

Measurement Units, Standards and Services Fund - 2011

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1. Financial Statements

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1:1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Measurement Units, Standards and Services Fund as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Presentation of Financial Statements

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Although the financial statements presented to audit should have been certified by the Director and Deputy Director (Finance) of the Department being the Accounting Officers of the Fund, it had been certified by the Deputy Director (Finance).

1.2.1 Accounting Policies

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Although provision for depreciation for assets of the Fund should have been made on direct line method in terms of policies pointed out in the financial statements, provision for depreciation for machineries and vehicles had been made according to the reducing balance method.

1.2.2 Accounting Deficiencies

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The following observations are made.

- (a) Provision totalling Rs.5,242,979 had been made relating to a sum of Rs.76,890,442 spent for acquisition of a land which was shown in the financial statements as at end of the year under review and a sum of Rs.6,992,282 spent for repairs of vehicles, machineries and equipment.
- (b) Annual membership fees amounting to EURO 14,200 payable to the International Organization for Legal Measurement Studies during the year under review had been omitted in the accounts.
- (c) Value Added Tax amounting to Rs.5,512,815 paid on the local purchases had been shown under revenue.
- (d) The value of a motor vehicle obtained as grants from the Ministry had been omitted in the accounts.

1.2.3 Accounts Receivable

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Action had not been taken up to 31 December 2011 to settle the advances amounting to Rs.127,343 remaining since year 2008.

1.2.4 Lack of Evidence for Audit

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The following items could not be satisfactorily vouched or verified in audit due to non submission of evidence shown against each item.

Details of Accounts -----	Value -----	Documentary Evidence not Submitted for Audit -----
	Rs.	
(a) Property, Plant, Equipment and Vehicles	198,175,493	(i) Register of Fixed Assets (ii) Detailed Schedules (iii) Verification Report on Assets
(b) Payments for 40 items during the year under review	73,116,524	Acknowledgement for receipt of cash

1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.

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The following non-compliances with laws, rules and regulations were observed.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliances -----
(a) Public Administration Circulars -----	
(i) Circular No.41/90 dated 10 October 1990 (I) Sub section 2:11  (II) Sub section 2:12	Although consumption of fuel of the vehicles belonging to the Institution should be tested once in every 06 months, it had not been done so.  Although the fuel tanks of the pool vehicles should be filled fully once in two weeks, action had not been taken accordingly.
(ii) Circular No.06/97 dated 03 February 1997	Action had not been taken up to 31 July 2012 to fill the vacancy that was arisen after the retirement of the Director on 05 May 2009 in terms of the circular instructions.
(b) Public Finance Circular No.P/F/437 dated 18 September 2009	Although specific insurance coverage relevant to the Institution should be obtained, action had not been taken to done so.
(c) Treasury Circular No.842 dated 19 December 1978	A Register of Fixed Assets had not been maintained.

1.2.6 Irregular Transactions  
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The total estimated value of Rs.1,106,518 had been paid to the District Secretary, Colombo on 14 December 2011 to remove the fence constructed around the office premises of the Head Office of the Department and to reconstruct it. However, construction of the fence had not been commenced up to the month of June 2012. Any agreement had not been entered into in this regard between two parties and the above value had been shown in the financial statements under work in progress.

2. Financial Review  
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2.1 Financial Results  
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According to the financial statements presented, operations of the Fund for the year under review had resulted in a surplus of Rs.74,972,312 as compared with the corresponding surplus of Rs.70,255,700 for the preceding year. Accordingly, an improvement of Rs.4,716,612 was observed in the financial results as compared with the preceding year. Increase of income due to including the Tax amounting to Rs.5,512,815 paid based on the local purchases and income other than sealing amounting to Rs.237,640 to the revenue and nonpayment of contribution and membership fees amounting to Rs.2,894,340 for the year under review had mainly attributed for this improvement.

3. Operating Review  
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3.1 Performance  
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The following observations are made.

- (a) Although all the measurement equipment utilized for business should be verified annually in terms of Sections 20 (i) (a) and 37 of the Measurement Unit, Standards and Service Act No.35 of 1995, proper procedure to ensure that such verification of all the equipment had not been implemented within the Department.
- (b) Details of Units verified by the District Officers and charges recovered thereon should be reported to the Department by those officers, proper procedure or internal checking had not been carried out to ensure the correctness of them.

3.2 Management Inefficiencies  
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Although provision of Rs.235 million had been made for construction of new laboratory in the Department premises in terms of Cabinet Decision dated 27 August 2007, approval had been granted at the meeting of the Cabinet of Ministers held on 09 December 2009 to construct laboratory and Head Office in a separate place. Accordingly, the value of the fresh estimate for this construction had increased up to Rs.1,985 million. Although nearly 4 years had elapsed at present since year 2007, a sum of Rs.108.1 million had been spent for supplying various services during that period. However, this construction works had remained only at the level of original plan.

Activities, which were expected through the payments of Rs.2,000,000 and Rs.191,153 made to the Urban Development Authority and to the Colombo Municipal Council respectively out of those expenditure, had not been completed and as such the above money could not be recovered back.

Further, the expenditure incurred for repairs of the premises and building in which the Department is operated now, was Rs.2.7 million. The estimated expenditure for repairs anticipated for the year 2012 was Rs.6 million. Accordingly, construction of new office and laboratory had not been expedited and as such deterioration of financial position of the Fund could not be avoided.

### 3.3 Operating Inefficiencies

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The following matters were observed.

- (a) According to the Action Plan for the year 2011, a sum of Rs.86 million had been provided for 7 constructions and repair works. Among those works, only one repair work had achieved considerable physical progress and the amount spent thereon was Rs.1.5 million.
- (b) Although it was planned to establish a computer network between the Head Office and the District Offices during the year under review at an estimate of Rs.5 million, any progress had not been achieved up to 31 December 2012.

### 3.4 Deficiencies in Contract Administration

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A contract to repair the roof of the laboratory had been awarded to a Government Corporation during the year under review without come to an agreement and quotation had not been called for from any other institution. Approval of the Technical Evaluation Committee had not been obtained for the original estimate amounting to Rs.1,998,612 and the second estimate amounting to Rs.3,422,095 submitted by that institution including additional repairs to be carried out. However, original bill amounting to Rs.2,218,175 submitted by the relevant institution had been certified by an unqualified Works Examiner of the Department of Food Commissioner and of this, a sum of Rs.1,558,129 had been paid.

## 4. Accountability and Good Governance

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### 4.1 Corporate Plan

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Corporate Plan of the Fund had not been submitted to audit.

### 4.2 Action Plan

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Although an Action Plan had been prepared for the year under review, a Corporate Plan had not been submitted for audit and as such it could not be observed whether it was in accordance with the Corporate Plan and it had been prepared parallel with the annual budget.

4.3 Internal Audit

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Although an Internal Audit Programme had been prepared for the Department by the line Ministry, adequate audit had not been carried out and report not submitted.

4.4 Budgetary Control

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Significant variances were observed during the year under review between the budgeted expenditure and actual expenditure of the Fund thus, indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Department from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Assets Administration
- (c) Contract Administration
- (d) Budget
- (e) Internal Audit
- (f) Control over Vehicles