

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Measurement Units Standards and Services Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

I express qualified opinion based on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those 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 qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund’s financial reporting process. As per sub Section 16(1) of the National Audit Act No. 19 of 2018, the Fund 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 Fund.

1.4 Auditor’s Responsibility 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, 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 skepticism 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund ;
- Whether the Fund has performed according to its powers, functions and duties; and whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Although laboratory equipment purchased for Rs. 47,301,127, which had been recognized as unidentified expenses of the Fund in previous years, has now been put to use, these items were adjusted to the accumulated fund as expenses from previous years without being accounted for under the property, plant and equipment during the year under review.	Steps will be taken to rectify and capitalize this through a journal entry and it has been reported that the payments for these assets procured in 2019, were recorded as unrecognized payments in the bank reconciliation, and those payments were identified in 2023.	Accounts should be kept accurately.
(b) The expenses totalling Rs.1,919,484 paid relating to the year under review was not accounted for as an expense of the year but was considered a payment for accrued expenses. Further, an amount totalling Rs. 1,133,327 paid for the following year was accounted for as an expense in the year under review.	Steps will be taken to prevent such errors in the future, and the corrections will be made through a journal entry.	Accounts should be kept accurately.
(c) As per the bank reconciliation statement presented as at 31 December of the year under review, receipt of unrecognized direct remittances amounting to Rs.9,989,864 and unrecognized payments of Rs. 1,474,211 had been adjusted to the cash book balance up to the year under review; however, the relevant evidence for these receipts and payments was not submitted for audit. As a result, the receipts and payments could not be verified.	It is expected to identify the unrecognized receipts and payments.	Steps should be taken to identify and properly accounted quickly.
(d) Although the balance as per the fixed deposit certificates amounted to Rs.893,496,632 as at 31 December of the year under review, the fixed deposits were recorded as	The correction will be made through journal entries, and steps will be taken to prevent such errors in the future.	Accounts should be kept accurately.

Rs.874,011,949 in the statement of financial position, showing as an understatement of that balance by Rs. 19,484,683.

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| (e) | Although the interest income for the year under review was stated as Rs.120,876,722, the audit calculations showed an interest income of Rs. 140,376,986, indicating an understatement of Rs.19,500,264. Furthermore, the financial statement showed Rs.24,618,273 as the receivable interest on fixed deposits, according to the calculation of audit, interest income receivable was Rs.27,539,122, which had been understated by Rs. 2,920,849. | The error occurred due to the incorrect number of days used, and it will be rectified in the future. | Accounts should be kept accurately. |
| (f) | Although a sum of Rs. 4,493,637 had been allocated as accrued expenses as at 31 December of the year under review, the voucher checking for the subsequent year showed accrued expenses totalling Rs. 7,052,334, indicating an understatement of Rs.2,558,697. | Actions will be taken to correct this through journal entries. | Accounts should be kept accurately. |
| (g) | The payable value added tax amounting to Rs. 5,970,781 had been stated under the revenue payable to the Treasury in the financial statements. | Although the payments were made correctly, due to a mistake in the cash book entry, these two amounts were recorded by change. | Accounts should be kept accurately. |

1.6 Non-compliance with laws, rules, regulations and management decisions etc.

The following observations are made.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation	
(a)	Sections 20 (1) (a) and 37 of the Measurement Units, Standards	Although all measuring instruments used in trade should be verified annually, a proper procedure had not been established within the Fund to	Actions have been initiated to establish a formal data system by assigning registration numbers to all measuring	Action should be taken in accordance with the provisions of the Act.

	And Service Act No. 35 of 1995	ensure that every instrument in use is verified.	instruments, and progress on this will be reported in the next audit.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
	Financial Regulation 371 (2) (b)	Without the approval of the Treasury, a total of Rs. 900,000 in fuel advances had been given to 04 officers exceeding the limit of Rs. 100,000 per officer during the year under review.	Actions will be taken to ensure that the limit of Rs. 100,000 is not exceeded in the year 2024
			Action should be taken in accordance with the Financial Regulations.
(c)	Section 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016	A fuel consumption test of each government vehicle should be conducted after 12 months from the previous test or after driving a distance of 25,000 kilometres, or following a major engine repair, whichever comes first. However, such fuel consumption tests had not been conducted for 13 vehicles owned by the Fund.	It has been planned to conduct a fuel consumption test.
			Action should be taken in accordance with the circular provisions.

2. Financial Review

2.1 Financial Results

The operating result for the year under review amounted to a surplus of Rs. 165,955,538 and the corresponding surplus in the preceding year amounted to Rs. 75,092,226. Therefore, an improvement amounting to Rs. 90,863,312 of the financial result was observed. The reason for the improvement is increase of total income by Rs. 137,377,208.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	Although an agreement was made with a private institution for the servicing and maintaining in proper standard of two	The Technical Committee had to be changed as a result of	Actions should be taken to obtain the

- electrical elevators for one year from 01 November 2022 to 31 October 2023, due to an eight-months delay in the payment of agreed amount of Rs. 1,038,318 from the date of the agreement 16 service rounds at 8 rounds for each elevator had been omitted.
- (b) Due to the absence of entering the service agreements for 79 air conditioning units during the year under review, several repairs were carried out over a short period of one year. In 2023, repair costs of Rs. 2,137,590 had been incurred for air conditioning units over 36 service rounds.
- (c) Although measures had been taken to dispose of the vehicle numbered HH-7294 in 2023 for use in technical operations at Mahinda Rajapaksha College, the completed forms were not submitted to the Department of Motor Traffic for the cancellation of the vehicle's registration.
- not following the services related to instructions provided. the expense.
- Actions will be taken to ensure servicing of all air conditioning units and to expedite repairs for the inactive units.
- Actions should be taken to properly manage the expenses.
- Further actions in this regard will be taken expeditiously,
- Actions should be taken to cancel the registration.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The physical target to be achieved in 04 quarters of the year under review was indicated as a percentage and had not been mentioned in quantitative figure to be completed for the year. For certain actions, the same targets of the previous year had been set, and it was observed that progress was made depending on the amount of work carried out during the year.	From 2024 onwards, all sectors that can be quantified will be identified, and steps will be taken to assign quantitative targets.	Actions should be taken to specify the targets precisely.
(b) While the target for registering equipment manufacturers, importers, sellers, and repairers was 600 units with an income of Rs. 15 million, the actual achievement was 148 units and Rs. 0.69 million, respectively. Hence, the actual performance of the target was only 25 per cent.	Considering the usual target of 600, the number of certificates issued in 2023 was not lower than in the previous year. The shortfall was due to the inability to issue the 2024 certificates by December 2023 and the target was reached.	Actions should be taken to achieve the target.

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| (c) | Although it was planned to verify the measurement standards in 12 districts, this task was completed in only 5 districts during the year under review. | Agreed. | Actions should be taken to achieve the target |
| (d) | To achieve the objectives of disseminating measurement knowledge and promoting training programmes between interdependent institutions for creating a skilled and educated population, there was no plan set for the number of public awareness programmes and exhibitions to be held during the year under review and only two exhibitions were conducted under that. | Agreed. | Targets should be specified precisely. |
| (e) | Under the objective of strengthening the institutional framework, the progress of updating the Measurement Units, Standards, and Services Act and regulations stood at 35 per cent. | According to the action plan, the progress of updating the Measurement Units, Standards, and Services Act under the objective of strengthening the institutional framework of the unachieved targets has been mainly indicated as 35 per cent. | Actions should be taken to maintain the institutional laws and rules in an updated manner. |
| (f) | Under development and research activities, 9 measurement science officers were assigned 8 research projects. Although these projects were planned to be completed within the year under review, they were extended until the year 2024 without providing specific reasons. | It has been decided to complete this project within 6 months after filling the vacancies. | Efforts should be made to carry out development and research activities efficiently. |

3.3 Procurement Management

Audit Observation	Comment of the Management	Recommendation
During the year under review, the institution had incurred an expense of Rs.1,198,432 for 26 vehicles for periodical service turns. According to Section 3.4 of the Procurement Manual, when procuring services or works with minor value services should be obtained from the selected suppliers after making evaluations based on	Agreed.	Actions should be taken in accordance with the provisions specified in the Procurement Guidelines.

at least 3 or 5 bids from registered suppliers or those listed in the yellow pages of the telephone directory. However, this procedure was not followed, and instead, 17 service turns were performed by the same service provider, with a payment of Rs. 827,570.

3.4 Idle or underutilized property, plant, and equipment.

Audit Observation	Comment of the Management	Recommendation
Although the National Measurement Laboratory was established in 2015 with 66 laboratory rooms, only 33 rooms are actively operating currently for 12 measurement fields, while the remaining 33 rooms (covering an area of 140,060 square feet) remained idle as of the date of audit.	Currently, 20 laboratory rooms are operating with air conditioning systems, while the other research rooms cannot be operated without an air conditioning system and ventilation.	Actions should be taken to utilize assets effectively.