

Thurusaviya Fund - 2013.

The audit of financial statements of Thurusaviya Fund for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and the 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 21 (2) of the Thurusaviya Fund Act No.23 of 2000. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1:2 Management's Responsibility for 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 financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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 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, the financial statements give a true and fair view of the financial position of the Thurusaviya 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 Sri Lanka Public Sector Accounting Standards.

In terms of Standards No.03, rectifications amounting to Rs. 110,709 relating to preceding years had been adjusted to the Accumulated Fund without making adjustments retrospectively.

2.2.2 Accounting Deficiencies.

The following observations are made.

- (a) The membership fees amounting to Rs.3,751,485 recoverable on behalf of each member of the Thurusaviya societies registered by the end of the year under review had not been brought to accounts.
- (b) The expenditure of non-capital nature amounting to Rs. 251,600 incurred in respect of repairing a vehicle had been capitalized.

2:2:3 Accounts Receivable and Payable

Adequate actions had not been taken to recover the loans totalling Rs.1.260,862 receivable to the fund for a period over 5 years from the Thurusaviya societies.

2.2.4 Unexplained Differences.

Action had not been taken to identify and settle the unidentified deposits amounting to Rs.22,585 included in the bank account of the Fund during the period from January to November 2013.

2.2.5 Lack of evidence for audit

The following observations are made.

- (a) The relevant Detailed Schedules, Membership fee Registers, Reconciliation Statements etc. had not been furnished to audit to ascertain the balance of the Membership Fee Account totalled Rs.865,878 and as such the accuracy of the membership fees could not be established.

- (b) Any agreements and documents pertaining to a sum of Rs.173,875 received as the Government Grant had not been furnished to audit and as such the assets generated from that sum and the amounts shown in the financial statements could not be specifically identified.

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

The following instances of non-compliances were observed.

Reference to Laws, Rules, and Regulations.	Non-compliance
-----	-----
<p>Financial Regulations of the Democratic Socialist Republic of Sri Lanka.</p> <p>(i) Financial Regulations 371 (2)</p> <p>(ii) Financial Regulation 763</p> <p>(iii) Financial Regulation 135</p>	<p>The following deficiencies were observed in connection with the ad-hoc imprests granted during the year under review.</p> <p>i The ad-hoc imprests totalled Rs.688,400 granted in 16 instances had exceeded the limit of Rs.20,000 and it had delayed for a period of 1- 2 months for the settlement of 04 imprests totalled Rs.118,925.</p> <p>ii Despite nine advances totalled Rs.174,925 had not been settled, 28 advances aggregating to Rs.729,725 had been granted to the same officers.</p> <p>It was observed that receiving of goods including stationery, their custody, safety and the issuance had not been carried out under the supervision of a staff officer and the Accountant.</p> <p>Even though duties should be segregated among several officers so as to each transaction is subject to the scrutiny of two or three officers, action had not been taken accordingly in the assignment of duties pertaining to the Financial Administration, Supplies and Store Administration.</p>

3. Financial Review

3.1 Financial Results

The operations of the Fund for the year under review had resulted in a surplus of Rs.853,117 as compared with the corresponding surplus of Rs.260,774 for the preceding year, thus indicating an increase of Rs.592,343 in the financial results as compared with the preceding year.

4. Operating Review

4:1 Performance

Following observations are made on the progress of the achievement of objectives pertaining to the establishment of Turusaviya Fund.

- (a) For the purpose of coordinating activities of the Fund including the execution of Thurusaviya Societies 8 officers had been attached at the rate of two officers for Galle, Kalutara and Kegalle districts and one officer for Colombo and Kalutara districts, whereas no such officers had been attached for the districts in which the rubber cultivation is widely spread.
- (b) Since a proper mechanism had not been prepared for the control and supervision of the affairs of the District Coordinating Officers, the Fund had to be faced some difficulties such as a large number of societies being inoperative, failure to collect accurate data on the societies in operation and decrease of the collection of membership fees.
- (c) Although 685 Thurusaviya Societies had been registered by the end of the year under review it was observed that, the most of the members are not properly aware on the benefits offered to them by the societies.
- (d) It was observed that submission of quarterly reports was at a weak level and 570 societies out of 685 registered societies had not furnished half-yearly reports for the year under review.
- (e) Even though a sum of Rs.215,876 had been incurred for the establishment and strengthening the societies during the year under review, it had been a decline of 53 per cent as compared with the preceding year.

4.2 Management inefficiencies

The following observations are made

- (a) The societies had been prescribed to pay 50 per cent out of the monthly membership fee of Rs.30 recovered from the members of the Thurusaviya Fund, whereas a formal procedure had not been formulated with regard to the collecting of membership fees and incurring expenses from the Fund. Even though certain Thurusaviya societies had made

payments based on the number of members of such societies, adequate records had not been maintained relating to the paid and unpaid societies.

- (b) The mobile phone valued at Rs.19,490 given to the former Chairman who resigned in the year 2012 had not been handed over and a mobile phone valued at Rs.29,680 had been purchased again for the present Chairman.

4.3 Staff Administration

The approved and actual cadre and the number of vacancies of the Fund as at 31 December 2013 had been 26,22 and 4 respectively. The following observations are made in this connection.

- (i) Fifty per cent of the actual cadre had been recruited on contract basis.
- (ii) A permanent employee had not been recruited for the post of Accountant and an Accountant of the Ministry had carried out the accounting functions of the Fund on acting basis.
- (iii) Necessary action had not been taken to appoint an Internal Auditor for the Fund, the Internal Auditor of the Ministry had covered up the internal audit affairs of the Fund.

4.4 Utilization of Vehicles

The vehicle owned by the Fund had been an old one about 25 years and a huge expenditures had been annually incurred for the repairs as compared with the value of the vehicle. Running charts had not been properly maintained in respect of certain periods which the vehicle had been utilized and the summaries of the running chart as per the Financial Regulation 1646 had not been prepared.

4.5 Utilization of Funds.

Even though the Government had granted a sum of Rs.10,200,000 to the Fund for the recurrent expenditure during the year under review, the approval of the Treasury had not been obtained for the sum of Rs. 4,564,211 invested in the Fixed Deposits as at 01 January 2013 by the Fund when obtaining such grant. The value of this investment as at 31 December 2013 had been Rs.5,168,326.

5. Accountability and Good governance

5.1 Presentation of Financial Statements.

In terms of the Circular No. PED/12 dated 02 February 2003 the annual accounts should be furnished to audit within 60 days after close of the financial year. Nevertheless, the accounts of the Fund had been furnished to audit only on 02 May 2014.

5.2 Budgetary Control

In view of the following matters it was observed that, the budget had not been made use of as an effective instrument of financial control.

- (a) As the provisions had been made for 5 Objects in the year under review, the savings after utilization of the provisions ranged between 9 per cent to 79 per cent and the budgeted expenditure in respect of 3 Objects had exceeded from 9 per cent to 49 percent.
- (b) Even though the Budget Estimate and the Action Plan for the year under review should be furnished in the preceding year, they had not been prepared according to a proper plan taking into consideration the realistic circumstances. As such after incurring expenditure a revised budget had been furnished for the approval of the Board of Management on 24 February 2014.
- (c) Even though the provisions made for the fuel expenditure amounted to Rs.450,000 during the year under review, the expenditure incurred on fuel had been recorded as Rs.420,082. However, the fuel expenditure amounting to Rs.76,000 incurred on the Turusaviya societies awareness activities had been included in other expenditure accounts and as such an erroneous position had been observed through the budget.

6. Systems and Controls

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

- (a) Budgetary Control
- (b) Stock Control
- (c) Registration of Thurusaviya Societies
- (d) Management of Membership Fees.