

Head – 302 – Co-operative Employees Commission

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Co-operative Employees Commission 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 including my comments and observations on the financial statements of the Co-operative Employees Commission was issued to the Accounting Officer on 30 July 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Commission in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 28 October 2021. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements of the Co-operative Employees Commission give a true and fair view of the financial position of the Commission as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit 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 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 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 of the Commission.

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 Commission and carry out periodic reviews to monitor the effectiveness of such system 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 the 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, 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 scepticism 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 Commission'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 and Regulatory Requirements

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

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendation made by me on the financial statements relating to the preceding year had been implemented.

2. Financial Review

2.1 Management of Expenditure

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The net provision made on a capital Object had been saved in full whereas the net provision made on 02 capital Objects had been saved in the range of 61 – 75 per cent.	Provision had been saved due to reasons such as, failure of the suppliers to furnish quotations, failure in completing the services and activities as expected, and non conducting the training sessions due to health concerns.	Action should be taken to utilize the provision within the year.
(b) Saving of net provision relating to 03 recurrent Objects ranged between 68 per cent and 96 per cent. As for another 10 Objects, 8-48 per cent of the net provision allocated thereon had been saved.	The saving can be attributable to the reasons such as, health concerns, incurring expenses economically under proper control, expenses had not occurred as expected, and provision had been approved in excess of the estimate presented.	Action should be taken to utilize the provision within the year.

2.2 Exceeding Limits

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
The limit on minimum receipts to the Public Officers Advance “B” Account, amounted to Rs.700,000 as per the Appropriation Act, but the	Installments and interest on loans obtained from the Advance “B” account had not been recovered for the months of April and May, 2020 in	Action should be taken to revise the limits.

actual receipts totaled terms of Public Administration Rs.638,490. As such, the limit Circular, No. 07/2020(11), thus had not been reached by the value of unrecovered Rs. 61,510, but action had not installments totaled been taken to revise the limit on Rs. 110,108.00. As such, the minimum receipts. minimum limit on receipts could not be reached in terms of the Appropriation Act.

2.3 Comments on Financial Statements

2.3.1 Accounting Deficiencies

(a) Statement of Financial Position

Audit Observation	Comment of the Accounting Officer	Recommendation
A sum of Rs. 1,414,430 should have been shown as cash and cash equivalents under financial assets whilst a sum of Rs. 1,414,430 should have been shown as the imprest balance under current liabilities in the statement of financial position. Nevertheless, those values had not been shown in the statement of financial position.	The cash book had been closed as at 2020.12.31 and the balance of Rs. 1,414,430 had been remitted to the Treasury in terms of Guideline 6/2020 of the Department of Treasury Operations dated 2020.11.30. Accordingly, no cash and cash equivalents or an imprest balance did exist as at 2020.12.31,	The statement of financial position should be prepared in accordance with the Treasury books.

(b) Cash Flow Statement

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
I. The cash flow incurred on operating activities should have been computed by separately showing the sum of Rs. 276,336 being the value of subsidies and transfers, but that value had been shown as expenditure on personnel emoluments and operating activities. The expenditure of Rs. 89,113	The value of subsidies and transfers amounting to Rs.276,336 had been included in the operating expenses of the cash flow statement. Instructions have been given so that the subsidies and transfers will be shown separately in due course. The sum of Rs. 89,113	Action should be taken to prepare accounts in accordance with Guideline 06 relating to the preparation of financial statements given under Paragraph 10:1 of the Public Finance Circular, No. 02/2020.

incurred on improvement of skills should have been shown under the cash flow on operating activities, but the said value had been shown under the cash flow generated from investment activities.

incurred on skills improvement through capital provision, had been recognized as an investment activity under construction or purchase of physical assets and acquisition of other investments.

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| II. Advances recovered in cash during the year totaled Rs.638,490. However, that value had not been taken into consideration when computing the cash flow generated from investment activities. | Advances recovered from salaries during the year are remitted to the Deputy Secretary of the Treasury monthly. As such, the balance of the recovered advances could not be recognized as an investment activity. | Action should be taken to prepare accounts in accordance with Guideline 06 relating to the preparation of financial statements as per Paragraph 10:1 of the Public Finance Circular, No. 02/2020. |
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3. Operating Review

3.1 Discharging Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>Activities such as, conducting 12 awareness programs for employees of the Cooperative Societies, resolving 36 complaints/appeals of the employees, giving 50 instructions, and making 30 enrollments for Cooperative Societies, had been scheduled for the year under review in accordance with the Action Plan for the year 2020. However, 03 awareness programs had been conducted whilst resolving 11 complaints/appeals and giving 27 instructions; and, no enrollments had been made for the Cooperative Societies.</p>	<p>Difficulty in assembling employees of the Cooperative Societies due to health concerns following Covid-19, failure in summoning the relevant employees and the officers of the Cooperative Societies for resolving appeals, and resigning the members of the Commission since October 2020.</p>	<p>Action should be taken to execute the activities scheduled in the Action Plan for the year.</p>

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Approved cadre of the Commission was 23 whereas the actual cadre was 18, thus indicating 05 vacancies. A recruitment was made on contract basis to the post of Administrative Officer on 30 November 2017, and extensions have been given annually up to this year.	All the five vacancies of the secondary level in the Commission belong to officers of the combined services. It has been informed that the Director General of Combined Services was requested recurrently to fill those vacancies.	Action should be taken to fill vacancies in the essential posts.