

Head 302 Co-operative Employees Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 302- Co-operative Employees Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 containing my comments and observations on the financial statements of the Co-operative Employees Commission was issued to the Accounting Officer on 16 May 2023. The Annual Detailed Management Audit Report relevant to the Commission was issued to the Accounting Officer on 26 June 2023 in terms of the Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 give a true and fair view of the financial position of the Co-operative Employees Commission as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis For Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities in relation to the Financial Statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion..

1.3 Responsibility of the 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 determine 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 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 commission.

In terms of Sub-section 38 (1) (c) of the National Audit Act, 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 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 an auditor's 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 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 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 Requirements

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

- (a) That the financial statements are consistent with the preceding year.
- (b) The recommendations made by me relating to the financial statements of the preceding year, had been implemented

1.6 Comments on Financial Statements

1.6.1 Financial Statements not Complying with the Circular Provisions

Although both the cash and cross entries should be considered when preparing cash flow statements as per mentioned in section 7.6 and ACA – (c) of chapter 6 of guideline No 2022/05 of the Department of State Accounts dated 13 December 2022, it was observed that the cross entries had not been taken into consideration for the payment and recovery of imprests

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) At the computation of the cash flow generated from the operational activities, due to not considering the advance recoveries amounting to Rs. 272,970, the cash flow generated from the operational activities had reduced by that amount.	Action have been taken in the month of June 2022 to settle through cross entries the loan balance amounting to Rs. 272,970/- of an officer who came on transfer from the Sri Lanka Customs to the Co-operative Employees Commission in the month of April 2022. Since the recovering of these imprests is related to the Sri Lanka Customs, the debit and credit notes were not included in the cash flow generated from the operational activities in the cash flow statement.	The accounts should be prepared as per the State Accounts Guidelines
(b) Although the advance payments stood at Rs. 837,621, it had been stated as Rs. 564,651 in the cash flow statement by understating Rs. 272,970. Accordingly, the cash flow incurred for operational activities had reduced by Rs. 272,970.	-Do-	-Do-

2. Financial review

2.1 Expenditure Management

Audit observation -----	Comments of the Accounting Officer -----	Recommendation -----
Although a provision of Rs.24,000 had been requested for the object No 302-01-01-1203 foods and uniforms, Rs. 100,000 had been approved in the estimate approved by the General Treasury.	The expenditure of this Object stood at Rs. 20,000 for the year 2022.	The relevant corrections should be done based on actual situation.

2.2 Incurring Liabilities and Commitments

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Although a sum of Rs. 225,000 had been paid in January 2023 as the rent for the building in which the office was maintained in December 2022, it had not been included in the register of liability. No provision had been saved to settle the liabilities under the Object No 302-01-01-1404 Rent and Local Government.	As provisions were made for the Object 302-01-01-1404 Rent and Local Governments, a sum amounting to Rs. 2,700,000/- in respect of 12 months from December 2021 to November 2022, Rs. 225,000/- per month, has been allocated and that the total provision has been utilized during the year. Accordingly, the provision was not sufficient to incur the liabilities for the building rent in December 2022. However, since accounting is done on cash basis, it has been decided to pay the building rent of the month of December in the month of January 2023 and action was taken to account it for the year 2023.	Actions should be taken to correctly prepare the financial statements.

2.3	Certifications to be made by the Accounting Officer		
	Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
	As per the provisions in section 38 of the National Audit Act No 19 of 2018, although the Chief Accounting Officer and the Accounting Officer should have confirmed to the effect that there is an effective method to properly implement the internal audit task, such requirement had not been fulfilled as per the observations mentioned in chapter 4.1 of the report.	Only one Accountant post has been approved for this Institution, and it is not possible to appoint an officer as the Internal Auditor.	Action should be taken as per the Act.

3. Operational Review

3.1 Planning

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
As per the Guideline 12 issued in relation to the Public Finance Circular No 02/2020, although the following information should have been included in the Action Plan, such information was not included in the Action Plan submitted by the Commission.	It was noted to submit the documents together with the Action Plan in future.	The relevant information should be included as per the circular.
<ul style="list-style-type: none"> i. Information on the organizational structure, approved cadre and current cadre updated to the relevant year. ii. Activity plan Prepared according to priorities based on the budget approved for the relevant year, applicable time frame and expected outputs/ results, annual activities, plan requiring imprest for annual activities, internal audit plan 		

3.2 Failure to Discharge Functions

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Conducting 10 one day workshops for making aware the co-operative employees of the labour law and cooperative law applicable to them under the future vision of the year 2022 in the performance report 2021 and although it had been expected to have about 400 employees participated in the workshop, they had failed to do so and 9 workshops had been conducted on the preparation of personal files and improvement of attitudes of the employees and about 180 cooperative employees had participated in those workshops.	The workshops had to be organized only for the Co-operative Societies within the Colombo city limits due to the issue of having to incur large amount of money for fuel and the difficulty in obtaining fuel owing to the prevailed fuel shortage. Therefore, it was difficult to conduct workshops for the employees of the district or provincial offices of the Educational Co-operative Society wherein served the most number of employees. Further, since the employees of the office also had applied for the training course, provision had to be given for them as well taking in to consideration the service requirement, and workshops and participants had to be managed accordingly.	Action should be taken to carry out the planned functions at maximum efficiency.
(b) One of the main functions of the Commission is to investigate the complaints and appeals submitted to the Commission and 05 appeals received in the year 2022 were yet to be investigated.	05 of the 10 appeals received in 2022 have been resolved by 28. 04. 2023. Only 05 more appeals are to be resolved.	Action should be taken to promptly discharge the main functions.

4. Good Governance Internal Audit

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Action had not been taken to appoint an Internal Auditor to carry out the internal audit activities of the Department as per section 40 (1) and 40 (2) of the National Audit Act No 19 of 2018.	Only one Accountant post has been approved for this Institution, and it is not possible to appoint an officer as the Internal Auditor.	Action should be taken as per the Act.