

Report of the Auditor General on Head 302 – Co – Operative Employees Commission - Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records books, registers and other records of the Head 302 – Co – Operative Employees Commission for the year ended 31 December 2016 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary of the Commission on 25 July 2017. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Co – operative Employees Commission amounted to Rs. 15.63 million and out of that, Rs. 13.93 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Commission amounted to Rs. 1.70 million or 10.88 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	14.78	13.16	1.62	10.96
Capital	0.85	0.77	0.08	9.41
Total	15.63	13.93	1.70	10.88

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Commission under Item No.30201 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1.00	1.00	0.30	0.65	5.00	2.02

2.3 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Co-operative Employees Commission had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and important Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observation

3.1 Appropriation Account

Budgetary Variance

The entire estimated provision under one Object had been saved as the estimated provisions had not been made with due regard of prior evaluation in terms of the Government Financial Regulation 50.

3.2 Performance

The observations on the progress of the Commission according to the Annual Action Plan for the year 2016 is given below.

- (a) As the Register, for recording the Complaints and the Appeals had not been maintained in a proper manner, the particulars relating to identify the files maintained for complaints and appeals and the actions taken thereon were not made available for audit.
- (b) Under the investigation of appeals and the settling of complaints during the year 2016, it was planned to take actions on 110 complaints and appeals and to give relevant settlements. As the particulars relating to the complaints received by the Commission in the year 2016 and the progress thereon and the progress relating to the complaints received in the preceding years were not made available, it was not ensured in audit that the Commission had achieved the targets planned.
- (c) An employee of the Education Services Employees Co – operative Society Ltd had made appeals to the Commission in 4 instances relating to not formalize of his service for permanent status and salary conversions made unreasonably. The decision of the Commission thereon had been informed to the Society on 15 March 2017 and further stated that the actions taken by the Society should be informed to the Commission before 28 April 2017. But the action taken by the

Society was not informed even by 30 June 2017 while a follow – up action thereon had not been made by the Commission as well.

- (d) In recruitment of an employee to a Co – operative Society, in terms of Section 16(5) of the Co – operative Employees Commission Act No. 12 of 1972 and according to the Establishments Code of the Co – operative Employees published in the Gazette Notification No. 1712/36 dated 2 July 2011 the particulars which shown according to the Section 1.3.6(4) of the Act should be prepared to obtain prior approval of the Commission and should have been submitted to the Commission. Nevertheless, action had not been taken to submit the particulars to the Commission and to get relevant approvals in respect of recruitments of 30 permanent employees of 05 Societies and promotions of 57 employees of 02 Societies during the year 2016.
- (e) Even though, a proposed main activity for the year 2006 was to introduce a new Pension Scheme for the Co-Operative Employees, the Commission had failed to implement that activity even by 10 July 2017.

3.3 Unresolved Audit Paragraphs

The follow-up action on the audit paragraphs relating to the Commission included in the Reports of the Auditor General had not been finalized.

Reference to Report of the Auditor General		Subject Under Reference
Year	Paragraph Number	
2015	5	Failure to implement of Pension Scheme
2015	5	Failure to fill vacancies of employees and failure to appoint a permanent officer for the post of Secretary.

3.4 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	03	01	02
(ii) Tertiary Level	14	09	05
(iii) Secondary Level	06	05	01
Total	23	15	08

The following observations are made.

- (a) The Commission had failed to fill 08 vacancies by the end of the year under review.
- (b) An Assistant Director of the line Ministry had been appointed for the Post of Secretary of the Commission as acting basis from the year 2016 while a Secretary on permanent basis had not been appointed for that post since the year 2008 up to now.