

Ranaviru Seva Authority - 2010

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Ranaviru Seva Authority had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the Ranaviru Seva Authority as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Delay in presentation of Financial Statements

The draft annual report and the financial statements should be furnished to the Auditor General within 60 days of the closure of the financial year as per Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 2 June 2003. However, the financial statements for the year under review had been furnished for audit on 04 May 2011.

1:2:2 Accounting Deficiencies

The following observations are made.

- (a) Depreciation had not been made for the year 2010 in respect of the office equipment of the Concessionary Loans Project amounting to Rs.116,160 and Machinery and Equipment amounting to 205,230. Accordingly, the depreciation and the provision for depreciation had been understated by Rs.48,209.

- (b) Action had not been taken to determine the market value of donations received at the Authority for distribution among disabled soldiers and bring them to accounts.
- (c) The interest income of fixed deposits of the Authority for the year under review and the interest income receivable had been understated by Rs.260,556 and Rs.30,822 respectively while the withholding tax had been overstated in the accounts by Rs.22,899.
- (d) The cash balance of 4 projects of the Authority shown in the financial statements aggregated Rs.12,610,069. It was Rs.9,100,378 as per cash books of those Projects.
- (e) Instead of accounting the basic salaries as salaries and wages of the Education Project, the net salaries had been accounted for. As a result, the expenditure on salaries and wages had been understated by Rs.131,147. Meanwhile, instead of showing the Employees' Provident Fund contributions of the Authority alone as expenses, the entire contributions of the Employees' Provident Fund had been shown thus overstating the expenditure in the financial statements by Rs.131,147.

1:2:3 Accounts Receivable and Payable.

The following observations are made.

(a) Accounts Receivable

Education loans amounting to Rs.33,000, a deposit amounting to Rs.10,000 and other balances receivable amounting to Rs.79,948 had been shown in the financial statements of the Authority for over 1 year. But, attention had not been drawn towards recovering them.

(b) Accounts Payable

Accounts payable aggregating Rs.536,662 had been shown in the financial statements of the Authority for over 1 year. But, the Authority had not taken steps to settle it.

1:2:4 Unidentified Balances

Direct deposits made at the bank with regard to the Concessionary Loans Project and the Education Project amounted to Rs.33,211 and Rs.146,809 respectively.

1:2:5 Lack of Documentary Evidences for Audit

The following letters and registers relating to assets could not be satisfactorily vouched in audit due to non rendition of same for audit.

- (a) Registers of fixed assets relating to the Projects of the Authority.
- (b) Direct confirmation letters relating to all bank accounts, fixed deposits and savings deposits of the Authority.

1:2:6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made with regard to non-compliance with laws, rules, regulations and management decisions.

Reference to Laws, Rules, Regulations	Non-compliance
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(a) Financial Regulation

F.R. 756

The fixed assets and stocks belonging to the Authority had not been verified by a board of survey.

(b) Public Finance Circulars

No.PED 12 of 2 June 2003

i. Section 6.5.1

The draft annual report of the year under review together with the financial statement had not been forwarded to the Auditor General.

ii. Section 6.5.3

The annual report relating to the activities of the Authority and the financial statements should be tabled in Parliament within 150 days of closure of the financial year. However, action had not been taken to table in Parliament the annual reports and the financial statements commencing from the year 2000.

(c) Public Administration CircularsNo. 41/90 dated 10 October 1990

Paragraph 2.11

Consumption of fuel by vehicles should be tested once in 6 months. However, the tests concerned had not been carried out with regard to the vehicles of the Authority.

2. Financial and Operating Review

2:1 Financial Review-----
2:1:1 Financial Results

According to the financial statements presented, the financial results of the Authority had resulted in a surplus of Rs.9,711,073 after taking into account the government contributions of Rs.19,578,342 as against the deficit of Rs.17,905,712 of the previous year after taking into account the government contribution of Rs.24,965,725. Accordingly, the financial results of the year under review show an improvement of Rs.27,616,785. Considerable decrease in the expenditure incurred on operation of projects and the expenditure on maintenance and the financial expenditure had attributed to the significant level of decrease during the year under review.

2:2 Operating Review

2:2:1 Performance

The following observations are made.

- (a) The Authority had obtained capital grant from the Treasury during 2008 and 2009. Of this, a sum of Rs.15,985,445 had not been utilized even by 31 December 2009. The Treasury had received back Rs.10,854,964 from the money it had granted in May 2010.
- (b) Of the sum of Rs.278,616,983 provided in 2010 to achieve the objectives of the Project, an approximate sum of Rs.70,636,205 representing 25% had not been utilized for the purpose concerned. 57% of the amount provided for the Housing and Land Project and 49% of the amount provided for the Disabled Ranaviru Welfare and Ranaviru Village Project remained unspent.
- (c) Four Programmes pertaining to the Society, Ranaviru Village and Concessionary Loans Projects of the Authority had not functioned. The amount allocated for it was Rs.16,670,000.

2:2:2 Management Inefficiencies

The following observations are made.

- (a) The Authority had taken action in association with the Divisional Secretariats to distribute 20 blocks of land among soldiers. Only 6 blocks of the above land had been distributed among soldiers by end of the year under review. Further, the Authority had 4 blocks of land donated by individuals. The Authority was unable to use those land for effective usage of soldiers as expected by the donors.
- (b) The Authority maintains 39 Ranaviru Villages. The following lapses were observed according to the verification report furnished. The attention drawn by the authorities towards these lapses was at a weak level.

- (i) Necessities such as water, roads, transport facilities and electricity which are essential for life were not completely available in 26 villages.
 - (ii) The number of Ranaviru families which settled in 18 villages were less than the number that could be settled.
 - (iii) A systematic procedure was not existence to improve and safeguard the villages.
 - (iv) Action had not been taken so as to not allow to sell or give on rent the houses given to soldiers.
 - (v) A planned procedure was not in existence to offer the title deeds of the village land.
 - (vi) A proper procedure was not in existence to strengthen the villagers economically and socially.
- (c) The Department of Textiles had given Rs.510,607 to the Authority on 14 June 2007 to construct a textile centre with the objective of engaging the disabled soldiers in self employment at the Ranaviru Village Ibbagamuwa. In this connection, a sum of Rs.306,360 at the rate of Rs.153,180 had been released on 19 March 2008 and 10 July 2009. Although 4 years had elapsed from 2007 to date, the Authority could not fulfil the objective concerned.
- (d) The Kekirawa Ranaviru Welfare Association had furnished an estimate for Rs.499,995 on 5 November 2008 to construct pre school building. Accordingly, a total sum of Rs.399,996 had been released for this purpose on 15 December 2008, 25 May 2009 and 16 October 2009. Although over 2 years had elapsed the Authority was unable to complete the work concerned.

2:2:3 Operating Inefficiencies

The following observations are made.

- (a) The cheques relating to emergency distress assistance and loan assistance given to dependants of soldiers by the Authority remained with the provincial officers for 2 to 6 months without being handed over to beneficiaries and the validity period had been extended subsequently. As such, it was observed that the welfare work of soldiers had not been properly carried out.
- (b) The Authority had not decided the maximum advances payable to officers of the Authority for various work of projects. Meanwhile, the advances obtained by 8 officers during 2010 amounted to Rs.689,921. Of this, a sum of Rs.131,139 had been returned to the Authority as savings. But, bills to confirm expenses amounting to Rs.558,782 had not been furnished and the amount concerned had been shown as unsettled advances. This could be considered as misuse of government funds.
- (c) The credit balance in the prior year adjustment account as shown in the financial statements of the year under review amounted to Rs.6,100,902. Included in those balances were –
 - * The amount provided for expenditure on education, disabled and society projects of the previous year amounting to Rs.200,000, Rs.3,524,247 and Rs.3,204,220 respectively.
 - * The balance of Rs.959,000 and the balance of Rs.600 pertaining to the disabled and society projects accounts due to overprovision for payables during the previous year.

Journal entries had not been prepared for the above adjustments made in the Prior year Adjustment Account, as shown above. It was evident from the nature of these adjustments, that the adjustments made in excess had been caused due to the weaknesses existing in the financial control and review of the Authority.

2:2:4 Uneconomic Transactions

A workshop had been organized for preparing a corporate plan for the Authority for 5 years commencing from 2011 by obtaining external consultancy and resource contributions. The expenditure incurred in this connection was Rs.521,382. However, the Authority was unable to prepare the said Corporate Plan as per circular.

2:2:5 Personnel Management

So far, the Authority was unable to fill the vacancies in the higher posts and to get the approval for adequate staff. Temporary assignments had been made for higher posts. The vacancies in the post of legal officer and a socio mental specialist could not be filled from 2003. The shortage of staff had been get rid of by recruiting trainees on contract basis. Although employees had been obtained by the Authority from police and army, they had not been assigned effectively according to the needs.

2:2:6 Corporate Plan

A corporate plan had been prepared for 2009 – 2011. But, it had not been prepared in terms of Public Enterprises Circular No. PED 12 of 2 June 2003. It has not been updated for the period 2010 – 2012.

2:2:7 Budgetary Control

There were significant variations between the estimated and actual income and expenditure. Thus it was observed that the budget had not been effectively used as an instrument of management control.

3. Systems and Controls

Deficiencies 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 respect of the following areas of control.

- (a) Internal Audit
- (b) Operation of Projects
- (c) Personnel Management
- (d) Maintenance of Registers
- (e) Fixed Assets Control
- (f) Budgetary Control
- (g) General Administration