

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 2021 comprising the statement of financial position as at 31 December 2021 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 summery report containing my comments and observations on the financial statements of the Department was issued to the Accounting Officer on 31 May 2022 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 31 May 2022 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 2021 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) 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 on the financial statements of the proceeding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
The deposit receipts of Rs.54,097 shown in the statement of financial performance had not been included in the departmental books and the said difference between the treasury printout and departmental books had not been included in the Statement of Imprest Adjustment.	According to the consolidated trial balance , the general deposit receipts are Rs. 111,890 and while paying the fee to be paid during the renewal of the annual license by scale repairers, producers and importers through stamps , 2/3 of that value has been transferred to the deposit account by the State Finance Department. Accordingly, the amount which have been transferred is Rs. 54,097.	The difference between treasury printed and departmental books should be entered in the imprest reconciliation statement.

(b) Statement of Imprest Adjustment

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) An amount of Rs.5,277,770 had been shown as receipts of advance in the Treasury table 52 and statement of financial performance and according to departmental books it was Rs.5,246,909. The difference of Rs.30,861 had not been included in the statement of imprest adjustment	The reason for the difference between the monthly account summaries 298012 and 298012 according to the computer reports is the fact that when the officers under the head 298 are transferred, their credit balances are not reported under 298012 by a CIGAS computer program.	The difference between treasury printout and departmental books should be entered in the statement of imprest adjustment
(ii) A difference of Rs.14,137 was observed due to the fact that although the value of the credits made to the advance "B" account by other heads	The difference of Rs. 14,137 mentioned is the settlement of loan balance of retired Mr .H.P.C Wijethilaka. It has been recorded in treasury printouts of	The statement of imprest adjustment should be prepared accurately.

were Rs.988,374 , it had been recorded as Rs.1,002,511 in the advance reconciliation statement.

September 2021 .. Accordingly, there is no difference.

(iii) Credits amounting to Rs.957,513 made for the advance “B” account by the reporting entity on behalf of other heads had not been recorded in the statement of imprest adjustment .

Corrective instructions were given

The statement of imprest adjustment should be prepared accurately.

(iv) Although the expenditure incurred by the reporting entity on behalf of other heads was Rs. 69,137, it had been shown in the statement of imprest adjustment as Rs. 55,000.

Corrective instructions were given

The statement of imprest adjustment should be prepared accurately.

(c) Cash Flow Statement

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Although the value of advance recovered according to the consolidated trial balance of the Department, was Rs.4,275,258, the value had not included in the cash flow statement.	Advances are recovered in cash and cross entries. Accordingly, the cash recovery of Rs.90,320 has been shown under other receipts in the cash flow statement. The recoveries made in cross entries have not been included in cash flow statement as they are not made in cash .	The value of advances recovered in cash as well as through cross entries should be included in the cash flow statement.

1.6.2 Evidence not made available for Audit

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Information related to receipts from other main ledger accounts amounting to Rs.731,500 included in the statement of financial performance were not submitted to the audit.	Other receipts in the statement of financial performance include a collection of interest on advances “B”, telephone allowances of staff officers and fuel allowances of the director , surcharges to Head	Written evidences regarding the information included in the financial statements should be submitted.

1003 and repayment of overpaid allowances, surcharges to Head 1001, credits to departmental fund, salaries returned after banking due to change in account number etc..

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations and Management Decisions

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of sample audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation		Comments of the Chief Accounting Officer/Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulations 427(2)	1,100,000	Although every Department should reconcile the imprest accounts maintained in its Department with the accounts shown in the treasury books monthly, a difference of Rs 29,427 was observed between the debit balance of the imprest account in the consolidated trial balance and the debit balance as per the monthly account summary and a difference of Rs 1,100,000 was observed between the credit balance of the	The amount of imprest received from the treasury is Rs.155,800,000. The receipts from other sources are Rs.806,552.46. There, Rs. 2,030 paid to the Departmental Fund is included. When that amount is removed, the receipts from other sources are Rs.804,522.46.	Actions should be taken as per the Financial Regulations.

imprest account in the consolidated trial balance and the credit balance as per the monthly account summary.

Then, the total imprest receipts are

Rs.156,604,522. It is equal to the debit balance of the imprest account of the consolidated trial balance.

The amount of Rs.25,580 was paid to the Railway Department (heading 306).

According to the explanation given above, the reason for the difference of Rs.1,100,000 is confirmed.

(ii)	Financial Regulations 571	47,715,046	Actions had not been taken in respect of overdue deposits over 02 years amounting to Rs.47,715,046.	Reply had not been given.	Actions should be taken as per the Financial Regulations.
(b)	State Finance Circular No. 01/2020 dated 28 August 2020		Although annual inventory surveys should be conducted and those reports should be submitted to the audit before 31 March, 2022, actions had not been taken accordingly.	The inventory survey related to the year 2021 is currently being carried out and the related reports will be submitted for audit.	Actions should be taken as per provisions of the Circular.

2.2 Deposit Balances

Audit Observation

The deposit account balance of Rs. 47,715,046 shown under current liabilities had not been recorded in the departmental books.

Comments of the Accounting Officer

It has been omitted to record in the deposit ledger and actions were taken to correct it. .

Recommendation

Departmental accounts should be prepared accurately.

3. Operating Review

3.1 Planning

Audit Observation

The organizational structure of the entity had not been included in the updated action plan prepared for the year 2021 as per Guideline No. 12 related to Paragraph 03 of Public Finance Circular No. 02/2020 of 28 August 2020.

Comments of the Accounting Officer

Arrangements are being made to present the updated organization structure of the entity with the action plan prepared for the year 2022..

Recommendation

The updated organizational structure of the entity should be included in the action plan as per circular provisions.

3.2 Annual Performance Report

Audit Observation

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.

Comments of the Accounting Officer

The Performance Report of the year 2020 is in print. The proof of the annual performance report of the year 2021 is being checked and those reports will be submitted to the Auditor General soon.

Recommendation

The annual performance report along with the annual financial statements should be submitted to the Auditor General as per the provisions of the National Audit Act.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) There were 19 approved cadre for senior level as at 31 December 2021 and 08 Assistant Director and Deputy Director posts i.e. 42 percent had been vacant over a period of 10 years.	Although the Secretary of the Ministry of Public Services, Provincial Councils and Local Government was informed about these vacancies, the information of our Department had not been included in the gazette notifications for recruitment to these positions. Approval had been received through a Cabinet decision to take actions on the observations of the Minister of Public Services, Provincial Councils and Local Government. Accordingly, the gazette notification was amended for one limited recruitment out of the above 08 vacancies and according to the observations of the Minister of Public Service Provincial Councils and the Local Government, the Public Service Commission has not taken action in connection with the 07 posts related to open recruitment so far.	Action should be taken to fill the vacancies.
(b) Out of 30 approved tertiary level posts, 26 i.e. 86 percent had been vacant over a period of 3 years. These vacancies are adversely affecting the performance of the Department and actions had not been taken to review in this regard and to complete the vacancies or revise the approved cadre as required.	The post of Administrative Officer is vacant after 20.01.2017. A request has been made regarding the filling up of vacancies from the Director General of Combined Services. An Acting Administrative Officer is currently employed. In the year 2018, interviews have been conducted to recruit 21 special grade posts in technical service and 04 assistant superintendent posts are vacant.	Action should be taken to fill the vacancies.