

Co-operative Development Fund of the Department of Co-operative Development - 2010

1 Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Co-operative Development Fund of the Department of Co-operative Development had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Co-operative Development Fund of the Department of Co-operative Development as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Delay in the Presentation of Financial Statements

According to Paragraph 4.3 of the Public Finance Circular No.423 of 22 December 2006, the financial statements for the year 2010 should have been presented for audit before 28 February 2011. Nevertheless, those financial statements had been presented only on 09 December 2011, that is, after a delay of 09 months.

1.2.2 Accounting Policies

The accounting policies adopted for the preparation of the financial statements for the year under review had not been disclosed in the financial statements.

1.2.3 Accounting Deficiencies

The following matters were revealed.

- (a) In accounting for the contributions, it had not been recognized on the basis of the actual profits earned by the respective societies for the year 2010. Nevertheless, the contributions income had been brought to account on the societies audited in the year under review, but based on the profits earned in the preceding years.

- (b) Action had not been taken to revalue 02 motor vehicles and a building shown in the financial statements at a net value of Rs.1 and in use at present and include such value in the financial statements.

- (c) Ledger accounts had not been maintained for the transfer of advances amounting to Rs.156,850 and the surplus of Rs.20,000 appearing in the trial balance as at 31 December 2010 to the Surplus Fund.

1.2.4 Unreconciled Control Accounts

According to the financial statements presented, instances of non-reconciliation of the following balances of Control Accounts with the balances of the respective schedules were observed.

1.2.5 Accounts Receivable and Payable

	Balance according to Control Account	Balance according to Schedule	Difference
	----- Rs.	----- Rs.	----- Rs.
Co-operative Societies Loans	12,870,430	33,720,352	20,849,922
Loans of Agricultural Fund	9,482,737	12,860,953	3,378,216
Interest on Loans of Co-operative Societies Receivable	6,241,028	5,641,815	599,213
Treasury Bills - Opening Balance	4,149,948	41,499,460	37,349,512

 The following matters were revealed.

- (a) Three assets accounts totalling Rs.23,715,600 and 05 liabilities accounts totalling Rs.46,054,372 had been brought forward in the financial statements over periods ranging from 03 to 06 years and action for the settlement of those balances had not been taken up to 06 June 2012.

- (b) A sum of Rs.903,573 or 3.89 per cent only out of the Co-operative Societies loan balance outstanding as at 01 January 2010 amounting to Rs.23,256,741, had been recovered and a further sum of Rs.22,353,168 or 96.11 per cent remained recoverable as at 31 December 2010. According to the Schedules of Co-operative Societies Loans attached to the financial statements, loan balances amounting to Rs.10,361,157 remained continuously over a period exceeding 10 years without being recovered. Despite the recoveries from the overall loan balances during the year being at a very low level, thus resulting in the weak status of recovery of loan balances no provisions for bad debts had been made in that connection.

1.2.6 Lack of Evidence for Audit

 The evidence indicated against the following items had not been made available to audit.

Item	Value	Evidence not made available to audit
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	Rs.	
Property, Plant and Equipment	7,478,705	Register of Fixed Assets
Co-operative Societies Loans	29,417,137	} Confirmation of balances
Agri-Funds Co-operative Societies Loans	9,482,737	
School of Co-operation Loans	2,666,000	
Lorry Loans granted to Co-operative Societies in the North and East	19,050,000	

1.2.7 Non-compliance with laws, Rules, Regulations and Management Deficiencies

 The following non-compliances were observed.

Thus it was observed that the budget had not been made use of as an instrument of financial control.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner and from time to time. Special attention is needed in respect of the following areas of control.

- (a) Settlement of Advances
- (b) Updating and Reconciliation of Books of Account and Registers
- (c) Internal Audit
- (d) Updated Maintenance of the Contributions Ledger
- (e) Acceleration of the Audit of Accounts of Co-operative Societies