

Head 298 - Department of Measurement Units, Standards and Services

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Measurement Units, Standards and Services for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Department of Measurement Units, Standards and Services was issued to the Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 24 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Department of Measurement Units, Standards and Services as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018..

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- It is not intended to express an opinion on the effectiveness of internal control of the Department to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) As there was no need for the Department of Measurement Units, Standards and Services to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Department of Measurement Units, Standards and Services to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been presented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

The following observations are made in this regard.

Audit Issue	Recommendation	Comments of the Accounting Officer
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(a) The income collected by Other Revenue Accounting Officer had not been included under non-revenue receipts in terms of Paragraph 7 (ii) of Public Accounts Circular No. 267/2018 of 21 November 2018 and it had been included under non-taxable income	The attention is drawn in respect of actions taken as per the Public Accounts Circular.	Actions would be taken to categorize them in to sub-sections in due course.
(b) Even though a sum of Rs.10,967,693 had been shown as the balance of the imprest Account as at 31 December 2018 as per the Financial Performance Statement, the balance of the imprest account by that date was Rs. 5,080,770 as per the	Actions should be taken in terms of the Public Accounts Circular No. 267/2018 dated 21 November 2018 .	Will be prepared and presented in due course.

Departmental Books. Even though an imprest Adjustment Account should be prepared to compare the difference of those 02 balances in terms of Paragraph 7 (vi) of the Public Accounts Circular, such an account had not been submitted to the audit.

(c) A sum of Rs. 145,955,637 had received from the Treasury as per the Monthly Accounts Summaries furnished to audit. But, a sum of Rs.152,881,199 had been shown as imprest receipts in the financial performance statement. Accordingly, the Treasury imprest had been overstated by a sum of Rs. 6,925,562 .

The imprest from the Treasury should be duly documented and included in the financial performance statement.

Relevant corrections will be made when preparing financial statements for the year 2019 .

(d) As the imprest received from the Treasury in Paragraph (c) above was stated in the financial performance statement, as at 31 December 2018, the balance of the imprest account had increased by a sum of Rs. 6,925,562 .

The attention is drawn on properly preparing financial statements.

Relevant corrections will be made whilst preparation of financial statements for the year 2019 .

1.6.2 Statement of Financial Position

The following observations are made in this regard.

Audit Issue	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs. 1,151.89 million had been shown in the statement of financial position as the total of property, plant and equipment. The total of the 03 asset items consisted in the Non-Current Assets	The attention is drawn for bringing forward the balances of assets mentioned in the Appropriation Account prepared in the previous year as the opening balance of the year under review and	Since all the assets of the Department had not been taken in to accounts, the value was shown understated. All the assets are expected to be taken in to accounts during this year.

Movement Report totalled to Rs. 595,324,560 had been understated in the statement of financial position in the Appropriation Account prepared as at 31 December 2017 .

all assets taken in to accounts.

(b) The Fixed Assets and Measurement Units that were obtained from Treasury provisions and the Fixed Assets that were obtained from the Measurement Units, Standards and Services Fund had not been noted for easy identification in the Registers of Fixed Asset furnished to audit. Therefore, it was not possible to prove that the assets appeared in the Statement "ACA6" were the assets related to the Head.

The attention is drawn for maintaining a Fixed Asset Register for the tangible assets obtained from the Treasury Provision and the assets obtained from the Department Funds to be able to clearly distinguish.

Future arrangements will be made to maintain separate asset records for fixed assets purchased from Treasury Funds and Measurement Units, Standards and Services Fund.

1.6.3 Certification that should be made by the Accounting Officer

 The following observations are made.

Audit Issue

Recommendation

Comments of the Accounting Officer

The Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Department in terms of Section 38 of National Audit Act of No. 19 of 2018 and the effectiveness of the system should be periodically

The Attention should be drawn to the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

Relevant statements will be made in due course.

reviewed and the necessary modifications should be made to make the system effective and although these reviews should be made in writing and a copy of that should be furnished to the Auditor General, the statements as of such a review was carried out had not been furnished to audit.

2. Financial Review

2.1 Not utilizing the Provisions Made Available

The following observations are made.

Audit Issue -----	Recommendation -----	Comments of the Accounting Officer -----
The entire provision made available for a Capital expenditure amounted to Rs.25.00 million had been totally saved without utilization.	Estimates should be prepared in accordance with the provisions of Financial Regulations 50 .	Due to the changes in the Ministry and inability to obtain relevant approvals the allocations were saved .

3. Operating Review

3.1 Planning

The following observations are made.

Audit Issue	Recommendation	Comments of the Accounting Officer
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It had not included the updated Organizational Structure in the Action Plan prepared for the year 2018 in terms of Public Finance Circular No. 2014/01 of 17 February 2014.	The Attention should be drawn to comply with the Public Finance Circular No. 2014/01 of 17 February 2014.	Observation is accepted.

3.2 Not Obtaining Required Out put Level

The following observations are made.

Audit Issue	Recommendation	Comments of the Accounting Officer
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(a) It had been expected to collect a target income of Rs. 1,000,000 for granting approval for models for weighing and measuring instruments used in trade. Nevertheless, out of that, only an income amounted to Rs. 630,000 had only been collected by the end of the year under review.	The Attention should be drawn on achieving the desired goals.	Comments were not given.
(b) It had been targeted to generate an income of Rs. 500,000 from January 2018 to the month of September by testing 04 pre - packages as per	Attention should be paid to expected revenue collection by performing targeted tests.	Comments were not given

the Action Plan. Only 02 packages were tested and an income of Rs. 20,000 had only been earned by 30 September 2018 .

- (c) There were 15,203 fake measurement raids had been carried out as at 31 December 2018 and court actions had been taken against 787 persons and institutions which had used substandard measuring instruments. Any raid had not been conducted in the Vavuniya, Mullaitivu and Mannar Districts.

The attention should be drawn to implement fake measurement raids island wide.

Comments were not given.

3.3 Annual Performance Report

The following observations are made.

Audit Issue	Recommendation	Comments of the Accounting Officer
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Although the Annual Performance Report should be submitted to the Auditor General along with the financial statements in terms of Sub-section 16 (2) of the National Audit Act, No. 19 of 2018 ,actions had not been taken so and furnished even by 31 May 2019.	The attention is drawn to pursue Sub-section 16 (2) of the National Audit Act No. 19 of 2018.	Action would be taken to submit the Annual Performance Report in the future.

4. Achieving Sustainable Development Goals

The following observations are made.

Audit Issue	Recommendation	Comments of the Accounting Officer
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Although the Department had identified the Sustainable Development Goals and Targets, A plan or programme for data collection had not been implemented.	The attention is drawn on promoting a system immediately for gathering the necessary data.	Actions would be taken to submit a report in due course.

5. Good Governance

5.1 Internal Audit

The following observations are made.

Audit Issue	Recommendation	Comments of the Accounting Officer
Even though a post of Internal Auditor had been approved for the Department, it had failed to appoint an officer for that.	The attention is drawn on the appointment of an officer for the approved Internal Auditor post.	It is intended to recruit a retired officer of the Accountants Service on contract basis.

5.2 Audit and Management Committee

The following observations are made.

Audit Issue	Recommendation	Comments of the Accounting Officer
An Audit and Management Committee had not been established in terms of Paragraph 2 of Management Audit Circular No. DMA/2009(I)(i) of 28	The attention is drawn in respect of establishment of Audit and Management Committee	Audit Committee Meetings will be held after recruitment of an Internal Audit Officer.

January 2016 .

6. Human Resources Management

Audit Issue	Recommendation	Comments of the Accounting Officer
<p>(a) Acting appointment should only be a temporary remedy until a permanent appointment is made in terms of Section 13.3 of Paragraph II of the Establishments Code and if the position requires the services of a full-time officer, a permanent appointment should have been made immediately. The acting working period should be subjected to a maximum of 03 months as per the Public Administration Circular No. 06/97 of 03 February 1997 . However, the post of Director, that the most senior post of the Department that has been in vacant after the retirement of the former Director on 14 May 2009 for 9 years up to 31 December 2018 since then and an officer had been appointed on the basis of acting on that post.</p>	<p>The attention should be drawn to comply with the Section 13.3 of Paragraph II of the Establishments Code and Public Administration Circular No. 06 /97 of 03 February 1997 .</p>	<p>The actions are being carried out by calling applications by the Ministry for recruitment.</p>
<p>(b) Out of the 19 approved senior level posts, 06 were in vacant and the Department had failed to fill those vacancies even by the end of the year under review.</p>	<p>The attention is drawn on filling vacancies to be able to accomplish the higher role of Department.</p>	<p>The Ministry of Public Administration and Disaster Management had been informed to make Appointments for the posts of Assistant Director (Administration) and Internal Auditor.</p>
<p>(c) The post of Administrative</p>		

Officer being in vacant and an officer on acting basis had been assigned and covered up the duties for this purpose. The attention had not been drawn on the appointing of a permanent officer to carry out the administrative works of the Department without interruption .

The attention should be drawn on filling vacancies.

It has been requested by the Ministry of Public Administration to fill the vacancies in the post of Administrative Officer.