

The audit of financial statements of the Rubber Control 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 39(a) (3) of the Rubber Control Act No.11 of 1956 (Cap. 456) as amended by the Rubber Control (Amendment) Act, No. 45 of 1957. 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 International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810) Sri Lanka Auditing Standards consistent with. 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 Control 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) Seven items of fixed assets valued at Rs.985,925 had been accounted as Fixed Assets which are not physically available and annual provision for depreciation had been made for furniture, office equipment electric equipment and welfare society equipment out of that valued at Rs.84,350.
- (b) Interest income Rs. 805,000 on fixed deposits received during the year under review had been credited to collection account of General Treasury without being brought to account.
- (c) Over provisions of Rs.120,000 had been made for audit fees without considering the prepayments made.
- (d) A sum of Rs.1,864,559 credited to the Consolidated Fund had been shown as a current asset instead of being shown as a deduction from the Rubber Control 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 in support of the items.

Item	Value
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	Rs.
(a) Fixed Assets	985,925
(b) Current Assets	635,272
(C) Current Liabilities	239,784

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.497,051 as compared with the surplus of Rs.463,652 for the preceding year, thus indicating an improvement of Rs.33,399 in the financial results as compared with the preceding year.

3.2 Performance

Instructions had been given by the letter No.PF/FD/04/46 dated 21 October 2011 of the Department of Public Finance addressed to the Director General of the Department of Rubber Development, that action should be taken in terms of the provisions in the relevant Act, to liquidate the Fund defunct at present by obtaining the approval of the Cabinet of Ministers through a Cabinet Memorandum after the settlement of the assets and liabilities shown in audited account for the year ended 31 December 2010. But action thereon had not been taken 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) Fixed Assets
- (c) Receivable and Payable Accounts