

Inland Revenue Incentive Fund - 2013

The audit of financial statements of the Inland Revenue Incentive Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and a summary of significant accounting policies and other explanatory Information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations on the above Financial Statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Inland Revenue Incentive Fund as at 31 December 2013 and its financial performance for the year then ended in accordance with generally accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Non-compliance with Accounting Principles

Even though a cash flow statement should be presented with financial statements as a part of the financial statements, the Fund had not been presented a cash flow statement for the year under review with financial statements.

2.2.2 Accounting Deficiencies

Even though the Treasury approval had been granted for write off the sports goods amounting to Rs.152,400 destroyed in terrorist attack out of the sports goods totalling Rs.326,119 that remained under the fund a sum of Rs.15,464 had been written off in excess as Rs.167,864 had been written off.

2.3 Housing Benefits Loan Scheme Fund

A balance amounting to Rs.30,059,078 remained as the end of the year in the Housing Benefits Loan Scheme Fund. The particulars of the beneficiaries who obtained loans in relation to recovery of instalments and interest given under the Housing Benefits Scheme had not been presented.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference Laws, Rules, Regulations and Management Decision

Non-compliance

- (a) Public Finance Circular No.PF/423 of 22 December 2006 Paragraph 3.2

Even though action should be taken to close down non-operating Funds, action had not been taken to close down the Inland Revenue Incentive Fund not operating due to the payment of incentives from the provisions made under the Head of Expenditure from the year 2006.

- (b) Treasury Circular No. 842 dated 19 December 1978

A Register of Fixed Assets had not been maintained properly to record all the particulars relating to the lands and buildings valued at Rs.5,109,075 appearing in the balance sheet.

2.5 Management Inefficiencies

Since the lands, buildings, office equipment and sports goods totalling Rs.5,361,330 appearing in the balance sheet of the Fund at the end of the year under review are not used for the activities of the Fund, action had not been taken to transfer those to the Department.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Commissioner General of Inland Revenue from time to time. Special attention is needed in respect of the following areas of control.

- (a) Loan Control
- (b) Fixed Assets Management