

## Thurusaviya Fund - 2012

### 1. Financial Statements -----

#### 1:1 Qualified Opinion -----

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Thurusaviya Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

#### 1:2 Comments on Financial Statements -----

##### 1:2:1 Accounting Deficiencies -----

The following observations are made.

- (a) Even though a sum of Rs.374,201 had been paid as gratuity in the year under review, it had been shown as Rs.312,042 in the Provision for Gratuity Account. As such, the expenditure on gratuity had been understated by a sum of Rs.62,159 in the financial statement and as that had been added to the Other Allowances Account, that account had been overstated by a sum of Rs.62,159.
- (b) According to the Notes to the accounts of the Thurusaviya Fund other income is recognized on the accrual basis, but the income of Rs 216,130 from membership fees included in the other income had been adjusted to the accounts on cash basis

##### 1:2:2 Accounts Receivable and Payable -----

The loans receivable from the Thurusaviya Societies to the Thurusaviya Fund amounting to Rs.1,343,702 had been shown in the financial statements continuously as balances recoverable without taking action for recovery over a period exceeding 05 years. Confirmation of balances of these recoverable loan balances had also not been obtained.

### 1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

---

The following non-compliances were observed.

Reference to Laws, Rules, Regulations	Non-compliance
-----	-----
Circular No. PGA/6/1/1 dated 31 December 1993 of the Presidential Secretariat.	Even though the Chairman of the Fund had undertaken a tour of Italy at a cost of Rs.466,408 a report on the benefits and new ideas accrued to the Fund from the tour had not been furnished up to 14 October 2013.

## 2. Financial Review

---

### 2:1 Financial Results

---

The result of the operations of the Fund for the year under review after taking into account the grants amounting to Rs.18,346,430 received from the Treasury and the Ministry of Economic Development amounted to a surplus of Rs.476,904 as against the deficit of Rs.3,293,692 for the preceding year after taking into account the grant of Rs.11,786,774 received from the Treasury. As compared with the preceding year an improvement of Rs.3,770,596 in the financial results was observed.

### 2:2 Analytical Financial Review

---

The following observations are made.

- (a) Out of the overall expenditure of the Fund for the year 2012 amounting to Rs.18,638,936, a sum of Rs.8,083,739 or 43 per cent only had been spent on development works.
- (b) Even though the Fund expected to collect its own income of Rs.1,013,000 to finance the estimated expenditure of Rs.24,992,100 for the year 2012 an income of Rs.764,930 or 76 per cent only had been collected.

### 3. Operating Review

-----

#### 3:1 Performance

-----

The following observations were made at the test checks of the achievement of objectives for which the Thurusaviya Fund had been established under the Thurusaviya Fund Act, No. 23 of 2000.

- (a) The number of Thurusaviya Societies registered as at the end of the year under review had been 671. It was observed that many societies were in inactive status while the members of societies did not understand the role of the societies to the membership. Only 4 new societies had been registered in the year.
- (b) The submission of quarterly reports by the societies had been at a weak level and 600 societies out of 671 societies had not submitted the half yearly reports for the year 2012.
- (c) Even though rubber roller sets and group processing centres had been provided for the enhancement of the production status of the owners of rubber estates, there were no reports of follow up action taken on the utilization of the facilities.
- (d) Even though expenditure amounting to Rs.462,527 had been incurred on the establishment and strengthening of Societies any follow up action taken after incurring expenditure was not evident.
- (e) Even though 25 Awareness and Training Programmes had been planned for the year under review, only 18 out of that had been conducted at a cost of Rs.635,058.
- (f) Even though it had been decided to give Rs. 9 million to 04 selected societies under the Divineguma Programme for the year 2012 for the construction of group processing centres the work had not been completed during the period allowed.

#### 3:2 Management Inefficiencies

-----

The following observations are made in connection with the membership contributions recovered by the Thurusaviya Fund from the members.

- (a) The membership contribution receivable from each society and the amounts received during the year had not been properly recorded.
- (b) Proper records had not been maintained on the 50 per cent of the membership contribution credited to the Thurusaviya Fund.
- (c) A formal course of action had not been introduced to enable the provision of benefits to the members and as such it was observed that most of the decisions taken by the Thurusaviya Fund are not being implemented by the societies.
- (d) Subsequent alternation of the receipts issued by the Societies to the members for the payment of membership contributions, non-issue of receipts in the numerical order, issue of receipts of different numbers and the issue of two receipts by the society and the Head Office for the same receipt were observed.
- (e) There were inconsistency among the Advance Programmes Approved Programmes and the Work Done Reports while sub-requirement revisions had not been approved. Travelling expenses had been approved for the Work Done Reports which had not been supervised or approved

### 3:3 Utilization of Funds

-----

The Government had given a sum of Rs.10,292,000 to the Fund in the year under review for recurrent expenditure. But in obtaining these grants, the Fund had not revealed the sum of Rs.4,151,268 invested as at 01 January 2012 to the Treasury. The value of that investment as at 31 December 2012 amounted to Rs.4,564,211.

### 3:4 Uneconomic Transactions

-----

The following observations are made.

- (a) As the Fund provide 50 per cent subsidy to the rubber growers for the purchase of rubber roller machines, the quality of machines and the lowest prices should have been considered. But an uneconomic expenditure of Rs.173,280 had been incurred without taking such action.
- (b) Out of the 743 tapping knives purchased in the year 2008 five hundred and seventy five tapping knives remained in the stores as at 31 December 2011 as those had rusted due to lack of quality standards approved by the Rubber Research Institute. Those had been issued free to the members in the year 2012.

#### 4. Accountability and Good Governance

-----

##### 4:1 Budgetary Control

-----

Expenditure incurred in the year under review under 11 Objects had exceeded the budgeted expenditure by 5 per cent to 664 per cent and as such the budget had not been made use of as an effective instrument of management control.

#### 5. Systems and Controls

-----

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

- (a) Budgetary Control
- (b) Stock Control
- (c) Payment Process
- (d) Formal Registration of Thurusaviya Societies
- (e) Performance Process
- (f) Recognition of Income