

Head 302- Co-operative Employees Commission

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Co-operative Employees Commission for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of financial performance and cash flow statement for the year then ended 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Co-operative Employees Commission was issued to the Accounting Officer on 30 May 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Co-operative Employees Commission was issued on 27 May 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Co-operative Employees Commission as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statement

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Co-operative Employees Commission is required to maintain proper books and records of all its income,

expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Co-operative Employees Commission.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Commission and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for 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, they could reasonably be expected to influence the economic decisions of users taken 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

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

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) As there was no requirement of preparation of financial statements by the Commission for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the Commission for the preceding year, recommendations on financial statements had not been made by the Commission.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Excess provision had been made for 07 Objects and as such, the savings, after the utilization of the said provisions ranged between 11 per cent and 45 per cent of the provisions relating to the respective Objects.	----- Estimates should be prepared by paying attention on provisions in the Financial Regulation 50.	----- Provisions had been saved due to incurring expenditure under these Objects, in an economic manner.

2.2 Collection of Income

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though the Commission had not acted as a Revenue Accounting Officer, income of Rs.157,538 collected, had not been brought to account as other income in terms of provisions of the State Accounts Circular No. 267/2018 of 21 November 2018.	----- Action should be taken in terms instructions of the State Accounts Circular No.267/2018 of 21 November 2018.	----- Action will be taken to rectify the error occurred in the said accounting.

3. Operating Review

3.1 Planning

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Even though 48 appeals had been planned to be settled according to the Action Plan of the year 2018, nineteen appeals or 39 per cent out of the number planned had been settled by the end of the year under review.	Action should be taken to reach the targets included in the Action Plan.	All complaints could not be investigated due to matters such as delay in investigating employee disputes as a result of failure in receiving employee complaints as expected as well as complexity of employee disputes. Further, the Term of Office of the committee members of the Commission of the year 2018 had expired by February 2018 and the committee members of the Commission had been appointed in July 2018 by the Minister In Charge of the Subject. The percentage of investigation of complaints received had decreased due to those matters.
(b) Out of 57 appeals received before the year 2018, only 07 appeals had been settled in the year under review. Accordingly, 50 appeals received in preceding years had not been further settled.	Action should be taken to reach the targets included in the Action Plan.	Employees of the Education Employees Cooperative Thrift & Credit Society Ltd. had lodged complaints and appeals in the years 2016 and 2017. Complaints received by the Commission could not be investigated due to seeking legal assistance by the said society and employees.
(c) Even though key functions such as recruitment and promotion of employees of the Co-operative Society and extending the service of casual employees had been performed by the	Plans for performing key functions should be included in the Action Plan.	Matters such as recruitment and promotion of new officers and extending the service period depend on decisions taken by the Board of Directors. Those matters had not been included in the Action Plan due to failure in forecasting them.

Commission, those functions had not been included in the Action Plan prepared for the year 2018.

3.2 Management Weaknesses

The following observation is made.

Audit Observation

Recommendation

Comments of the Accounting Officer

Information on number of employees recruited on casual and contract basis, attached to each society was not available with the Commission.

In taking decisions on cadre of the Co-operative societies by the Commission, necessary information on cadre should be maintained in an updated manner.

I kindly inform that necessary action is being taken to obtain information on the cadre of the Co-operative Societies and maintain them in an updated manner.