

Thurusaviya Fund - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Thurusaviya Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the 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 Finance act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2021, 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

I expressed qualified opinion on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 determine 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 stability 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 Responsibility 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, misrepresentations, 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 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 auditor's 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 auditor's 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 Funds;
- 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

Non Compliance with the reference to relevant Standard	Comments of the Management	Recommendation
Computers, office equipment, office furniture and machinery with a total depreciated amount of Rs. 1,548,645 had been used yet, but in accordance with chapter 92 of Sri Lanka Public Sector Accounting Standard No. 07, considering the useful life, they had not been recalculated and included in the financial statements.	it will be corrected in the year 2022.	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

Audit Observation	Comments of the Management	Recommendation
(a) Although Rs.16,844,125 had been received as capital from treasury for the year under review, in the financial performance statement, Rs.18,000,000 was stated as income and Rs.1,155,874 was stated as receivables from the treasury, this value had been unrealized value.	We asked Rs.18,000,000 from treasury for the year and, approved by Director General of treasury. Approved Funds for capital expenditure in the budget is Rs. 18,000,000. Due to this, it was stated that the amount due had been accounted as accrued income according to the accrual concept.	The value received as capital from the Treasury should be accounted.
(b) During the year under review, there were 248 units, 73,628 units and 63,195 units left in the stock register as at 31 December of the latex aluminum trays , latex collecting plastic cups and cup holders that had been purchased under the project to improve the productivity of Thurusaviya small	Since these goods had been purchased for the year 2021, maintaining the remaining stock affects the financial performance and its progress, and since the stock had been purchased with cash, the government expenditure has been accounted for in accordance	Undistributed goods should be shown as closing stock in the financial statements.

rubber plantation owners. However, the total value of those units amounting to Rs.2,652,715 had been reconciled in the financial performance statement as expenses without stated in the financial statements as closing stock as at 31st December.

with the instructions given in such a way that it had not been reported.

(c) Although the value of the 7 motor vehicles had been received by the President's Secretariat in the previous year there had not been included in the asset register in that year, the motor vehicle depreciation allocation Rs.40,000 had been adjusted to opening balance of accumulated surplus.

The cost related to this motor car had been included in the asset account in the year 2021 and the depreciation related to the year 2021 had correctly included in the expense accounts of the year 2021. Since this is an asset that had been revalued in December 2020, it should have been recorded in the books of the year 2020. It had been corrected in the year 2021 as there had an oversight by the book keeper.

As last year's motor vehicles had not been accounted for the depreciation should not be adjusted.

1.6 Receivable and Payable

1.6.1 Receivables

Audit Observation

Receivable balance of Rs.826,109 out of the amounts given as advances and loans to purchase platform scales and rubber diamond rolls for 30 Thrusaviya Societies in 04 districts namely Kalutara, Kegalle, Ratnapura and Gampaha has remained as receivable unable to recover for 05 years. Further, it was not possible to confirm whether such societies were in an active state by the year under review.

Comments of the Management

In this regard, letters of demands and legal notices had been issued about four times, and although it had been possible to recover the majority of the amount, the balance amount mentioned in the relevant audit quarry had not been recovered till now. Accordingly, it will be expected to try again in this regard or to submit to the management board to be cut off as bad debt.

Recommendation

Action should be taken to recover the loans.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Treasury Operations Circular No. 1/2008 dated 3 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.9,656,585 as at 31 December 2021	Already actions are in progress to be corrected in 2022.	The money should be invested as per circulars issued by the Treasury.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 3,543,063 as compared in the preceding year surplus for Rs. 3,222,288 accordingly an improvement of Rs.320,775 in the financial result was observed. Although the cost of smoke house subsidy project increased by Rs.9,963,463 in the fund, government grant increased by Rs.11,133,916 compared to the previous year was mainly caused to this improvement.

3. Operational Review

3.1 Operational Inefficiencies

The following observations are made

Audit Observation	Comments of the Management	Recommendation
(a) In the action plan prepared in the year under review, an allocation of Rs.1,700,000 had been made for the purchase of tapping knives, but due to the non-purchase of the cutting knives, the allocation remained completely. Also, to provide 894 tapping knives to 15 Thurusaviya societies, Rs.377, 715 cash had been received from 15 Thurusaviya society members, but due to non-purchase during the reviewed	Under the 2021 action plan, signed an agreement with the supplier for the purchase of 4000 tapping knives, but he had arranged to import the quantity of tapping knives from India and had informed that he could not supply the tapping knives on the due date due to the country's dollar problem. Because of that, it had been pointed out that the	Purchases should be made according to plans and deliveries should be made as scheduled.

- year, the tapping knives had not been provided to those members until May 2022.
- (b) In the year under review, 7000 trays had been purchased for Rs.4,191,250 under the program of providing rubber latex aluminum trays ,to Thurusaviya societies under the 50 percent subsidy system. 21 members of Thurusaviya Society had paid Rs.2,021,925 to the fund for 6,752 trays. However, the fund had been distributed only 2777 trays and kept the remaining 4223 trays in the warehouse until May 2022.
- (c) An allocation of Rs.1400,000 had been made for the training of professional tappers under the action plan of the year under review, but the districts concerned to conduct the training programs and the tappers expected to participate had not been included in the plan. 03 training programs that had been planned last year but could not be implemented had been conducted in the year under review. However, flashlights, tool bags, T-shirts, knives, tapes and other tools amounted Rs.685,474 had been purchased last year to be given to the rubber tappers in the training programs remained in the warehouse until May 2022 due to those instruments had not being distributed at the time of the training.
- (d) Although 844 Thurusaviya societies in 16 districts had been registered under the Thurusaviya Fund, 293 societies had inactive as of 31 December of the year under review.
- delivery of the tapping knives had been delayed.
- The money for the amount of 7,000 latex-removing aluminum trays obtained for the rubber farmers (Thurusaviya society members) on the basis of 50 percent subsidy had been recovered from the farmers so far. Accordingly, 6,219 trays out of a total of 7,000 had been distributed to the members of Thurusaviya society in the districts, and the remaining amount will be distributed to the beneficiaries in the next month.
- Due to the unfavourable situation in the country, it had not been possible to distribute the certificates of the trainees and the equipment kit as planned. It was stated that the equipment kit and certificates had been distributed to all the trainees who had successfully completed the training so far.
- Over the past few years, problems have arisen with the decrease in the number of members of certain societies due to reasons such as removal of rubber cultivation in some areas and turning to other crops, and the removal of rubber lands due to urbanization. However, it had been stated that in the future, the
- Arrangements should be made to distribute the equipment obtained to the subsidy system without delay.
- Plans should be prepared with all the details of the desired training programs. Purchased equipment should be distributed at the time of training.
- Inactive societies should be activated.

existing societies will be reorganized and integrated and the necessary activities will be carried out.

- (e) In the year 2020, the jeep number 65-1090 received by the fund from the President Secretariat had been given to an approved private garage in the Colombo area in November last year for repair and the vehicle had not been brought back after the repair completed until May 2022.
- Jeep No. 65-1090, which was handed over to the garage for repair in November 2020, had been repaired again and handed over to the Fund in October 2021. It had been returned to the garage due to a defect and the drivers mentioned that there had a defect. There, instructions had been given to stop the payments, the vehicle had been kept in the garage without being handed over to the Fund.
- Repairs should be done without delay and the vehicle should be utilized.

3.2 Idle or unutilized property, plant and equipment

Audit Observation

The car bearing number KW 3039, worth Rs.2,000,000 received the fund from the President Secretariat in January of last year, remained idle for more than two years due to its inability to drive.

Comments of the Management

The said vehicle could not be repaired as there was not enough money allocated for repairing it.

Recommendation

Vehicle should be repaired.