

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Measurement Units, Standards and Services Fund (“Fund”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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(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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, because of the significance of the matters described in paragraph 1.5 of this report, the accompanying financial statements do not give a true and fair view of the financial position of the fund as at 31 December 2024, 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 Adverse Opinion

I expressed adverse opinion 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 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 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 Responsibilities for the Audit of Financial Standards

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:

- 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 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 Company'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to paragraph 76 of Sri Lanka Public Sector Accounting Standard No. 01, fixed deposits maturing within one year should be shown under current assets. However, fixed deposits maturing within one year amounting to Rs.1,074,136,740 as at 31 December of the year under review had been shown under non-current assets.	In future, fixed deposits will be presented under current assets when preparing the financial statements.	Assets should be accounted for in compliance with Sri Lanka Public Sector Accounting Standards.
(b) Although prior year errors amounting to Rs.72,929,514 in credits and Rs.14,549,293 in debits were corrected in the Accumulated Fund, comparative figures were not restated in accordance with paragraph 47 of Sri Lanka Public Sector Accounting Standard No. 03. Furthermore, in accordance with paragraph 54 of the standard, the required disclosures regarding the corrections of errors were not made.	Advices were given to correct in the future.	Corrections should be made in compliance with the Sri Lanka Public Sector Accounting Standards.

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| <p>(c) In the prior year adjustment, laboratory equipment valued at Rs. 36,700,007, which had been donated to the laboratory under the United Nations Industrial Development Organization (UNIDO) program, had been accounted for as property, plant, and equipment reserves without being treated in accordance with Sri Lanka Public Sector Accounting Standard No. 11.</p> | <p>Scientific equipment received as donations to the laboratory has been accounted for as reserves.</p> | <p>Donated assets should be accounted for in compliance with Sri Lanka Public Sector Accounting Standards.</p> |
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1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Property, plant, and equipment with a cost of Rs. 1,443,652,021 had been recorded both in the fund and in the financial statements of the Department of Measurement Units, Standards and Services. Action had not been taken to identify and account for the assets of the Fund and to remove the assets of the Department of Measurement Units, Standards and Services from the accounts.	It is acknowledged that the balance of property, plant, and equipment in the Departmental Account is Rs.1,443,652,021, whereas the balance in the Fund Account is Rs.1,478,954,968. Additionally, the fund account is accounted for on an accrual basis. Therefore, the balance of the depreciation provision account is Rs. 641,114,795 and the net value is Rs.837,840,173.	The fixed assets of the fund and the Department should be identified separately and properly reconciled in the financial statements.
(b) The total amount of Rs. 11,316,170, retained by the bank for the opened letters of credit as shown in the bank reconciliation statement, had not been accounted.	When preparing the bank reconciliation statement unidentified receipts and payments, unrealized and unrepresented amounts are primarily classified. However, if the audit recommends classifying such payments as cash in transit held by banks, I advise them to do so in future.	The amounts retained by the bank should be properly accounted for in accordance with their nature.
(c) Action had not been taken to identify and account for the unidentified payments totaling Rs.1,770,048 from the year 2017 to the year under review, and the	It has not been possible to clarify these balances due to the difficulty in obtaining accurate information. The majority of the unidentified	Unrecognized receipts and payments should be properly identified and accounted.

unidentified receipts totaling Rs.2,699,483 from the year 2021 to the year under review, as stated in the bank reconciliation statement.

receipts as at December 2024 represent payments made for registration certificates relating to the year 2025. During the months of January, February, and March 2025, receipts amounting to Rs.275,820, Rs.297,900, and Rs.649,890 respectively were recognized as income. The remaining items are also recognized as income by issuing receipts based on the General 118 forms submitted to the Accounts Division by the relevant departments.

- (d) When accounting for the vehicle insurance premium of Rs.1,067,351 (including VAT) relating to the period from September 08, 2024, to September 07, 2025, the Value Added Tax amounting to Rs.162,816 had not been accounted. Furthermore, since the prepaid insurance expense had not been recognized as an asset, the insurance expense was overstated by Rs.782,361, and the asset was understated by Rs.619,544.
- It will be corrected during the preparation of the financial statements for the year 2025.
- Prepaid expenses should be recognized as assets, while VAT should be recorded as an expense.
- (e) Although the fixed deposit balance as per the financial statements as at 31 December of the year under review was Rs.1,074,136,740, the balance of bank confirmation indicated Rs.1,073,367,332 as at that date. As a result, a difference of Rs. 769,408 was observed between the balances.
- Corrections will be made in the 2025 financial statements, considering the fixed deposit interest renewal notices and the audit calculations.
- Action should be taken to record the correct value of fixed deposits, including interest.

1.5.3 Documentary Evidences not made available for Audit

	Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(a)	Value Added Tax	9,813,222	Detailed schedules and supporting documents	Presenting such details in the notes would add unnecessary length to the financial statements. These accounts are recorded in detail in the ledger, and it would be more appropriate to prepare the financial statements using only their summarized balances.	Detailed schedules and supporting documents should be maintained, while fixed assets should be documented, regularly updated, and submitted for audit when required.
(b)	Deposits of the Deputy Secretary to the Treasury	47,786,165			
(c)	Contribution and membership fees	9,504,749			
(d)	Property, Plant & Equipment	1,478,954,968	Fixed Asset Registers and Depreciation Calculation Schedules		
(e)	Accumulated depreciation	641,114,795			

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Financial Regulation 371(5) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka as amended by Public Finance Circular No. 01/2020 dated 28th August 2020	The fuel advance of Rs.764,510, petty cash advance of Rs.25,000 and imprest advance of Rs.17,000, which had been given during the year under review, totaling Rs.806,510, had been shown as a balance receivable as of the last day as at the end of the year under review.	Instructions will be given to the relevant officials.	Advances should be settled in accordance with financial regulations.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.127,975,403 and the corresponding surplus in the preceding year amounted to Rs.165,955,538. Therefore, a deterioration amounting to Rs.37,980,135 of the financial result was observed. The reasons for the deterioration are mainly due to the decrease in interest income by Rs.35,246,629 and the increase in property, plant and equipment maintenance expenses by Rs.28,502,350, compared to an increase of operating income by Rs.17,409,547 during the year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) According to the action plan, although it had been planned to fully complete the amendment of the Measurement Units, Standards and Services Act and the related regulations during the year under review, only 30 percent progress had been achieved. Furthermore, although 09 research papers were planned for publication during the year under review, only one research paper was published.	It is acknowledged that this task was not completed. Accordingly, the administration of the laboratory has been assigned to a new Deputy Director.	Plans should be prepared by considering practical circumstances, achievable goals should be set, and actions should be taken to achieve the planned objectives.
(b) According to the action plan, although re-verification of measurement standards was planned in 12 districts during the year under review, it was completed in only 08 districts.	The departments are managed under general expenses. Furthermore, the existing shortcomings in the procedure were identified, and a new procedure was introduced. This subject has been assigned to a new Assistant Director.	Plans should be prepared by considering practical circumstances, achievable goals should be set, and actions should be taken to achieve the planned objectives.
(c) Although the National Measurement Laboratory was established with 66 laboratory rooms, only 33 rooms are actively operating currently for 12 measurement fields, while the remaining 33 rooms remained idle as of the date of audit.	At present, 22 laboratories are operated using temporary AC units, and this is planned to be increased to 30 by the year 2025. The remaining laboratories cannot be utilized due to delays in the installation of the centralized air conditioning system, and step 1 of the centralized air conditioning system is expected to be completed by 2027.	Planned and urgent steps should be taken to utilize assets effectively.