

Head- 301- Department of Cooperative Development

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Cooperative Development 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 was issued to the Accounting Officer on 18 August 2021 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 28 October 2021. This report will be tabled 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 give a true and fair view of the financial position of the Department of Cooperative Development as at 31 December 2020 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

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 (SLAS). 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 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 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.

As per Sub-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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and carry out periodic reviews to monitor the effectiveness of such systems 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, 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 scepticism 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 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 Department'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 fair and reasonable manner..
- 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.

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) and Section 38 of National Audit Act, 19 of 2018.

- (a) That the financial statements are consistent with the preceding year.
- (b) The recommendations i had made in relation to the preceding year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Financial Performance Statement

Audit Observation

There was no estimated provisions under Object No 301-1-1-1-1701 and provisions of Rs,54,250 had been made under Financial Regulation 66/69. This total provision had been saved according to treasury printouts and total recurrent expenditure had been overstated by Rs. 54,250 since it was mentioned as an expenditure in Financial performance Statement.

Comments of the Accounting Officer

A fire had broken out in 2019 at the departmental premises and damages and losses from that fire was written off under Financial Regulation 108 with the approval from the Secretary of the Ministry. Accordingly, following the receiving of such direction, provision of Rs.54,250 was transferred in 2020 under 301-1-1-1-1701 in terms of Financial Regulation 66. No specific instructions had been given regarding recording of these write-offs in CIGAS programme although inquired from the Department of Public Account. However, since provisions were transferred under Financial Regulation 66 and since it was recorded in books regarding such write-offs of losses and damages, this was included in final accounts under head of expenditure No 301-1-1-1-1701. Therefore, the total recurrent expenditure recorded an increase of Rs,54,250.

Recommendation

Financial Performance Statement should be prepared as per treasury printouts.

1.6.2 Imprest Adjustment Account

Audit Observation	Comments of the Accounting Officer	Recommendation
Imprest balance in imprest adjustment account was understated by Rs.54,250 according to the Financial Performance Statement to the 31 December	Due to the above reason, Imprest balance in imprest adjustment account was understated by Rs.54,250 according to the Financial Performance Statement to the 31 December 2020. However it has been correctly shown under Adjustments.	Financial Performance Statement should be prepared as per treasury printouts.

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Cash flow generated from operational activities had been understated in accounts by Rs.3,021,706 due to Rs.644,660 being shown in cash flow statement as non income receipts whereas it should have been shown as Rs 3,666,366.	It had been informed that the cash flow statement of 2021 would be submitted as guided by audit instructions.	Accounts should be prepared based on correct data.
(b) Although Rs.82,802,104 should have been shown as the aggregate of personal emoluments and operational expenses, it had been shown as Rs.71,948,762 by understating Rs.10,853,342	-Do-	-Do -
(c) Although Advance Recoveries in cash within the year was Rs 2,112,768 ,it had been shown as Rs.61,993 in Cash Flow Statement.	-Do-	-Do-

2. Operational Review

2.1 Annual Action Plan

Audit Observation

Comments of the Accounting Officer

Recommendation

As per chapter 03 of the Public Finance Circular No 01/2014 dated 17 February 2014, imprest requirement plan and internal audit plan for annual activities in the preparation of action plan had not been included.

The officers were instructed to prepare the action plan as per the Public Finance Circular No 01/2014 dated 17 February 2014.

Annual Action Plan should be prepared as per the circular.