

## **Head 302 - Co-operative Employees Commission**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Head – 302 - Co-operative Employees Commission for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and 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 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 06 May 2024 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 June 2024. 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, except to the effect of the matters set out in paragraph 1.6 of this report, 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 2023, 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 recommendations made by me on the financial statements relating to the preceding year had been implemented.

## 1.6 Comments on financial statements

### 1.6.1 Accounting deficiencies

#### (a) Non-Revenue Receipts

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
In the financial performance statement and cash flow statement, the deposit receipts and payments for the year are Rs.106,868 more, and the advance account receipts and advance payments are Rs. 106,868 were also understated.	In the future, the officers were instructed to correctly enter the relevant accounting notes in both the physical and computer systems and to prepare the financial statements according to the public accounting guidelines.	Accounts should be prepared as per the guidelines.

#### (b) Property, plant and equipment

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
In respect of 2 asset codes in the Statement of Non-Financial Assets 2023, the sum of the closing balances of the previous year was Rs. 3,846,407 but During the year under review, the sum of the opening balances of the said code Nos. was understated by Rs.429,417 as a sum of Rs. 3,416,990.	I agree with audit observations. The cost of the goods auctioned in the year 2023 as recommended by the Board of Survey in 2022 is Rs.429,416.88. The said mistake needs reporting to the Treasury Accounts Department and rectifying but failed to do so. Instructions were given to the relevant officials to ensure that such deficiencies do not occur in the future.	Arrangements should be made to prepare financial statements accurately.

### (c) Advance Account Balances

<b>Audit inspection</b>	<b>Comment of the Accounting officer</b>	<b>Recommendation</b>
In accordance with the Treasury books, the debits and credits in the advance account of 30201 public officers during the year were Rs. 878 , 808 and Rs.735 ,139 respectively, 106 , 868 were less debited and credited. In the ACA 5 model, Rs. 771,940 and Rs. 628,271 had been debited and credited by Rs. 106,868 less.	Agree with audit observations.	Arrangements should be made to prepare the accounts correctly.

## 2. Financial review

### 2.1 Cost Management

<b>Audit Observation</b>	<b>Accounting Officer's Comment</b>	<b>Recommendation</b>
Estimates had not been realistically prepared in accordance with Financial Regulation 50 as there were 60 %, 82% and 100% savings in expenditure Heads 1301,1302 and 1303 respectively.	Maintenance and repair expenses and credit lines not incurred during the year as expected.	Estimates should be prepared realistically.

### 2.2 Entering into liabilities and obligations

<b>Audit inspection</b>	<b>Comment of the Accounting officer</b>	<b>Recommendation</b>
electricity bill of Rs. 33,440 for the year under review had not been included in the register liabilities and statement of liabilities..	the audited electricity bill is related to the period from 08.12.2023 to 08.01.2024, it has not been included in the debit register.	Liabilities related to the year should be indicated correctly.

### 3. Operational review

#### 3.1 Planning

<b>Audit Observation</b>	<b>Comment of the Accounting officer</b>	<b>Recommendation</b>
As per Guideline No. 12 (a) issued in relation to Public Finance Circular 02/2020 dated 28 August, 2020, Organizational structure of the institution updated for the relevant year, details of approved cadre and existing cadre and plan of imprest requirements for annual activities as per paragraph (c) had not been included in the	Organizational structure of the organization updated for the relevant year , details of approved cadre and existing cadre and Although the plan for the necessary imprest for annual activities have been prepared, it had not been presented with the 2023 action plan.	It is recommended to act in accordance with the Guidelines

#### 3. 2 Non-performance of duties

<b>Audit Observation</b>	<b>Comment of the Accounting officer</b>	<b>Recommendation</b>
In relation to 13 unsolved appeals received in 2021 and 2022, solutions had been given in 2023 and out of 20 complaints received in 2023, only 16 had been solved and 04 appeals that needed to be solved continued.	After receiving an employee appeal, a detailed report on the matters mentioned in the appeal will be called from the Society. Due to factors such as delay in providing information to the Commission, some appeals have not been able to be examined and completed promptly.	The main tasks should be done promptly.

### 3.3 Management of assets

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The commission has 03 vehicles and the number of approved drivers had been 03. However, with only being one driver in the actual cadre, the 2 vehicles in the pool remained underutilized.	It has been requested on several occasions to fill the drivers' vacancies, but due to the non-appointment of drivers, it has become difficult to run the vehicle pool in the office in a formal manner.	Assets should be properly managed.
(b) As per paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016, although a fuel consumption must be re – tested after a period of 12 months from each fuel test or after nunning a distance of 25000 km or after carrying out a major repair to the engine, whichever occurs first, no such fuel consumption test was conducted in relation to the commision's vehicles.	Necessary instructions have been given for the proper conduct of the fuel combustion test in the future.	Assets should be properly managed.