

Plantation Trust Fund - 2013

The audit of financial statements of the Plantation Trust Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the profit and loss account and cash flow statement for the year then ended 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 read in conjunction with Section 13.4 of the Deed of Trust No.1142 dated 01 October 2004 entered into between the Secretary to the Treasury of the Government of Sri Lanka and the Trustees of the Trust Fund.

1.2 Management's Responsibility for the Financial Statements

The Board of Trustees are 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. 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust 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 Trust Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 4 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 Plantation Trust Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

The following observations are made.

- (a) A statement of changes in equity had not been submitted along with the financial statements for the year under review.
- (b) Although the income tax on interest earned had been calculated yearly from 2007 to 2013 and a sum of Rs.153,575,046 as at end of the year under review shown in the accounts as income tax payable, steps had not been taken to remit the same to the Department of Inland Revenue since 2007.
- (c) It was observed in audit that an amount of Rs. 1,008,396,991 had been invested in Repurchase Agreements as at the end of the year under review and sums of Rs.4,056,246 and Rs.1,018,999 had been paid as custodian fees and provided as management fees respectively during the year under review even though the Fund had not functioned since the year 2011.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund during the year under review had resulted in pre-tax net income of Rs. 115,980,050 as compared with the corresponding pre-tax net income of Rs.109,465,998 for the preceding year thus, indicating an improvement of Rs. 6,514,052 in the financial results. Even though the interest income on Debenture had been decreased by Rs. 18,374,580, the increase of interest income on Repurchase Agreements by Rs. 24,096,895 was the main reason attributed for this improvement.

4. Accountability and Good Governance

The Director General and the Director of the Department of Public Finance of the Ministry of Finance had signed the financial statements on behalf of two members of the Board of Trustees due to the decision taken to dissolve the Fund at the meeting held on 23 December 2010. However, action had not been taken to winding up the Fund according to the paragraph 3.3 of the Public Finance Circular No. PF/423 of 22 December 2006 up to end of the year 2014.

The Director General of the Fund had stated that action already had been taken to expedite the winding up process of the Plantation Trust Fund.