

State Institutions' Temporary Surplus Trust Fund - 2016

The audit of operating activities of the State Institutions' Temporary Surplus Trust Fund for the year ended 31 December 2016, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 of the Indenture of Trust No.109 signed on 03 August 2005. The financial statements for the year 2016 that should be presented in terms of Section 22 Indenture of Trust No.109 had not been furnished even by the date of this report. My observations in respect of the operations of the Institution of the year under review, which I consider should be presented to Parliament in terms of the Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Sri Lanka 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.

2. Financial Statements

2.1 Presentation of Financial Statements

According to the Section 22 of Indenture of Trust No.109, the financial statements and draft Annual Reports for the years 2015 and 2016 had not been presented to the Auditor General up to 12 October 2018.

2.2 Existence of Assets and Liabilities

Details on assets, liabilities, income and expenditure stated in the last audited financial statements for the year ended 31 December 2014 prepared by the Institution are given below.

	2014
Assets	Rs.
Current Account	127,907
Securities purchased under agreement to sell	54,238,218
Treasury bonds	875,497,049
Interest Receivable	285,994
Other Receivables	484,776,813
	1,414,925,981
Liabilities	
Other payables	251,135
Trust capital	1,366,971,976
Retained profit (Dividend Payable)	47,702,870
	1,414,925,981

2.3 Lack of Documentary Evidence for Audit

Evidence indicated against the following items which included in the information maintained by the Fund for the year under review had not been made available to audit.

Item	Value (Rs)	Evidence not made available
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Treasury Receivable	484,776,813	The balance confirmation from the Treasury
Twelve number of Participant Accounts	1,346,171,877	Balance confirmation from the Participants

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

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliances
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(a) Paragraph (a) of Section 12 of the Indenture of Trust No. 109 signed on 3 August 2005	The Board of Trustees should meet at least once in three months. However, no meeting had been held during the year under review.
(b) Item No 06 of Memorandum of Understanding between the Trustees of the State Institutions' Temporary Surplus Trust Fund and the Bank of Ceylon as the Fund Manager of the Trust Fund dated 03 August 2005	Trustees shall request the individual participating Government Institutions of the Trust Fund to furnish their projected fund flow details at least every six months to the Fund Manager. However, no such projected fund flows details had been received by the Fund Manager for the year under review.

3. Operating Review

3.1 Performance

The following observations are made.

- Total Investment of the fund had decreased by Rs.2,697,837 during the year under review compared which the previous year.
- Two participants of the fund had withdrawn their total deposit of Rs.90,923,151 during the year under review.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

Systems & Control areas	Observations
Ledger Accounts	Proper ledger accounts had not been maintained by the trust fund.
Investor Documents	Separate files had not been maintained for each investor with all relevant documents.