

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

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1. Financial Statements

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1.1 Opinion

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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 Surplus Fund of the Department of Co-operative Development had maintained proper accounting records for the year ended 31 December 2010 and except for the effect on the financial statements of the matters referred to paragraph 1.2 of the 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 Surplus Fund of the Department of Co-operative Development as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

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1.2.1 Delay in Presentation of Financial Statements

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Although the financial statements for the year 2010 should have been presented before 28 February 2011 in terms of paragraph 4:3 of the Public Finance Circular No.PF/423 dated 22 December 2006, the above financial statements had been presented by the Department on 17 July 2012 after nearly 16 months from the specified date. However, transactions of the Fund for the year 2010 was subjected to audit due to delay in presentation of financial statements and the matters observed had been submitted to the Commissioner of Co-operative Development and the Registrar of Co-operative Societies through my report dated 31 January 2012. In addition to this, my observations relating to the accounts had also been included in this report.

1.2.2 Accounting Policies

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	Rs.	Rs.	Rs.
Loans of Cooperative Societies	111,337,242	236,117,752	124,780,510
Interest on loans of Cooperative Societies	50,813,572	538,185	50,275,387
Recovery of loan installments on motor bike loan	279,365	287,701	8,336
Net value of fixed assets	2,186,384	1,728,195	458,189

#### 1.2.5 Accounts Receivable and Payable

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The following observations are made.

- (a) Sums totalling Rs.6,541,119 relating to 02 assets accounts and sums totaling Rs.16,894,068 relating to 05 liabilities accounts had been brought forward in the financial statements for several years and action had not been taken up to the end of the year under review to settle those balances.
- (b) Action had not been taken during the year under review to settle 04 un-settle balances totalling Rs.558,419 identified while preparing accounts.

#### 1.2.6 Lack of Evidence for Audit

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The following items could not be satisfactorily vouched/ verified in audit due to non submission of evidence shown against each item to audit.

Particulars of Accounts	Value	Documentary Evidence not Submitted for Audit
	Rs.	
(a) Property, Plant and Equipment	2,186,384	Register of Fixed Assets and reports of the Boards of Survey.
(b) Loans to the Co-operative Societies	236,117,752	Confirmation for balances aggregating Rs.231,048,610 and age analysis for sums aggregating Rs.111,337,242.
(c) Loans to the Deputy Secretary to the Treasury	90,749,041	} Confirmation of Balances
(d) Project Loans	5,000,000	
(e) Expenditure	1,500,000	
(f) Loans given to the National Cooperative Board	2,000,000	} Details of expenditure and receipts to acknowledge that cash received by payee Details of Expenditure.

1.2.7 Non- compliance with Laws, Rules, Regulations and Management Decisions

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The following non- compliances were observed.

Reference to Laws, Rules,	Non compliance
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interest, action had not been taken to recover this loan amount up to the date of this report.

(b) Pledge of the Department for Loans Provided

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The following matters were observed.

- i. Fixed assets amounting to Rs.80 million belonging to the Co-operative Surplus Fund were given as security deposits to two Cooperative Societies for obtaining loans amounting to Rs.80 million from a Government Bank in the year 2004. Of this, a loan obtained by a Co-operative Society had not been settled. Owing to this, a sum of Rs.16.4 million from the fixed deposits of the Surplus Fund had been set off for that. Action had not been taken to recover the said amount set it off as such from the relevant society up to 18 December 2012.
- ii. In addition to that, two fixed deposits valued at Rs.50 million of the Cooperative Surplus Fund had been given as securities for obtaining letter of credits to a Cooperative Society from a Government Bank in the year 2008. Although a period of four years had elapsed by December 2012, action had not been taken up to 18 December 2012 to release a sum of Rs.35.8 million.

(c) Ceremony for Commemoration of International Cooperative Day ±2010

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A sum of Rs.1.5 million had been provided from the Co-operative Surplus Fund for the ceremony of the Commemoration of International Co-operative Day ±2010 organized by the Sri Lanka National Co-operative Council under the theme of  
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implement rehabilitation programmes concurrently to the relevant festival for





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The following variances were observed between the estimated income and expenditure and actual income and expenditure for the year under review.

- (a) The total actual income as compared with the total estimated income of Rs.109,850,000 was Rs.96,407,751 representing 87.77 per cent.
- (b) The total actual expenditure as compared with the total estimated expenditure of Rs.70,000,000 was Rs.102,504,483 representing 146.43 per cent.

Therefore, it was observed that the Budget had not been made use by the management as an instrument of financial control.

### 3. Systems and Controls

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

- (a) Accounting
- (b) Loans Receivable and Payable
- (c) Internal Audit
- (d) Fixed Assets