2021

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செயலாற்று அறிக்கை
Performance Report

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கூட்டுறவு அபிவிருத்தித் திணைக்களம் - இலங்கை
Department of Co-operative Development - Sri Lanka

PERFORMANCE REPORT

2021

DEPARTMENT OF COOPERATIVE DEVELOPMENT

Message from Cooperative Development Commissioner and Registrar of Cooperative Societies

It is with great pleasure that the Department of Cooperative Development (Line) dedicated to the upliftment of the cooperative movement for the upgrading the Sri Lankan society, prepared the performance report for the year 2021.

With the vision of "cooperatives for sustainable development as a people's enterprise", the Cooperative Development Department is inextricably linked with the life of the common people in Sri Lanka. This report presents the structure and role of Cooperative Development Department (Line) and internal administration, human relations development and audit and legal work.

In the face of the spread of the crisis Covid-19 virus that arose from time to time in the country in the year 2021, I consider it a great fortune that this department has been able to stand up as a people's enterprise. Contributing to the distribution of essential goods during the covid crisis, emphasizing that the cooperative is "for each and every one", can be considered as a unique mission performed this year as well.

The cooperative development department engaged in such a comprehensive mission plays a pivotal role in the cooperative movement, and an easy understanding of this department can be obtained by consulting the report.

I would like to express my gratitude to all those who have supported the Cooperative Development Department to make it successful in the year 2021, and the Honorable Minister of Trade, the Secretary of the Ministry of Trade, Cooperative Services, Marketing Development and I would like to express my thanks to the Minister of State for Consumer Protection, the Secretary of the Ministry of Cooperative Services, Marketing Development and Consumer Protection, the Provincial Commissioners and the entire staff of this department and all the cooperative societies scattered throughout the island.

I pray that all cooperatives get the strength, courage and space to achieve the sustainable development aspirations of the Sri Lankans as well as the world community.

Gamani N. Liyanarachchi
Commissioner for Cooperative Development and
Registrar of Co-operative Societies (Acting)

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CHAPTER 1 - Institutional Profile / Summary of Implementation

1.1 Introduction

Cooperative Society which implements under a specific policies and ethics for enhancement of Sri Lankan community throughout hundred years empowering the community which could not be achieved their objectives under huge market challenges and work together to support them for fulfilling their economic, social and cultural requirements. Cooperative Department which was established on 01st October 1930 with the aforesaid objectives has been renamed as Department of Cooperative Development in the year 1945 broadening their roles. At present, Department of Cooperative Development is established at No .330, Union Place, Colombo 02 under the purview of Ministry of Co-operative Services, Marketing Development and Consumer Protection

The Department has committed for improvement of cooperative businesses and to guide and achieve the policy of Vistas of prosperity and splendor through formulating specific policies and plans necessary to be developed businesses and the Commissioner of Cooperative Development and Registrar of Cooperative Society Gamani N. Liyanarachchi has taken the responsibility and provided the required leadership to his supporting staff.

Further, one of the prime roles of the Department is to register Cooperative Societies at the inter provincial and all island level and monitor the functions of registered cooperative Societies and associations and perform the activities relevant to the development. Further, the Department provides contributory service in development for implementation of public policies including the coordination of the activities of Provincial Department of Cooperative Development and monitoring these activities within the national policy and supporting the national cooperative development.

The annual performance report of the Department of Cooperative Development for year 2021 which has been prepared in terms of Public Finance Circular No 02/2020, is forwarded herewith.

1.2 Vision, Mission and the objectives of the Department.

Department of Cooperative Development

Vision

Co-operative as a Public Enterprise for Sustainable Development

Mission

Wider Intervention for Building
Good Governance in the Cooperative Societies
by Encouraging and developing of
Cooperative Movements
in Sri Lanka as a Public Enterprise

Purpose

1. To achieve the goals contained in the government's manifesto for the development of cooperatives under the "Vision of Prosperity" to provide the best possible economic, social and cultural requirements for the development of the cooperative sector in better coordination with the provincial cooperative departments.
2. Formulating cooperative policy to achieve sustainable development goals by 2030.
3. To create a higher standard of living by fulfilling the social, economic and cultural needs of the community affiliated to the cooperative sector.

1.3 Main Functions

Prime Functions of the Department of Cooperative Development

1. Registration of Inter provincial and all Island Level Cooperative societies.
2. Monitoring functions of the registered cooperative societies and perform development related activities.
3. Steering the activities of Co-operative Movement within the national movement by coordinating The Provincial Department of Cooperative Development.
4. Providing assistance to activities of the national Cooperative development processes.
5. Providing the constructive contribution for implementation of public national policies.

Other Functions

1. Statutory functions of the Cooperative Societies

i. Registration of Societies.
ii. Amalgamation and separation of Cooperative Societies and federations.
iii. Membership related activities.
iv. Granting Approval of by-laws and by-law amendments.
v. Supervision of the election relevant activities of the Co-operative Societies
vi. Calling for annual general meetings and decision of legitimacy status.
vii. Dissolution of registered co-operative societies
viii. Arbitration activities and empowerment of court proceedings.
ix. Conducting of annual auditing of cooperative societies and federations.

2. Management activities

i. Appointment of Board members and Board of Directors
ii. Supervision of accounting activities
iii. Auditing
iv. Conducting normal/special investigations as per the provisions of the Co-operative Act
v. Providing advices on management and education activities.

3. Coordination activities

i. Coordination activities with the State Ministry of Co-operative Services, Marketing Development and Consumer Protection and other public institutions and other private enterprises.
ii. Supporting to the State Ministry of Co-operative Services, Marketing Development and Consumer Protection and other public institutions for coordination activities with the Ministers of Provincial Department of Cooperative Development, Secretaries of the Ministries, Commissioners and Registrars of Provincial Departments of Cooperative Development
iii. Cooperation with the international cooperative alliance and other international cooperative institutions.
iv. Cooperation with the Central Bank of Sri Lanka in respect of cooperative rural banks and cooperative financial institutions.
v. Cooperation with the Central Bank of Sri Lanka and Department of Census and Statistics in respect of statistics on cooperative Societies.
vi. Coordination for implementation of Government Concessionary programs as necessary on behalf of the Government.
vii. Cooperation with the Cooperative Societies.

4. Development activities

i. Conducting development activities in national and provincial level according to the annual budget allocations.

ii. Performing activities relevant to ensure good governance of the co-operative societies and federations
iii. Providing consultative services relevant to the development for advancement of the co-operative societies and federations
iv. Supervision of financial and operational activities of the co-operative societies and federations
v. Implementation of development projects.
vi. Providing grants and support for development projects.
vii. Providing guidance for development programs and coordination of development programs.
viii. Human resource development in the Department and cooperative field.
ix. Welfare activities of employees and officers.

5. Control of Funds

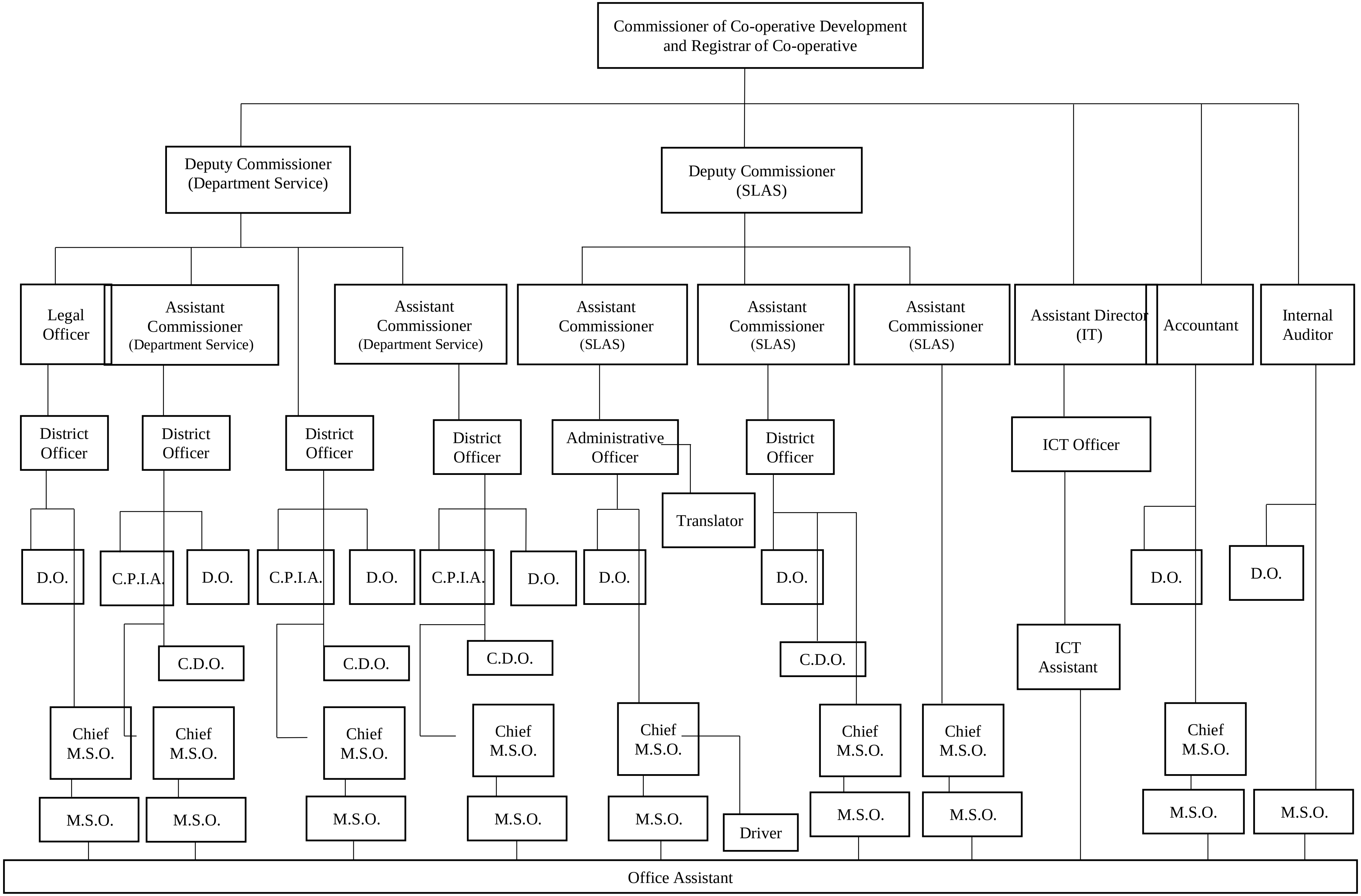
i. Management and control of cooperative fund and cooperative surplus fund operated under the Department.
ii. Collection of allocated contributory funds of the statutory societies subsequent to the annual audit.
iii. Granting loans and aids for development projects and trainings of cooperative societies.
iv. Recovery of loans.
v. Investment of funds in productive manner.

6. **Internal administration and Management activities**.

i. General administration
ii. Human resource management
iii. Improvement of performance of the Department.
iv. Assets Management

1.4 Organizational Structure

Organizational Structure of Department of Cooperative Development



1.5 Regional Offices of the Department

There are no regional offices in the department.

1.6 Institutions / Funds under the Department

Co-operative Development Fund

This fund which was established under the series of orders published in the Government Gazette No 10086 dated 24.03.1950 imposed under the section Co-operative ordinance (107 Authority) is contributed by Co-operative Societies and all island Co-operative Societies registered under the Department.

Co-operative Surplus Fund

This fund was constituted in terms of the provisions of the section 57(3) of the Co-operative Society Act No 5 of 1972 and financed by utilization of the balance of the surplus which is remained after the liquidation of registered society stipulated from 44(i) to 44(iii) in the special Gazette No 93/5 dated 10.01.1974 and any amount which had not been claimed by any creditor of this society for his rights under his owned entitlement at the time of the dissolution of assets.

1.7 Information on foreign aided projects

There are no foreign aided projects under the department.

CHAPTER 2 - Progress and Outlook
Sectoral Progress (Based on Action Plan)

Sub No.	Sector No. of Activities	No. of Activities	No. of Activities Performed	Percentage of performance
01	Societies	25	16	64%
02	Management and Research	01	01	100%
03	Banking regulation	14	12	85.7%
04	Rules and regulations	04	04	100%
05	Information Technology	26	23	88.5%
06	Audit Liquidation	09 03	08 03	89% 100%
07	Administration	06	05	83%
08	Planning development and progressive control • Implementation of single procurement system • Agro industry sector • Implementation of cooperative marketing network • Products related to traditional industries	06 01 14 03	05 01 10 12	83% 100% 71% 66.6%
09	Projects • C/S Exotic Plants Orchid Cooperative Society • Instalment of solar energy in cooperative societies • Initiation of Nanashakti School Program • Purchase of guaranteed price through cooperative societies and release of rice to the market	05 04 01 04	04 03 01 03	80% 75% 100% 75%
Total		126	101	80%

Special / achievements

- ❖ Under the Prosperity Credit Scheme, the cooperative sector intervening to purchase 3331.5 metric tons of paddy from North West, North, North Central, Central, Eastern, Sabaragamuwa Provinces. By starting the Lakmal Garden Development Project, providing opportunities to members for local and foreign income generation. And thereby promoting members.
- ❖ To facilitate purchase of essential commodities for the rural people by activating the inactive regional outlet network of various service cooperative societies. Under this initiatives, 213 outlets were started.
- ❖ Implementation of a program to purchase products at subsidized prices for consumer cooperative societies by involving 17 major companies in Sri Lanka on the instructions of the Hon'ble Minister.

- Under the Nana Shakti School Cooperative Development Program, to introduce the Sri Lankan “Cooperative Business Subject” to the school curriculum (for selected subjects from grade 06 to 13) to educate children about cooperative business right from school age.
- implementation of a pilot project by providing financial support to 03 cooperative societies in the northern and central provinces to provide a solution to the electricity crisis in the country through cooperative societies.

Challenges

- Forced to limiting the conducting of training programs planned for the year 2021 due to the spread of the COVID-19 virus.
- With the economic situation in the country in 2021, it was not possible to conduct the planned training programs, and the implementation of the planned development programs had to be restricted.
- By regulating cooperative rural banks and financial cooperative societies, to secure depositors' deposits and create depositors' confidence in the cooperative financial services business and popularize financial service cooperative societies among the Sri Lankan people.

Future goals

- Providing necessary guidelines for the development of local products targeting the production sector to the Provincial Cooperative Development Departments.
- Directing export of flowers and ornamental plants by developing Lakmal Uyana project.
- To establish confidence in the financial services co-operative movement among the general public and to develop savings in the national economy.
- Solving the problems of rural indebtedness and uneven income distribution by taking loans at high interest rates.
- Aggregation of statistical information of all cooperatives in the Cooperative Financial Services sector and ranking of societies
- Implementation of programs to popularize the entire cooperative movement.

Important events of the year 2021

Some of the special events that occurred in the year 2021 in the administrative structure of this department.

With a people-centered economic vision, the new government has allocated a wide range of needs to the cooperative sector, and for the advancement of the cooperative movement, many new projects were implemented this year, in which there was a dire need to fill the vacancies in the department.

With the transfer of Cooperative Development Commissioner and Registrar of Cooperative Societies at the end of 2021, an Acting Cooperative Development Commissioner and Registrar of Cooperative Societies were appointed, and the legal officer of the department resigned from the position at the end of 2021.

Also, several officers who received trainee graduate appointments joined the service of this department in the year 2021, and development officers, management service officers and office assistants moved from time to time and came to this department on several occasions in the year 2021.

However, necessary measures were taken to carry out the necessary recruitment activities promptly to fulfill the tasks performed by the department more efficiently and effectively.

As well as promotion opportunities for seniority and qualified officers, the recruitment procedures of the departmental service were revised. Even in the face of the escalation of the emergency epidemic risk situation in the year 2021, the services have been provided by making arrangements to maintain the office activities by formally managing the officials. The client charter was also updated for transparent and efficient service delivery.

However, despite the fact that it was not possible to achieve 100% of the goals/targets of this department in the face of the Covid-19 epidemic situation that appeared unexpectedly in the year 2021, the role assigned to this department was performed with maximum efficiency in the face of the existing conditions.

CHAPTER 03 - Overall Performances for The Year Ending 31st December 2021

3.1 Financial Performance Statement

Financial Performance Statement for the period ending 31st December 2021 **ACA-F**

Budget 2021		note	Actual 2021	Actual Adjusted again 2020	
-	**Revenue receipts**		-	-	
-	Income Tax	1	-	-	
-	Goods and Services Tax	2		-	ACA-1
-	Tax on international trade	3	-	-	
-	Non-tax revenue and other	4	-	-	
-	**Total Revenue receipts (a)**		-	-	
-	**Non-revenue receipts**		**-**	-	
-	Treasury imprest		127,636,000	81,099,330	**ACA-3**
-	Deposit		41,800	144,877	**ACA-4**
-	Advance Account		6,998,557	5,724,517	**ACA-5/5(A)/5 (B)**
-	Other receipts		3,309,284	3,807,540	
-	**Total non-revenue receipts(b)**		**137,985,641**	**90,776,264**	
-	**Total revenue receipts and non-revenue receipts c = (a)+(b)**		**137,985,641**	**90,776,264**	
	Treasury Remittance (d)		**-**	**600**	
	Net revenue receipts and non-revenue receipts e = (c)+(d)		**137,985,641**	**90,775,664**	
	Deduct; expenses				
90,900,000	**Recurrent expenses**		**-**	-	
70,250,000	Salaries wages and other workers benefits	5	55,619,512	62,474,947	
18,100,000	Other goods and services	6	14,363,722	14,728,253	**ACA-2(ii)**
2,550,000	Subsidy, grants and transfers	7	745,857	1,315,324	
-	Interest payment	8	-	-	
-	Other recurrent expenditure	9	-	54,250	
90,900,000	**Total recurrent expenditure (f)**		**70,729,091**	**78,572,774**	
102,000,000	**Capital expenditure**				
900,000	Rehabilitation and improvement of capital assets	10	545,344	383,353	
600,000	Acquisition of capital assets	11	290,600	199,910	
100,000,000	Capital transfers	12	59,378,881	5,115,833	**ACA-2(ii)**
-	Acquisition of financial assets and	13	-	-	
500,000	Capacity development	14	251,268	190,569	
-	Other capital expenditure	15	-	-	
102,000,000	**Total capital expenditure (g)**		**60,466,093**	**5,889,665**	
	Payment deposits		78,671	124,250	**ACA-4**
	Payment advances		4,176,316	3,768,310	**ACA-5/5(A)/ 5(B)**
	Another Main ledger Payment		-	-	
	Main ledger expenses (h)		**4,254,987**	**3,892,560**	
	Total expenditure i = (f+g+h)		**135,450,171**	**88,354,999**	
-	**Imprest balance as at 31st December 2021 g = (b-f)**		**2,535,470**	**2,421,265**	

3.2 Statement on financial status

ACA-P

Statement of Financial Position
As at 31st December 2021

	Note	Actual 2021 Rs	2020 Rs
Non Financial Assets			
Property, Plant & Equipment	ACA-6	52,904,209	54,529,709
Financial Assets			
Advance Accounts	ACA-5/5(a)	11,369,124	14,191,364
Cash & Cash Equivalents	ACA-3	-	600
Total Assets		**64,273,333**	**68,721,673**
Net Assets / Equity			
Net Worth to Treasury		8,457,494	11,329,900
Property, Plant & Equipment Reserve		52,904,209	54,529,709
Rent and Work Advance Reserve	ACA-5(b)		
Current Liabilities			
Deposits Accounts	ACA-4	2,911,630	2,861,464
Unsettled Imprest Balance	ACA-3	-	600
Total Liabilities		**64,273,333**	**68,721,673**

Detail Accounting Statements in ACA format Nos. 1 to 7 presented in pages from ……07… to 43 and Notes to accounts presented in pages from .44. to ..51….. form an integral part of these Financial Statements. The Financial Statements have been prepared in complying with the Generally Accepted Accounting Principles whereas most appropriate Accounting Policies are used as disclosed in the Notes to the Financial Statements and hereby certify that figures in these Finacial Statements, Notes to accounts and other relevant accounts were reconciled with the Treasury Books of Accounts and found in agreement.

We hereby certify that an effective internal control system for the financial control exists in the Reporting Entity and carried out periodic reviews to monitor the effectiveness of internal control system for the financial control and accordingly make alterations as required for such systems to be effectively carried out.

Chief Accounting Officer	Accounting Officer	Chief Financial Officer/ Chief Accountant/ Director (Finance)/ Commissioner (Finance)
Name :K.D.S.Ruwanchandra	Name :Gamani N.Liyanarachchi	Name :T.M.E.H.Sarathchandra
Designation :State Ministry of operative Services,Markerting Development & Consumer Protection	Designation :Commissioner of cooperative Development & Registar of cooperative societies	
Date : 2022.02.23	Date : 2022.02.23	Date : 2022.02.23

K.D.S. Ruwanchandra
Secretary
State Ministry of Co-operative Services,
Marketing Development and Consumer Protection
08th Floor, HQ Colombo Building,
No. 464 A, T.B. Jayah Mawatha, Colombo 10, Sri Lanka.

Gamani N. Liyanarachchi
Commissioner of Cooperative Development and
Registar of Cooperative Societies (Act.)
Department of Cooperative Development
P.O. Box 419, No. 330, Union Place,
Colombo 02.

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3.3 Cash Flow Statement

Cash Flow Statement for the year ending 31st December 2021 **ACA-C**

	Actual	
	2021 Rs.	**2020 Rs.**
Cash Flows generated from the operating activities		
Total tax receipt	-	-
Fees, Surcharge, Penalty, License	-	-
Profit	-	-
Non-revenue receipts	3,284,284	3,763,596
Income collected from other Departments/Ministries	-	-
Imprest receipts	127,636,000	81,099,330
Recovery of advances	5,265,035	4,860,811
Receipt of deposits	41,800	144,877
Cash Flows generated from the operating activities (a)	**136,227,119**	**89,868,614**
Deduct: Cash expenses		
Personal emoluments and operating expenses	130,082,317	82,800,855
Subsidies and transfers	745,857	1,315,323
Expenses incurred for other head of expenditure	853,358	1,703,309
Imprests settled to Treasury	-	600
Advance Payment	4,176,316	3,736,441
Depositt Payment	78,671	112,176
Cash Flow incurred for the operating activities (b)	**135,936,519**	**89,668,704**
Net Cash flow generated from operating activities (b)= (a)-(b)	**290,600**	**199,910**
Cash flows generated from the investing activities		
Interest	-	-
Dividends	-	-
Provisions for divestments and sale of physical assets	-	-
Recovery of sub loans	-	-
Cash flows generated from the investing activities (d)	**-**	**-**
Deduct; cash expenses		
Construction and purchase of physical assets and acquisition of other investments	290,600	199,910
Total cash flows incurre4d for the investment activities (e)	**290,600**	**199,910**
Net cash flows generated from the investing activities (f)= (d)-(f)	**(290,600)**	**(199,910)**
Net cash flow generated from the operating and investing activities (e)=(b) + (f)	**-**	**-**
Cash flows generated from financial activities		
Local loans	-	-
Foreign loans	-	-
Receipt of grants	-	-
Cash flows generated from the financial activities (g)	-	-

Deduct: Cash expenses		
Repayment of local loans	-	-
Repayment of foreign loans	-	-
Total cash flow incurred for the financial activities (a)	**-**	**-**
Cash flow generated from the financial activities (a)=((j)=(h)-(j)	**-**	**-**
Net change in cash (i) = (g) - (j)	**-**	**-**
Cash balance at beginning 01st January	**-**	**-**
Cash balance at the end of December 31st	**-**	**-**

3.4 Financial statement notes

1) **Reporting period of time**

   The period of time from 01st January 2021 to 31st December 2021 is the time period relevant to these financial statements.

2) **Measurement basis**

   The financial statements have been prepared on the historical cost and the historical cost of some assets has been improved to reassessed value. When it is not shown in other way, the preparation of the accounts is performed on improved cash basis.

   The financial statements have been presented to the nearest Rupee in Sri Lankan Rupees.

3) **Revenue identification**

   The revenue which is exchanged and not exchanged is identified as revenue in the period received the money irrespective the receivable time of those.

4) **Identification and measurement of property, plants and machineries**

   When there is a confirmation which ensures the receipt of future economic benefit related to asset to the institute and those assets can be confidentially measured, those are identified as properties, plants and equipment.

   The property, plant and machineries are identified to their cost and in the event of not relating the cost format, the reassessed value is used.

5) **Property, plant and machinery reserves**

   This reserve account is the corresponding account of properties, plants and machineries.

6) **Cash and cash equivalents**

   The cash and cash equivalents consist of local currency notes and coins in hand on 31st December 2021.

3.5 Revenue Collection Performance

Rs.

Revenue code	Details of revenue code	Revenue estimate		Revenue collected	
		Initial estimate	Final estimate	Amount (Rs.)	As a % of final revenue estimate
-	-	-	-	-	-

3.6 Performance for Utilization of allocated provisions

Rs.

Type of provision	Allocated provision		Actual cost	Provisions utilized as a percentage of completed provisions
	Initial provision	Final provision		
Recurrent	90,900,000	90,900,000	70,729,091	77.81%
Capital	102,000,000	102,000,000	60,466,093	59.28%

3.7 In terms of F.R. 208, the provisions granted to this Department/District Secretariat/Provincial council as a representative of another ministry/ department

Rs.

Se. No.	Ministry/ Department which received the provision	Objective of provisions	Provision		Actual cost	Provisions utilized as a percentage of completed provisions
			Initial provision	Final provision		
01	Sri Lanka Railway Department	For warrant	76,410.00	76,410.00	76,410.00	100%

3.8 Performance for reporting the non-financial assets

Rs.

Revenue code	Details of code	Balance as per the report of board of Survey as at 31.12.2021	Balance as per financial status report as at 31.12.2021	Due to be accounted in future	Reporting progress as a %
9151	Buildings and structures	-	-	-	-
9152	Machineries	52,904,209.00	52,904,209.00	No	100%
9153	Lands	-	-	-	-
9154	Intangible assets	-	-	-	-
9155	Biological assets	-	-	-	-
9160	Ongoing work	-	-	-	-
9180	Leased assets	-	-	-	-

3.9. Report of the Auditor General

NATIONAL AUDIT OFFICE

My No. TAC/C/CODD/FA/2021 Date: 31st May 2022

Commissioner of Co-operative Development and Registrar of Societies
Department of Co-operative Development

Auditor General's summary report as per the financial statement of the Co-operative Development Department for the year ended 31 December 2021 comprising the statement of financial position of as of the year mentioned above as per Article 11(1) of the constitution No.19 of year 2018

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1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Department of Cooperative Development 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, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of article 10 of 2018 . My comments and observations which I consider should be reported in due course to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, 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

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 (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 article 38 of 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 Section 38 (1) sub section (b) 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.

1.4 Audit Scope (Auditor’s Responsibility in Auditing 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:

- 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.

- 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 keep the accounting officer informed the findings throughout my audit all what I identified elapses, weaknesses of administration of the internal audit structure

1.5 Report on other legal requirements

I revealed the followings in line with the Section 6 (1) sub section (b) of the National Audit Act No. 19 of 2018,

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(a) Financial statements are similar to the last year.

(b) Recommendations for the financial statements for the previous year were found implemented.

1.6 Opinion on the financial statement

1.6.1 Financial effective statement

According to Section 7.2 of Public Accounts Guideline No. 2021 dated November 26, 2021, the income collected by the reporting agency on behalf of other revenue accounting officers should not be included financial performance statement and adjusted in the preliminary statement, but that income preliminary statement of Rs. 3,309,284 had been included in the statement of financial performance without adjustment.

1.6.2 Non-financial assets

(a) Purchased during the year under review Rs. 290,600 worth of assets were not shown under Purchases in the statement of non-financial assets and were included in the opening balance.

(b) Assets used during the year Rs. 581,262 in the statement of non-financial assets, but it was not done in the year under review.

1.6.3. **Statement of Cash Flows**

1.6.3.1 Cash flow generated from operational activities

The following observations are made

(a) The value of non-revenue receipts was Rs.3,309,284 and the cash flow from operating activities was understated by Rs.25,000 as Rs.3,284.284 in the cash flow statement.

(b) Although the expenses incurred for other expenditure heads were Rs. 878,358 in the cash flow statement, it was shown as Rs. 853,358, which was Rs. 25,000 less, so the cash flow spent on operational activities was understated by that amount.

1.6.4 Advanced Configuration Statement

The following observations are made

(a) Expenses of Rs. 878,258 incurred by the reporting agency on behalf of other heads were not stated in the final preparation statement.

(b) Debit of Rs.2,485,357 by other heads to Account 'B' was not shown in the Advance Reconciliation Statement

1.6.5 Presentation of financial statements

(a) Figures belonging to Advance Account No. 301012 relating to Advances of Government Officials in Form ACA 5 of the Financial Statement were recorded under Other Advances

(b) Debits of Rs. 2,722,694 during the year under Advance Account No. 301011 Credits during the year under Cross Note Receipts Rs.2,722,694 were shown under Cross Note Receipts.

2. Financial review

2.1 Cost Management

Expenditure Item No. 301-1-1-1505 for grants and contributions Rs. 2,300,000 of the total net allocation was left and the savings were 88 percent of the amount allocated under the item number 301-1-1-1203 and 71 percent of the amount allocated under 301-1-1-2002.

2.2 Assumption of Liabilities and Obligations

The following observations are made

(a) Mu. According to Re. 94(1) should not be bound to liabilities beyond the provisions, for the expenditure subject 301-1-1-1409, the provision was Rs. 3,700,000 and the expenditure was Rs. 3,693,047, leaving a balance of Rs. 6,953. In excess of that balance, debts of Rs. 182,230 were reached

(b) On October 26, 2021, in accordance with the 4.5 of the Accounting Guideline 2021/02, through the supplementary account summaries, the bank could not record an untimely credit as an expense of the previous year, but in respect of 03 expenditure subjects in the financial statement, the payments had been made in excess of Rs. 216,791.

3. Service review

3.1 Performance

3.1.1 Yearly performance Report

According to Section 10.2 of State Circular No. 2/2020 dated August 28, 2020, the annual performance report was not prepared and submitted along with the financial statements in accordance with the format mentioned in Guideline No. 14 issued by the State Finance Department.

3.2 Management weaknesses

(a) The opening balance difference of government officials' surplus 'B' account according to the books of accounts and treasury books was Rs. 215,169 and no action was taken to identify and settle this difference which has existed since the previous years.

(b) As per the guideline No. 01 issued in relation to State Finance Circular 01/2020 on August 28, 2020, the officers transferred to the new government ministries/departments should deal with the loan balances of the transferred officials in accordance with the Articles 1.6, 1.7 and Sections of the Code of Institutions. There was no action to settle the debt balance of Rs. 100,084 from 03 govt. officers which should be taken from them and two officers who were transferred to Provincial Sabah institutions and Rs. 47,253 which should be due to the debt balance.

(c) Debt balances due from retired officers should be collected in accordance with 4.2.4 and 4.2.5 of the Institutions Code, but there was a balance of Rs. 44,394 due from one retired officer in the department and that officer retired for 05 years. Too much time had passed.

(d) There was a balance of Rs. 70,401 due from two officers who were suspended for more than 05 years, and a loan balance of Rs. 48,720 due from an officer who left the service and in relation to the said loan balance, Guideline No. 01 related to State Finance Circular 01/2020 Ha and (e) had not been dealt with according to the procedure

4. Sustainable development

5. Yahapalanaya

5.1 Internal Audit

5.2 18 An internal audit committee was not established in accordance with the provisions of Section 40 of the Audit Act No. 19

Signed illegibly
B.G.I. Niranja
Senior Assistant Auditor General
For Auditor General

Chapter 04 - Performance Indicators

4.1 Institutional Performance Indicators (Based on Action Plan)

Specific indicators	Actual output as a percentage (%) of expected output			
	100%-90%	89%-75%	74%-50%	< 50%
Regulation of Co-operative Financial Services Societies and Associations		85.7%		
Establishment of 100 cooperative regional outlets across the island.			58%	
Networking of Computers in Co-operative Department and establishment of Point of Sale System (POS) for Co-operative Outlets		88.5%		
Audit of Co-operative Societies		89%		
Implementation of various projects • Lakmal Garden Project • Installation of Solar Power in Cooperative Societies		80% 75%		

Chapter 05 - Performance in Achieving Sustainable Development Goals (SDG).

5.1 State the relevant Sustainable Development Goals identified.

Goal/Targets	Target	achievement Indicators	Achievements progress		
			0%-49%	50%-74%	75%-100%
Promoting perfect peaceful social groups for sustainable development, establishing justice and protection of law for all, accountability and integrity at all levels.	-	-	-	-	-
Ensuring access to affordable, reliable, sustainable and modern energy for all.	-	-	-	-	-
Ensuring sustainable consumption and production patterns.	-	-	-	-	-
Strengthening ways of implementing and revitalizing global cooperation for sustainable development	-	-	-	-	-

In the face of the spread of Covid-19, it was not possible to act to achieve the identified Sustainable Development Goals.

Chapter 6

6.1 Workforce Management

	Posts	Approved No. of posts	Existing number	No. of vacancies
Seniority Level	Commissioner of Cooperative Development and Registrar of Cooperative Societies	01	01*	01
	Deputy/Assistant Commissioner (Sri Lanka Administrative Service II, III)	04	01	03
	Accountant (Sri Lanka Accountants' Service III/II)	01	01	00
	Internal Auditor (Sri Lanka Accountants' Service III / II)	01	00	01
	Deputy Commissioner/Assistant Commissioner (Departmental)	03	03**	01
	Legal Officer (Departmental)	01	00	01
	Assistant Director – Information Technology (Sri Lanka Information and Communication Technology Service)	01	01	00
	Total	**12**	Permanent **07 -** Cover Up **- 01*** Duty Cover **- 01****	**06**
Tertiary Level	Administrative Officer	01	00	01
	Cooperative Development Officer (Supra Grade)	05	04***	03
	Translator	01	***01*	01
	Information and Communication Technology Officer (Sri Lanka Information and Communication Technology Service III, II)	02	00	02
	Total	**09**	**03**	**07**
Secondary Level	Cooperative promotion and Investigation Assistant	37 } 62	20 } 48	14 ****
	Cooperative Development Officer	25	28	
	Development Officer	15	11	04
	Information and Communication Technology Assistant (Sri Lanka Information and Communication Technology Service III, II)	05	03	02
	Management Service Officer	28	17	11
	Graduate Trainees	00	07	-
	Total	**110**	**87**	**31**
Primary Level	Driver	05	05	00
	Office Employee Assistant	15	11	04
	Total	**20**	**16**	**04**
Final Total		**151**	**115**	**48**

*On the acting basis of a grade I officer of the Sri Lanka Administrative Service of the Ministry of State, the duties of Cooperative Development Commissioner and Registrar of Cooperative Societies are performed.

**For the post of Assistant Commissioner, Cooperative Development, the duties are covered by an officer of the higher grade of Cooperative Development Officer.

*** Cooperative Development Officer High Grade 02 out of 03 vacancies are covered by two Cooperative Development Officer Grade I officers.

**** An officer recruited on contract basis is performing duties in the position of translator.

***** In the future, there will be no recruitment for the vacancies of cooperative promotion and investigation assistant posts, and since the cooperative promotion and investigation assistant officers and cooperative development officers are performing the same duties, the management department has approved to maintain the vacancies jointly.

6.2 Impact of shortage or surplus of human resources on the performance of the organization

At present there are vacancies for essential posts to increase the performance of the department. For example;

- Cooperative Development Commissioner and Registrar of Cooperative Societies - 01 (On the acting basis of a grade I officer of the Sri Lanka Administrative Service of the Ministry of State, the duties of the Cooperative Development Commissioner and Registrar of Cooperative Societies are performed)
- Deputy Commissioner/ Assistant Commissioner (S.L.P.S. II, III) - 03
- Internal Auditor (SRI III/ II) - 01
- Deputy Commissioner/Assistant Commissioner (Departmental) - 01 (For the vacancy of the post of Assistant Commissioner, Cooperative Development, duties will be covered by an officer of the higher grade of Cooperative Development Officer)
- Legal Officer (Departmental) - 01
- Administrative Officer - 01 (Management Service Officer Grade I performs duties covering the post of Administrative Officer)
- Cooperative Development Officer (Senior Grade) - 03 (Two Cooperative Development Officer Grade I Officers cover duties for 02 vacancies out of 03 Cooperative Development Officer Senior Grade)
- Interpreter - 01 (An officer recruited on contract basis performs the duties of the post of Interpreter)
- Information and Communication Technology Officer (Sri.Lang.Th.and S.T.S. III, II) - 02
- Co-operative Promotion and Investigation Assistant/ Co-operative Development Officer - 14 (Co-operative Promotion and Investigation Assistant Officer and Co-operative Development Officer perform the same duties so the posts are jointly maintained)
- Development Officer - 04
- Information and Communication Technology Assistant (SRI III, II) - 02
- Management Service Officer – 11
- Office Assistant - 04

Under these conditions, obstacles have arisen to perform the duties of the department in a formal and efficient manner. Due to the vacancy of executive level positions, there are obstacles to properly run the administrative and organizational affairs of the 115 officers currently employed in the institution and to make the activities of filling the vacancies efficient.

Due to the vacancy of Co-operative Promotion and Investigation Assistant and Co-operative Development Officer posts, it has become difficult to reach the desired goals such as managing the activities of registered cooperative societies and associations, conducting audit activities and carrying out activities related to development.

Due to the vacancy of positions, one officer has to perform the tasks of several subjects, it has become difficult to fulfill the desired objectives of the department efficiently and effectively, and the lack of sufficient supervisory level officers has hindered the achievement of the vision of the department.

According to the National Budget Circular No. 4/2018 dated July 17, 2018, the sustainable development objectives to be achieved by the department had not been identified.

6.3 Human Resource Development

Name of the program	Number of employees trained	Duration of the program	Total investment(Rs'000)		Nature of Program (local/Foreign)	Output/knowledge gained
			Local	Foreign		
Maintaining a personal file	01	days 02	8,500.00	-	Local	Providing knowledge about maintaining a personal file formally
Workshop on Public Procurement	01	Days 02	8,500.00	-	Local	Improve competency of officers who deal with public procurement activities in Government Sector Organization
Duty, Hospitality, Etiquette for Junior Employees	02	Days 01	8,000.00	-	Local	Recognition and understanding of high level duties. Providing knowledge of hospitality, etiquette and maintaining discipline
Two-day workshop for Provincial Commissioners and Assistant Commissioners	32	Days 02	498,985.00	-	Local	Vision of Prosperity Knowledge of the future measures and activities of the Cooperative Movement as per the National Policy
Skill Development Training Program for Promotion and Financing of Self Help Groups and Joint Liability	05	Days 03	1,460.00	-	The workshop conducted by CICTAB under the auspices of the National Cooperative Development Corporation of	Skill development of bureaucrats on promotion and financing of Self Help Groups and Joint Responsibility Groups to eradicate rural

Groups for Eradication of Rural Indebtedness					India was held online.	indebtedness.
Empowering women through microfinance	05	Days 03	-	-	The workshop conducted by CICTAB under the auspices of the National Cooperative Development Corporation of India was held online.	Skill development of bureaucrats on women empowerment through microfinance
Training Course on Banking	113	Days 05	2,169,000.00	-	Local	Developing knowledge and attitudes of line/provincial department officials and union/association representatives

CHAPTER 07 - Compliance Report

No.	Necessity to be related	Compliance status (Complied/ not complied)	If not complied, short clarification for that	Accurate decisions and measures proposed for prevention of non-compliance in due course
1	**The following financial statements/accounts have been submitted on due date.**			
1.1	Annual financial statements	compiled		
1.2	Public officers ‘Advance Account	compiled		
1.3	Business and Production Advance Account (Commercial Advance Account)	Not relevant		
1.4	Stores Advance Account	Not relevant		
1.5	Special Advance Account	Not relevant		
1.6	Other	Not relevant		
2	**Maintenance of books and documents (F.R.445)**			
2.1	Update and maintain the fixed assets register as per Public Administration Circular 267/2018	compiled		
2.2	Update and maintain personal emoluments documents/personal emoluments cards	Not relevant		
2.3	Update and maintain audit query register	compiled		
2.4	Update and maintain internal audit report register	compiled		
2.5	Prepare all monthly accounts summaries (CIGAS) and submit them to the General Treasury on due date	compiled		
2.6	Update and maintain cheques and money order register	compiled		
2.7	Update and maintain the inventory	compiled		
2.8	Update and maintain stock register	compiled		
2.9	Update and maintain loss and damages register	compiled		
2.10	Update and maintain liabilities register	Not relevant		
2.11	Update and maintain register of counterfoil books (GA-N20)	compiled		
3	**Delegation of functions for financial control (F.R.135)**			
3.1	Delegation of financial power in the institutions	compiled		
3.2	Awareness on delegation of power in institutions	compiled		
3.3	Delegated the power for approving every transaction through 02 or more officers	compiled		
3.4	As per Circular No.171/2004 dated 11.05.2014, control system that should	compiled		

	be followed by the accountants when using GPS Software			
4	**Preparation of Annual Plans**			
4.1	Preparation of Annual Action Plan	compiled		
4.2	Preparation of Annual Procurement Plan	compiled		
4.3	Preparation of Annual Internal Audit Plan	Not compiled	The officers have not been attached to Internal Audit Division	
4.4	Preparation and submission of annual estimates to National Budget Department (NDB)	compiled		
4.5	Submission of Annual Cash Flow to Department of Treasury Operations on due date	compiled		
5	**Audit queries**			
5.1		compiled		
6	**Internal Audit**			
6.1	As per F.R. 134(2)DMA/1-2019, preparation of Internal Audit Plan subsequent to consultation with Auditor General at the beginning of the year	Not compiled	The officers have not been attached to Internal Audit Division	
6.2	Answering to every internal audit report within one month	Not compiled		
6.3	In terms of sub section of 40(4) of Audit Act No.19 of 2018, submission of all copies of internal audit reports to the Auditor General	Not compiled		
6.4	In terms of Financial Regulations 134(3), submission of all copies of internal audit reports to Auditor General	Not compiled		
7	**Audit and Management Committee meetings**			
7.1	As per DMA Circular 1-2019, conducting at least 04 Audit and Management Committee meetings within relevant year	Compiled		
8	**Assets Management**			
8.1	As per chapter 07 of Assets Management Circular No.01/2017, submission the information on purchase of assets and disposals to Comptroller General's Office	Compiled		
8.2	In terms of 13th Chapter of above-mentioned circular, appointment of a suitable Coordinating Officer for implementation of the provisions specified in that circular and reporting the information on such officer to Comptroller General's Office	compiled		

8.3	As per Public Finance Circular No.01/2020, conducting board of surveys and submission the relevant reports to Auditor General	compiled		
8.4	Carrying out Surpluses, shortages and other recommendations revealed from annual board of survey within the time mentioned in the circular.	compiled		
8.5	As per F.R. 772, disposal of condemned items	compiled		
9	**Vehicle Management**			
9.1	Preparation of daily running charts and monthly summary reports and submission to Auditor General on due date	compiled		
9.2	Disposal of the condemned vehicles less than 06 months from being condemned	compiled		
9.3	Maintenance of vehicle log books and update them	compiled		
9.4	Taking action relevant to every accident in terms of F.R.103,104,109 and 110	compiled		
9.5	In terms of the provisions laid down in chapter 3.1 of Public Administration Circular No.2016/30 dated 29.12.2016, re-inspection of fuel consumption of the vehicles	compiled		
9.6	Transfer the absolute ownership of the log books of leased vehicles subsequent to lease period	compiled		
10	**Bank Accounts Management**			
10.1	Should have prepared bank reconciliation statements on the due date and submitted them for audit	compiled		
10.2	Should have settled the dormant bank accounts carried forward in the year under review or in the years earlier	compiled		
10.3	Acting in accordance with financial regulations regarding the balances that were revealed in the bank comparison statements and that needed to be adjusted and settling the balance within a period of one month	compiled		
11	**Utilization of Provisions**			
11.1	Incurring expenses from the provisions not exceeding the limit	compiled		
11.2	In terms of F.R.94(1), coming into liabilities from the balance provisions not exceeding the limit after utilizing	compiled		
12	**Public Officers' Advance Account**			
12.1	Compliance with the limitations	compiled		
12.2	Carrying out age analysis on outstanding loan balance	compiled		

12.3	Settlement of outstanding loan balances prevailed from more than a year	compiled		
13	**General Deposit Account**			
13.1	Taking action on lapsed deposits F.R.571	compiled		
13.2	Update and maintain Control Account for general deposits	compiled		
14	**Imprest Account**			
14.1	Remittance the balance of the Cash Book in the under review to the Department of Treasury Operations	compiled		
14.2	In terms of F.R. 317, settlement of adhoc interim imprest within one month from the completion of such activity	compiled		
14.3	In terms of F.R. 317, issuance of adhoc interim imprest not exceeding the limit	compiled		
14.4	Reconciliation of imprest account balance with treasury books monthly	compiled		
15	**Revenue Account**			
15.1	Carrying out payments from the revenue collected in compliance with relevant regulations	Not relevant		
15.2	Credit the revenue collected directly to revenue but not crediting to Deposit Account	Not relevant		
15.3	As per F.R.176, submission of reports on revenue arrears to Auditor General	Not relevant		
16	**Human Resource Management**			
16.1	Maintenance the staff within the approved cadre	compiled		
16.2	Providing the duty lists in writing to every member of staff	compiled		
16.3	In terms of Circular of MSD No.04/2017 dated 20.09.2017, submission of all reports to Department of Management Services	compiled		
17	**Providing information to public**			
17.1	In terms of Right to Information Act and Regulations, appointment of Information Officer and update and maintain information register	compiled		
17.2	The information on institute has been provided through its website and providing the facilities to publish appreciations/accusations of public through website or alternative methods	compiled		
17.3	In terms of sections 08 and 10 of Right to Information Act, submission of reports twice or once a year	compiled		
18	**Implementation of Citizen Charter**			
18.1	As per Public Administration and Management Ministry Circulars No.05/2008 and 05/2018(1),	compiled		

	formulation and implementation of citizens' and Clients' Charter			
18.2	As per Para 2.3 of that circular, preparation a methodology for monitoring and evaluating the activities on formulation and implementation of Citizens' and Clients' Charter	compiled		
19	**Formulation of Human Resource Plan**			
19.1	Preparation of a human resource plan based on Annexure 02 format in Public Administration Circular No. 02/2018 dated on 24.01.2018	compiled		
19.2	Ensuring a training opportunity of at least not less than 12 hours per year for every member of the staff within above mentioned human resource plan	Not compiled	The relevant training activities couldn't be carried out due to Covid 19 pandemic situation	
19.3	Putting signatures in annual performance agreements for overall staff based on the format mentioned in Annexure 01 of above Circular	compiled		
19.4	In terms of Para 6.5 of above Circular, appointment of a senior officer who had been entrusted responsibility on preparation of Human Resource Development Plan, improvement of capacity development programs and implementation of skills development plans	compiled		
20	**Response to audit Paras**			
20.1	Rectifying the shortcomings pointed out by the audit paras issued by Auditor General for previous years	compiled		

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