

## Measurement Units, Standards and Services Fund - 2013

---

The audit of financial statements of the Measurement Units, Standards and Services Fund for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 35(5) of the Measurement Units, Standards and Services Act, No. 35 of 1995.

### 1:2 Management's Responsibility for the Financial Statements

---

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

### 1:3 Auditor's Responsibility

---

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### 1:4 Basis for Qualified Opinion

---

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## 2. Financial Statements

---

### 2:1 Qualified Opinion

---

In my opinion, except for the effects of the matters described in paragraph 2:2 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards .

### 2:2 Comments on Financial Statements

---

#### 2:2:1 Accounting Deficiencies

---

The following accounting deficiencies were observed.

- (a) An expenditure of Rs.248,888 relating to the year 2014 incurred by the Fund had been brought to account as expenditure of the year under review.
- (b) Expenditure amounting to Rs.64,500 which should be classified as capital expenditure had been classified as revenue expenditure.
- (c) Two motor vehicles received by the Fund from the Line Ministry and another Ministry had not been valued and brought to account.
- (d) Expenditure amounting to Rs.4,188,209 incurred even by the end of the year under review had been erroneously shown as unsettled advances. As such the surplus and the working capital position for the year had been overstated by that amount.

#### 2:2:2 Accounts Receivable

---

An advance of Rs.127,343 brought forward from the year 2008 had not been settled even by 30 April 2014.

#### 2:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

---

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
-----	-----
(a) Public Administration Circulars	
(i) Sub-paragraph 2.11 of Circular No. 41/90 of 10 October 1990.	Even though the fuel consumption of the motor vehicles of the Fund should be tested once in every 06 months, it had not been so done.

- (ii) Circular No. 06/97 of 03 February 1997. Even though the period of acting should be limited to 03 months in accordance with the provisions, since the retirement of the former Director on 05 May 2009 duties had been covered by appointing an officer on acting basis even up to 30 April 2014 without filling the vacancy.
- (b) Public Finance Circular No. P/F/437 of 18 September 2009. Even though an insurance cover for the Fund should be obtained, it had not been so done.
- (c) Paragraph 4.1(a) of the Public Finance Circular No. PF/423 of 22 December 2006. Even though the approval for the Annual Budget of the Fund should have been obtained from the Honourable Minister before 30 September 2012 and furnished to the Director General of National Budget and the Director General of Public Finance, it had not been so done.
- (d) Financial Regulation 371(b) Ad hoc sub-impressts totalling Rs.157,843 exceeding the limit of Rs.20,000 per officer had been granted to 04 officers.

### 3. Financial Review

#### 3:1 Financial Results

According to the financial statements presented, the operations of the Fund during the year under review had resulted in a surplus of Rs.103,299,406 as compared with the corresponding surplus of Rs.82,999,417 for the preceding year. Thus, as compared with the preceding year the financial results had increased by a sum of Rs.20,299,989. The favourable financial results had been due to the increase in the income from the stamping fees and the interest on Treasury Bills in the year under review as compared with the preceding year.

#### 3:2 Analytical Financial Review

Particulars of Income / Expenditure	<u>Income / Expenditure</u>		Change in the Income and Expenditure/ Favourable/(Adverse )	Change and Percen- tage
	2013	2012		
	Rs.	Rs.	Rs.	
Income from Stamping	101,873,355	91,486,826	10,386,529	11
Interest Income	39,028,295	32,816,434	6,211,861	19
Non-stamping Income	98,727	779,960	(681,233)	(87)

Staff Cost	10,589,825	13,206,909	2,617,084	20
Depreciation	6,829,057	7,584,605	755,548	10
Establishment and Administration Expenses	16,530,142	13,178,376	(3,351,766)	(25)
Contributions and Membership Fees	2,497,998	5,758,618	3,260,620	57
Other Expenditure	1,549,457	2,649,398	1,099,941	42

#### 4. Operating Review

-----

##### 4:1 Performance

-----

The following observations are made.

- (a) In terms of Sections 20(1)(a) and 37 of the Measurement units, Standards and Services Act, No. 35 of 1995 every measurement equipment used in trading should be verified annually. Nevertheless, the Fund did not have a methodology to ensure that every equipment had been verified.
- (b) Even though the particulars relating to the units verified and the fee charged thereon by the District Officers are reported to the Fund by those officers, the Fund had not established an internal control procedure for a reconciliation or supervision of the money credited from the fees collected and the income in the Summary Report on Monthly Verification Fees and Number of Units (MS/4 Report) with the copies of the Verification Reports. As such, it was not possible to be satisfied in audit with regard to the accuracy of the income collected from stamping.

##### 4:2 Fixed Assets Control

-----

In view of the unavailability of the Registers of Fixed Assets and title deeds adequate to ensure the ownership of fixed assets totalling Rs.359,328,254 it was observed that the control of fixed assets had been weak.

#### 5. Accountability and Good Governance

-----

##### 5.1 Action Plan

-----

Even though a Corporate Plan had not been prepared, an Action Plan for the year under review had been prepared. As that had not been prepared in line with the budget, executed activities could not be compared with the Action Plan.

##### 5:2 Internal Audit

-----

Even though it was informed that the Internal Audit Unit of line Ministry carried out the internal audit of the Fund, such internal audit during the year under review had not been carried out and internal audit reports furnished to the Auditor General.

### 5:3 Expenditure of Contentious Nature

-----

Despite the unavailability of provisions in the Measurement Units, Standards and Services Act, No. 35 of 1995 a sum of Rs.1,783,358 had been paid as a loan and a financial grant from the Fund to an Assistant Director for academic purposes.

### 5:4 Budgetary Control

-----

Significant variances between the budget and the actuals were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

### 6. Staff

-----

Even though the approved staff of the Fund stands at 325, the actual staff as at 31 December 2013 had been limited to 192. The failure to take action to fill 133 vacancies including 04 vacancies in the Senior Level and 28 vacancies in the Tertiary Level even by the end of the year under review did not pose difficulties for the proper performance of the activities of the Fund cannot be ruled out in audit.

### 7. Systems and Controls

-----

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

- (a) Budget
- (b) Accounting
- (c) Income and Expenditure Control
- (d) Assets Control
- (e) Internal Audit
- (f) Staff