

Head 298 - Measurement Units, Standards and Services Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Measurement Units, Standards and Services Department for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 was issued to the Accounting Officer on 29 April 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to Accounting Officer on 29 April 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

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 financial position of the Measurement Units, Standards and Services Department as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me regarding the observations in paragraph 2.1 of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Presentation of Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
A difference of Rs. 2,093,408 was observed between debit and credit balances of the trial balance which had been presented by the Department. This difference was made due to the fact that Rs. 2,093,408 obtained from the Measurement Units, Standards and Services Fund as the sufficient imprest was not received to pay salaries in July and August 2020 was not included in the trial balance.	An amount of Rs. 2,093,408 was obtained. from the Fund due to the fact that the sufficient funds were not received from the Treasury to pay salaries of the staff of the Department during the months of July and August 2020 . It was noted as the imprest from head office when it was included in the CIGAS computer program. As a result a difference between debit and credit in the balance sheet has occurred.	The total of debit and credit balances in the trail balance should be the same.

1.6.2 Statement of Financial Performance

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the value to be identified as other receipts in the statement of financial performance as per the detailed trial balance of the Department was Rs. 7,831,253.35 a deference of Rs. 5,021,743.35 was observed due to the fact that it has been shown as Rs 2,809,510 in the statement of financial performance.	Rs. 2,809,510 which was shown as other receipts in the statement of financial performance is other receipts relating to imprest account. Other receipts of Rs. 7,831,253 as per the trial balance are only reported to the Treasury through monthly account summaries.	The value shown in the detailed trial balance should be identified as other receipts in the statement of financial performance.

1.6.3 Cash Flow Statement

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the value of the advance recovered was Rs. 6,241,204 according to the monthly account summaries of the Department, that value had not been included in the cash flow statement.	Advance recoveries are made in cash and cross entries. Accordingly, recoveries in cash amounting to Rs.519,563 are shown under other receipts in the cash flow statement. Recoveries by cross entries has not been included in the cash flow statement as they are not charged in cash.	Accounting should be done in accordance with the circular provisions.

2. Financial Review

2.1 Certification of Accounting Officer

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Department in terms of the provisions of the Section 38 of the National Audit Act, No.19 of 2018., and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out</p>	<p>It will be submitted for audit in due course.</p>	<p>Provisions of Section 38 of the National Audit Act No. 19 of 2018 should be followed.</p>

3. **Operating Review**

3.1 **Planning**

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>-----[-----</p> <p>In terms of the Public Finance Circular No. 2014/01 dated 17th February 2014, the updated organizational structure of the institution was not included in the action plan prepared for the year 2020</p>	<p>-----</p> <p>The action plan is submitted to the Ministry at the beginning of each year according to the format provided to us by the Ministry to which we belong. Actions will be taken to send the updated organizational structure of the Department along with the action plan henceforth.</p>	<p>-----</p> <p>The updated organizational structure of the Department should be included in the action plan in terms of the circular.</p>

3.2 **Annual Performance Report**

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>-----</p> <p>Even though every entity is required to submit the annual performance report to the Auditor General along with its annual financial statements in terms of sub-section 16 (2) of the National Audit Act No. 19 of 2018, actions had not been taken accordingly.</p>	<p>-----</p> <p>The annual performance report will be submitted soon.</p>	<p>-----</p> <p>In terms of sub-section 16 (2) of the National Audit Act No. 19 of 2018, each entity should submit the annual performance report to the Auditor General along with its annual financial statements.</p>

4. Achievement of Sustainable Development Goals

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the Department had identified sustainable development goals and targets, a plan or program for data collection had not been implemented.	The sustainable development goals and objectives have been identified in relation to the programs and activities of the Department. Accordingly, no separate data is collected for the sustainable development goals and the progress on the achievement of sustainable development goals is scheduled to be reported according to the progress of the relevant programs and activities.	Necessary actions should be taken to achieve the sustainable development goals and targets.

5. Good Governance

5.1 Audit and Management Committee

Audit Observation	Comment of the Accounting Officer	Recommendation
Although it is required to hold four meetings annually as at least one meeting per quarter in terms of paragraph 2 of the Circular No. DMA / CIR-EDIT / 2016 dated 28 January 2016, only one audit and management committee meeting had been held in the year 2020.	The Audit and Management Committee meetings could not be held due to Corona pandemic in the country. The first audit and management committee meeting for the year 2021 was held on 18 March 2021.	Audit and management committee meetings should be held in accordance with the circular.

6. Human Resources Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) According to the cadre details provided by the Department, there were 19 approved cadre for senior level as at 31 December 2020 and out of which 09 Assistant Director posts that is 47 percent were vacant.	Information on these recruitments has been sent to the Scientific Services Division.	Action should be taken to fill the vacancies in the institute taking the service requirements into consideration.
(b) 26 posts out of 30 approved tertiary level posts that is 86 percent were vacant.	Necessary arrangements are being made to recruit laboratory assistants, measurement service assistants and technicians.	-do-