

Rubber Replanting Subsidy Fund - 2013

The audit of financial statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2013, comprising the balance sheet as at 31 December 2013 and the income and expenditure account and cash flow statement for the year then ended 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 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 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 risks 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 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 Adverse Opinion

Had the matters described in paragraph 2.2 of this report being adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the Rubber Replanting Subsidy Fund as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Fixed assets valued at Rs.63,438,233 belonging to Rubber Replanting Subsidy Fund had not been physically identified and the provision for depreciation amounting to Rs.827,880 had been made in the year under review for these assets not utilized for operating activities.
- (b) Interest Income on fixed deposits had been overstated by Rs.110,849 due to non-consideration of computation errors and withholding tax deductions.
- (c) Over provisions of Rs.1,061,126 had been made for audit fees without considering the pre payments.
- (d) Rs.70,659,527 credited to the Consolidated Fund had been shown as a current asset instead of a deduction from Rubber Replanting Subsidy Fund.

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
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	Rs.
Fixed Assets	63,438,233
Current Assets	157,595,843
Current Liabilities	18,868,118
Recoverable Advances	15,220,514

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.84,522 as against the deficit of Rs.383,580 for the preceding year, thus indicating an improvement of Rs.468,102 in the financial results as compared with the preceding year.

3.2 Performance

3.2.1 Going Concern of the Fund

The letter No. PF/FD/04/47 dated 21 October 2011 addressed to the Director General of Department of Rubber Development by the Department of Public Finance had informed that action should be taken to liquidate the Fund not in operation in accordance with the provisions in the relevant Act, and settle the assets and liabilities appearing in the audited accounts prepared as at 31 December 2010 and to obtain the approval of the Cabinet of Ministers for the liquidation of the Fund through a Cabinet Paper. Nevertheless action had not been taken accordingly even up to 23 June 2014.

4. Systems and Controls

Special attention is needed in respect of following areas of systems and controls.

- (a) Accounting
- (b) Settlement of Advances
- (c) Control over Debtors / Creditors
- (d) Fixed Assets Control