

Rehabilitation of Persons, Properties and Industries Authority.

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 it`s fair view of the financial position of the Rehabilitation of Persons, Properties and Industries Authority 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 Comment on Financial Statements

1:2:1 Accounting Deficiencies

The following observations are made.

- (a) Action had not been taken to revalue 04 items of fully depreciated assets costing Rs.7,491,247 which are being used continuously.
- (b) A motor vehicle valued at Rs.4,900,000 had not been included in the financial statements and provision for depreciation in that connection had not been made.

1:2:2 Lack of Evidence for Audit

The following observations are made.

- (a) Any documentary evidence whatsoever relating to the balance of Rs.73,920,691 shown as Treasury Deposits in the statement of financial position as at 31 December 2012 had not been furnished to audit.
- (b) The information on the loans granted by the Banks from the sums of Rs.44.5 million and Rs.193.2 million supplied by the Authority to two Banks for the implementation of the integrated loan schemes and the balances remaining had not been furnished to audit.

1:2:3 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Establishments Code	

(i) Section 5.8 of Chapter IV and the Service Minute of the Public Management Assistants' Service of the Democratic Socialist Republic of Sri Lanka	The officer appointed to the post of Data Processing Officer on 15 January 2001 had been absorbed into Class II of the Management Assistants' Service with effect from 09 May 2006 despite not possessing the minimum qualifications and placed at 12 salary increments above the initial salary step and had been confirmed in service on 16 November 2009.
(ii) Section 1.3 of Chapter xiv	According to the provisions in the Establishments Code, the combined allowance is considered as the money paid as reimbursement of expenditure incurred on lodging and subsistence. The Officers of the Authority performing field duties had been paid Rs.460,863 for lodging and food and in addition, combined allowance amounting to Rs.86,857 had also been paid in that connection.
(iii) Section 11.1 of Chapter xxiv and Public Administration Circular No. 08/2005 of 31 March 2005.	A property loan of Rs.987,600 had been approved and granted to an officer who applied for a loan for redeeming a loan obtained from a finance company by mortgaging a property as security.
(b) Public Enterprises Circular No. 95 of 14 June 1994. Paragraph 2	Even though special allowance of Rs.10,500 had been paid to different grades of officers for official travel, the approval of the Treasury had not been obtained.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the financial result of the Authority for the year ended 31 December 2012 amounted to a deficit of Rs.1,283,017 as against the surplus of Rs.4,217,335 for the preceding year. The deterioration of the financial result for the year under review by a sum of Rs.5,500,352 as compared with preceding year had been mainly due to the decrease in the income by a sum of Rs.11,301,520 and payment of compensation by a sum of Rs.6,329,003 and the increase in administrative expenditure by a sum of Rs.527,835

3. Operating Review

3:1 Management Inefficiencies

The following observations are made.

- (a) The Authority had not taken action for the recovery of compensation of Rs.44,300 receivable in connection with an accident caused to a motor vehicle in the year 2009.
- (b) Even though the agreement period of the money made available by the Authority to the National Housing Development Authority for the supply of loan facilities under the Integrated Subsidy Scheme had expired, action had not been taken for the recovery of the balance sum of Rs.124.3 million and the interest thereon.

3:2 Underutilization of Funds

Even though the Authority had withdrawn an investment of Rs.70,500,000 and reinvested a sum of Rs.46,989,000 for the grant of self employment and new housing loans, the balance sum of Rs.23,511,000 had been retained for 2 ½ months without being made in any investment.

3:3 Build up of a Fund for the Provision for Employees Gratuity

The provision of Rs.3,349,943 made for employees gratuity had not been invested for building up a fund.

4. Accountability and Good Governance

4:1 Internal Audit

An internal audit covering all transactions of the Authority had not been carried out.

4:2 Budgetary Control

Variances ranging from 3 per cent to 3184 per cent, were observed between the budgeted and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of financial management control.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in the following areas of controls.

- (a) Fixed Assets
- (b) Budgetary Control
- (c) Housing Assistance Projects
- (d) Payment of Compensation