

Head 298 - Measurement Units, Standards and Services Department

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 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 Measurement Units, Standards and Services Department was issued to the Accounting Officer on 30 May 2024 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 28 June 2024 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 2023 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. 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 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 previous year report in its paragraphs 1.6.3 on the financial statements of the preceding year had not been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue Receipts

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(i) The receipt of advances under the non-revenue receipts in the Statement of Financial Performance amounted to Rs. 7,225,245, while, according to Treasury Table SA 52, the value of advance receipts was Rs. 7,674,867. Accordingly, a sum of Rs. 449,622 had been understated.</p>	<p>According to the Statement of Financial Performance, although the advance receipts amounted to Rs. 7,225,245, the value of these advance was Rs. 7,674,867 as per Treasury Table SA 52, indicating a difference of Rs. 449,622.</p>	<p>Financial statements should be prepared correctly.</p>
<p>(ii) According to the departmental trial balance, the revenue collected under other revenue heads amounted to Rs. 8,118,607, but it was recorded as Rs. 1,174,028 in the cash flow statement, resulting in a discrepancy of Rs. 6,944,579.</p>	<p>Since the cash flow statement is a document that reflects cash receipts and payment actually, during the preparation of accounts, it has been prepared by adjusting the cross entries from the values debited for the objects in the expenditure ledger and using the actual cash flow values.</p>	<p>Financial statements should be prepared correctly.</p>

(b) Recurrent Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>As per the department's trial balance, although personnel emoluments and operational expenses totaled Rs.167,809,639, it was recorded as Rs. 155,838,014 in the cash flow statement, resulting in a discrepancy of Rs. 11,971,625.</p>	<p>The values recorded in the cash flow statement as personnel emoluments and operational expenses obtained derived from actual cash values.</p>	<p>The cash flow statement should be prepared in accordance with the guidelines.</p>

(c) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) In the Statement of Financial Performance, advance payments under the main ledger expenses were recorded as Rs. 10,933,565, whereas the value of advance payments mentioned in Treasury Table SA 52 was Rs. 11,383,186, showing an understatement of Rs. 449,621.	Due to an error, Rs. 171,048, which should have been debited to 298012 in March, was debited to 298011, and in September, Rs. 278,138, which should have been recorded as a payment to account 298012, was mistakenly recorded as a receipt to 298012. The issue has been rectified.	Advance accounts should be prepared correctly.
(ii) According to the department's trial balance, the advance collections amounted to Rs. 8,336,761, whereas, it was recorded as Rs. 774,096 in the cash flow statement, resulting in a discrepancy of Rs. 7,562,665.	Since the cash flow statement is a document that shows cash receipts and payments actually, it has been prepared by adjusting the cross entries from the values debited for the objects in the expenditure ledger using the actual cash flow values.	The cash flow statement should be prepared in accordance with the guidelines.
(iii) According to the department's consolidated trial balance, the value of advance payments was Rs. 11,661,324, whereas, it was recorded as Rs. 9,323,631 in the cash flow statement, resulting in a discrepancy of Rs. 2,337,693.	Since Rs. 9,323,631 reflects the actual cash flow for 298011, only that value was adjusted in the cash flow statement.	-Do-

(d) Non-maintenance of Refiaters and Books

Audit Observation	Comment of the Accounting Officer	Recommendation
The department had not maintained the expenditure ledger and the deposit ledger in an updated manner.	This will be corrected in the future.	Documents should be maintained in an updated manner.

2. Operating Review

2.1 Management Weaknesses

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>As of 31 December 2023, the total outstanding balance of officials in the Advance B Account amounted to Rs. 576,605. This balance included an amount of Rs. 147,429, which was due from a deceased official for more than three years, Rs. 217,570, which was due from three interdicted officials, and Rs. 211,606, which was overdue for more than 05 years from an official who had resigned. In relation to the debt balance of the deceased officer, no action had been taken as per Section 4:6 of Chapter xxiv of the Establishments Code, nor with respect to the balances of the resigned and interdicted officers as per Paragraph (b) in Section (i) of Guideline No. 01 in accordance with Public Finance Circular 01/2020.</p>	<p>The particulars relating to the balance due from the deceased officer have been forwarded to the Pensions Department to be settled the balance at the time of paying the death gratuity, and future actions regarding the interdicted officers will be taken in accordance with Public Finance Circular No. 01/2020 and F.R 113.</p>	<p>Actions should be taken in accordance with the provisions of the Establishments Code and Public Finance Circular 01/2020.</p>

3. Good Governance

3.1 Internal Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Although an suitable internal auditor should have been appointed for the department to carry out its functions as per the provisions of section 40 of the National Audit Act No. 19 of 2018, an internal auditor had not been appointed since 06 September 2021.</p>	<p>The Secretary of Public Administration has been informed regarding the appointment of an internal auditor, and despite the absence of an auditor, the operations of the department's internal audit division are being carried out satisfactorily.</p>	<p>An internal auditor should be appointed in accordance with the provisions of the Audit Act.</p>

4. Human Resource Management

The approved, actual cadre and the number of vacancies of the Department as at 31 December 2023 are as follows.

Employees Category	Approved, cadre	Actual cadre	No. of vacancies
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Senior Level	19	09	10
Tertiary Level	30	02	28
Secondary Level	216	190	26
Primary Level	<u>103</u>	<u>81</u>	<u>22</u>
	<u>368</u>	<u>282</u>	<u>86</u>

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) As of 31 December 2023, the approved senior staff comprised 19 positions. It was observed that 10 of these positions, which represent 53 percent of the total, have been vacant since 2011. This includes 8 positions for Deputy Directors/Assistant Directors in the Sri Lanka Scientific Service, 1 position for Assistant Director (Administration) in the Sri Lanka Administrative Service, and 1 position for Accountant (Internal Audit) in the Sri Lanka Accountants Service.	Due to a delay in the Ministry of Public Administration, it has not been possible to fill these vacancies, and this has been communicated to the Auditor General.	Actions should be taken to fill the vacancies
(b) Out of the 30 approved tertiary-level positions, 28 positions, including 1 Administrative Officer in the Sri Lanka Management Service Officers' Service (Supra Grade), 4 Assistant Measurement Unit Standard Officers (Departmental positions), and 23 positions in the Sri Lanka Technological Service	The final draft of the recruitment procedure for 25 of these positions was submitted to the Public Service Commission on 22.03.2024, while no specific instructions have been provided by the Department of Management Services regarding the	-Do-

(Supra Grade), representing 93 percent, were observed to be vacant. remaining 4 positions.

- (c) Twenty three (23) percent of the total approved positions were vacant as of 31 December 2023, and it was observed that all these vacancies were departmental positions. The proposal to upgrade 36 Metrology Inspector (MN-04) positions, to fill 20 vacant positions, to recruit Development Officers for the Metrology Inspector position, and to recruit graduates on a contract basis for the Metrology Inspector position has been submitted to the Department of Management Services. -Do-