

Rubber Replanting Subsidy Fund - 2016

The audit of financial statements of the Rubber Replanting Subsidy Fund for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 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

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 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

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

2.1 Disclaimer of Opinion

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

2.2.1 Accounting Deficiencies

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.

2.2.2 Lack of Evidence for Audit

As the evidence indicated against the following items had not been made available to audit, those could not be satisfactorily vouched or accepted.

Item	Value	Evidence not made available
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	Rs.	
(a) Assets eliminated from the accounts upon transferring to the Rubber Development Department.	63,438,232	Schedules of the assets and the register of receiving assets.
(b) Current Assets		

Balances pertaining to 12 Advance Accounts.	15,220,514	Registers on advances and the name list of the receivable parties.
Balances due from the General Treasury and the Department of Customs.	17,353,015	-
Account of the Project No.02	65,477,579	} Supporting documents
Total of other 07 current assets accounts	4,101,462	
(c) Current Liabilities		

Sundry Deposits	9,988,530	Supporting Documents
Loans Receivable	473,839	Particulars on receivable parties
Rubber Control Fund	281,210	Supporting Documents
Gratuity Commitments	90,706	Particulars on receivable parties
Advances to Fertilizer for Plants	119,550	Supporting Documents
Fertilizer for Matured Plantation	4,779,564	Supporting Documents
Loans not belonged to the Fund	3,096,701	Particulars on the payable parties. Reasons for incurring commitments.

3. Financial Review

3.1 Financial Results

Since there was no operational functionality of the Fund, Statement of Financial Performance had not been prepared.

4 Operating Review

4.1 Current Position of the Activities of the Fund

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 09 March 2016, a liquidator had been appointed, whereas winding up activities had not been completed even up to 31 August 2017. 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 even by 30 June 2017.

As it had been identified that the institutions belonged to current assets and current liabilities subject to liquidation and brought forward from the balance sheet presented for the year 1997, in which the Fund was in operation last, up to the balance sheet of the year under review were not in operative at present, it is observed that the assets and liabilities stated in the balance sheet do not reflect a true and fair view as items of accounts.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements should be furnished to the Auditor General within a period of 02 month from the close of the financial year in terms of the Public Finance Circular No.PF/423 dated 22 December 2006, the financial statements of the Fund had been furnished to audit on 15 June 2017, after a delay of 107 days.

6. Systems and Controls

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.