

Head 438 – State Ministry of Co-operative Services, Marketing Development and Consumer Protection

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Co-operative Services, Marketing Development and Consumer Protection for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the 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. The summary report including my comments and observations on the financial statements of the State Ministry of Co-operative Services, Marketing Development and Consumer Protection was issued to the Accounting Officer on 08 October 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the State Ministry in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 03 November 2021. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements of the State Ministry of Co-operative Services, Marketing Development and Consumer Protection give a true and fair view of the financial position of the State Ministry as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities 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 opinion.

1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is 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 Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the State Ministry 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 State Ministry.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the State Ministry 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 Responsibilities for the Audit of 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 the report of the Auditor General 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, and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Ministry's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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 and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

As the auditee was a State Ministry newly established in the year 2020 through the Gazette Extraordinary, No. 2187/27 issued on 09 August 2020, no financial statements were presented for the preceding year.

1.6 Comments on Financial Statements

1.6.1 Receipt of Deposits

Audit Observation	Comment of the Accounting Officer	Recommendation
Receipts of deposits totaled Rs.1,701,372 as per books of the Treasury, but the same had been understated by Rs.1,035,966 in the statement of financial performance, thus showing the value of Rs.665,406.	The receipts of deposit accounts taken over from the repealed Ministry of Industrial Export and Investment Promotion, were eliminated thus showing only the value of deposits belonging to the Department.	The value as per books of the Treasury should be shown.

1.6.2 Receipt of Advances

Audit Observation	Comment of the Accounting Officer	Recommendation
Receipts of advances totaled Rs.10,558,898, but the same had been understated by Rs.9,720,896 in the statement of financial performance, thus showing the value of Rs. 838,002.	According to instructions of the Department of State Accounts on the acquisition of balances pertaining to the repealed Ministry of Industrial Export and Investment Promotion, the balances in the Advances to Public Officers Advance "B" Account had also been acquired. The sum of Rs. 838,002 mentioned therein, was the value relevant only to this Ministry as per the printed trial balance of the Ministry. As such, the sum of Rs.838,002 shown in the statement of financial performance was correct.	Action should be taken to prepare accounts as mentioned in Guideline 06.

1.6.3 Payment of Deposits

Audit Observation	Comment of the Accounting Officer	Recommendation
Payment of deposits totaled Rs. 1,580,468 as per the books of the Treasury, but the same had been understated by Rs. 927,663 in the statement of financial performance thus showing the value of Rs.652,805.	Following instructions of the Department of State Accounts, the payments of deposits pertaining to the repealed Ministry of Industrial Export and Investment Promotion, had also been taken over. As such, the sum of Rs. 652,805 mentioned in the printed trial balance of the Treasury was relevant only to the payment of deposits belonging to the this Department; hence, the sum mentioned is correct.	The balance as per books of the Treasury should be shown.

1.6.4 Payment of Advances

Audit Observation	Comment of the Accounting Officer	Recommendation
Payment of advances totaled Rs.16,787,334 as per the books of the Treasury, but the same had been understated by Rs.16,289,834 in the statement of financial performance thus showing the value of Rs.497,500.	Following instructions of the Department of State Accounts, the balance of the Public Officers Advance "B" Account pertaining to the repealed Ministry of Industrial Export and Investment Promotion, had also been taken over, thus showing the total amount in the trial balance as payment of advances. However, the sum of Rs.497,500 paid to the officers of this Ministry only in cash, had been shown in the statement of financial performance, and that value is correct.	Action should be taken to prepare accounts as mentioned in Guideline 06.

1.6.5 Financial Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
The cash balance of Rs.13,057 shown in the Treasury books as at 31 December 2020, had not been brought under current liabilities and current assets in the statement of financial position.	The balance of the cash book as at 31 December 2020 had been settled to the Treasury. As such, that value had not been shown in the statement of financial position, and it is correct.	The statement of financial position should be prepared in accordance with the Treasury books.

1.6.6 Cash Flow Statement

Audit Observation	Comment of the Accounting Officer	Recommendation
A sum of Rs. 28,884,309 had been shown in the cash flow statement as personnel emoluments and operating expenses, but the expenditure of Rs.3,303,753 incurred on the rehabilitation and improvement of capital assets had not been included therein.	The expenditure of Rs. 3,303,753 incurred on rehabilitation and improvement of capital assets, and the expenditure of Rs. 1,193,307 incurred on the acquisition of capital assets, totaling Rs.4,497,060 had been shown under the construction or purchase of physical assets and acquisition of other investments in the cash flow statement.	Accounts should be prepared in terms of Guideline 06.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Provision totaling Rs.700,000 made on 04 capital Objects had been saved in full.	As the machinery of the repealed Ministry had not been acquired, nor had such machines been improved, the provision had saved.	Action should be taken to ensure maximum efficiency in utilizing the provision.
(b) Of the net provision totaling Rs.23,830,000 that had been made on 15 recurrent Objects and 03 capital Objects, a sum of Rs.13,420,114 had been utilized with a saving of Rs.10,409,886 representing 24-99 per cent of the net provision.	Due to reasons such as, limitations on local and foreign official tours following Covid-19 pandemic, taking over the stationery and office equipment of the repealed Ministry, limited expenses due to being a new Ministry, expenses being made economically, and making payments through provision of the industrial export sector, the provision had saved.	It is necessary to ensure that estimates are prepared realistically.

2.2 Revision of the Limit on Advance Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
The minimum limit of receipts for the Public Officers Advance "B" Account was Rs.2,500,000. The Minister of Finance had been recommended by the Department of National Budget on 31 December 2020 that the said limit be revised to Rs. 2,000,000. However, approval had not been given thereon even by 30 March 2021.	It was informed that further action would be taken by the Department of National Budget	Action should be taken to revise the limits being exceeded.

2.3 Incurring Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
Although commitments and liabilities valued at Rs. 1,271,674 had been shown in Note III of the financial statements, that value had not been shown in the statement of commitments in terms of Financial Regulation 94(2) and (3).	Commitments and liabilities valued at Rs. 1,271,674 had been shown in Note III of the financial statements, but that value had not been shown by mistake in the statement of commitments prepared in terms of Financial Regulation 94(2) and (3). It was informed that such deficiencies would be averted in due course.	Action should be taken to ensure that liabilities are presented accurately.