

Thrusaviya Fund – 2017

The audit of Financial Statements of the Thrusaviya fund for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity and the 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with section 13(1) of the Finance Act, No.38 of 1971 and Section 21(2) of the Thrusaviya Fund Act No.23 of 2000. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 14(2) (c) of the Finance Act 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 Sri Lanka Auditing Standards Consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). 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 procedure 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 risk 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 financial statements. Sub section (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial Statements give a true and fair view of the financial position of the Thurusaviya Fund as at 31 December 2017 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 Sri Lanka Public Sector Accounting Standards

Although the Assets and liabilities and expenses shall not be offset unless required or permitted as per the paragraph 48 of the Sri Lanka Public Sector Accounting Standard No. 01, a sum of Rs.3,532,078 was offset out of Rs.3,996,000 received from the Ministry of Plantation Industry to the fund for Tappers Training Skill Development Project during the year under review and the balance had been shown under the current liabilities.

2.2.2 Receivable Accounts

The 41 number of loan balances totaling to Rs.865,189 coming from time period in between 5 years to 15 years had not been recovered even by the month of March 2018.

2.2.3 Non – Compliance with Laws, Rules, Regulations and Management Decisions.

The following instances of non – compliances with Laws, Rules, Regulations and Management Decisions were observed.

	Reference to Laws, Rules and Regulations	Non – Compliance
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(a)	Section 32.3 of the Thurusaviya fund Act No.23 of 2000	Even though the fund had been establish over 16 years the behest of this Act had not been gazetted and approval had not been obtained from the Parliament.
(b)	Treasury Circular No IAI/2002/02 dated 28 November 2002	According to the circular instructions a register had not been prepared for computer equipments.
(c)	Public Enterprises Circular No PED / 17 dated 28 October 2003	Although prior approval Should be obtained from the Director General of Public Enterprises before attending foreign travel using local funds an approval had not been taken for Rs.794,400 which is expensed by the Chairman of the fund when attending the conference held in India in previous year.

- (d) Public Finance Circular No PF/PE 05 dated 11 January 2000
- Sum of Rs.84,000 had been paid for the year 2016 and 2017 to the institute officer by Rs.6,000 per each meeting for preparation of Audit and Management Committee Meeting reports of the fund without the Treasury approval.
- (e) Treasury Operations Circular No. 1/2008 Section 02 dated 03 March 2008
- (i) Even though it is necessary to pursue a formal investment procedure that would have a better effect on the national economy, with regard to the performance of the funds with final responsibility and directness to the government and from the institutions that are directly and indirectly funded by the government, The balance ranging from Rs 1 million to Rs.7 million had been kept as dormant in the current account during the year under review.
- (ii) When the investments in public banks had been matured, the investments should be reinvest in Treasury bonds or bank deposits for two years or more subject to the interest rate paid by the Central bank of Sri Lanka and the Treasury for the medium – term investment, an amount of Rs.6,193,862 investment had been invested in short termly for six months from 02 January 2017.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, from the operating activities of the fund for the year under review had been a deficit of Rs.439, 484 as against the surplus of Rs.484, 646 for the preceding year thus indicating a unfavorable position of Rs.924,130 in the year under review compared to the preceding year and the increase of the gratuity provision by Rs.2,027,165 rather than the preceding year had been the main reason for above position .

In analyzing the financial results in the year under review with the 03 preceding years, the financial deficit had been observed in the year under review and the year 2015 while there had been a financial surplus of the year 2014 and 2016. However in considering the employee remunerations and depreciation for non-current assets re adjustments, the contribution amounted to Rs.13,988,922 in the year 2016 had increased up to Rs.17,171,167 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Implementation and Review

The following observations are made regarding the fulfilment of the objectives of the fund during the year under review.

- (a) Step had not been taken to promote investment in rubber industry which is one of objective of the Fund.
- (b) Although 712 number of Thurusaviya Societies had been registered in 14 districts up to 31 December 2017 for the purpose of promoting social and economic condition of small rubber estate owners, 329 number of societies had been inactive an action had not been taken to either active or cancel the registration of those Societies.

4.2 Management Activity

The following observations are made.

- (a) Total of Receivable Rs. 41,607 had been written off for the loans given by the fund on Scale Loan and diamond rolls loan in the year 2002 and 2005 without obtaining the Treasury approval in terms of Public Finance Circular No.02/2016 dated 12 February 2016.
- (b) Although Recovered sum of Rs.194, 438 from the salary during the year under review out of overpaid Rs.259, 949 for 5 officers in the year 2002, an action had not been taken to sent to the Treasury.

5. Systems and Controls

Deficiencies in the systems and Controls observed during the Course of audit were brought to the attention of the Fund from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls	Observation
(a) Accounting	Register of member fees had not been maintained
(b) Financial Control	Proper approval had not been obtained for write off loan balances and action had not been taken to recover the loans.
(C) Provide aids to Members	A system for selecting member for provides aid had not been formulated and data base had not been maintained for aid given to the members.

