

Thurusaviya Fund - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thurusaviya Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018 and provisions of the Finance Act No 38 of 1971 . My comments and observations which I consider should be report to in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also :

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund ;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

| Noncompliance with Reference to the Relevant Standard | Comments of the Management | Recommendation |
|--|--|--|
| As per chapter 65 of Sri Lanka State Sector Accounting Standard No 07, although the fixed assets costing Rs.1,610,331, had been completely depreciated due to non-annual reviewing of effective life time of noncurrent assets, they were still being used. Accordingly, action had not been taken to revise the error in estimation as per Sri Lanka Public Sector Accounting Standard No 03. | Accepted. Action will be taken to carry out this task in future in the instances where vehicles received from the Presidential Secretariat are revalued. | As per Sri Lanka Public Sector Accounting Standards, action should be taken to revalue the completely depreciated assets by taking into consideration effective life time of such assets and include them in Financial Statements. |

1.5.2 Accounting Deficiencies

The following observations are made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| (a) Action had not been taken to legally acquire and account 07 vehicles value of which totaling Rs.22,600,000 received to the Fund from the Presidential Secretariat in the year under review. | These vehicles have been given to the institution only through a document, and since the revenue license of the vehicle has not been transferred to the institution, it has not been included in the register of fixed assets and it has been separately recorded and maintained in the register of fixed assets without mentioning the value. | Action should be taken to legally transfer and account the vehicles. |
| (b) 89 furniture units received by the Fund as a donation from the Ministry of Plantations in 2018, had not been valued and included in the Financial Statement. | Accepted.Action will be taken to correct in future. | Donated assets should be valued and included in the Financial Statement. |

1.6 Receivable and Payable

1.6.1 Receivables

The following observations are made.

| Audit Observation | Comments of the Management | Recommendation |
|---|---|--|
| (a) Receivable balance of Rs.826,109 out of the amounts given as advances and loans to 30 Thrusaviya Societies in 04 districts namely, Kalutara, Kegalle, Ratnapura and Gampaha, has remained unable to recover for 05 years. Further,it was not possible to establish whether such societies were in an active state by the year under review. | It is expected to submit a request to a future Board of Management to take leagl action and / or to write off the said balance. | Action should be taken to recover the loans. |

- (b) The loan of Rs 1,000,000 out of which Rs.500,000 each given in the preceding year to 02 *Thurusaviya* Societies at the interest of 4 per cent on the basis of repaying within 06 months, had not been recovered in the 06 month period. Further, action had not been taken to calculate the interest and fines on the loan amount of Rs.300,000 further remaining to be recovered as at 31 December of the year under review.
- Accepted. Action will be taken to recover in future.
- Loans should be recovered without delay.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made.

| | Reference to Laws, Rules and Regulations | Non Compliance | Comments of the Management | Recommendation |
|-----|--|---|---|---|
| (a) | Treasury Operations Circular No 1/2008 dated 03 March 2008 | As investments made in State Banks mature, although such investments should be reinvested in bank deposits or in treasury bonds of two years or more than two years subject to interest rates paid by the Sri Lanka Central Bank and the Treasury for medium term investments, since 2017 such investments had been made in short term bank deposits of 06 months in a State Bank, and the invested amount was Rs.9,201,093 as at 31 December 2020. | Accepted, Investments will be made more profitably in future. | Money should be invested as per the provisions in circulars issued by the treasury. |
| (b) | (a) (b) (c) and (d) of Section 13 of Thurusaviya Fund Act No 23 of 2000. | No action had been taken to fulfil the functions specifically mentioned in sections. | Action has been taken on the requirement of small scale rubber land holders to implement several fruitful | Action should be taken to achieve the objectives. |

development programmes which are important in fulfilling the objectives of the Fund.

2. Financial Review

2.1 Financial Results

The operational result of the year under review was a surplus of Rs.3,222,288 as compared with the preceding year surplus for Rs.2,469,974. Accordingly, an improvement of Rs. 752,314 in the financial result was observed. This improvement was mainly due to the decrease in expenditure .

3. Operational Review

3.1 Operational Deficiencies

The following observations are made.

| Audit Observation ----- | Comments of the Management ----- | Recommendation ----- |
|--|--|--|
| (a) Even though the trainings had not been conducted in the year under review in 03 districts, 10 kinds of equipment such as torches, tool kits, T-shirts, and utensils bought for Rs.1,719,984 to be distributed amongst rubber tappers were lying in the store without being used till May 2021. | These tool kits have been remaining to be distributed amongst trainees related to 3 trainings. However, as mentioned above, It is informed that action will be taken to distribute these tool kits remaining in 2021 amongst trainee recipients. | Training courses should be conducted as shedulled and utensils distributed properly. |
| (b) With the purpose of improving social and economic condition of small scale rubber land holders, the number of <i>Thrusaviya</i> societies registered in 14 districts as at 31 December of the year under review was 815. Of this number the societies which remain at inactive level had not been identified so far. | Acton will be taken to corrcet this by immediatly categorizing societies. | Inactive societies should be identified. |

- (c) For the purpose of running at an active and effective way, Even though the Ministry of Plantations had given a decision to bring under the scope of *Thurusaviya* programme 130 Rural Rubber Societies and 31 Integrated Processing Centers established under Small Scale Plantations Entrprenurial Development programme in the district of Monaragala from 2011 to 2016, no action had been taken to acquire them by the end of the year under review.
- It is informed that steps will be expeditiously taken to transfer the said societies and Integrated Processing centers to the *Thurusaviya* Fund as per the *Thurusaviya* Fund Act.
- Acquisition activities should be done without delay.

3.2 Idle or Underutilized Propety, Plant and Equipment

The Follwing observations are made.

| Audit Observation | Comments of the Management | Recommendation |
|---|--|--|
| ----- | ----- | ----- |
| <p>(a) Construction work had been started and Rs.1,000,184 spent for the construction of 02 integrated rubber sheet processing centers, one in 2005 at Arepola and another one in 2008 at Ganepalla. However, although construction of 02 integrated processing centers had begun more than 15 years ago, the consruction had not been completed.</p> | <p>Although construction work has been done proportinally sufficient to the money allocated by the <i>Thurusaviya</i> Fund, it is observed that the balance work to be done releted to the contribution of the related society has not been completed Accordingly, it has been informed to complete the remaining work at their own expense.</p> | <p>It is essential to get the construction work completed expeditiously.</p> |
| <p>(b) A motor vehicle worth Rs.2,000,000 received from the Presidential Secretariat in the year under review had been parked in bad condition in the premises.</p> | <p>Action has been taken to repair the vehicle.</p> | <p>Vehicle should be repaired.</p> |