

## **Thurusaviya Fund**

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### **1. Financial Statements**

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#### **1:1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Thurusaviya Fund as at 31 December 2011 and its financial performance and cash flow statement for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1:2 Comments on Financial Statements**

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##### **1.2.1 Accounting Deficiencies**

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Stocks amounting to Rs.635, 902 had been computed on the basis of book value as at the end of the year 2011 and brought to account.

##### **1.2.2 Accounts Receivable and Payable**

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The following matters were observed.

- (a) Action had not been taken by the Fund for more than 5 years to recover loans aggregating Rs.1, 445,796 to be recovered from the Thurusaviya Societies.
- (b) Electricity bills amounting to Rs.23, 574 payable to the office in which the Fund was operated previously had been shown continuously as balance payable without settling it.

##### **1.2.3 Non – compliance with Laws, Rules, Regulations and Management Decisions**

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Even though notices mentioning the registration and cancellation of registration of the Thurusaviya Societies should be published in the Gazette in terms of Section 17 (4) of the Thurusaviya Fund Act, No.23 of 2000, action relating to 370 societies out of 663 societies registered at present had not been taken accordingly.

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the operation of the Fund for the year under review had resulted in a deficit of Rs.3, 293,692 after taking into account of the grant of Rs.11,786,774 received from the Treasury as compared with the corresponding deficit of Rs. 1,389,864 after taking into account of the grant of Rs. 10,338,033 received from the Treasury thus, indicating a deterioration of Rs. 1,903,828 in the financial results.

**2.2 Analytical Financial Review**  
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The following observations are made.

- (a) The revenue of the Fund for the year under review amounted to Rs.12,397,237 and the improvement was 13 per cent as compared with the revenue for the preceding year amounting to Rs.10,926,990.
- (b) The operating expenditure of the Fund for the year under review amounted to Rs.15, 690,929 and the improvement was 27 per cent as compared with the operating expenditure for the preceding year amounting to Rs.12, 316,854.
- (c) The deficit for the year under review had increased by 137 per cent as compared with the preceding year due to the percentage of increase of expenditure was higher than percentage of increase of revenue.

**2.3 Instances of Increase of Expenditure and Diminution of Capital**  
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The following observations are made.

- (a) Building rent during the year under review had increased by 476 per cent as compared with the preceding year due to shifting the Fund to a new building.
- (b) A position of expenditure exceeding the operating revenue of the Fund had existed continuously. As a result, it was observed that the net assets had diminished annually. Net assets of the Fund amounting to Rs.7, 825,245 for the year under review had become as Rs.5, 784,436 as at the end of the year under review. Therefore, it had decreased by 26 per cent.

### **3. Operating Review**

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#### **3.1 Performance**

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The following matters were observed.

- (a) According the ledger of registration of Societies at the Fund, 663 Societies had been registered as at the end of the year under review. Although it was informed that the Fund was not reported relating to the dormant societies up to 31 December 2010, it was observed at the audit field inspection that several societies had existed in a dormant position and there was no understanding among the members about the functions carried out to them through the societies. However, only 5 Societies had been newly registered during the year under review.
- (b) Submission of quarterly reports to the Fund by the societies was at a weak level and out of 663 registered societies, 638 societies had not furnished even half yearly reports for the year 2011.
- (c) Out of the total expenditure of the Fund amounting to Rs.15,690,929 for the year 2011, only Rs.5,493,790 had been spent for the development activities. It represented 35 per cent of the total expenditure.
- (d) Even though it was expected to collect an own income of Rs.2,979,500 by the Fund for financing of estimated expenditure amounting to Rs.15,659,500 for the year 2011, out of this only Rs.484,996 or 16 per cent of the income had been collected during the year under review.

#### **3.2 Management Inefficiencies**

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The following matters were observed relating to the membership fees recovered from the members by the Thurusaviya Fund.

- (a) A membership fund account had not been maintained for accounting the membership income for the year, membership income receivable and amount received by cash during the year.
- (b) The collection of membership fees had been credited to the ordinary Bank Account of the Fund and brought to account as other income instead of creating a separate Fund for 50 per cent of the amount credited to the Fund from the membership fees and preparing a proper work plan in order to provide benefit to the members from such collection of money. Accordingly, it was observed in audit that even the above funds could have been spent for the recurrent expenditure of the Fund due to lack of proper control over the funds collected from the members.

- (c) It was observed at the inspection carried out in the area of Kegalle that many decisions taken for crediting funds to the Fund had not been implemented by the Thurusaviya Societies due to not introducing a proper work plan in order to provide benefit to the members from collection of money as mentioned above.

### **3.3 Utilization of Funds**

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A sum of Rs.6, 292,984 had been given to the Fund by the Government during the year under review for recurrent expenditure. However, it was not disclosed to the Treasury about the investment of Rs.3, 895,620 as at 01 January 2011 by the Fund while obtaining this grant. The value of this investment as at 31 December 2011 amounted to Rs.4, 151,268.

### **3.4 Uneconomic Transactions**

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The following matters were observed.

- (a) The building rentals paid monthly up to now by the Fund for the place in which its office was operated, amounted to Rs.28, 539 and a sum of Rs.108, 436 had to be paid as monthly rentals due to shifting this office to another place in the same building. Accordingly it was observed that an uneconomic expenditure amounting to Rs.958, 775 had been incurred per year.
- (b) Out of 743 latex knives purchased during the year 2008 by the Rubber Research Institute, 575 latex knives were not according to the approved quality. As a result, these stocks of knives had remained at the stores in an unusable condition even as at 31 December 2011. As a result, it was observed that a sum of Rs.330, 625 spent thereon had become an uneconomic expenditure.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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During the year under review, expenditure in respect of 04 items of expenditure had been made exceeding the budgeted expenditure from 27 per cent to 99 per cent. Thus it was observed that the budget had not been made use of as an effective instrument of management control.

**5. Systems and Controls**  
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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) Preparation of Payment Vouchers
- (d) Registration of Thurusaviya Societies