

## **Rubber Control Fund - 2015**

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The audit of financial statements of the Rubber Control Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 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, (Cap. 436) No. 11 of 1956 as amended by the Rubber Control (Amendment) Act No.45 of 1957 .My comments and observations on these financial statements appear in this report.

### **1.2 Management's Responsibility for Financial Statements**

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The 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**

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My responsibility is to express an opinion on these financial statements based on my audit, conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

### **1.4 Basis for Disclaimer of Opinion**

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As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the balance sheet.

## **2. Financial Statements**

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### **2.1 Disclaimer of Opinion**

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Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **2.2 Comments on Financial Statements.**

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#### **2.2.1 Presentation of Financial Statements**

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Fixed deposits and investments belonged to the Fund had been transferred to the Rubber Development Department and an income and expenditure statement and a cash flow statement had not been presented due to not carrying out any operational activity and did not earn any other income in the year under review.

### 2.2.2 Accounting Deficiencies

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A sum of Rs.1,864,559 credited to the Consolidated Fund had been shown as a current asset instead of showing as a deduction from the Rubber Control Fund.

### 2.2.3 Receivable and Payable Balances

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The following observations are made.

- (a) Balances of 13 current assets totalling Rs.635,271 had been brought forward without changing in the financial statements for more than 18 years and action had not been taken to settle unsettled advance balances amounting to Rs.287,378 included therein.
- (b) Balances of 05 items of current liabilities totalling Rs.239,784 had been brought forward for more than 18 years and steps had not been taken to settle advances payable amounting to Rs.222,031 including therein.

### 2.2.4 Lack of Evidence for Audit

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The following items could not be satisfactorily vouched or accepted in audit due to non- submission of any evidence indicated against each item.

<b>Item</b>	<b>Value</b>	<b>Evidence not made available</b>
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	<b>Rs.</b>	
(a) Fixed Assets	985,925	Schedules, Board of Survey Reports, Registers of Fixed Assets
(b) Current Assets	635,271	Schedules, Age Analysis, Confirmation of Balances and Books
(c) Current Liabilities	239,784	Schedules, Age Analysis, Confirmation of Balances and Books and records.

## 3. Financial Review

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### 3.1 Financial Results

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The interest income received for fixed deposits and savings deposits belonging to the Fund as at 31 December 2013 had been the only source of income of the Fund. Receivable interest of Rs.12,957 on 02 fixed deposits amounting to Rs.10,456,639 and the savings deposit amounting to Rs.3,435,797 had been debited to a liquidation account by the end of the preceding year. Accordingly, the debit balance amounting to Rs.13,905,393 existed in the liquidation account as at 01 January 2015 had been debited to Rubber Control Account in the year under review and as such the balance of that Account had been understated by that

amount. The income and expenditure account and the cash flow statement for the year under review had not been prepared as there were no operating activities of the Fund furthermore.

### 3.2 **Operating Review**

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#### 3.2.1 **Present Status of Activities of the Fund**

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Even though it had been ordered to liquidate the Fund at the Committee on Public Accounts held on 23 July 2009, the cabinet memorandum therefore had been presented only on 26 February 2016. A liquidator had been appointed in terms of the Decision of the Cabinet of Ministers held on 17 March 2016. The necessary constitutional drafts had not been prepared with the concurrence of the legal draftsman to liquidate the functions of the Fund in compliance with the observations of the Ministry of Finance.

### 3.3 **Budgetary Control**

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A Budget for the year under review had not been prepared due to the Fund being inoperative.

### 4. **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 Director General from time to time. Special attention is needed in respect of fixed assets and the settlement of receivable/payable balances.