

## **Rubber Replanting Subsidy Fund - 2015**

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The audit of financial statements of the Rubber Replanting Subsidy 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 6(2) (Cap. 437) of the Rubber Replanting Subsidy Fund Act, No. 36 of 1953. My comments and observations on the above financial statements appear in this report.

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

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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 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 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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The fixed deposits and investments of the Fund had been transferred to the Rubber Development Department whereas no operation had been carried out and any other income had not been earned during the year under review. Thus, an income and expenditure statement and cash flow statement had not been presented along with the financial statements.

### 2.2.2 Accounting Deficiencies

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A sum of Rs.70,659,526 credited to the Consolidated Fund in a preceding year had been shown as a current asset instead of showing as a deduction from the Fund.

### 2.2.3 Lack of Evidence for Audit

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#### (a) Non-current Assets

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As the Fund was not functioning, the fixed assets belonging to the Fund in the year 2014 had been transferred to the Rubber Development Fund and omitted from accounts in accordance with the recommendation made by the Committee appointed to settle the balances of Fund in terms of the letter dated 04 July 2014 of the Secretary to the Ministry of Plantation Industries. A register of assets was not available at the time of transfer while no document in support of assets transferred to the Department and takeover of assets was not made available to audit. Thus, it could not be ensured whether the assets costing Rs.63,438,232 which were eliminated from accounts, had been properly transferred.

#### (b) Current Assets

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- (i) Sufficient information with regard to the balances of 12 Advance Accounts totalling Rs.15,220,514 given to various purposes and brought forward over a period of 18 years and the details on the parties from whom those balances were receivable had not been furnished to audit.
- (ii) A sum of Rs.17,353,015 receivable from the General Treasury and the Sri Lanka Customs have been brought forward as current assets over a period of 18 years without consulting the respective institutions and any evidence had not been furnished to audit to ensure that those balances were remaining as authentically receivable balances.
- (iii) The interests receivable on investments amounting to Rs.102,890 shown in the accounts for a period of 18 years had not been settled even by 31 December 2015.
- (iv) No documentary evidence whatsoever had been furnished to audit on the balances of Rs.3,647,219 and Rs.65,477,579 relating to the two accounts named as Receipts for Group Processing Centers and the Project No.02 respectively.
- (v) Balances of 5 accounts totalling Rs.351,353 of which the reasons for the identification as an asset were not explained and the recovery was completely doubtful, had been brought forward as current assets for over 18 years.

**(c) Current Liabilities**

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- (i) No documents whatsoever had been furnished to audit relating to the sundry deposits of Rs.9,988,530 brought forward in the accounts for over a period of 18 years.
- (ii) Action had not been taken to settle a Medical Aid loan of Rs.57,526 of which information on the receivable parties was not available and brought forward for over a period of 18 years and other Departmental loans of Rs.416,313.
- (iii) Although it was functioned under the same management, action had not been taken for the settlement of a sum of Rs.281,210 and Rs.15,449 payable to Rubber Control Fund and the Rubber Development Department respectively.
- (iv) Although the party and the amount payable had been specifically identified, no action whatsoever had been taken to settle a sum of Rs.22,087 to the Rubber Research Institute.
- (v) Even though any employee had not been deployed since a period of 18 years, an employee gratuity commitment amounting to Rs.90,706 of which the payable party had not been specifically stated had been shown under the current liabilities.
- (vi) Two balances of Rs.119,550 and Rs.4,779,564 named as Sapling Advances and Fertilizers to Matured Cultivations respectively had been brought forward for a period over 18 years, whereas any documents whatsoever relating to those balances had not been furnished to audit.
- (vii) Although a sum of Rs.3,096,701 specified as receipts of loan not belonging to the Fund had been shown as a current liability, either the reason attributed to that abnormal commitment or the details on the payable party had not been furnished to audit.

**3. Financial and Operating Review**

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**3.1 Financial Review**

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**3.1.1 Financial Results**

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An interest income for the savings deposits of the Fund had been received as at 31 December 2013 and it had been the only source of income of the Fund. All bank deposits of the Fund at the beginning of the preceding year had been credited to the Director General of the Rubber Development Department, thus the Fund had become inoperative. Accordingly, Income and Expenditure Account and the cash flow statement had not been prepared.

### **3.2 Operating Review**

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#### **3.2.1 Current Position of the Activities of the Fund**

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Even though a directive had been given by the Committee on Public Accounts held on 23 July 2009 to wind up the Fund, the Cabinet Memorandum therefor had been presented only on 26 February 2016. According to the Cabinet Decision dated 17 March 2016, a liquidator had been appointed. Statutory drafts required to wind up the activities of the Fund in compliance with the observations of the Ministry of Finance had not been made in consultation with the Legal Draftsman.

### **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 and payable balances.