

Measurement Units, Standards and Service Fund - 2014

The audit of financial statements of the Measurement Units, Standards and Service Fund for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014, and the report of financial performance and the statement of cash flow 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 paragraph 35(5) of the Measurement Units, Standards and Service Act, No 35 of 1995. My comments and observations on the above financial statements appear in this report.

1.2 Responsibility of the Management 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 controls 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 Auditing 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 misstatement of the financial statements, whether due to fraud or error. In making those risk 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 the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Service Fund as at 31 December 2014, 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 observations are made.

- (a) A sum of Rs. 2,143,177 spent as consultancy fees for the construction of new laboratory buildings which required to be accounted under buildings work- in-progress had been accounted under other expenses and foreign travels.

- (b) Member fees of the Institute of Asia Pacific Measurement Science amounting to Rs.84,892 and consultancy fees for Building work-in progress amounting to Rs.273,431 which were relevant to the year 2013 but allocations were not provided had been paid out of the allocation made for the year under review.

2.3 Accounts Receivable

An advance of Rs. 66,531 receivable which brought forward since 2008 had not been settled even as at 31 December of the year under review.

2.4 Lack of Evidence for Audit

Letters of confirmation of balances and detailed schedules relating to the creditors' balance of Department of Motor Traffic aggregating Rs. 320,103 had not been furnished for audit.

2.5 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non- compliance were observed.

**Reference to Laws, Rules, Regulations
etc.,**

Non- compliance

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|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Measurement Units, Standards and Service Act, No. 35 of 1995 | |
| (i) Section 35(2) of Chapter VII | A total sum of Rs. 63,113,245 including a sum of Rs. 54,282,268 of which 1/3 of the revenue of the Fund during the year under review and a balance to be credited in the year 2013 amounting to Rs. 8,830,977 had been utilized for building construction purposes without being credited to the income of the Government and without proper approvals. |
| (ii) Section 20(1)(a) of Chapter IV and Section 37 of Chapter VIII | According to the provisions, all the measuring equipments using in trading activities are required to be verified annually. However, a proper methodology had not been established in the Fund to confirm whether all the equipments are verified. |
| (b) Public Administration Circular No. 06/97 of 03 February 1997 | According to the provisions, an acting appointment should be limited up to a maximum period of 03 months. However, action had been taken to cover the duties of the vacancy, occurred on the retirement of former Director on 05 May 2009 by appointing an officer on acting basis without taking action to file such vacancy up to the date of audit. |
| (c) Public Finance Circular No. P/F/437 of 18 September 2009 | Action had not been taken to obtain relevant insurance coverage for the Fund, as required . |
| (d) Paragraph 2.1(a) of the Public Finance Circular No. PF/423 of 22 December 2006 | The Budget of the Fund required to be furnished to the Director General of National Budget and the Director General , Finance before 30 September 2014 had not been furnished accordingly. |
| (e) Treasury Circular No. 842 of 19 December 1978 | The Register of Fixed Assets related to the assets valued at Rs. 645,622,066 had not been furnished for audit. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review was the excess of income over expenditure amounting to Rs. 93,149,853 and the corresponding excess of income over expenditure of the preceding year amounted to Rs.103,299,405. Therefore a deterioration of the financial result compared to the previous year was Rs. 10,149,552. Reduction of revenue on investments made on treasury bills and interest on investments had resulted mainly for this deterioration.

4. Operating Review

4.1 Operational Inefficiencies

Even though the details related to the measurement units verified by the District Officers and charges made thereon are informed to the Fund by the respective District Officers, a proper methodology was not possessed by the Fund to confirm the accuracy of such details. Therefore, the accuracy of income generated through sealing of the sand measurement units cannot be satisfactorily accepted in audit.

4.2 Transaction of contentious Nature

The following observations are made.

- (a) A sum of Rs. 1,960,757 had been spent during the year under review to educate traders on verification centers and the dates of verification. However, the fruitlessness of this expenses could not be ruled out in audit due to several reasons such as non-following the available economical communication methods for this purpose, lack of pre-determined programs for verification centers and the dates, verification of portable measuring equipments which are used by the traders in these centers only and non-communication of the notice required to be communicated to the targeted traders etc.,.
- (b) A sum of Rs. 266,800 had been spent out for another purpose of the allocations made for the workshops and seminars.

4.3 Personnel Administration

The following observations are made.

- (a) Action had not been taken to fill vacancies remained in 148 posts as at 31 December of the year under review inclusive 04 posts in senior level and 30 posts in tertiary level.
- (b) The post of Director had remained vacant for over 05 years and 11 months up to the date of audit, after the retirement of former Director on 05 May 2009 and relevant approval of

the Ministers of Cabinet had not been received for the year 2014 for the Director Serving on acting basis in such post.

5. Accountability and Good Governance

5.1 Corporate Plan

A Corporate Plan had not been prepared and presented in terms of paragraph 05 of Public Enterprises Circular No. PED/12 of 02 June 2003.

6. Systems and Controls

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

- (a) Controls on Revenue and Expenditure
- (b) Administration of Assets
- (c) Internal Audit
- (d) Personnel administration
- (e) Budgetary Control