

## **Head 302–Co - operative Employees Commission**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Co - operative Employees Commission for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Co - operative Employees Commission was issued to the Accounting Officer on 16 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 .The Annual Detailed Management Audit Report of the Commission was issued to the Accounting Officer on 17 July 2020 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, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Co - operative Employees Commission as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Opinion**

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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 opinion.

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

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The Accounting Officer is 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 commission 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 Commission 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**

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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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures 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

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I declare the following matters in terms of Sub-section 6 (1) (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) There was a saving of Rs. 390,519 from the net provision of totaling Rs. 1,935,000 for 06 recurrent subjects and savings ranged from 13 to 70 percent.	Provision should be made with proper prior evaluation.	Provisions had been saved due to incurring expenditure under these objects, in an economic manner and expenditure had not been incurred as expected.
(b) There was a saving of Rs. 1,110,643 from the net provision of totaling Rs. 2,000,000 for 04 capital subjects. It is except for the compulsory savings of 25 percent in Budget Circular No. 5/2019, said saving ranged from 6 to 75 percent.	- do -	Provision had been saved due to compulsory savings of 25 percent as per the National Budget Circular No. 5/2019 and the management of public expenditure and the maintenance of financial discipline as per the National Budget Circular No.7/2019.

### 3. Operating Review

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#### 3.1 Planning

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Its main function is to conduct necessary examinations of the appeals received to the Commission and 59 appeals received before 2019 had been settled during the year under review.	Activities on settlement of appeals should be expedited.	Appeals settled in delay due to the non-submission, delay in providing the information and documents required to settle the appeals by Co-operative societies in properly and inability to complete appeals received in the last few months of the year within the relevant year.
(b) The Commission had been received 44 appeals during the year under review. Out of that only 34 appeals had been settled during the year under review.	-do-	As it is not possible to consider special occasions of Co-operative societies in formulating the action plan, it is estimated that 05 appeals per quarter into 20 appeals per year will be received.
(c) Of the 44 appeals received by the Commission during the year under review, 34 appeals had been settled. But the progress report prepared for the action plan stated that 84 appeals had been settled during the year under review.	Accurate data should be included in the progress report prepared for the action plan.	The progress report prepared for the action plan had been mentioned as 84 appeals by a mistake. Relevant officials have been instructed to take necessary actions to formulate an appropriate system to prevent such mistakes.

**4. Human Resources Management**

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**Audit Observation**

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The approved carder of the Commission is 23 and the actual carder is 18. Accordingly there were 05 vacancies available and the post of Administrative Officer was filled on a contract basis from November 2017 and it has been extended from year to year up to now.

**Recommendation**

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Arrangement should be made to fill the vacancies considering the requirements.

**Comments of the Accounting Officer**

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Requests have been made to the Director General of combined services to fill these vacancies and the post of Administrative Officer was filled with the approval of the Public Service Commission on a contract basis.