

National Authority on Tobacco and Alcohol – 2016

The audit of Financial Statements of the National Authority on Tobacco and Alcohol for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and statement of financial performance, statement of changes in equity 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 23(2) of the National Authority on Tobacco and Alcohol Act, No. 27 of 2006 . My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Establishment of the Authority and its Activities

This Authority has been established in the year 2008 by National Authority on Tobacco and Alcohol Act, No. 27 of 2006 noticed as additional in Part II of the Gazette of Sri Lanka Democratic Socialist Republic on 01 September 2006, and there after all transactions up to the period 31 December 2015 had been accounted under the Head of Ministry of Health, Nutrition and Local Medicine. The Financial Statements for the Authority had been prepared and presented first time to the audit for the year ended 31 December 2016.

1.3 Management’s Responsibility for the Financial Statements

The 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.

1.4 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’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 Authority’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. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Authority on Tobacco and Alcohol as at 31 December 2016 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

Even though it was disclosed the Accounting Policy for the depreciation of buildings and fittings as 4 per cent annually, annual depreciation expenditure had been understated by Rs.34,013 due to depreciation done only 2 per cent.

2.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following instances of non-compliance were observed.

Reference to Laws, Rules, and Regulations	Non-compliance
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(a) Public Finance Circular No.03/2015 dated 14 July 2015	The ad-hoc imprests total Rs. 855,248 had been issued on over estimation in 19 instances and out of that, from 25 per cent to 79 per cent or Rs. 400,869 had been saved. Even though the ad hoc sub-imprests obtained should be settled within 10 days after the completion of the purpose, the ad hoc sub-imprests totalling Rs. 674,187 issued in 18 instances had been settled by bills after a delay of ranging from 12 days to 61 days and the ad hoc sub-imprests totalling Rs. 424,035 issued in 26 instances had been settled by cash after a delay of ranging from 02 days to 27 days.

- (b) Public Finance Circular No.364(3) dated 30 September 2002 Paragraph 5
- The details of Value Added Tax of Rs. 1,514,932 paid for the suppliers in 18 instances had not been sent to the Commissioner General of Inland Revenue with a copy to the Auditor General before the 15 of next month.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result for the year under review amounted to a deficit of Rs. 5,625,716. However, in considering the employee remuneration, tax and the depreciation on non-current assets, the contribution of the Authority amounted to Rs. 2,163,005.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Powers functions and duties of the Authority specified in Section 14 of the National Authority on Tobacco and Alcohol Act, No. 27 of 2006 are given below.

- ❖ Advise the Government on the implementation of the National Policy on Tobacco production and Alcohol, evaluate the impact of policy measures and advise the government on such modifications to the Policy, recommend legal, taxation, administrative and other measures necessary for the implementation of the National Policy on Tobacco and Alcohol, evaluate the policy implementation, encourage and assist research on issues relating to tobacco and alcohol.
- ❖ Encourage and assist health promotion through the media sponsorships and community based projects, Encourage active community participation in the implementation and monitoring of the National Policy on Tobacco and Alcohol, receive communications from the public on issues relating to tobacco and alcohol and to recommend necessary action in relation thereto the implementing agencies.
- ❖ Act as the coordinating agency for all activities carried out by the government and nongovernmental agencies and organizations relating to minimizing the harm arising from the production and consumption of tobacco products and alcohol products.
- ❖ Recommend measures in consultation with the National Dangerous Drugs Control Board, for the elimination or minimization of illicit drug use.
- ❖ Monitor economic, health and other issues relating to the production, consumption and marketing of tobacco products and alcohol products, to conduct, promote and co-ordinate research in relation to the use of tobacco and alcohol.

- ❖ Secure participation of all necessary non-governmental agencies and private sector organizations in the implementation of the National Policy on Tobacco and Alcohol.
- ❖ Monitor the progress of all investigations and criminal cases relating to tobacco and alcohol and liaise with local, regional and international organizations on issues relating to tobacco and alcohol.

The Authority had not been brought to notice on the functions mentioned above except encourage and assist health promotion through the media sponsorships and community based projects, Secure participation of all necessary non-governmental agencies and private sector organizations in the implementation of the National Policy on Tobacco and Alcohol.

- (b) The Treasury had been made provision of Rs. 40 million as Capital provision for the year under review to do 24 activities which should be done by the Authority and a sum of Rs. 5.7 million had been saved due to non- completion of 11 activities according to the action plan prepared for that. Furthermore, a sum of Rs. 1.62 million had been overspent exceeding the provision of Rs. 6.75 million made for 4 sub activities.

4.2 Personnel Administration

Even though a cadre of 30 posts had been identified by the Authority to do their functions, out of that only 08 posts had been approved by the Department of Management Services by 31 December 2016. However, the actual cadre as at 31 December 2016 had been 07 and it was difficult to do the functions of the Authority due to lack of staff.

4.3 Uneconomic Transactions

In order to use as the Administration Office of the Authority 2,949sq ft was rented in the 11th floor of the Urban Investment and Development Company building from February 2013 to December 2016, rent accumulating to Rs. 29,193,041 had been paid. It was observed that the building has been rented for more than the need of the Authority as the Cooperation was with 3 staff members from February 2013 and 7 members since November 2013.

5. Accountability and Good Governance

5.1 Action Plan

Progress of the Authority could not be reviewed due to non-preparation of progress report according to the annual action plan which was prepared by the Authority for the year under review.

5.2 Internal Audit

An Internal Audit for the transactions of the Authority done in the year under review had not been done in accordance with the Financial Regulation 133 of Financial Regulations of the Sri Lanka Democratic Socialist Republic of Sri Lanka.