received from the Treasury through the Ministry of Industry and Commerce.

13.3 Other restricted funds

	Note	Balance as at 01.01.2017 Rs. '000	Transfer of interest income to funds Rs. '000	Donations received Rs. '000	(Reimbursements) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Best annual report competition fund	13.3.1	7,281	694	–	(34)	7,941	7,281
Total other restricted funds		7,281	694	–	(34)	7,941	7,281

13.3.1 Best annual report competition fund

	Balance as at 01.01.2017 Rs. '000	Transfer of interest income to funds Rs. '000	Donations received Rs. '000	(Reimbursements) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Deshabandu Albert Page (1992)	983	94	–	(8)	1,069	983
Late Mr. Cyril Gardiner (1992)	5,949	567	–	(18)	6,498	5,949
Hayleys PLC (1994)	349	33	–	(8)	374	349
Total	7,281	694	–	(34)	7,941	7,281

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

13.4 Restricted scholarship funds

	Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
CA Sri Lanka UK members' scholarship Fund	37	4	–	–	41	37
Prof.Y A D S Samaratunga memorial Fund	274	21	–	(103)	192	274
Prof. Kodagoda memorial Fund	248	19	–	(96)	171	248
PricewaterhouseCoopers scholarship Fund	241	19	–	(74)	186	241
Ernst & Young scholarship Fund	3,531	329	779 *	(970)	3,669	3,531
Miss. Inoka Gunaratne memorial Fund	59	6	–	–	65	59
Pelwatta Sugar Industries Ltd. Fund	508	42	–	(118)	432	508
Members' scholarship Fund	1,180	97	196 **	(518)	955	1,180
Dalton Wijeyeratne memorial scholarship Fund	9	–	–	–	9	9
Mr. Sanjaya Bandara scholarship Fund	975	89	18	(105)	977	975
Mr. Chandradasa Liyanage scholarship Fund	414	35	–	(82)	367	414
A L B Brito Mutunayagam memorial scholarship Fund	400	34	–	(97)	337	400
CA Qatar Chapter Scholarship Fund	–	–	1,000	–	1,000	–
Total restricted scholarship funds	7,876	695	1,993	(2,163)	8,401	7,876

* Includes Rs. 390,000/- received from Mr. Manil Jayasinghe.

** Includes Rs. 10,000/- received from Mr. Dulitha Perera.

14. Endowment funds

14.1 Summary

	Notes	Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	Transfers Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Capital balances – prize funds	14.2	1,392	–	91	(91)	–	1,392	1,392
Income balances – prize funds	14.3	725	204	–	91	(454)	566	725
Total endowment funds		2,117	204	91	–	(454)	1,958	2,117

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

14.2 Capital balances – prize funds

		Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Donations received Rs. '000	(Transfers to income account) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 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 Abeynaike 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	–	91	(91)	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	–	91	(91)	1,392	1,392

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

14.3 Income balances – endowment funds

	Balance as at 01.01.2017 Rs. '000	Contribution from the Institute Rs. '000	Transfers from capital account Rs. '000	(Payments) Rs. '000	Balance as at 31.12.2017 Rs. '000	Balance as at 31.12.2016 Rs. '000
Prize funds – income balances	725	204	91	(454)	566	725
Total	725	204	91	(454)	566	725

As at	Note	31.12.2017 Rs. '000	31.12.2016 Rs. '000
-------	------	------------------------	------------------------

15. Retirement benefit obligation

Balance at the beginning of the year		31,821	27,808
Provision made during the year	15.1	3,603	7,445
Payments made during the year		(7,603)	(3,432)
Balance at the end of the year		27,821	31,821

15.1 Provision made during the year

Interest cost		3,819	2,598
Current service cost		2,912	3,397
		6,731	5,995
Net actuarial (gain)/loss recognised		(3,128)	1,450
Total provision made during the year		3,603	7,445

15.2 Actuarial and Management Consultants (Pvt) Ltd., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31st December 2017. The assumptions used in determining the cost of retirement benefits are as follows:

	2017	2016
Rate of discount (% per annum)	11	12
Rate of salary increase (%)	8	10.5
Retirement age (years)	55	55

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

	2017 Increase/(decrease) of defined benefit obligation Rs. '000	2016 Increase/(decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to discount rate		
One percentage point increase	(862)	(712)
One percentage point decrease	922	755
Sensitivity analysis to salary escalation rate		
One percentage point increase	1,063	876
One percentage point decrease	(1,009)	(842)

16. Payables

As at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Accrued charges	57,938	45,352
Payables to suppliers	18,357	20,156
Payables – capital projects	1,702	8,681
Payables on self-study courses and other payables	6,829	5,064
Value Added Tax payables	214	12
Total	85,040	79,265

17. Income tax liability

As at	Note	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Balance brought forward		80	90
Charge for the year	27	7,060	4,875
Interest income recognised for the year on which WHT deductions are due at maturity		(3,608)	(1,575)
Tax payable on cash basis		3,452	3,300
Over provision for previous years		–	143
Total payable		3,452	3,443
Notional tax credits		(1,942)	(2,157)
WHT deductions during the year		(1,395)	(1,018)
Tax paid during the year		(116)	(278)
		(3,454)	(3,453)
Balance carried forward		79	80

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

18. Receipts in advance

As at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Advances received for educational activities	116,580	133,861
Advances received for member subscription and events	49,611	50,905
Total	166,191	184,766

19. Income and expenditure (excluding employee costs)

For the year ended 31st December	2017			2016		
	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	560,076	(231,345)	328,731	569,308	(240,873)	328,435
Continuous professional development and member-related activities	146,467	(90,402)	56,065	137,904	(80,589)	57,315
Financial reporting and assurance standards-related activities	40,270	(33,433)	6,837	37,908	(32,688)	5,220
Library-related activities	593	(2,035)	(1,442)	584	(2,669)	(2,085)
Net sponsorship income*	8,855	–	8,855	6,685	–	6,685
Total	756,261	(357,215)	399,046	752,389	(356,819)	395,570
Analysis by divisions						
Examinations	189,566	(92,979)	96,587	194,448	(98,280)	96,168
Registration, Education, Training, Library and Marketing	185,260	(65,260)	120,000	198,591	(63,164)	135,427
IT training and Language Centre	38,871	(11,874)	26,997	45,573	(14,238)	31,335
Members' activities**	185,424	(111,908)	73,516	177,082	(100,734)	76,348
Business school	33,380	(18,377)	15,003	51,345	(27,173)	24,172
Taxation faculty	26,742	(11,697)	15,045	24,008	(10,960)	13,048
School of Accounting and Business	80,997	(32,543)	48,454	48,121	(28,840)	19,281
CPD secretariat	986	(564)	422	618	(742)	(124)
Technical research	15,035	(12,013)	3,022	12,603	(12,688)	(85)
Total	756,261	(357,215)	399,046	752,389	(356,819)	395,570

** Member activities include Rs. 10.6 mn paid for foreign travel during the year 2017.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2017 Rs. '000	2016 Rs. '000
Gross sponsorship income	17,500	16,000
Utilisation of sponsorship benefits	(8,644)	(9,315)
*Net sponsorship income	8,856	6,685
20. Other operating income		
Income from hire of halls	4,366	1,957
Profit on sale of publications	763	540
Gain on disposal of property, plant and equipment	10	123
Miscellaneous income	888	1,621
Total other operating income	6,027	4,241
21. Employee costs		
Salaries and wages	171,681	165,430
Defined contribution plan cost		
– Employees' Provident Fund	17,679	17,598
– Employees' Trust Fund	3,536	3,520
Contractual and casual payments	7,714	5,961
Staff development and welfare	6,444	7,004
Amortisation of prepaid staff cost	3,816	2,480
Defined benefit plan cost	6,731	5,995
Total employee costs	217,601	207,988
No. of employees as at year end	142	151
22. Maintenance of premises		
Utilities	14,977	17,161
Maintenance of building	15,617	18,433
Maintenance of equipment	4,718	4,826
Total maintenance of premises	35,312	40,420

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2017 Rs. '000	2016 Rs. '000
23. Depreciation and amortisation		
Depreciation for the year	54,513	53,532
Depreciation of library books	1,104	1,462
Amortisation of intangible assets	24,247	16,745
	79,864	71,739
Amortisation of capital grant	(1,667)	(1,683)
Depreciation charged to expenditure on learning and professional development	(1,504)	(1,861)
Total depreciation and amortisation	76,693	68,195
24. Other expenses		
Communication expenses	24,161	26,270
Travelling expenses	1,455	1,586
Bank charges and commissions	4,083	3,760
Professional fees	3,834	2,800
Work in progress written-off	-	1,050
Auditors' remuneration	330	300
Legal fees	3,404	6,897
Review of business plan and HR plan	-	3,071
Stationery and sundry expenses	2,317	2,813
Total other expenses	39,584	48,547
25. Finance Income		
Interest income on available for sale financial assets	3,433	3,500
Interest income on investments in re-purchase agreements	3,669	4,788
Interest income on held to maturity financial assets	62,346	39,213
	69,448	47,501
Interest income on loans and receivables	4,966	3,729
Total finance income	74,414	51,230
26. Finance cost		
Interest expense	-	127
Total finance cost	-	127

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 in 2016.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

27. Income tax

For the year ended 31st December	2017 Rs. '000	2016 Rs. '000
Reconciliation between current tax expenses/(reversal) and the accounting surplus/(deficit):		
Surplus for the year before tax	794,791	71,154
Finance income	(74,414)	(51,230)
Surplus not liable for tax	720,377	19,924
Finance income for the year	74,414	51,230
Amortisation of prepaid staff cost	(3,816)	(2,480)
Finance income liable for income tax	70,598	48,750
Taxation at 10%	7,060	4,875
Current tax provision	7,060	4,875
(Over)/Under provision in respect of previous years	–	143
Charge for the year	7,060	5,018

27.1 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.

28. 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.

29. Commitments

Capital commitments

As at	31.12.2017 Rs. '000	31.12.2016 Rs. '000
Authorised but not contracted		
Intangible assets	100,000	100,000
Property, plant and equipment	41,000	–
Total	141,000	100,000

Capital commitments represent the Rs. 100 mn approved by the council for ERP Project and Rs. 41 mn approved by the council for an extension of the building.

30. Contingent liabilities

The Institute has received assessments in respect of Value Added Tax (VAT) for the period commencing from 1st April 2012 to 31st December 2014 which amounted to Rs. 61 mn and Nation Building Tax (NBT) for the period commencing from 1st July 2009 to 31st December 2014 amounted to Rs. 100 mn in separate instances. Further, the institute has received assessment in respect of Economic Service Charge (ESC) for the period commencing on 1st April 2009 to 31st March 2012 amounted to Rs. 4.5 mn. All these assessments are under appeal and will be determined by the Commissioner General of Inland Revenue Department.

No provision has been made in the financial statements based on the consultant's opinion that the Institute is not liable for above-mentioned taxes assessed.

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

31. 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	2017 Rs. '000	2016 Rs. '000
Mr. S M S S Bandara *	Educational activities	90	226
	Technical activities	206	171
	Lecture fees	41	19
Mr. Heshana Kuruppu	Educational activities	–	3
Mr. Manil Jayasinghe **	Technical activities	390	390
Mr. Tishan Subasinghe	Technical activities	6	–
Mr. Kapila Atukorala	Educational activities	–	138
Mr. Jagath Perera	Lecture fees	–	32
Mr. Dulitha Perera***	Technical activities	10	10

* An amount of Rs. 17,812/- 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. 10,000/- which had been paid to Mr. Dulitha 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. Dulitha Perera.

32. Transactions entered into by the Institute with other organisations where Council members are partners of those organisations

An amount of Rs. 234,189/- which had been paid 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 upgrades made to the Human Resources Information System.

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

For the year ended 31st December	2017 Rs. '000	2016 Rs. '000
Payments to AAT		
Advertisement in Organiser	30	30
Sponsorships	–	750
Receipts from AAT		
Advertisement in Organiser	30	30
Registration and tickets for Annual Report Awards Competition	130	110

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

34. 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:

- 34.1 Credit risk
- 34.2 Liquidity risk
- 34.3 Market risk

34.1 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 repurchase agreements are made only through state-owned banks.

Carrying value as at 31st December	2017 Rs. '000	2016 Rs. '000
Fixed deposits	556,304	323,830
Treasury bonds	137,368	194,268
Loans and receivables	56,391	73,645
Treasury bill repurchase agreements	45,014	53,000
Total	795,077	644,743

FINANCIAL REPORTS – NOTES TO THE FINANCIAL STATEMENTS

34.2 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	25,175	12,118	–	–	–	37,293
Loans and advances to staff	–	2,138	5,624	8,879	2,457	19,098
Fixed deposits	–	52,743	503,561	–	–	556,304
Treasury Bonds	–	29,833	–	36,019	71,516	137,368
Treasury Bill repurchase agreements	–	45,014	–	–	–	45,014
Cash and cash equivalents	49,997	–	–	–	–	49,997
	75,172	141,846	509,185	44,898	73,973	845,074
Financial liabilities						
Payables	(18,357)	(7,043)	(1,702)	–	–	(27,102)
Bank overdrafts	(10,751)	–	–	–	–	(10,751)
	(29,108)	(7,043)	(1,702)	–	–	(37,853)
Net financial assets	46,064	134,803	507,483	44,898	73,973	807,221

34.3 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.

FINANCIAL REPORTS – F B LANDER PRIZE FUND

Statement of financial position

As at	31.12.2017		31.12.2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Balance at National Savings Bank		733		703
		733		703
Equity and liabilities				
Capital		13		13
Income account				
Balance as at 1st January	690		660	
Add: Interest for the year	30	720	30	690
		733		703

FINANCIAL REPORTS – CYRIL E BEGBIE MEMORIAL PRIZE FUND

Statement of financial position

As at	31.12.2017		31.12.2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Balance at National Savings Bank		87		224
Total		87		224
Equity and liabilities				
Capital		10		10
Income account				
Balance as at 1st January	73		80	
Add: Interest for the year	4		10	
Less: Prize paid	(28)		(17)	
Balance as at 31st December		49		73
Creditors – CA Sri Lanka		28		141
Total		87		224

ANNEXES

Ten Year Summary – 102
Appreciation – 103
Regional Information Centres – 104
Corporate Information – 104
Lead Sponsors – 104

ANNEXES – TEN YEAR SUMMARY

Statements of financial position

As at 31st December	2017 Rs. '000	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
Assets										
Total non-current assets	1,350,377	933,173	973,228	892,904	617,016	630,701	224,097	89,406	70,976	62,535
Total current assets	754,616	403,054	312,118	267,506	433,258	390,805	518,458	513,663	420,034	319,126
Total assets	2,104,993	1,336,227	1,285,346	1,160,410	1,050,274	1,021,506	742,555	603,069	491,010	381,661
Funds and liabilities										
Total accumulated fund and reserves	1,736,664	943,672	880,616	789,440	684,927	580,843	489,085	383,817	292,551	214,869
Total funds and grants	54,903	50,404	78,935	89,301	61,531	86,453	42,759	52,069	60,000	48,474
Non-current liabilities	27,821	31,821	27,808	25,270	23,018	20,197	17,626	17,210	19,455	19,079
Current liabilities	285,605	310,330	297,987	256,399	280,798	334,013	193,085	149,973	119,004	99,239
Total funds and liabilities	2,104,993	1,336,227	1,285,346	1,160,410	1,050,274	1,021,506	742,555	603,069	491,010	381,661

Statements of comprehensive income

For the year ended 31st December	2017 Rs. '000	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
Income	756,261	752,389	760,460	760,890	653,545	516,207	463,757	383,424	341,891	269,471
Expenditure	(357,215)	(356,819)	(360,617)	(351,735)	(309,054)	(238,007)	(225,055)	(173,897)	(161,464)	(123,724)
Net income before employee costs and overheads	399,046	395,570	399,843	409,155	344,491	278,200	238,702	209,527	180,427	145,747
Other operating income	6,027	4,241	7,373	3,369	5,672	4,524	5,319	2,769	4,324	1,454
Operating income	405,073	399,811	407,216	412,524	350,163	282,724	244,021	212,296	184,751	147,201
Total overhead expenses	(369,190)	(365,150)	(335,859)	(324,486)	(275,900)	(205,547)	(169,847)	(153,491)	(151,101)	(120,566)
Net operating income	35,883	34,661	71,357	88,038	74,263	77,177	74,174	58,805	33,650	26,635
Finance income	74,414	51,230	38,395	39,957	41,681	31,232	30,322	32,111	43,732	35,597
Finance cost	–	(127)	(326)	–	–	(265)	–	–	–	–
Government grant	699,000	–	–	–	–	–	–	–	–	–
Surplus for the year after tax	787,731	66,136	95,879	104,102	105,039	102,007	104,846	91,266	77,682	62,532
Defined benefit plan actuarial (loss)/gain	3,128	(1,450)	(2,126)	683	(955)	(249)	422	–	–	–
Fair value changes on available-for-sale investments	2,133	(1,630)	(2,577)	(272)	–	–	–	–	–	–
Total comprehensive income	792,992	63,056	91,176	104,513	104,084	101,758	105,268	91,266	77,682	62,532

Statements of cash flows

For the year ended 31st December	2017 Rs. '000	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
Net cash inflow/(outflow) from operating activities	129,194	116,684	125,099	77,783	23,900	217,619	119,550	81,014	56,442	45,787
Net cash inflow/(outflow) from investing activities	(115,323)	(136,396)	(103,290)	(44,787)	(100,372)	(182,117)	(295,442)	(4,939)	23,485	14,318
Net cash inflow/(outflow) from financing activities	(8,340)	(1,223)	(3,585)	36,927	25,677	13,863	1,308	3,387	16,709	13,037
Cash and cash equivalents	84,260	78,729	99,464	81,240	11,317	61,770	12,405	204,211	366,527	266,779

ANNEXES – APPRECIATION

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:

- Hon. Minister of Industry and Commerce
- Secretary and staff of the Ministry of Industry and Commerce
- 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 learning partners
- Government officials
- Service providers and others who made their contributions during 2017 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
Department,
464, Hospital Road, Jaffna
Tel. : 00(94) 21-2221947
E-mail: jaffna@casrilanka.org

Sabaragamuwa Province

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

Eastern Province

26, Amman Kovil Road, Kalmunai
Tel. : 00(94) 67-2226038
E-mail: kalmunai@casrilanka.org

North-Central Province

561/39, Freeman Mawatha,
Anuradhapura
Tel. : 00(94) 25-2226845
E-mail: anuradhapura@
casrilanka.org

Southern Province

268, Sagara Building,
Anagarika Dharmapala Mawatha,
Matara
Tel. : 00(94) 41-2234800
E-mail: matara@casrilanka.org

North-Western Province

15/6, Convent Road, Kurunegala
Tel. : 00(94) 37-2221708
E-mail: wayamba@casrilanka.org

CORPORATE INFORMATION

Legal Form

The Institute of Chartered
Accountants of Sri Lanka has been
established by Act of Parliament
No. 23 of 1959.

Office

No. 30A, Malalasekera Mawatha,
Colombo 07, Sri Lanka
Tel: 00(94) 11-2352000
Fax: 00(94) 11-2352060
E-mail: secretariat@casrilanka.org

External Auditor

Mr. D V Dayarathna
Messrs Wickramasinghe
Dayananda & Co.,
111, 1/1, 2nd Floor,
Maya Avenue,
Colombo 06

Internal Auditor

S J M S Associates
Level 02, #No. 11, Castle Lane
Colombo 04

Lawyers

Julius & Creasy
Attorneys-at-Law and Notaries
Public
No. 41, Janadhipathi Mawatha,
Colombo 01

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
Softlogic Holdings PLC



This Annual Report is Carbon Neutral

Produced by Smart Media (Pvt) Limited, a carbon neutral company that offsets its direct and indirect GHG emissions, including those resulting from the usage of paper and outsourced printing through verified sources.



www.SmartAnnualReport.com

www.carbonfund.org



Global Standard Annual Report Number®
LKA2791ICASL0170000E104



The Institute of Chartered Accountants of Sri Lanka

30A, Malalasekera Mawatha, Colombo 07, Sri Lanka

Tel: 0094 112 352 000, Fax: 0094 112 352 060, e-mail: secretariat@casrilanka.org, Web: www.casrilanka.com