

Head 302 Co-operative Employees Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Co-operative Employees Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and 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. In terms of Sub-section 11(1) 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 31 May 2022. The Annual Detailed Management Audit Report relevant to the Commission was issued to the Accounting Officer on 28 June 2022 in terms of the Section 11(2) of the Audit Act. 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 Co-operative Employees Commission 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 Unqualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities in relation to the Financial Statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determine 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, 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 an auditor's 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 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 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 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 recommendations made by me relating to the financial statements of the preceding year, had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Cash Flow Statement

Following observations are made.

	Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(i)	Due to non-consideration of advance recovery of Rs. 448,620 ,cash flow generated from operating activities was understated by that amount when calculating the cash flow generated from operating activities.	As the advances collected from salary during the year are remitted to the Deputy Secretary of the General Treasury on a monthly basis, the advance recovery balance was recognized as an operating activities. Cash advance recovery during the year was Rs.793,820 as per ACA 5 model.	It should be ensured that the accounts are prepared as per the Public Accounts Guidelines.
(ii)	Advance payments were Rs.686, 641 and it was understated as Rs. 414,331 in the cash flow statement with a shortfall of Rs.272, 310.	cash advance payment during the year is Rs.414,331 as per ACA 5 model, so that the figure is shown under operating activities.	Accounts should be prepared as per State Accounts Guidelines.

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| (iii) | The expenditure of Rs.176,310 incurred for other vote heads was not taken into account in the calculation of cash flow spent on operating activities. | Measures were taken to settle the balance of Rs. 176,310 of a retired officer through the account summary in October 2021 based on the provisions made by the Department of Pension. | Accounts should be prepared as per State Accounts Guidelines. |
| (iv) | The value of construction or purchase of physical assets and acquisition of other investments was Rs. 1,026,019, and it was overstated as Rs.1,099,150 by a value of Rs.73,131 in the cash flow statement. | Considering as an investment on human capital, the expenditure of Rs.73,131 incurred by the object of staff training are shown in the statement of cash flows under Construction or purchase of physical assets and acquisitions of other investments. | Care should be taken to indicate the correct value of the accounts. |

(b) Imprest Reconciliation Statement

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(i) The expenditure of Rs.176,310 incurred by the reporting agency on behalf of the other heads was not shown in the imprest reconciliation statement.	The manner of adjusting the value of Rs.176,310 in the imprest reconciliation statement was indicated.	Accounts should be prepared as per Accounts Guide No. 06.
(ii) Even though the credits made to the advance "B" account by other heads is Rs. 1,481,246, it was understated by a value of Rs. 617,510 ,i.e. Rs. 863,736.	The manner adjusting the value of Rs.1,481,246 was indicated.	- do -

- (iii) Receipts of Rs. 793,820 to the Advances "B" account which had been remitted to the Treasury and not in the form prescribed by paragraph 06 of the Public Accounts Guideline No. 2021/03 were adjusted in the imprest reconciliation statement.
- Receipts to the Advance B Account which were remitted to the Treasury will be shown separately in order to make the imprest reconciliation statement more clear.
- Accounts should be prepared as per Public Accounts Guidelines.

2. Financial Review

2.1 Management of Expenditure

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Savings ranged from 42 percent to 75 percent of net provision were available for 03 recurrent objects.	1101 ----- Physical closure of offices and calling of limited officials during the movement restrictions imposed due to the epidemic. 1302 ----- The provision under this budget was saved due to not incurring the expenditure as expected.	Arrangements should be made to utilize the allocated amount within the year.
	1303 ----- The provision under this object was saved due to not incurring the expenditure as expected..	

2.2 Incurring Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though that any liability or commitment not reported to the Treasury by supplementary account summaries should not be settled in the year 2022 in terms of the paragraph 4.5 of the Public Accounts Guideline 2021/02 dated 26 October 2021, Rs. 225,000 of building rent related to the year 2021 was paid in the year 2022 ,and it was not shown in the financial statement as a liability in the year 2021.	Building rent expense of Rs.225,000 for December 2021 has not been shown as a liability in the financial statement due to an omission.	Accounts should be prepared as per guidelines.

3. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The approved cadre of the commission was 23 and the actual cadre was 17, 06 vacancies available.	Requests for filling up the relevant vacancies have been made to the Director General of Combined Services from time to time.	Vacancies should be filled.