

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Authority on Tobacco and Alcohol for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial performance, statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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 and the provisions of the National Audit Act No.19 of 2018 and the Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the authority as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of my report. I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

As per Section 16(1) of National Audit Act No.19 of 2018, the Authority 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 authority.

1.4 Scope of Audit (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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- Evaluate the overall presentation, 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records, and other documents are in effective operation.
- Whether the authority has complied with applicable written law, or other general or special discussions issued by the governing body of the authority
- Whether the authority has performed according to its powers, functions and duties and
- Whether the resources of the authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs 7,658,339 and correspondingly, the surplus in the preceding year was Rs. 1,043,684. Accordingly, it had been observed that a growth of Rs. 6,614,656. In comparative with the previous year, decrease of expenditure for the programs of the authority by 71 percent and decrease of overall expenditure by 22 percent had mainly caused for this growth.

2.2 Trend Analysis of the Key Income and Expenditure Subjects

Even though foreign grants of Rs. 7,063,075 had been received to the authority in the preceding year, no foreign grants had been received in the year under review and government local capital grants had increased by Rs. 2,573,300 i.e. 130 percent in the year under review comparatively with the previous year. The expenditure for the personal emoluments and the programs of the authority had been decreased in the year under review comparatively with the previous year by Rs.4, 204,690 and Rs.6, 464,553 i.e.26 percent and 71 percent respectively.

3. Operating Review
3.1 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>The mobile phone application named “VNATA Media Violation” had been introduced for obtaining the information from the people and “VNATA Authorized Officer’s” for authorized officers by incurring Rs. 566,465 and Rs.301,490 respectively by the authority. A specific methodology had not been prepared by the authority for payment of monthly server using charges to be paid by the credit cards with the credit card facilities and instead of that, the payment had been made by the personal credit card of the Chairman of authority. Owing to this reason, this input had been inactive for a certain period of time when the Chairman of authority is changed. Accordingly, this application had been inactive approximately 04 months from February to May 2023 and an additional amount of Rs. 58,000 had to be incurred to activate again these two application Similarly, no written agreement had been entered into with the supplier for development and maintenance of these two application</p>	<p>Owing to only incurring Rs.6000-8000 in the payment through the credit card of Chairman of authority monthly, this payment had been made through the credit card of Chairman. Since these credit cards had to be removed when change of the Chairmen of the authority, it had been discussed with 02 state banks to obtain the credit card facility to the authority. The state banks had informed that it is inconvenient to provide the credit card facility.</p> <p>Accordingly, the payment of server using charges had been made through the credit card of new Chairman on the approval of the Board of Directors.</p> <p>Similarly, this application had automatically become inactive on 01 February 2023 due to non-payment of server using charges in the first months in the first half of the year in 2023 an amount of Rs. 58,000 had been paid to reactivate the application. It had been given consent to enter into agreements subsequent to update including Tamil and English languages for an amount of Rs.1,875,000 in inquiring about the entering into agreements with the institute which had created this application in 2023. Accordingly, an above amount is incurred for entering into agreement in written consent.</p>	<p>The action should be taken to continuously implement the mobile phone application service.</p>

3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>As at 31 December 2023, there were 05 vacancies in the authority and it had been increased up to 06 on 30 April 2024. Among the above-mentioned vacancies, the post of General Manager had been vacant from 27 July 2022 up to date and the post of Administrative Officer had been vacant from 04 March 2024 to up to date. Similarly, the post of Consultant and Legal Officer required to be employed in full time had been recruited on the contract basis.</p>	<p>The activities related to recruitment to the post of General Manager had been continuously carried out by the Authority and the approvals required for filling such post had not been received to the authority so far. The relevant approval for the final cabinet paper prepared for the recruitment of a retired officer for this post had not been received so far.</p> <p>The relevant action had been already taken to recruit to the post of Administrative Officer by authority and since the relevant approvals had not been still received to the authority, the action will be expeditiously taken to recruit once such approvals will be received.</p> <p>The necessary action will be formulated to fill 02 posts such as Consultant in Psychology and Legal Officer full-time.</p>	<p>The action should be taken to recruit to fill the vacancies enabling to carry out the functions of the authority systematically.</p>

4. Accountability and Good Governance

4.1 Presentation of the Financial Statements

Audit Observation	Comments of the Management	Recommendation
<p>In accordance with paragraph 6.6 of Public Enterprises Circular No. 01/2021 dated 16 November 2021, even though the financial statements should be presented to the Auditor General within 60 days from ending of the financial year, the financial statements had been submitted to the</p>	<p>The Accountant (permanent) of the authority had taken the maternity leave until 14 February 2024 and it had been revealed that the less opportunities had been received for the preparation of the financial statements of the authority on the busyness of the acting Chief Accountant of the State Ministry of Health who had been appointed to the acting of that post. Subsequent to reporting to the service again by permanent Accountant of authority, the financial statements had been prepared</p>	<p>As per circular, the financial statements should be submitted to the Auditor General without delay.</p>

audit delay of 60 days on due date for the year under review by authority.

and submitted to the Audit Committee of authority held on 04.04.2024 as per the decision of the Board of Directors dated 25 March 2023. After approving the financial statements by Board of Directors on 30.04.2024, it had been submitted to Auditor General on 30.04.2024. I would like to inform that the financial statements will be submitted within the stipulated period of time having paid special attention for the reasons of occurrence such delays in the future and obtain the recommendations of the audit committee before that.

4.2 Internal Audit

Audit Observation

As per paragraph 4.4 of Public Enterprises Circular No. 01/2021 dated 16 November 2021, no internal audit had been carried out for the authority in the year under review.

Comments of the management

The post of Internal Auditor had not been approved for the authority and even though an internal audit should be performed by the Ministry of Health as line ministry, it had not been carried out due to shortage of the staff in Internal Audit Division of the ministry.

Recommendation

An internal audit should be carried out.