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செயலாற்று அறிக்கை
Performance Report

2022

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

PERFORMANCE REPORT

2022

Department of Cooperative Development

Message from Commissioner for Co-operative Development and Registrar of Co-operative Societies

We, the Department of Co-operative Development (Line), are committed to uplifting the cooperative movement that was born for the betterment of Sri Lankan society and is pleased to deliver the Performance Report for the year 2022.

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

We consider it a great fortune that the department was able to stand up as a people's enterprise in the year 2022. Directing the cooperative business to the use of solar energy and developing the rural production sector and implementing gardening programs to strengthen the rural economy can be considered as a unique mission done in this year as well.

This department provided a generous contribution for the year 2022 to special projects, including the implementation of rice distribution programs for school students under Chinese government aid and the World Food Program and the implementation of uniform distribution programs for school students under Chinese government aid. The Department of Cooperative Development, which is engaged in such a comprehensive mission, plays a pilot role in the cooperative movement.

I would like to express my gratitude to all those who have supported the Department of Cooperative Development to make it successful in the year 2022, and the Honorable Minister Nalin Fernando of Ministry of Trade, Commerce and Food Security, the Secretary of the Ministry, the all Provincial Commissioners, and entire staff of the department including staff officers and all the cooperative societies scattered throughout the island who contributed during the year to fulfill the mission in the face of various challenges and obstacles.

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

D. Jeewanadan
Commissioner for Cooperative Development and
Registrar of Co-operative Societies

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Chapter 01 - Institutional Profile/Summary of Implementation

1.1. Introduction

For nearly a century, the cooperative movement, which operates according to unique policies and ethics for the advancement of Sri Lankan society, has joined together to fulfill their economic, social, and cultural needs by empowering the community who find it difficult to achieve their goals in the face of market challenges. Keeping these objectives in mind, the Department of Cooperatives was established on October 1, 1930, and the role was expanded in 1945 as the "Department of Cooperative Development". It is currently located at Department of Cooperative Development No. 330, Union Place, Colombo 02 under the Ministry of Cooperative Services, Marketing Development and Consumer Protection.

This department is dedicated for the advancement of the cooperative movement, is working with great dedication to achieve the highest state policies by providing the necessary guidance for the cooperative movement as well as the unique policies and plans required for it. Mr. Jeewanadan, additional secretary to the Ministry of Trade, Commerce and Food Security and Commissioner of Cooperative Development and Registrar of Cooperative Societies (acting), is responsible for providing leadership to the necessary staff to perform these tasks without fail.

One of the primary responsibilities of this department is to register inter-provincial and all-Ceylon cooperative societies and manage the activities of registered cooperative societies and associations and carry out activities related to development. While coordinating with the Provincial Department of Cooperative Developments, this department also provides developmental contributions to the implementation of state policies, including directing the activities of the cooperative within a national policy and supporting the national cooperative development processes.

The 2022 Annual Performance Report of the Department of Cooperative Development prepared under Public Finance Circular No. 02/2020 is hereby submitted.

1.2. Vision, Mission, and Objectives of the Organization

Department of Cooperative Development

Vission

Cooperative for sustainable development as a people's enterprise

Mission

Extensive involvement in building good governance in cooperative societies, supporting the development of the cooperative movement in Sri Lanka as a people's enterprise.

Objectives

1. In order to achieve the goals contained in the government manifesto for the development of cooperatives, in good coordination with the provincial cooperative departments, to provide the best possible economic, social, and cultural conditions for the development of the cooperative sector.
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.
4. Building good governance in cooperative business.

1.3. Main functions

Main Functions of the Department of Cooperative Development

1. Registration of inter-provincial and all-island cooperative societies
2. Conducting activities of registered cooperative societies and associations and carrying out activities related to the development
3. Coordinating with Provincial Co-operative Development Departments to direct the activities of the Co-operative within a national policy.
4. Support national cooperative development processes
5. Providing a developmental contribution to the implementation of public policies

Other functions of the Department of Cooperative Development

1. Constitutional Affairs of Co-operative Societies

i. Registration of societies
ii. Combining and disuniting societies
iii. Membership matters
iv. Approval of Bylaws and Amendments
v. Supervision of election activities
vi. Convening of General Assembly / Convening of Committees and determining validity
vii. Dissolution of Registered Co-operative Societies
viii. Arbitration Proceedings and empowering the Courts
ix. Conducting annual audits of cooperative societies/associations

2. Management activities

i. Appointment of Governing Boards / Appointment of Members Director Board
ii. Supervision of accounting work
iii. Audit
iv. Conducting general/special examinations and tests as per the provisions of the Act
v. Management education and consulting

3. Coordination activities

i. Coordination with the State Ministry of Cooperative Services, Marketing Development and Consumer Protection and other government agencies and private enterprises
ii. Assisting the State Ministry of Cooperative Services, Marketing Development, and Consumer Protection in coordinating with Provincial Cooperative Ministers, Secretaries to the Ministry and Provincial Commissioner of Cooperative Developments and Registrars of Cooperative Societies
iii. Co-ordination of International Co-operative Alliance and Foreign Co-operative Institutions
iv. Co-ordination with the Central Bank of Sri Lanka regarding Co-operative Rural Banks and Co-operative Financial Institutions
v. Co-ordination with the Central Bank and Department of Census and Statistics regarding statistics related to Co-operative Societies
vi. To carry out coordination activities on behalf of the government for the implementation of government subsidy programs in necessary cases.
vii. Coordination among Co-operative Societies / Associations

4. Development activities

i. Accomplishing national-level and provincial-level development tasks as per annual budget allocations
ii. Carrying out activities related to ensuring good governance of Co-operative Societies
iii. Providing development consultancy services for the development of cooperative societies and associations

iv. Supervision of financial and operational activities of cooperative societies and associations
v. Implementation of development projects
vi. Providing development aid and assistance
vii. Providing and coordinating development guidelines
viii. Human Resource Development in Cooperative Sector and Department
ix. Employee / Officer Welfare

5. Control of funds

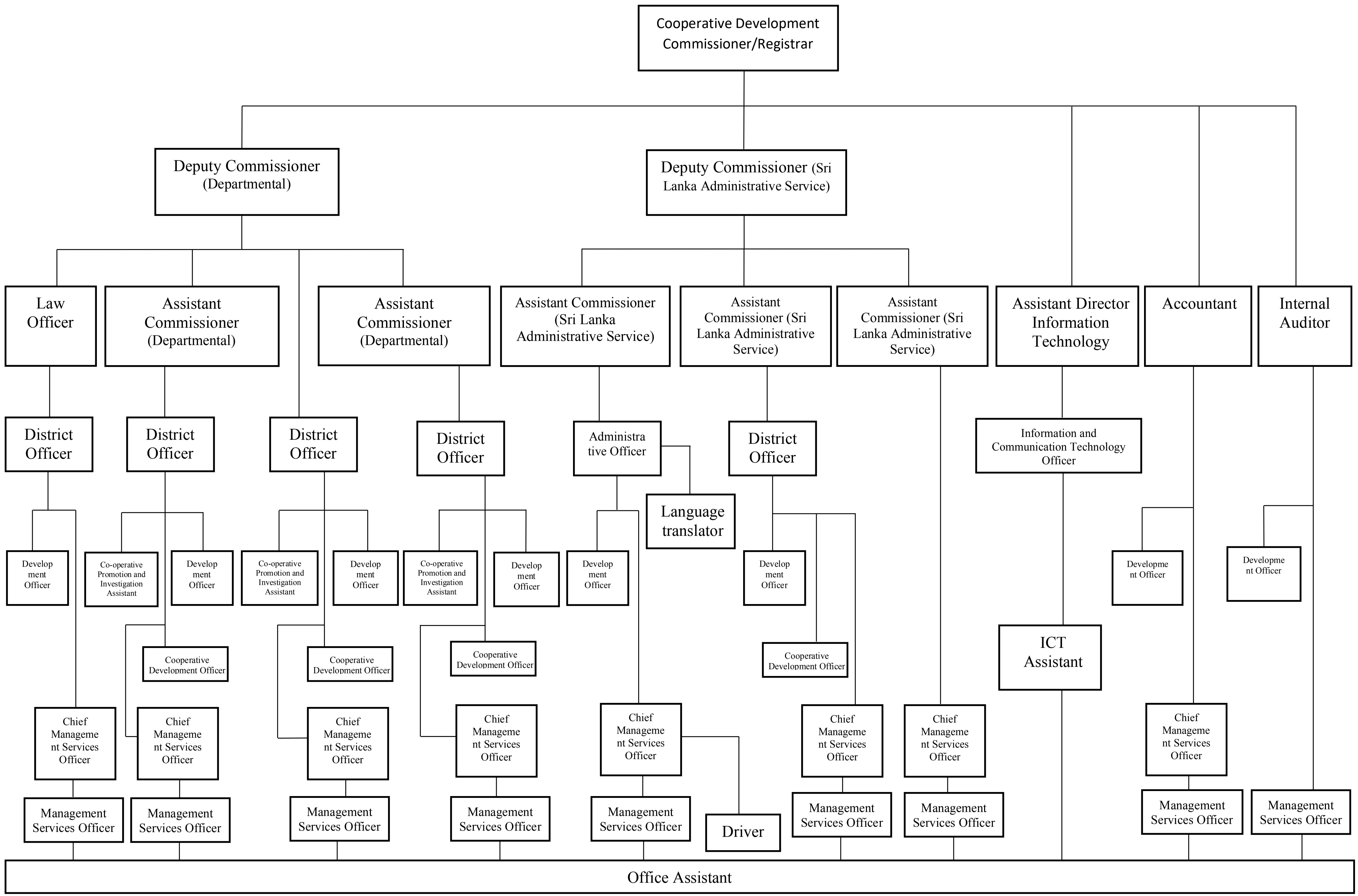
i. Management and control of the Cooperative Fund and Cooperative Surplus Fund under the Department
ii. Collection of contributions allocated after an annual audit of statutory societies
iii. Providing loans and assistance for development projects and training activities of cooperative societies
iv. Debt recovery
v. Effective investment of funds

6. Internal Administrative and Management Affairs

i. General administration
ii. Human Resource Management
iii. Performance development
iv. Asset management

1.4. Organizational chart

Organizational structure of Coorporative Development Department



1.5. Regional offices of the Department

There are no regional offices of the department.

1.6. Institutions/Funds under the Department

Cooperative Development Fund

This fund is established under No. 10086 enacted under Section 46 of the Co-operative Societies Ordinance (107th Authority) and series of orders published in the Government Gazette on 24.03.1950 and the contribution to this fund is made by the Co-operative Societies and Island-wide Co-operative Societies registered under the Department.

Cooperative Surplus Fund

This fund has been established in accordance with the provisions of section 57(3) of the Co-operative Societies Act No. 05 of 1972 and liquidation of a registered society as mentioned in Special Gazette No. 93/5 dated 10th January 1974 44(i) to 44(iii) and this Co-operative Surplus Fund shall be financed by applying any remaining surplus which has been made and which is not claimed by any creditor of the said society in respect of what is due to him under the asset distribution scheme.

1.7. Information on foreign-aided projects

There are no foreign-aided projects under the department.

Chapter 02 – Progress and Outlook

Sectoral Progress (Based on Action Plan)

Sub No.	Division	Number of activities	Number of activities performed	Percentage
01	Societies	43	30	70%
02	Banking regulation	36	35	97%
03	Laws	10	05	50%
04	Information technology	31	16	52%
05	Audit	16	13	81%
06	Controls	36	27	75%
07	Development	53	28	53%
08	Training	05	05	100%
Total		230	159	69%

Special/Achievements

Sector	Number of activities	Number of activities performed	Percentage
Exotic Plants and Orchids Cooperative Society (Ltd) - Lakmal Garden Project.	5	4	80%
Directing the Cooperative Business to use Solar Energy.	6	4	67%
Implementation of a single procurement system.	4	2	50%
Development of the dairy sector.	6	2	33%
Development of the rural manufacturing sector	6	1	17%
Expanding customer service by expanding and modernizing the cooperative's sales network.	12	11	92%
Empowerment of Regional Committees of various Services of Co-operative Societies.	6	3	50%
Turmeric production project	4	1	25%
Home Gardening Program to Strengthen the rural economy	4	-	-
Other projects			
Rice Distribution Program for School Students - Under Chinese Aid (First Step)			100%
Rice Distribution Program for School Students - Under Chinese Aid (Second Step)			95%
Distribution of rice to school students- under the World Food Programme			95%
Distribution of Uniforms to School Students - Under Chinese Aid			20%
Importing papers to print school text books for Ministry of Education - India Loan Proposals			10%

Challenges

- ❖ Due to the challenging economic situation in the country in 2022, the planned training programs had to be restricted 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 Department of Cooperative Developments.
- ❖ Directing export of flowers and ornamental plants by developing the Lakmal Uyana project.
- ❖ Directing cooperative businesses to use solar energy
- ❖ 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 distribution of income 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.
- ❖ Expansion of customer service through expansion and modernization of cooperative marketing network.
- ❖ Establishing a unified procurement system.

D. Jeewanadan
Commissioner for Cooperative Development and
Registrar of Co-operative Societies

D. Jeevanadan
Commissioner of Cooperative Development &
Cooperative Societies
Department of Co-operative Development
P.O. Box: 419, No. 330, Union Place,
Colombo 02.

Chapter 03 – Overall financial performance for the year ended in December 31, 2022

3.1. Statement of Financial Performance

For the period ending December 31, 2022 Statement of Financial Performance **ACA-F**

Budget 2022 LKR		Note	Actual 2022 LKR	Actual 2021 LKR	
-	Income receipts		-	-	
-	Income tax	1	-	-	
-	Taxes on domestic goods and services	2			ACA-1
-	Taxes on international trade	3	-	-	
-	Non-tax income and others	4	-	-	
-	**Total revenue receipts (a)**		-	-	
-	Non-Revenue Receipts		-	-	
-	Treasury imprest		221,010,000	127,636,000	**ACA-3**
-	Deposits		720,425	41,800	**ACA-4**
-	Advance accounts		4,676,916	6,998,557	**ACA-**
-	Receipts of Other general Ledger accounts				**5/5(A)/5 (B)**
-	**Total non-revenue receipts (b)**		**226,407,341**	**134,676,357**	
-	**Total revenue receipts and non-revenue receipts [(c)=(a)+(b)]**		**226,407,341**	**134,676,357**	
	Remittances to Treasury (d)		-	-	
	Net revenue receipts and non-revenue receipts [(e)=(c)-(d)]		**226,407,341**	**134,676,357**	
	Reduce: Expenses				
72,800,000	**Recurring expenses**		-	-	
58,000,000	Salaries, wages and other employee benefits	5	56,801,907	55,619,512	
12,500,000	Other goods and services	6	13,568,874	14,363,722	**ACA-2(ii)**
2,300,000	Subsidies, grants, and transfers	7	671,524	745,857	
-	Interest payments	8	-	-	
-	Other recurring expenses	9	-	-	
72,800,000	**Total recurring expenses (f)**		**71,042,305**	**70,729,091**	
21,200,000	Capital expenditure				
700,000	Capital asset rehabilitation and improvements	10	273,156	545,344	
-	Acquisition of capital assets	11	-	290,600	
20,000,000	Capital transfers	12	18,987,144	59,378,881	**ACA-2(ii)**
-	Acquisition of financial assets	13	-	-	
500,000	Capacity building	14	225,617	251,268	
-	Other capital expenditure	15	-	-	
21,200,000	**Total capital expenditure (g)**		**19,485,917**	**60,466,093**	
	Deposit payments		245,611	78,671	**ACA-4**
	Advance payments		4,104,929	4,176,316	**ACA-5/5(A)**
	Payments to other general ledger accounts		-	-	**/5(B)**
	General ledger expenses (h)		**4,350,540**	**4,254,987**	
	Total expenditure [(i)=(f)+(g)+(h)]		**94,878,762**	**135,450,171**	
-	**Balance as per the imprest statement**		**131,528,579**	**(773,814)**	**ACA-7**
	Imprest balance as on December 31, 2022 [(j)=(e)-(i)]		**131,528,579**	**(773,814)**	**ACA-3**

3.2. Statement of financial position

Statement of financial position by December 31, 2022 **ACA-P**

	Note	Actual 2022 LKR	2021 LKR
Non-financial assets			
Property and equipment	**ACA-6**	52,807,209	52,904,209
Financial assets			
Advance accounts	**ACA-5/5(A)**	10,797,136	11,369,124
Cash and cash equivalents	**ACA-3**	-	-
Total assets		63,604,345	64,273,333
Net assets/Mass net assets			
Net assets		7,410,692	8,457,494
Inventory of property and equipment		52,807,209	52,904,209
Rent and work advance reserve	**ACA-5 (B)**	-	-
Mobile responsibilities			
Deposit accounts	**ACA-4**	3,386,444	2,911,630
The imprest balance	**ACA-3**	-	-
Total liability		**63,604,345**	**64,273,333**

These financial statements have been prepared in accordance with generally accepted accounting principles and the most appropriate accounting policies have been used as disclosed in the notes to these financial statements. We hereby certify that the figures mentioned in the above final account, the related account notes, and other account details have been reconciled with the books of accounts of the Treasury and that they are in agreement with the said figures.

....
Chief Accounting Officer
Name: A.M.P.M.B. Athapaththu
Designation: Secretary, Ministry of Trade, Commerce, and Food Security

Date: 09-10-2023

A. M. P. M. B. Atapattu
Secretary
Ministry of Trade, Commerce and Food Security

....
Accounting Officer
Name: D. Jeewanadan
Designation: Commissioner of Cooperative Development and Registrar of Cooperative Societies
Date: 2023/09/27

D. Jeevanadan
Commissioner of Cooperative Development & Cooperative Societies
Department of Co-operative Development
P.O. Box: 419, No. 330, Union Place, Colombo 02.

....
~~Chief Financial Officer/Chief~~ Accountant/Director (Finance)/Commissioner (Finance)
Name: T.M.E.H.Sarathchandra

Date : 2023-09-27

T. M. E. H. Saratchandra
Accountant
Department of Co-operative Development
P.O. Box. 419, No. 330, Union Place, Colombo 02.

3.3. Statement of Cash Flows

Statement of Cash Flows for the year ending December 31, 2022 ACA-C

	Actual	
	2022 LKR	**2021 LKR**
Cash flows from operation activities		
Total Tax Receipts	-	-
Fees, Surcharges, Fines, and Permits	-	-
Profit	-	-
Non-revenue receipts	3,011,989	3,284,284
Revenue collected by other departments/ministries	-	-
Imprest receipts	221,010,000	127,636,000
Advance recoveries	3,877,023	5,265,035
Deposit receipts	720,425	41,800
Cash flow from operating activities (a)	**228,619,437**	**136,227,119**
Deducted: Cash expenses		
Personal salaries and operating expenses	89,604,213	130,082,317
Subsidies and transfers	671,524	745,857
Expenditure incurred on other heads of expenditure	133,993,160	853,358
Advances paid to the treasury	-	-
Advance payments	4,104,929	4,176,316
Deposit payments	245,611	78,671
Cash flow spent on operating activities (b)	**228,619,437**	**135,936,519**
Net cash flow generated from operating activities (c)=(a)-(b)	**0**	**290,600**
Cash flows generated from investing activities		
Interest	-	-
Dividends	-	-
Relinquishment Provisions and Sale of Physical Assets	-	-
Sub debt recoveries	-	-
Cash flow generated from investing activities (d)	**-**	**-**
Dedcted: Cash expenses		
Construction or purchase of physical assets and other investment acquisitions	-	290,600
Total cash flow used in investing activities (e)	**-**	**290,600**
Net cash flow from investing activities (f)=(d)-(e)	**-**	**(290,600)**
Net cash flow generated from operating and investing activities (g)=(c) + (f)	**-**	**-**
Cash flows from financing activities		
Domestic borrowings	-	-
Foreign borrowings	-	-
Receipts of grants	-	-
Total cash flow from financing activities (h)	**-**	**-**
Deducted: Cash expenses		
Domestic loan repayments	-	-

Foreign loan repayments	-	-
Total cash flow used in financing activities (i)	**-**	-
Cash flow from financing activities (j)=(h)-(i)	**-**	-
Net change in cash (k) = (g) –(j)	**-**	-
Opening balance as on January 01	**-**	-
Closing balance as of 31st December	**-**	-

3.4. Notes of Financial Statements

1) Reporting period

The reporting period for these financial statements is from January 01, 2022, to December 31, 2022.

2) Basis of measurements

The financial statements are prepared on a historical cost basis and the historical cost of certain assets has been upgraded to a re-evaluated value. Unless otherwise stated, accounts are prepared on an improved monetary basis.
The financial statements are presented in Sri Lanka Rupees to the nearest rupee.

3) Revenue identification

Exchange and non-exchange income are recognized as income in the period in which the cash is received, regardless of the period in which they are due.

4) Identification and measurement of property, layout, and equipment

Assets are recognized as property, layout, and equipment when there is a certainty that future economic benefits related to the asset will accrue to the entity and the asset can be reliably measured.

Property, plant, and equipment are recognized at cost and revalued value is used where the cost model is not applicable.

5) Inventory of property, layout, and equipment

This reserve account is the corresponding account of property, layout, and equipment.

6) Cash and cash equivalents

Cash and cash equivalents consist of local currency notes and coins on hand as at 31st December 2022.

* In cases of transactions specific to a reporting entity, such information may be included in the financial statements with the approval of the Department of State Accounts. Also, the disclosure required for those particular transactions may be included under the “Reporting Basis”

* Only accounting policies relevant to its reporting entity should be disclosed under the reporting basis.

3.5. Revenue Collection Performance

LKR

Income code	Description of income code	Income estimate		Collected revenue	
		Initial estimate	Final estimate	Amount (LKR)	As % of the final revenue estimate
-	-	-	-	-	-

3.6. Allocated provision utilization performance

LKR

Type of provision	Allocated provisions		Actual cost	Allocations utilized, as % of final allocations completed
	Initial provision	Final provision		
Recurrence	70,600,000	72,800,000	71,042,305	97.58%
Capital	21,200,000	21,200,000	19,485,917	91.89%

3.7. Allocations granted to this Department/District Secretariat/Provincial Council as a representative of other Ministries/Departments in terms of FR 208

LKR

Sub No.	Ministry/Department with provisions	Purpose of Allotment	Provisions		Actual cost	Allocations utilized, as % of final allocations delivered
			Initial Provisions	Final Provisions		
01	Sri Lanka Railway Department	For season tickets	252,485	252,485	252,485	100%

3.8. Performance of reporting other non-financial assets

LKR

Asset code	Code description	Balance as per goods survey report as at 31.12.2022	Balance as per Financial Status Report as at 31.12.2022	To be accounted for in the future	Reporting progress as %
9151	Buildings and infrastructure	-	-	-	-
9152	Machinery	52,807,209.00	52,807,209.00	No	100%
9153	Land	-	-	-	-
9154	Intangible assets	-	-	-	-
9155	Biological assets	-	-	-	-
9160	Work in progress	-	-	-	-
9180	Leased assets	-	-	-	-

3.9 Auditor General's Report

NATIONAL AUDIT OFFICE

My No.: TAC/C/CODD/FA/2022 Your No.: Date: 29 May 2023

Commissioner of Cooperative Development and
Registrar of Cooperative Societies
Department of Cooperative Development

Head 301 – Compilation Report of the Auditor General in terms of Section 11(1) of the National Audit Act No. 19 of 2018 on the financial statements of the Department of Cooperative Development for the year ended on December 31, 2022.

1. Financial Statements

1.1. Opinion

The audit was conducted under my order in accordance with the provitions contained in Article 154(1)of the constitution of the Democratic Socialist Republic of Sri Lanka , which should be read in conjunction with the Statement of financial position of the Department of Cooperative Development as at 31st December 2022, financial statement for the year ended on 31st December 2022including the statement of Financial Performance and Cash Flow Statement for the year ended on 31st December 2022, provition the National Audit Act No.19 of 2018. The Auditor General's report will submitted to Parliament in due course in accordance with Section 10 of the National Audit Act No. 19 of 2018, which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

I am of the opinion that the financial statements reflect the financial position of the Department of Cooperative Development as at December 31, 2022, and the financial performance and cash flow statement for the year ended on December 31, 2022, in accordance with generally accepted accounting principles.

1.2 Basis for opinion

I conducted the audit in accordance with the Sr Lanka Auditing Standards (SRI). My responsibilities under these auditing standards are further described in terms of the Auditor's Responsibilities for the Audit of the Financial Statement in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of Chief Accounting Officer and Accounting Officer in relation to financial statements

The responsibility of the Accounting Officer is to prepare financial statements that reflecting a true and fair situation in accordance with the generally accepted accounting principles and in accordance with the provisions mentioned in Section 38 of the National Audit Act No. 19 of 2018 and to determaine the internal control that allows to prepare the financial statements without quantitative incorrect statements that may be caused by fraud and errors.

According to Section 16(1) of the National Audit Act No.19 of 2018, the department shall maintain proper books and records of its income, expenses, assets, and liabilities so as to be able to prepare annual and periodic financial statements.

According to sub-section 38(1)(c), the Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the department and shall carry out a periodic review of the effectiveness of the system and accordingly carry out necessary changes such that the system will be carried out effectively.

1.4 Auditor's responsibility for the audit of financial statements

My objective is to provide reasonable assurance that the financial statements as a whole are free from quantitative misstatement, whether due to fraud or error and to issue the audit report containing my opinion. Reasonable assurance is a high level of assurance, but it will not always be an assurance that quantitative misstatements will be detected when performing an audit in accordance with Sri Lanka Auditing Standards. Fraud and error, individually or collectively, may result in quantitative misstatements and the quantity of which depends on the effect of the economic decisions made by users on the basis of these financial statements.

I exercised professional judgment and professional competence in the audit as part of the audit in accordance with Sri Lanka Auditing Standards. Further,

- Appropriate audit procedures were planned and performed on a timely basis to identify and assess the risks of quantitative misstatement of the financial statements, whether due to fraud or error, in providing a basis for the audit opinion expressed. The effect of fraud is stronger than the effect of quantitative misstatements due to misrepresentations because they are caused by collusion, falsification of documents, intentional omissions, misrepresentations, or failures of internal controls.

- Although not for the purpose of expressing an opinion on the effectiveness of internal control, an understanding of internal control was obtained in order to plan appropriate audit procedures as required.

- Evaluating that the transactions and events underlying the structure and content of the financial statements that include disclosures are appropriately and fairly included in the financial statements.

- Assessed the overall presentation of the financial statements including appropriate and fair inclusion of underlying transactions and events and disclosures for the structure and content of the financial statements.

The Accounting Officer was informed of the significant audit findings, key internal control weaknesses, and other matters identified during my audit.

1.5 Statement of other legal requirements

According to Section 6(1)(d) of the National Audit Act No. 19 of 2018, I declare the following facts.

(a) Financial statements are consistent with the previous year.
(b) The recommendations I had made regarding the financial statements related to the previous year had been implemented.

2. Financial review

2.1 Cost management

The following observations are made.

(a) A provision of Rs.1,505,000 had been made under the Expenditure code 301-1-1-1505 and total provision remained. Although this provision was made for the payment of membership fees of NEDAC/ICT and CICTAB institutions, the audit did not confirm whether the membership of those institutions still exists.

(b) For expenditure code 301-1-1-1003, Rs. 252,485 which was the expenditure incurred by other departments of ministries under F.R. 208 was added to the expenditure according to the cash book of ACA-2 (ii) form of the financial statement.

(c) The balance of provision for expenditure code 1303 and 2202 was Rs.15,950 and Rs.1,012,856 respectively and the reason for the balance of those provisions was not mentioned in the financial statement.

2.3 Entering into liabilities and obligations

The following observations are made.

(a) Debts worth LKR 284,762 were not mentioned in the form of Annexure (iii) of the financial statement.

(b) It was observed that the provision of the reviewed year was not enough to release the debts of LKR 307,595 for six expenditure subjects and the remaining provision of those expenditure subjects was only LKR 51,712.

2.4 Certifications to be made by the Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the counting officer must ensure that there is an effective system for the proper execution of internal audit tasks, but according to the observation mentioned in paragraph 5.1 of the report, that requirement was not fulfilled.

2.5 Non-compliance with Laws, Rules, and regulations

According to paragraph 2.2 of Public Accounts Guideline No. 2022/05 dated December 13, 2020, every financial reporting institution should identify relevant and irrelevant financial reporting forms for their institution and although only relevant financial reporting forms should be used, irrelevant financial reporting forms were also used.

2.6 Deposits

The balance of the compensation-related public deposit account (6000-0-0-17-0-32) on January 01, 2022, was LKR 2,903,644 and as at December 31, 2022, there was a balance of LKR 2,879,594 in that account. Accordingly, only a balance of LKR 24,050 had been settled during the year. The following points were observed during the audit.

(a) These deposits were balances from 08-12 years and although the date of deposit was mentioned in the general deposit account, the above balances were mentioned as December 31, 2015 in the year-end Sigas balance list.

(b) According to Financial Regulation 571, deposits older than 2 years should be credited to the state revenue, but the compensation amount of Rs. 2,879,594 has not been brought to the revenue for a period of 8-12 years and the reason for not doing so is that the cases related to compensation have not been completed. However, sufficient confirmation was not submitted to the audit that the proceedings have not been completed in relation to all those balances.

3. Operational review

3.1 Performance

3.1.1 Failure to perform duties

The following observations are made.

(a) According to the draft performance report submitted for audit on March 17, 2023, progress from 17% to 92% of 08 development projects had been charted, but the project of the Gardening Program to Strengthen the Rural Economy had not been implemented.

(b) Out of 50 activities mentioned in the action plan related to the eight implemented development projects, 22 activities were not completed.

(c) Out of 270 activities mentioned in the action plan for eight divisions belonging to the department, 97 activities were not completed.

3.2 Management weaknesses

The following observations are made.

(a) As per Annexure 05 of Advance ‘B’ account, the reasons for the difference between the sum of the single balance classification summary and the balance of the departmental control account should be explained but the reasons for the difference of LKR 160,598 were not explained.

(b) Among the loan balances of those who transferred to ministries, there was a 33-year-old loan balance of Rs.40,172, and it was observed that the 32-year-old loan balance due from two officials who were transferred to the provincial council institutions was Rs.47,353. As stated in Guideline No. 01 issued in relation to State Finance Circular 01/2020 dated August 28, 2020, the loan balances of the transferred officers had not been dealt with in accordance with Sections 1.6, 1.7, and 6.3 of Chapter xxiv of the Establishment Code.

(c) 02 balances of 30 years old Rs.19,262 and 23 years old Rs.40,650 were removed from the account in the year under review and the relevant treasury approvals which caused that removal were not submitted for audit.

(d) A debt balance of Rs. 70,401 due from two suspended officers remained unpaid for 25 years and a debt balance of Rs. 48,720 due from an officer who abandoned service remained unpaid for 41 years. In that regard, it was not dealt with according to paragraph (e) of Guideline No. 01 issued in relation to State Finance Circular 01/2020 dated August 28, 2020.

4. Sustainable Development

4.1 Identification of Sustainable Development Goals

According to National Budget Circular No. 4/2018 dated July 17, 2018, the Sustainable Development Goals to be achieved by the department were not identified.

5. Good Governance

5.1 Internal Audit

Since the post of Internal Auditor of the Department has been vacant for more than 2 years since 2020, no internal audit has been conducted.

6. Human Resource Management

As on December 31, 2022, the approved number of employees in the Department of Cooperative Development was 151 and the actual number of employees was 84, leaving 67 vacancies.

	Approved number of employees	Actual number of employees	Vacancies
Senior	12	06	06
Tertiary	110	68	42
Secondary	09	02	07
Primary	20	08	12
Total	151	84	67

The following observations are made in this regard.

(a) Out of the 6 senior level vacancies, one Deputy Commissioner post and 2 Assistant Commissioner posts have been vacant for more than 5 years, and the departmentalized Deputy Commissioner post, the Internal Auditor post, and the Legal Officer post have been vacant for 3 years.

(b) The post of Translator at the secondary level has been vacant for more than 5 years.

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 percentage (%) of expected output			
	100%-90%	89%-75%	74%-50%	< 50%
Exotic Plants and Orchids Cooperative Society (Ltd) – Lakmal Garden Project		80%		
Directing of Cooperative Business to use Solar Energy.			67%	
Implementation of a single procurement system.			50%	
Development of the dairy sector.				33%
Development of the rural manufacturing sector				17%
Expanding customer service by expanding and modernizing the cooperative's sales network.	92%			
Empowerment of Regional Committees of various Services of Co-operative Societies.			50%	
Turmeric production project				25%
Gardnening Program to strengthen the rural economy				-

Chapter 05 - Sustainable Development Goals (SDG) Accomplishment Performance

5.1. Indicate relevant sustainable Development Goals identified

Goal/Objective	Goal	Achievement indicators	Achievements progress so far		
			0%-49%	50%-74%	75%-100%
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

5.2. Describe in detail the achievements and challenges of achieving the Sustainable Development Goals.

The Sustainable Development Goals include 17 goals and 169 related targets. However, identifying sustainable development goals based on the role of this department has become problematic. One of the reasons for that is due to the lack of officers including a senior level staff officer with good ability and knowledge to identify sustainable development objectives and targets. In the future, by solving that problem, looking forward to referrals for training opportunities to officers for acquire the necessary knowledge to identify sustainable development objectives and targets related to the scope of the department.

Chapter 06 – Human Resource Profile

6.1. Workforce management

<table>
<tr><th></th><th>Designation</th><th>No. of posts sanctioned</th><th colspan="2">Current number</th><th>Number of vacancies</th></tr>
<tr><td rowspan="10">Senior Level</td><td>Commissioner of Cooperative Development and Registrar of Cooperative Societies</td><td>01</td><td colspan="2">01</td><td>00</td></tr>
<tr><td>Deputy Commissioner/ Assistant Commissioner (Sri Lanka Administrative Service II, III)</td><td>04</td><td colspan="2">01</td><td>03</td></tr>
<tr><td>Accountant (Sri Lanka Accountant Service III/ II)</td><td>01</td><td colspan="2">01</td><td>00</td></tr>
<tr><td>Internal Auditor (Sri Lanka Accountancy Service III/ II)</td><td>01</td><td colspan="2">00</td><td>01</td></tr>
<tr><td rowspan="2">Deputy Commissioner/ Assistant Commissioner (Departmental)</td><td rowspan="2">03</td><td>Permanent</td><td>- 02</td><td rowspan="2">01</td></tr>
<tr><td>Acting</td><td>- 01*</td></tr>
<tr><td>Legal Officer (Departmental)</td><td>01</td><td colspan="2">00</td><td>01</td></tr>
<tr><td>Assistant Director - Information Technology (Sri Lanka Information and Communications Technology Service I)</td><td>01</td><td colspan="2">01</td><td>00</td></tr>
<tr><td rowspan="2">Total</td><td rowspan="2">12</td><td>Permanent</td><td>- 06</td><td rowspan="2">06</td></tr>
<tr><td>Acting</td><td>- 01*</td></tr>
<tr><td rowspan="6">Tertiary level</td><td>Administrative officer</td><td>01</td><td colspan="2">01**</td><td>01</td></tr>
<tr><td rowspan="2">Cooperative Development Officer (Supra Grade)</td><td rowspan="2">05</td><td>Permanent</td><td>02</td><td rowspan="2">03</td></tr>
<tr><td>Duty Cover</td><td>03***</td></tr>
<tr><td>Translator</td><td>01</td><td colspan="2">00</td><td>01</td></tr>
<tr><td>Information and Communication Technology Officer (Sri Lanka Information and Communications Technology Service III, II)</td><td>02</td><td colspan="2">00</td><td>02</td></tr>
<tr><td>Total</td><td>09</td><td colspan="2">02</td><td>07</td></tr>
<tr><td rowspan="6">Secondary level</td><td>Co-operative Promotion and Investigation Assistant</td><td>37 } 62</td><td colspan="2">14 } 38</td><td rowspan="2">24
****</td></tr>
<tr><td>Cooperative Development Officer</td><td>25</td><td colspan="2">24</td></tr>
<tr><td>Development Officer</td><td>15</td><td colspan="2">13</td><td>02</td></tr>
<tr><td>Information and Communication Technology Assistant (Sri Lanka Information and Communications Technology Service III, II)</td><td>05</td><td colspan="2">03</td><td>02</td></tr>
<tr><td>Management Services Officer</td><td>28</td><td colspan="2">14</td><td>14</td></tr>
<tr><td>Total</td><td>110</td><td colspan="2">68</td><td>42</td></tr>
<tr><td rowspan="3">Primary level</td><td>Driver</td><td>05</td><td colspan="2">03</td><td>02</td></tr>
<tr><td>Office Assistant</td><td>15</td><td colspan="2">05</td><td>11</td></tr>
<tr><td>Total</td><td>20</td><td colspan="2">08</td><td>12</td></tr>
<tr><td colspan="2">Grand total</td><td>151</td><td colspan="2">84</td><td>67</td></tr>
</table>

* An Assistant Commissioner performs the duties of the Deputy Commissioner, and an officer of the District Officer's position performs the duties of the Assistant Commissioner.

**Management Service Officer Grade I has been appointed to the post of Administrative Officer.(Acting)

*** Cooperative Development Officer (Senior Grade) 03 Posts - Cooperative Development Officer Grade I covers the duties of three officers.

**** The Department of Management Services has approved not to recruit Cooperative Promotion and Investigation Assistant posts in the future, to recruit Cooperative Development Officers for the vacant Cooperative Promotion and Investigation Assistant posts, and to maintain the number of Cooperative Promotion and Investigation Assistant posts and Cooperative Development Officer posts at a combined 62.

6.2 Impact of Shortage or Surplus of Human Resources on Institutional Performance

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

- Co-operative Development Commissioner and Registrar of Co-operative Societies - 01 (An Additional Secretary to the Ministry of Trade performs the duties of Commissioner of Co-operative Development and Registrar of Co-operative Societies)
- Deputy Commissioner/ Assistant Commissioner (Sri Lanka Administrative Service II, III) - 03
- Internal Auditor (Sri Lanka Accountancy Service III/ II) - 01
- Deputy Commissioner/ Assistant Commissioner (departmental) - 01 (For the post of Assistant Commissioner for Cooperative Development, the duties are covered by a Cooperative Development Officer (Supra Grade)
- Legal Officer (Departmental) - 01
- Administrative Officer - 01 (Management Service Officer Grade I performs duties covering the post of Administrative Officer)
- Cooperative Development Officer (Supra Grade) - 03 (Three Cooperative Development Officers of Grade I cover the duties of three vacancies of Cooperative Development Officers - Supra Grade)
- Language translator - 01
- Information and Communication Technology Officer (Sri Lanka Information and Communications Technology Service III, II) - 02
- Cooperative Promotion and Investigation Assistant/ Cooperative Development Officer - 24 (Co-operative Promotion and Investigation Assistant Officers and Co-operative Development Officers perform the same duties and hence the posts are maintained jointly.)
- Development Officer - 02
- Information and Communication Technology Assistant (Sri Lanka Information and Communications Technology Service III, II) - 02
- Management Services Officer - 14
- Office Assistant - 10

Under these conditions, it is hard to perform the duties of the department in a formal and efficient manner. Due to the vacancy of the executive level positions, there are issues to properly perform the administrative and institutional affairs of the 84 officers currently employed in the institution and to make the activities of filling the vacancies efficiently.

Due to position of Promotion and Investigation Assistant and Co-operative Development Officer being vacant, 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 and therefore 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.

6.3 Human Resource Development

Name of the program	Number of employees trained	Period of the Programme	Total investment (Rs'000)		Nature of Program (Local/ Foreign)	Output/ acquired Knowledge
			Local	Foreign		
Training program on areas to be focused on in the audit of Cooperative Societies/Associations	45	March 25, 2022	74,850.00	-	Local	Knowledge of areas to focus on in the audit of Co-operative Societies/Associations
Training program on the conduct of 46(1) tests	35	April 1,2, 2022	146,620.00	-	Local	Knowledge of conducting investigations of 46(1)
Training program on surplus fund investment opportunities in cooperative societies/associations	86	November 17, 2022	178,500.00	-	Local	Knowledge of surplus fund investment opportunities in Cooperative Societies/Federations
Awareness Program on the Code of Co-operative Financal Regulations	45	November 26, 2022	193,067.00	-	Local	Knowledge of the Code of Co-operative Financal Regulations
Awareness Program on Establishment Code and Employee Discipline	65	December 02, 2022	158,680.00	-	Local	Knowledge of establishment code and employee discipline
Awareness Program on Code of Co-operative Financal Regulations	78	December 27, 2022	157,050.00	-	Local	Knowledge of the Code of Co-operative Financal Regulations

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	complied		
1.2	Public officers ‘Advance Account	complied		
1.3	Business and Production Advance Account (Commercial Advance Account)	Not complied	Such accounts will not be used by the department	
1.4	Stores Advance Account	Not complied		
1.5	Special Advance Account	Not complied		
1.6	Other	Not complied		
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	complied		
2.2	Update and maintain personal emoluments documents/personal emoluments cards	complied		
2.3	Update and maintain audit query register	complied		
2.4	Update and maintain internal audit report register	complied		
2.5	Prepare all monthly accounts summaries (CIGAS) and submit them to the General Treasury on due date	complied		
2.6	Update and maintain cheques and money order register	complied		
2.7	Update and maintain the inventory	complied		
2.8	Update and maintain stock register	complied		
2.9	Update and maintain loss and damages register	complied		
2.10	Update and maintain liabilities register	complied		
2.11	Update and maintain register of counterfoil books (GA-N20)	complied		
3	**Delegation of functions for financial control (F.R.135)**			
3.1	Delegation of financial power in the institutions	complied		
3.2	Awareness on delegation of power in institutions	complied		

3.3	Delegated the power for approving every transaction through 02 or more officers	complied		
3.4	As per Circular No.171/2004 dated 11.05.2014, control system that should be followed by the accountants when using Payroll System	complied		
4	**Preparation of Annual Plans**			
4.1	Preparation of Annual Action Plan	complied		
4.2	Preparation of Annual Procurement Plan	complied		
4.3	Preparation of Annual Internal Audit Plan	Not complied	No Internal Audit Plan has been prepared due to absence of Internal Audit Division	Requests have been made from the Ministry of Public Administration to fill the vacancy in the post of Internal Auditor required for establishing an Internal Audit Unit.
4.4	Preparation and submission of annual estimates to Department of National Budget (DNB)	complied		
4.5	Submission of Annual Cash Flow to the Department of Treasury Operations on due date	complied		
5	**Audit queries**			
5.1	Providing answer to all the audit inquiries on such date as shall be fixed by the Auditor General	complied		
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 complied	No Internal Audit Unit has been established to prepare the Internal Audit Plan.	Due to the non-establishment of an internal audit division, it has not been possible to carry out the work related to internal audit and for that, requests have been made from the Ministry of Public Administration to fill the vacancy in
6.2	Answering to every internal audit report within one month	Not complied	Internal audit queries are not received.	
6.3	In terms of sub section of 40(4) of the Audit Act No.19 of 2018, submission of all copies of internal audit reports to the Department of	Not complied	No internal audit reports are prepared.	

	Audit Management			the post of internal auditor.
6.4	In terms of Financial Regulations 134(3), submission of all copies of internal audit reports to the Auditor General	Not complied	No internal audit reports are prepared.	
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	Complied		
8	**Assets Management**			
8.1	As per chapter 07 of Assets Management Circular No.01/2017, submission of the information on purchase of assets and disposals to Comptroller General's Office	Complied		
8.2	In terms of 13^{th} Chapter of the above-mentioned circular, appointment of a suitable Coordinating Officer for the implementation of the provisions specified in that circular and reporting the information on such officer to Comptroller General's Office	complied		
8.3	As per Public Finance Circular No.01/2020, conducting surveys of goods and submission of the relevant reports to Auditor General	complied		
8.4	Carrying out Surpluses, shortages and other recommendations revealed from annual survey of goods within the time mentioned in the circular.	complied		
8.5	As per F.R. 772, disposal of condemned items	complied		
9	**Vehicle Management**			
9.1	Preparation of daily running charts and monthly summary reports and submission to Auditor General on due date	complied		
9.2	Disposal of the condemned vehicles less than 06 months from being condemned	complied		
9.3	Maintenance of vehicle log books and update them	complied		
9.4	Taking action relevant to every accident in terms of F.R.103,104,109 and 110	complied		

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	complied		
9.6	Transfer the absolute ownership of the log books of leased vehicles after the lease period	complied		
10	**Bank Accounts Management**			
10.1	Should have prepared bank reconciliation statements on the due date and submitted them for audit	complied		
10.2	Should have settled the dormant bank accounts carried forward in the year under review or in the years earlier	complied		
10.3	Acting in accordance with financial regulations regarding the balances that were revealed in the bank reconcilation statements and that needed to be adjusted and settling the balance within a period of one month	complied		
11	**Utilization of Provisions**			
11.1	Incurring expenses from the provisions not exceeding the limit	complied		
11.2	In terms of F.R.94(1), coming into liabilities from the balance provisions not exceeding the limit after utilizing	complied		
12	**Public Officers' Advance Account**			
12.1	Compliance with the limitations	complied		
12.2	Carrying out time analysis on outstanding loan balance	complied		
12.3	Settlement of outstanding loan balances prevailed from more than a year	Not complied	The recovery of outstanding loan balances, which have been going on for years, has not been completed	Efforts are being made to recover the outstanding loan balances that have existed for several years
13	**General Deposit Account**			
13.1	Taking action on lapsed deposits F.R.571	complied		
13.2	Update and maintain Control Account for general deposits	complied		
14	**Imprest Account**			
14.1	Remittance of the balance of the Cash Book at the end of the year	complied		

	under review to the Department of Treasury Operations			
14.2	In terms of F.R. 317, settlement of adhoc interim imprest within one month from the completion of such activity	complied		
14.3	In terms of F.R. 317, issuance of adhoc interim imprest not exceeding the limit	complied		
14.4	Reconciliation of imprest account balance with treasury books monthly	complied		
15	**Revenue Account**			
15.1	Carrying out payments from the revenue collected in compliance with relevant regulations	Not complied	This department does not have any revenue accounts	
15.2	Credit the revenue collected directly to revenue but not crediting to Deposit Account	Not complied		
15.3	As per F.R.176, submission of reports on revenue arrears to Auditor General	Not complied		
16	**Human Resource Management**			
16.1	Maintenance of the staff within the approved cadre	complied		
16.2	Providing the duty lists in writing to every member of staff	complied		
16.3	In terms of Circular of MSD No.04/2017 dated 20.09.2017, submission of all reports to the Department of Management Services	complied		
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	complied		
17.2	The information on institution has been provided through its website and providing the facilities to publish appreciations/accusations of public through website or alternative methods	complied		
17.3	In terms of sections 08 and 10 of the Right to Information Act, submission of reports twice or once a year	complied		
18	**Implementation of Citizen Charter**			

18.1	As per Public Administration and Management Ministry Circulars No.05/2008 and 05/2018(1), formulation and implementation of citizens' and Clients' Charter	complied		
18.2	As per Para 2.3 of that circular, preparing methodology for monitoring and evaluating the activities on formulation and implementation of Citizens' and Clients' Charter	complied		
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	complied		
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	complied		
19.3	Putting signatures in annual performance agreements for overall staff based on the format mentioned in Annexure 01 of above the Circular	complied		
19.4	In terms of Para 6.5 of above the 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	complied		
20	**Response to audit Paras**			
20.1	Rectifying the shortcomings pointed out by the audit paras issued by Auditor General for previous years	complied		

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