

## **Head 298 - Department of Measurement Units, Standards and Services**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Measurement Units, Standards and Services for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 containing my comments and observations on the financial statements of the Department of Measurement Units, Standards and Services was issued to the Accounting Officer on 19 June 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 . The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 26 June 2020 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Measurement Units, Standards and Services as at 31 December 2019 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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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 Chief Accounting Officer and the Accounting Officer on Financial Statements**

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The Chief Accounting Officer and the Accounting Officer are responsible for Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

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

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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My objective is to express a 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 Summary 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, 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control , obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Sub-section 6 (1)(d) and Section 38 of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had not been implemented as per the observations shown in Paragraphs 1.6.1 and 1.6.5 of this report.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliance of Financial Statements with the Provisions in the Circulars

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Since the value to be settled to the Treasury or to be received from the Treasury at the end of the year as per the statement of financial performance and the value to be settled to the Treasury as per the cash book will inevitably be a different value according to the cash book, although an imprest adjustment account should be prepared to reconcile that balance as per the Section (vi) of Paragraph 07 of State Accounts Circular No. 271/2019 dated 03 December 2019, such an imprest adjustment account had not been prepared. It was impossible to check the accuracy of the accounts due to non-submission of an imprest adjustment account so.	Actions should be taken as per the Circular instructions.	This will be furnished with financial statements 2020.

## 1.6.2 Statement of Financial Performance

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(a) Although the value to be identified as other receipts in the statement financial performance was Rs.6,797,291 as per the detailed trial balance of the Department, since it had been shown as Rs.5,326,224 in the statement of financial performance there was a difference of Rs.1,471,067 .</p>	<p>The value shown in the detailed trial balance should be identified as other income in the financial statement.</p>	<p>Since the Department is not the Revenue Accounting Officer, that was not taken into accounts as an income.</p>
<p>(b) A sum of Rs. 1,276,350 was shown under the credits through cross entries during the year with regard to Advance Account No. 298012 stated in the Note ACA-5 on Advance Accounts in the financial statement and thus that amount was Rs.771,219 as per the Consolidated Trial Balance of the Department, a difference of Rs.505,130 was seen.</p>	<p>Actions should be taken as per circular instructions in respect of the impact occur on cross entries.</p>	<p>Each of the Departments had credited to the Advance Account No. 298012 through Monthly Account Summaries in order to settle the debt balances of the officers who had transferred from the Department to the other Departments in the year 2019.</p>

### 1.6.3 Statement of Financial Position

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
When comparing the balances of 02 items of assets shown as at 01 January 2019 with the balances in financial statements submitted as at 31 December 2018, it was not matched by a sum of Rs.281,760,544 and although that should be revealed in the financial statements, arrangements had not been so made.	Revealing the accurate values in financial statements.	It will be taken into accounts accurately in future.

### 1.6.4 Cash Flow Statement

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although the value of the recovery of advances was Rs.6,079,011 as per the Consolidated Trial Balance of the Department, that value had not been included in the cash flow statement.	Arrangements should be made in accordance with the circular provisions.	Since the recovery of advances is a cross entry transaction, it was not stated in the cash flow statement.

### 1.6.5 Certifications to be made by the Accounting Officer

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the Department in terms of	Actions should be taken in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .	Relevant statements will be made in due course.

Section 38 of National Audit Act of No. 19 of 2018 and the effectiveness of the system should be periodically reviewed and the necessary modifications should be made to make the system effective and although these reviews should be made in writing and a copy of that should be furnished to the Auditor General, the statements as of such a review was carried out had not been furnished to audit.

#### **1.6.6 Non - compliance with laws, Rules and Regulations**

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##### **Audit Observation**

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Although the Annual Board of Survey should be carried out for the year under review and those reports required to be submitted to the audit before 17 March 2020 in terms of the Public Finance Circular No. 05/ 2016 of 31 March 2016, it had not been so done.

##### **Recommendation**

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Actions should be taken in accordance with the Public Finance Circular No. 05/ 2016 of 31 March 2016.

##### **Comments of the Accounting Officer**

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The Board of Survey activities are being completed and will submit as soon as it is completed.

## 2. Financial Review

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### 2.1 Expenditure Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although a sum of Rs.10,000,000 had been allocated for machinery and equipment under expenditure object No. 298-1-1-2103 , that amount had been totally saved.	----- Estimates should be prepared realistically as much as possible.	----- The imprests were not requested from the Treasury since the relevant documents for the equipment ordered had not been received even by 31 December 2019.

## 3. Operating Review

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### 3.1 Planning

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Audit Observation	Recommendation	Comments of the Accounting Officer
----- The updated organizational structure of the institution had not been consisted in the Action Plan prepared for the year 2019 in terms of Public Finance Circular No. 01/2014 of 17 February 2014 .	----- Actions should be taken in accordance with the Public Finance Circular No. 01/2014 of 17 February 2014 .	----- Answers have not been sent.

### 3.2 Failure to Obtain the Desired Output Level

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A number of 600 licenses had been targeted to be issued in the year 2019 for the registration of manufacturers, traders, importers and repairers who are using weighing and measuring equipment and only 548 licenses out of this, had been issued. The income earned from it was Rs.134,550 .	Arrangements should be made to collect targeted income .	Answers have not been sent .
(b) There were 22,165 raids on counterfeit measurements had been carried out during the year under review and the number of successful raids was 1514 . An income of Rs.2,855,350 had been earned as fines from these raids and any raid had not been carried out in Mullaitivu and Mannar Districts.	Arrangements should be made to achieve goals.	Answers have not been sent .
(c) Even though a Project valued at Rs.995 million for installation of air conditioning system by 31 December 2019 had been included in the Action Plan, the installation of the air conditioning system in the laboratory had not been completed even by 25 May 2020 .	Arrangements should be made to achieve goals.	Answers have not been sent .



### 3.3 Annual Performance Report

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although the Annual Performance Report along with the financial statements should be submitted to the Auditor General in accordance with Sub-section 16(2) of the National Audit Act No. 19 of 2018, arrangements had not been so made even by 31 May 2019 .	Actions should be taken in accordance with Sub-section 16(2) of the National Audit Act No. 19 of 2018 dated 17 July 2018.	Actions will be taken to furnish the Annual Performance Report in future.

### 4. Achieving of Sustainable Development Goals

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although the Sustainable Development Goals and Targets had been identified by the Department, a plan or a programme for collection of data for that had not been implemented.	A methodology should be created promptly to collect the data needed for the proper function .	This will be furnished in future.

**5. Good Governance**

**5.1 Audit and Management Committee**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although an Audit and Management Committee should be appointed by the Accounting Officer to review the activities of the Department on a continuous basis as per the Section 41 of the National Audit Act No. 19 of 2018, the Department had not performed the activities related to that.	Arrangements should be made as per the Paragraph 2 of the Management Audit Department Circular No. DMA /2009(i)(i) dated 28 January 2016 and Section 41 of the National Audit Act No. 19 of 2018 .	Comments have not been given.

**6. Human Resources Management**

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) There were 09 vacancies at the senior level posts in the year 2018 and except for the position of the Internal Auditor, 7 posts of Assistant Director and a post of Assistant Director (Administration) were in vacant out of those posts during the year under review. Accordingly, remaining of vacancies in 08 posts out of 19 posts in approved senior level, a risk of having a significant impact on the performance of the Department was observed.	Attention should be drawn on filling of the vacancies so that the functions of the Department can be fulfilled.	Comments have not been given.

(b) There were 08 vacancies at the senior level, 24 vacancies at the tertiary level, 38 vacancies at the secondary level and 12 vacancies at the primary level by the end of the year 2019 . That is, due to the fact that 22 per cent of the approved posts had not been filled, it had affected on the performance of the Department.

Arrangements should be made to fill the vacancies considering the requirements.

Comments have not been given.