

## **Head 298 - Measurement Units, Standards and Services Department**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 298 - The audit of the financial statements of the Measurement Units, Standards and Services Department for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statements 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 Measurement Units, Standards and Services Department was issued to the Accounting Officer on 29 May 2023 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 the Accounting Officer on 11 July 2023 in terms of Section 11(2) of the Audit Act. This report will be presented 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 2022 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 is further described in the Auditor's Responsibilities 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 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 of the Department.

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 in this report in paragraphs 1.6.1 (a), (b)(i), (c) and (d) on the financial statements of the preceding year had not been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

#### (a) Non-revenue Receipts

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The value of Rs.50,267 indicated as receipts of deposits in the statement of financial performance had not been included in the Departmental books.	As indicated in the annual statements of accounts of prior years, the Department has indicated the value of deposits in the year 2022 too.	Should be identified accurately and included in books.

#### (b) Cash Flow Statement

The following deficiencies were observed in regard to the cash flow statement.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) Even though the recovery of advances was Rs.5,043,464 according to the consolidated trial balance of the Department, the said value had not been included in the cash flow statement.	As the recovery of relevant advances has been made through cross entries, it has not been recorded in the cash flow statement.	In terms of Section 7.6 of the State Accounts Guideline No.2022/05 of 13 December 2022, the cross entries should be considered as well in the preparation of the cash flow statement.

- (ii) According to the consolidated trial balance of the Department, the expenditure incurred for other Expenditure Heads was Rs.5,677,348. However, it has been recorded in the cash flow statement as Rs.4,779,128, thus observing a difference of Rs.898,220.
- In making payments under other Expenditure Heads, the Expenditure Head 130 comprised the payment made to graduate apprentices. The payments of salaries to relevant officers were made through the system from March 2022.
- In terms of Section 7.6 of the State Accounts Guideline No.2022/05 of 13 December 2022, the cross entries should be considered as well in the preparation of the cash flow statement.

**(c) Deposits**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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The balance of the deposit account amounting to Rs.47,765,312 indicated under current liabilities, had not been recorded in the Departmental books.	According to Treasury Table 30, the value of this item has been indicated in ACA 4 as indicated in prior years.	Records should be made in books once identifying whether they are current liabilities.
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**(d) Imprest Reconciliation Statement**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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A sum of Rs.6,214,614 had been indicated as receipts in the Treasury Table 52 and in the statement of financial performance while according to Departmental books, it was Rs.6,245,994. The difference of Rs.31,380 had not been included in the Imprest Reconciliation Statement.	It is stated that the relevant item will be accurately presented when preparing accounts of the ensuing year.	The difference should be included in the Imprest Reconciliation Statements.
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**(e) Non-maintenance of Registers and Books**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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It was observed in audit test checks that the deposit ledger had not been maintained in an updated manner by the Department.	Necessary instructions were given to the relevant officer in charge for entering records accurately in the ensuing year.	The relevant deposit ledgers should be maintained in an updated manner.
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**2. Financial Review**

**2.1 Certifications to be made by the Accounting Officer**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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In accordance with provisions in Section 38 of the National Audit Act, No.19 of 2018, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit. Nevertheless, according to the observation indicated in paragraph 4.1 of the report, that requirement had not been fulfilled.	Comments had not been made.	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.
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**2.2 Non-compliance with Laws, Rules and Regulations**

<b>Observation</b>	<b>Reference to Laws, Rules and Regulations</b>	<b>Value Rs.</b>	<b>Non-compliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Financial Regulation 756 (6) of the Public Finance Circular No.01/2020 of 28 August 2020	-		Reports on Boards of Survey should be submitted to the Head Office before 31 March 2023. However, the reports on Boards of Survey relating to 07 District Offices of the	Reminders in this regard have been forwarded to the Chairmen of the relevant Boards of Survey.	Action should be taken in terms of circular provisions.
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Department had not been submitted even up to the date of audit.

### 3. Operating Review

#### 3.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
Updated organizational structure of the Department had not been included in the Action Plan prepared for the year 2022 in terms of Guidelines No. 12 of the Department of Public Finance as per paragraph 03 of Public Finance Circular No.02/2020 dated 28 August 2020.	Documents relating to the Action Plan have been sent to the Ministry according to Guidelines 12 as per paragraph 03.	The updated organizational structure of the Department should be included in the Action Plan as per circular provisions.

#### 3.2 Annual Performance Report

Audit Observation	Comments of the Accounting Officer	Recommendation
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, the performance report had not been submitted accordingly.	It is expected to take action for rectifications in the ensuing year.	The annual performance report along with the annual financial statements should be submitted to the Auditor General.

#### 3.3 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of paragraph 07 of Assets Management Circular No.01/2017 dated 28 June 2017, information on purchase and disposal of assets had not been submitted to the Comptroller General's Office.	It is informed that action will be taken to appoint an officer to submit information on purchase and disposal of assets to the Comptroller General since this year and to report thereon.	Action should be taken in terms of circular provisions.

Further, in terms of paragraph 13, an officer should be appointed therefor. Nevertheless, action had not been taken accordingly.

#### 4. Good Governance

##### 4.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
As the contract period of the officer who performed duties relating to the post of Internal Auditor on contract basis was terminated on 06 September 2021, the said post had been vacant. As such, internal audit activities had not been carried out.	Requests had been made from the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government through the Letter No. මිජර/2/2021/පොදු dated 31.01.2023 of the Department and the Letter No.MT/DEV/04/03/04 dated 24.02.2023 of the Ministry to attach an officer of the Sri Lanka Accountants' Service - II/II or II/I to the post of Internal Auditor.	An eligible Internal Auditor should be appointed to perform functions of the Department in terms of provisions of the National Audit Act, No. 19 of 2018.

##### 4.2 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Section 5.3 of Circular DMA/2019 dated 12 January 2019, four Audit and Management Committee meetings should be held annually at least one meeting each per quarter. However, the Department had not conducted Audit and Management Committee meetings during the year under review.	As the post of Internal Auditor of the Department had been vacant after 06 September 2021, Audit and Management Committee meetings could not be conducted.	Audit and Management Committee meetings should be conducted in terms of circular provisions.

## 5. Human Resource Management

The approved cadre and the actual cadre of the Department as at 31 December of the year under review stood at 368 and 287 respectively, thus indicating 81 vacancies. The following observations are made in this regard.

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Out of 09 vacancies in the senior level, 08 representing 42 per cent alone (Deputy Director, Assistant Director) had remained vacant over a period of 11 years.	Not commented.	Action should be taken to fill vacancies or to revise posts as per cadre requirement.
(b)	Out of 30 posts in the approved tertiary level, 26 representing 87 per cent had remained vacant over a period of 4 years.	Not commented.	-do-
(c)	The said vacancies adversely affect the performance of the Department and action had not been taken to review the cadre and fill vacancies or to revise the approved cadre as per the requirement.	Not commented.	-do-