

Rubber Replanting Subsidy Fund - 2014

The audit of financial statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 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 read in conjunction with Section 6(2) (Cap. 437) of the Rubber Replanting Subsidy Fund Act, No. 36 of 1953. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards 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 conducted in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet.

. 2. Financial Statements

2.1 Disclaimer of Opinion

Because of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.70,659,527 credited to the Consolidated Fund had been shown as a current asset instead of a deduction from the Rubber Replanting Subsidy Fund.

- (b) Notwithstanding the settlement of audit fees bills up to the year 2010, provision amounting to Rs.1,181,126 had been made for the audit fees as at 31 of the preceding year. Although provisions due to be made for the four years from 2011 to 2014 amounted to Rs.160,000 at the rate of Rs.40,000 per year, overprovision of Rs.1,021,126 had been made.

2.2.2 Lack of evidence for Audit

The following items could not be satisfactorily vouched or accepted in audit due to non-submission of any evidence for confirmation.

Item -----	Value ----- Rs.	Evidence not made available -----
(a) Fixed Assets	17,766,770	Although the audit had been informed that these assets had been granted to the Rubber Development Department for its utilization prior to 17 years, either a register including those assets or an evidence in support of the physical existence of those assets had not been furnished.
(b) Current Assets	102,158,631	<p>(i) Sufficient information with regard to the balances of 12 Advance Accounts totalling Rs.15,220,514 given to various purposes and brought forward over a period of 17 years and the details on the parties from which those balances should be receivable had not been furnished to audit.</p> <p>(ii) A sum of Rs.17,066,956, Rs.286,059 and Rs.4,260 receivable from the General Treasury, the Department of Customs and the Sri Lanka Army respectively have been brought forward as current assets over a period of 17 years without consulting the respective institutes and any evidence had not been furnished to the audit to ensure that those balances were remaining as authentically receivable balances.</p>

- (iii) Although the invested money and the interests had been withdrawn and credited to the Consolidated Fund during the year under review, evidence had not been furnished to the audit that the investment interests receivable amounting to Rs.102,890 shown in the accounts for more than a period of 17 years had been settled.
- (iv) No documentary evidence whatsoever had been furnished to audit on the balances of Rs.3,647,219 and Rs.65,477,579 relating to the two accounts named as Receipts for Group Processing Centres and the Project No.02 respectively.
- (v) The person who obtained the postal imprest of Rs.1,800 brought forward over a period of 17 years as a receivable amount, had not been specifically identified.
- (vi) The reason had not been explained for recognizing 05 balances totalled Rs.351,353 as assets of which the recovery had been completely doubtful and brought forward over 17 years.

Current Liabilities	18,868,119	(i)	No documents whatsoever had been furnished to audit relating to the sundry deposits of Rs.9,988,530 brought forward in the accounts for more than a period of 17 years.
		(ii)	Evidence for brought forward of an impractical balance of Rs.483 nominated as Advances of Consolidated Fund since a period exceeding 17 years had not been furnished to audit.
		(iii)	Reasons for the failure to eliminate Medical Aid loan of Rs.57,526 of which information on the receivable parties was not available and brought forward for more than a period of 17 years and other Departmental loans of Rs.416,313 from the books had not been furnished to audit
		(iv)	Although it was functioned under the same management, action taken for the settlement of a sum of Rs.281,210 and Rs.15,449 payable to Rubber Control Fund and the Rubber Development Department respectively had not been revealed in the audit.
		(v)	Although the party and the payable amount had been specifically recognized, the action taken for the settlement of Rs.22,087 to the

Rubber Research Institute was not revealed in the audit.

- (vi) Even though any employee had not been employed since a period exceeding 17 years, to show an employee gratuity commitment of Rs.90,706 under the current liabilities of which payable party had not been specifically stated could not be satisfied in audit.
- (vii) The balances of Rs.119,550 and Rs.4,779,564 named as Sapling Advances and Fertilizers to Matured Cultivations respectively had been brought forward for exceeding a period of 17 years, whereas any documents relating to those balances had not been furnished to audit.
- (viii) Although a sum of Rs.3,096,701 specified as receipts of loan not belonging to the Fund had been shown as a current liability, either the reason attributed to that abnormal commitment or the details on the payable party had not been furnished to audit.

3. Financial Review

3.1 Financial Results

An interest income of Rs.497,051 for the fixed deposits of the Fund had been received as at 31 December of the preceding year and it had been the only source of income of the Fund. Since the relevant fixed deposit of Rs.9,307,910 as at 31 December had been withdrawn and credited to the Consolidated Fund, operations of the fund had become inoperative. Accordingly, Income and Expenditure Account and the cash flow statement had not been prepared for the year under review.

4. Operating Review

4.1 Current Activities of the Fund

The Secretary to the Ministry of Plantation had been informed by the letter of the Director General of the Rubber Development Department No.RDD/02/10/අදවය(නැ.ව) dated 04 July 2014 that since the Rubber Replanting Subsidy Fund is inoperative at present, its liquidation activities are expected to be finalized within a period of one year and a committee for the settlement of balances had also been appointed as at 01 December 2014. On the recommendations of that committee, only the fixed assets and the balances of the investments accounts of the Fund had been transferred to the Rubber Development Department and the necessary steps for the settlement of the remaining assets and liabilities had not been taken.

5. Systems and Controls

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

- (a) Accounting
- (b) Fixed Assets
- (c) Receivable and Payable Balance