

Rubber Control Fund - 2017

The audit of Liquidation Account of the Rubber Control Fund as at 31 December 2017 comprising the Liquidation Account as at 31 December 2017 and 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 39(a)(3) (Cap. 436) of the Rubber Control Act, No. 11 of 1956 amended by the Rubber Control (Amendment) Act, No. 45 of 1957. 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. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing 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 judgment, 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 audit opinion.

1.4 Liquidation of the Fund

The Committee on Public Accounts at its meeting held on 23 July 2009, had directed to wind up the Rubber Control Fund. Accordingly, two committees for liquidation had been appointed by the Director General of the Department of Rubber Development in two instances but the winding up activities had not been finalized. Subsequently, the approval for liquidation of the Fund had been given by the Cabinet decision No. CP/16/0373/726/006 dated 17 March 2016 and even though the Internal Auditor of the Department had been appointed as a Liquidator for a period of 03 months, the winding up activities had not been completed.

1.5 Appointing a Liquidator

As per the Cabinet decision No.CP/17/1879/726/044 dated 04 October 2017, approval had been granted for spending a sum of Rs. 625,000 from the Consolidated Fund in respect of the preparation of Liquidation Account of the Rubber Replanting Subsidy Fund and the Rubber Control Fund within four months and for appointing a Liquidator to complete the winding up activities. Accordingly, a Liquidator had been appointed on 16 October 2017. The Liquidator had submitted a report on winding up activities to the Secretary of the Ministry on 05 March 2018.

1.6 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, Liquidation Account of the Rubber Control Fund as at 31 December 2017 give a true and fair view.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

Interest income of Rs.2,909,603 received on fixed deposits pertaining to 04 years from the year 2011 to 2014 had been identified as a Government revenue and as such, the said revenue had not been brought to accounts of the Rubber Control Fund.

2.2.2 Lack of Evidence for Audit

It had been informed in writing that certain books, records and reports required for the verification of assets and liabilities of the Fund for the year ended 31 December 2016 were not made available and it was confirmed by the previous audit reports as well.

3. Financial Review

3.1 Assets and Liabilities of the Fund

The last balances of assets and current liabilities presented to audit by the Fund as at 31 December 2016 are as follows.

Items	Balance as at 31 December 2016	
	Debit	Credit
	Rs.	Rs.
Non -Current Assets	270,709	
Current Assets	2,499,831	
Current Liabilities		449,784
Accumulated Surplus		2,320,756
Total	2,770,540	2,770,540
	=====	=====

3.2 Financial Results

The Liquidator had made adjustments to the balances of the assets and liabilities of the Fund as at 31 December 2016 and the net values had been transferred to the Liquidation Account. Subsequently, the debit balance of Rs.265,262 in the said Account had been transferred to the Rubber Control Fund. After transferring the credit balance of Rs.16,383,856 of the Rubber Control Fund to the Consolidated Fund, the Rubber Control Fund had been closed.