

## Head 408 - State Ministry of Rattan, Brass, Pottery, Furniture & Rural Industry Promotion

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### 1. Financial Statements

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#### 1.1 Audit Opinion

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The audit of the financial statements of the State Ministry of Rattan, Brass, Pottery, Furniture & Rural Industry Promotion for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Ministry of Rattan, Brass, Pottery, Furniture & Rural Industry Promotion was issued to the Accounting Officer on 08 June 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the State Ministry was issued to the Accounting Officer on 18 August 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements give a true and fair view of the financial position of the State Ministry of Rattan, Brass, Pottery, Furniture & Rural Industry Promotion as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Opinion

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities 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 the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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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 controls as the Accounting officer determines 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 Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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**

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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 summary 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 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 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 communicated 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**

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

- (a) The receipts and payments balances of Advances B Account shown under comparative figures in the of the Statement of Financial Performance had not been consistent with the previous year.
- (b) The recommendations made by me on the financial statements of the preceding Year, had been implemented.

## 2. Financial Review

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### 2.1 Management of Expenditure

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#### Audit Observation

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(a) A sum of Rs.2000 million obtained as a supplementary estimate provision, for the 2<sup>nd</sup> Program of the year 2021, had been reported under Estimated Provisions in the Financial Statement together with Rs.172 million as Rs.2.172 billion, without reporting under the Supplementary Estimates in the ACA 2, 2(i) & 2(iii) Format.

(b) During the year under review, provisions of Rs.19,450,000 had been transferred between four (04) Recurring Expenditure Subjects under F.R. 66. As such, these transferred had been in the range of 110 percent to 213 percent of the Estimated Provisions. It was therefore, observed that, requirements had not properly been identified when preparing expenditure estimates

#### Comments of the Accounting Officer

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These values had been mistakenly recorded under first Estimated Provisions when preparing the financial statements. But in the Net Provision, the total Capital Expenditure of Rs.2,172 million had been stated correctly as per computer printed notes of the Treasury

These transfers of provisions had been made under F.R. 66, for making essential payments of the said expenditure Subjects, from the provisions of Expenditure Subjects which had been saved by managing expenses.

#### Recommendation

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Supplementary Estimates obtained during the year should be stated under Supplementary Estimated Provisions in the financial statements.

Expenditure Estimates should be prepared completely and accurately as much as possible, by identifying requirements properly.

### 2.2 Issuance and Settlement of Advances

#### Audit Observation

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In terms of Section 4.5 Chapter XXIV of Establishment Code, actions had not been taken with regard to the recovery of loan balances amounting to Rs.655,706 of three (03) retired officers, four (04) deceased officers and four (04) vacated officers, prior to settlement of loans

#### Comments of the Accounting Officer

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Steps are being taken to settle loan balances to be charged from officers

#### Recommendation

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Actions should be taken in terms of Section 4.5 Chapter XXIV of Establishment Code

### 3. Operating Review

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#### 3.1 Planning

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##### Audit Observation

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##### Comments of the Accounting Officer

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##### Recommendation

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(a) A provision of Rs.800 million had been made under Special Projects, to create rural industrial entrepreneur from every Grama Niladhari Division and thereby, 14,016 entrepreneurs were planned to be created. However, as per the progress as at 31st December 2021, a sum of Rs.649.33 million had been spent from the provision, for the selection of 12388 entrepreneurs. Regional Development Committee Approval for these beneficiaries were received at a level of 47 percent as such desired goals during the year, could not be achieved.

Though, a delay had occurred due to bad health conditions prevailed in the country, in getting the approval for the selected beneficiaries list from the Regional Development Committee, in the first stage, the approval of the Regional Development Committee for all lists of beneficiaries were obtained.

Actions should be taken to achieve desired goals of the projects, during the year.

(b) The activities included in the action plan had not been revised in line with the increased Rs.9 million in the amount provided for the purchase of equipment required for the Sales Promotional Programs of Rural Industry Products, carried out with a provision of Rs.30 million.

Could not include in the revised action plan By omission.

A revised Action Plan should be prepared and approval to be taken for the subsequent changes made to the Action Plan after being prepared.

### 3.2 Assets Management

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#### Audit Observation

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The Acquisition of Capital Assets amounting to Rs.23,786,145 during the year under review, had been added to the opening balance of the report of Non-Financial Assets, without showing it under the Purchases during the Year.

#### Comments of the Accounting Officer

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Purchases had been included in the total of Rs.103,880,754 under the Additions to the Opening Balances in the Non-Financial Assets Report.

#### Recommendation

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Assets acquired during the year should be shown under Purchases during the Year in the Non-Financial Assets Report in the Financial Statement.

### 4. Human Resources Management

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#### Audit Observation

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There had been three (03) vacancies for Senior Level officers, three (03) vacancies for secondary level officers and one (01) vacancy for primary level officer in the approved cadre as at 31 December of the year under review and actions had not been taken to fill up these vacancies having recognized the requirement.

#### Comments of the Accounting Officer

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The Ministry of Public Administration had been informed by the letters No. SMRIP/ES/02/01 and dated 17/02/2021, 14.11.2021 and 27.12.2021 to fill up these vacancies

#### Recommendation

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Actions should be taken to fill up vacancies.