

Ranaviru Seva Authority - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Ranaviru Seva Authority of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following observations are made.

- (a) The value of 05 computers and 16 artificial limbs received by the Authority as donations from external parties in the year under review had not been computed and brought to account.
- (b) A part of the office equipment and machinery of the Authority had been revalued in the year 2012 and the revaluation loss had been erroneously computed by taking into account the overall cost and the accumulated depreciation including cost and accumulated depreciation on 57 goods of 26 categories and the goods of the Provincial Officers not taken for revaluation. The value of the assets shown in excess could not be separately computed due to the non – maintenance of Registers of Fixed Assets and the non – conduct of annual Boards of Survey.

1.2.2 Accounts Receivable and Payable

A sum of Rs.5,200,000 payable to the beneficiaries for housing assistance installments under the Social and Cultural Development Division remained without being settled over a period exceeding one year.

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

The following non-compliance were observed.

Reference to Laws, Rules, Regulations, etc.	Non – compliance
(a) Section 8(1) of the Finance Act, No.38 of 1971.	Every Corporation should prepare budget for every financial year and such should be approved by the governing body of such Corporation not later than three months prior to commencement of the financial year to which the budget relates. But the budget had been presented to the governing body only on 09 February 2012 but it had not been approved.
(b) Financial Regulations	
(i) 104(3)	The preliminary report on a loss should be sent immediately, if a delay of more than seven days is envisaged making a full report. Nevertheless, such action had not been taken on the loss of a computer and an accident caused to a motor vehicle of the Authority.
(ii) 104(4)	Even though a full report on the loss or damage should be submitted after the inquiry within three months, it had not been so done in connection with the two instances referred to in (b) (1) above.
(c) Section 5.2.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	The projected balance sheet, cash flow statement and the Action Plan had not been included in the budget prepared for the year under review.
(d) Treasury Circulars No. 842 of 19 December 1978, No. 1A1/2002/02 of 28 November 2002 and the Department of Management Audit Circular No. DMA/02 OF 01 September 2009.	The Register of Fixed assets and the Register of Computers and Accessories had not been maintained.
(e) Public Administrative Circular No. 41/90 of 10 October 1990.	The Authority had not carried out the tests of fuel consumption of motor vehicles that should be carried out once in every 6 months.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the financial result of the Authority for the year under 31 December 2012 after taking into account the Government contribution of Rs.26,090,493, had been a surplus of Rs.2,294,685 as compared with the corresponding surplus of Rs.11,402,525 after taking into account the Government contribution of Rs.21,761,093 received for that year. Accordingly, a deterioration of Rs.9,107,840 in the financial result for the year under review was indicated. This deterioration had been due, specially to the increase of operating expenditure by a sum of Rs.28,395,713 as compared with the preceding year and the adjustment of the loss of Rs.4,542,010 arising from the revaluation of the office equipment and machinery of the Authority to the Income and Expenditure Account.

2.2 Analytical Financial Review

The following observations are made.

- (a) The income of the Authority had increased over the preceding year by a sum of Rs.28,698,453 or 20 per cent.
- (b) The expenditure of the Authority had increased over the preceding year by a sum of Rs.37,806,293 or 29 per cent.
- (c) The total net assets of the Authority which amounted to Rs.597,649,668 in the preceding year had decreased by Rs.2,825,383 to Rs.594,824,285 in the year under review.

2.3 Legal Actions instituted against/ by the Authority

External parties had filed 03 cases in the Courts against the Authority by the end of the year under review.

3. Operating Review

3.1 Performance

The following observations are made.

(a) Distribution of Lands

The Authority had been established for the welfare of the soldiers disabled or killed in action. In that connection, giving a land to the families of soldiers who do not own lands for the construction of houses is one of the main objectives of the Authority. The lands for that purpose are received from the Divisional Secretary or private donors. The following observations are made in that connection.

- (i) The Authority had failed up to date for the maintenance of a complete and updated information system containing the data of the soldiers disabled or killed in action and their dependents in accordance with Section 6 of the Act. As such it had not been able to select the soldiers with the need for lands in a transparent manner in the distribution of lands.
- (ii) According to the information made available to audit, the number of lands received from the year 2004 and planned for distribution among soldiers by the Ranaviru Seva Authority together with the Divisional Secretaries had been 17 and out of that only 09 lands had been distributed. Out of the 06 lands received from the donors from the year 2001 only 03 lands had been distributed while it had been decided to handover another land (Yakabedda land) to Sri Lanka Army for the construction of an Abhimansala. The non-distribution of this land had been discussed by the Committee on Public Enterprises.

(b) Physical and Mental Empowerment Division

The Physical and Mental Empowerment Division had planned to conduct 42 Psychological Programmes, 21 Eye Clinics, 10 Medical Clinics and 05 Disabled Soldiers Training Workshops during the year 2012. Nevertheless, only 11 Psychological Programmes, 17 Eye Clinics, 06 Medical Clinics and 04 Disabled Soldiers Training Workshops and an Awareness Programme for the Caretakers of Disabled Soldiers had been conducted. Even though an allocation of Rs.9,330,000 had been made for this Division at the beginning of the year, only a sum of Rs.5,446,305 had been spent during the year.

(c) Social and Cultural Division

(i) Societies

Societal Committee had been established at the Divisional Secretariat level with the participation of soldiers with the objective of establishing communications among the families of soldiers spread throughout the Island living with pride and honour and strengthening them socially and spiritually. The following deficiencies in the co-ordination of the Societal Committees were observed.

- * The programmes expected for implementation under this decision had not been planned at the beginning of the year. The Conference of the Societies that should have been held in the year 2012 had been held only on 09 January 2013.
- * Twenty District Awareness Programmes had been held in the last 06 months of the year 2012 and out of that 14 Programmes had been limited to the two Districts of Rathnapura and Ampara. As such it was observed that the Programmes covering all the districts had not been held.
- * The Societal Committees established throughout the Island had been 272 and covered 08 Provinces. Seven Programmes only had been conducted in the year under review to ensure the maintenance of the operations of those committee at active levels for retaining the members

- * Provision of Rs.1, 500,000 had been made for celebrations at provincial, district and regional levels. Out of that, only a sum of Rs.897,441 had been spent in the year. That amount had been spent in connection with the Deyata Kirula Exhibition.

(ii) Ranaviru Villages

The Authority had established 39 Ranaviru Villages entrusted with the development of infrastructure for the creation of Ranaviru Villages embodying the Ranaviru name. The following deficiencies in the achievement of those objectives were observed.

- * A sum of Rs.4,000,000 had been allocated under the infrastructure development for the construction of 08 Community Halls at one Community Hall per province. But the payments made in that connection by the end of the year under review amounted to Rs.742,872 while the construction work of 04 Community Halls only had been commenced.
- * The Authority had not conducted surveys of the Ranaviru Villages in the year under review. Follow up action on the shortcomings prevailing in those, assistance to be provided as well as the progress of the assistance provided in the preceding years (such as Community Hall Assistance) had not been taken.

(d) Housing Assistance

In addition to the housing loans granted with the objective of providing the title to a permanent home for every ranaviru family, this Programme grants a loan of Rs.100,000 in installments of for the supply of houses as an assistance in that connection, to the relation and dependents of the soldiers disabled, missing or killed in action.

- I. In view of the non-completion of the data system for the identification of the status of the ranaviru, the number of ranaviru identified by the Authority informally up to date (this should have been completed within 02 months after the establishment of the Authority) had been 35,099 and housing assistance under this Programme had been provided to 2,856 persons from the year 2000 to the year 2012.
- II. Even though a sum of Rs.21,450,000 had been provided for this purpose for the year 2012, a sum of Rs.13,280,000 only or 62 per cent of the allocation had been utilized for 116 beneficiaries.
- III. Housing assistance had been given in installments and the periods of payment of those installments had not been specified. A sum of Rs.320,000 had been paid as the first and second installments to 06 recipients in the year 2009 and the balance installments of Rs.280,000 payable had not been paid even by 31 March 2013. Even though installments amounting to Rs.800,000 to 20 beneficiaries and Rs.1,500,000 to 25 beneficiaries had been paid in the years 2010 and 2011 respectively, the final installments amounting to Rs.1,200,000 in respect of the year 2010 and Rs. 1,000,000 in respect of the year 2011 had not been paid to the beneficiaries even by 31 March 2013.

IV. It was observed that after the payment of one installment the next installment is paid after the elapse of a long period. It was observed that such situation was due to the non-preparation of a formal methodology by the Authority for the grant of such assistance and the lack of a proper follow up procedure.

(e) Grant of Loans

The information on the physical and financial targets of the loans granted in the year under review for providing financial relief to the disabled and dead soldiers and the members of them families and the performance thereof had been as follows.

Category of Loans	Approved		Actual	
	Number	Amount	Number	Amount
		Rs.		Rs.
i. Housing Loans				
- In Service	35	7,000,000	35	5,560,000
- Societies	356	70,000,000	356	61,330,000
ii. Villages	30	1,500,000	25	1,250,000
iii. Self Employment Loans	25	2,500,000	20	1,500,000
iv. Education	10	500,000	05	400,000
v. Medical Loans	10	1,000,000	03	300,000
vi. Three Wheeler Loans	200	60,000,000	93	31,300,000
	666	142,500,000	537	101,640,000
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The following observations are made in this connection

- * The number of loans granted from the inception of the Authority up to the end of the year under review had been 5,940 and a sum of Rs.937,862,885 had been spent in that connection. A larger number of loans out of the loans granted had been Society housing loans and the Authority had not established a suitable data system to ensure whether those beneficiaries actually needed the loans facilities. A formal methodology had not been prepared for the grant of loan and the loans had been granted over a number of years on the recommendation based on a photograph certified by the Grama Niladhari and the Divisional Secretary.
- * The total amount paid in the year 2012 in respect of 129 installments of loans granted in the preceding year and 436 loans granted in the year under review (except education, medical and three wheeler loans) amounted to Rs.77,505,000 while follow up action had been taken only on 15 housing loans and self employment loans amounting to Rs.3,500,000.

- * Out of the loans amounting to Rs.600,000 granted in the years 2010 and 2011, a sum of Rs.413,228 had been outstanding and the Authority had not reached a final decision on those loans even by 15 March 2013.

3.2 Operating Inefficiencies

The following observations are made.

- (a) Out of the advances amounting to Rs.1,086,640 granted in 14 instances, a sum of Rs.452,880 had been refunded in cash to the Authority. The balance sum of Rs.633,760 had been considered as advances and carried forward as the bills had not been submitted. In addition, advances amounting to Rs.1,315,340 obtained in 29 instances had been settled after delays ranging from 02 to 06 months from the completion of the respective purposes.
- (b) Maintenance of Stock Records of Stores

 - (i) Non-maintenance of Bin Cards and the Stock Ledger for the goods received and issued by the Stores and the non- maintenance of Branch Inventories for the goods issued to Branches were observed.
 - (ii) A permanent Storekeeper had not been appointed for attending to the functions of the stores and that work had been done by a Computer Assistant.

3.3 Transactions of Contentious Nature

- (a) Ranaviru Parental Care Programme

This Programme is not directly connected to the objectives of the Authority and the Ministry of Defence and Urban Development had, under a special approval, provided money for the payment of a monthly allowance of Rs. 750 per parent of a ranaviru. The Authority had paid a sum of Rs.1,667,250 in the year under review in that connection and no installments whatsoever thereunder had been paid up to March 2013.

Nevertheless, a test check revealed that the Authority had spent a sum of Rs.19,542,642 comprising Rs.740,846 for preparation of the stage, a sum of Rs.7,185,696 for the preparation of the publicity plan, a sum of Rs.9,315,480 for the publication of newspaper advertisement and a sum of Rs.2,300,620 for providing transport and other expenses from 04 Expenditure Objects of the Authority in connection with the inauguration ceremony of the Programme.

(b) Ranaviru Divineguma Programme

The implementation of a programme under this Project for the grant of self-employment loans up to Rs.500,000 to the ranaviru through Banks financed by the Ministry of Economic Development had been done and the expenditure incurred by the Authority on the ceremony and the other activities of the Programme amounted to Rs.2,819,635. Provision for this purpose had not been made in the budget at the beginning of the year and the expenditure incurred on other activities from the money allocated for ranaviru welfare was observed as an expenditure incurred contrary to the objectives of the Authority.

3.4 Underutilization of Funds

The following observations are made.

- (a) The budget prepared by the Authority for the year 2012 had been revised on 14 September 2012 and 22 February 2013. These revisions had been made for providing money for the programmes not included in the Action Plan at the beginning of the year and for the transfer of money from programmes under which no expenditure had been incurred to the programmes of which the provisions had been exhausted.
- (b) As the activities according to the Action Plan had not been executed, a reconciliation of the budgeted expenditure of the Authority for the year under review with the actual expenditure indicated variances ranging from 10 per cent to 61 per cent in the recurrent expenditure and variances ranging from 36 per cent to 98 per cent in the capital expenditure.

3.5 Idle and Underutilized Assets

The motor vehicle No. GB4742 had been repaired at a cost of Rs.340,760 and brought to the office on 20 April 2011. The motor vehicle had become unroadworthy from 29 July 2011 after running about 4,500 kilometers. Thereafter the motor vehicle had been parked idle in the office premises without being used.

3.6 Identified Losses

The following observations are made.

(a) Mobitel Telephone Connection

A Mobitel connection used without written transfer had been misplaced and the bills for 4 months in that connection amounting to Rs.35,294 had been paid by the Authority due to the inability to identify the party concerned. The Authority did not follow a procedure for obtaining the recommendation of the bill from the officer using the telephone.

(b) A motor vehicle of the Authority had met with an accident on 24 June 2012 and the loss caused from the accident had been computed at Rs.163,830. The insurance company had agreed to pay only a sum of Rs.63,385 to the Authority as the motor vehicle had been insured for a lesser value and the Authority had to bear the balance sum of Rs.100,445.

3.7 Deficiencies in Contract Administration

Even though a maximum of 20 per cent of the contract value can be paid as an advance in terms of Section 5.4.4 of the Procurement Guidelines, advances at the rate of 50 per cent had been granted for two contracts valued at Rs.740, 846 and Rs.7,185,696.

3.8 Staff Administration

The following observations are made.

Staff Management

The particulars of the cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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Executive Grades	24	16	08
Non-executive Grades	07	07	--
Others	13	13	--
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	44	36	08
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The following Observations are made in this connection.

- (a) Out of the actual cadre appearing above, the Project Manager, the Legal Officer, a Project Officer and an Office Aids had been recruited on contract basis. The posts of the Administrative officer and the Accountant had been vacant. As such it was observed that the administrative and financial activities of the Authority are being carried out without adhering to a methodology.
- (b) The Authority had not assigned in writing the duties attached to each officer of the staff.
- (c) Certain officers had been deployed in duties other than those specified for the appointed post.
- (d) As an Administrative Officer had not been recruited all functions relating to the maintenance of personal files including other administrative matters, purchases and the Stores and the Transport Division had been performed under the supervision of a Computer Assistant attached to the Administration Branch.
- (e) Out of the files subjected to audit, it was observed that the personal files of five officers had been handed over to the Commission to Investigate Allegations of Bribery or Corruption. But there was no documentary evidence of such handover.
- (f) Salary increments had been paid to 06 officers contrary to the conditions stipulated in the letter of appointment.
- (g) The disciplinary inquiry against the officer who functioned as the Accountant of the Authority interdicted with effect from 28 December 2007 had not been completed even by 31 December 2012. According to the Public Administration Circular No. 6/2004 of 15 December 2004 steps should be taken to complete the disciplinary inquiry conducted against an officer interdicted and issue a disciplinary order within one year from the date of interdiction of an officer. The Authority had failed to finalize the disciplinary inquiry despite the elapse of 05 years after the interdiction. The officer is being paid half salary and a sum of Rs.844,080 had been so paid up to 31 December 2012.

3.9 Build up of a Fund for the Provision for Employees Gratuity

Even though the provision for gratuity made by the Authority up to 31 December 2012 amounted to Rs.5,780,435 action had not been taken to invest the money.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

The financial statements for the year 2012 which should have been presented before 28 February 2013 in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, had been presented to the Auditor General only on 21 November 2013, after the elapse of 08 months. Nevertheless, the draft Annual Report had not been presented with the accounts.

4.2 Corporate Plan

The Corporate Plan prepared for the years 2012 to 2017 had not been prepared in a manner to include the following matters in terms of Section 5.1.2. of the Public Enterprises Circular No. PED/12 of 02 June 2003.

- i. The current resources available to the enterprise.
- ii. The Organization Chart
- iii. A review of the preceding three years' operating results.
- iv. The Action Plan clearly identifying the responsibilities of the parties with goals and targets to be achieved during the Plan period.

4.3 Annual Procurement Plan

The Authority had not prepared a Procurement Plan for the year 2012 in accordance with Section 4.2.1 of the Procurement Guidelines.

4.4 Budgetary Control and Action Plan

The budgetary provisions should be made for the achievement of the targets of the Corporate Plan for the current year and the budget should be managed to reach the required targets by indicating the manner of utilization of such funds during the year, determining the responsibilities for financial and physical targets and making necessary revision through timely reconciliation with the actual balances. But such budgetary control system had not been in operation in the Authority.

4.5 Tabling of Annual Reports in Parliament

According to Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Report on the activities of the Authority and the accounts should be tabled in Parliament within 150 days after the close of the financial year. Nevertheless, the Annual Report of the Authority for the year 2011 had not been tabled in Parliament even by 20 March 2013.

4.6 Unsettled Audit Paragraphs

The position relating to the implementation of the directives made on the Authority by the Committee on Public Enterprises at the meeting held on 15 November 2012 had been as follows.

The directive made for the preparation of registers or the establishment of a methodology with facilities for the instant retrieval of information on the Soldiers killed, missing or rendered disable in action, retired soldiers and the members of their families and the information on the various benefits provided to the soldiers had not been finalized even by 20 March 2013.

5. Systems and Controls

The following weaknesses in systems and controls were observed during the course of audit and the special attention of the Management is needed in respect of those areas of control

- (a) Accounting
- (b) Human Resources Management
- (c) Maintenance of Registers
- (d) Performance
- (e) Budgetary Control