

Farmers' Trust Fund - 2014

The audit of financial statements of the Farmers' Trust Fund for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, the statement of changes in equity 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 18 of the Trust Deed entered into between the Democratic Socialist Republic of Sri Lanka and the Trustees of the Fund on 09 March 1994. My comments and observations on the aforesaid financial statements appear in this report.

1.2 Trustees' Responsibility for the Financial Statements

Trustees are 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 Trust 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 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 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 Farmers' Trust Fund as at 31 December 2014 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 Farmers' Trust Fund not being Legally Sanctioned

The Fund had been established to fulfill 06 objectives including agricultural development and welfare of the farmers, utilizing the income from the "Govisetha" Lottery and interest income by investing such money in terms of the Trust Agreement entered into by the Secretary to the Treasury and the Secretary to the Ministry of Agriculture on behalf of the Democratic Socialist Republic of Sri Lanka on 09 March 1994. If there are fair reasons to maintain a Fund, it should be referred to the

Department of Public Finance so as to enable such Funds to be incorporated by an Act of Parliament in terms of paragraph 3.3 (b) of the Public Finance Circular No.PF/423 of 22 December 2006. However, no action had been taken to incorporate the Farmers' Trust Fund by an Act of Parliament even by 31 December 2014.

2.2.2 Lack of Evidence for Audit

The following items could not be satisfactorily vouched or accepted in audit due to the non- submission of any evidence whatsoever for the confirmation thereof.

Particulars -----	Balance Rs. -----	Evidence not made Available -----
(a) Short Term Loans Receivable		
(i) Debtors Control Account (Agricultural Trust Fund)	7,923,175	List of Loan Balances
(ii) Debtors Control Account - Revolving Fund	44,200,176	Detailed Schedules
(b) Long Term Loans Receivable - Farmers' Bank Loans	9,112,579	Schedules
(c) Non- current Liabilities - Farmers' Deposits	697,644	Schedules
(d) Current Assets – Savings Account	7,241,655	Confirmation of Balance
(e) Non- current Liabilities – Share Capital	591,965	Register on Deposits of Shareholders

2.3 Accounts Receivable

The following observations are made.

- (a) Six loan balances older than 08 years shown under the short term loans totalled Rs. 13, 297,971.
- (b) Four balances amounting to Rs.8, 018,388 shown under the advance had not been settled over a period exceeding 09 years.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year ended 31 December 2014 had resulted in a pre-tax surplus of Rs. 35,779,102 as compared with the corresponding surplus of Rs.11,632,564 for the preceding year, thus indicating a net improvement of Rs. 24,146,538 in the financial result. The decrease of expenditure by a sum of Rs. 59,724,916 had mainly attributed to this improvement.

4. Operating Review

4.1 Management Inefficiencies

The following observations are made.

(a) Delays in Settlement of Advances

Even though a period exceeding one year had elapsed after the grant of advances in the years 2012 and 2013 for Development Activities, balances of advances amounting to Rs. 2,821,542 and Rs.2,743,525 respectively, remained without being settled.

(b) Payments contrary to the Objectives

Contrary to the objectives of the Fund, a sum of Rs.7,749,239 comprising Rs.6,866,261 and Rs.882,978 in the years 2013 and 2014 respectively had been spent to construct green houses at 05 Presidential Houses.

5. Accountability and Good Governance

5.1 Budgetary Control

The following observations are made.

- (a) Fourteen projects, for which the provisions of Rs. 24,078,000 were allocated in the Budget of the Fund, had not been implemented in the year under review.
- (b) The provisions for 06 budgeted programmes of the Fund amounted to Rs.43,289,000 while the actual expenditure amounted to Rs. 11,151,669, thus it was observed that the Budget had not been made use of as an effective instrument of management control.

5.2 Annual Action Plan

An Annual Action Plan had not been prepared for the year 2014.

6. Systems and Controls

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

- (a) Financial Control
- (b) Utilization of Funds
- (c) Budgetary Control