

Rehabilitation of Peoples, Properties and Industries Authority

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 Rehabilitation of Persons, Properties and Industries 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 Sri Lanka Accounting Standards give a true and fair view of the state of affairs of the Rehabilitation of Persons, Properties and Industries Authority as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Sri Lanka Accounting Standards

The following non – compliances were observed.

(a) Sri Lanka Accounting Standard 3

Even though preliminary steps had been taken for the write off of a sum of Rs.8,642,952 out of the balance of the self employment loans granted at Rs.10,000 and a sum of Rs.67,341,609 out of the properties regularization loans granted at Rs.25,000, to the persons displaced by the July 1983, troubles that had not been disclosed by way of Notes to the accounts in terms of Sri Lanka Accounting Standards 3.

(b) Sri Lanka Accounting Standard 18

Even though fully depreciated fixed assets valued at Rs.6,552,490 had been shown in the balance sheet, those assets had not been physically identified. Even though the fully depreciated assets which can be used further should be revalued in accordance with the Accounting Standard, such steps had not been taken in connection with those assets.

(c) Sri Lanka Accounting Standard 24

The requirements of the Accounting Standard had not been complied with in accounting for the Government grants relating to assets.

(d) Sri Lanka Accounting Standard 36

The gratuity due to a female officer who had vacated post on 06 October 2008 amounting to Rs.87,725 had been deposited in an account with the Department of Labour on 25 July 2009. That amount had not been disclosed as a contingent liability by way of a Note to the balance sheet.

1:2:2 Accounting Deficiencies

The following deficiencies were observed.

- (a) As the value of the motor vehicles as at 31 December 2010 amounted to Rs.6,668,570, the depreciation thereon at the annual rates of depreciation of the Authority amounted to Rs.1,667,142. Nevertheless, a sum of Rs.1,677,142 had been brought to account as depreciation, thus overstating the expenditure for the year under review by a sum of Rs.10,000.
- (b) Assets costing Rs.293,000 had been eliminated and their book value amounted to Rs.8,689. As those had been adjusted as fully depreciated assets, the profit on the disposal of assets had been overstated by a sum of Rs.8,689.

1:2:3 Non – compliance with Laws, Rules, Regulations and Management Decisions

Non compliances observed during the course of audit are given below.

Reference to Laws, Rules, Regulations, etc.	Non - compliance
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(a) Circular No. MRR/7/1/48/94 dated 05 February 1994 of the Secretary to the Ministry of Shipping, Ports, Rehabilitation and Reconstruction	Even though displaced persons can be paid assistance at Rs.25,000 per person to start off life after marriage contrary to the instructions of the circular two displaced persons had been paid only half of the financial assistance. The payment of the Samurdhi Marriage Allowance should be paid at the time of marriage in order to reap the benefits therefrom. Nevertheless the allowance had been paid in the year under review to persons who had married about 10 to 15 years ago.
(b) National Budget Circular No. 112 of 24 July 2003	A sum of Rs.156,000 had been paid to a Co-ordinating Officer for the use of hired motor vehicles without the formal approval.
(c) Public Administration Circular 09/2007 dated 11 May 2007	Even though the retired public officers employed by State Corporations should not be paid the cost of living allowance, a retired officer who had served from July to December 2010 had been paid a sum of Rs.15,750 as cost of living allowance.
(d) Notification published in the Gazette Extraordinary No. 1530/3 dated 01 January 2008	Stamp duty had not been charged on receipts given for money or properties valued over Rs.25,000.

(e) Establishments Code of the
Government of Sri Lanka

- (i) Chapter V Section 2:5:3 Even though 25 per cent of the salary paid to an officer serving on secondment basis should be recovered and remitted to the Director General of Pensions, the full salary had been paid without making such remittance.
- (ii) Chapter VII Section 10.1 and 10.2 Prior approval should be obtained for the deployment of Staff Officers in service during weekends or on public holidays. Nevertheless, a sum of Rs.35,004 had been paid as holiday pay in 16 instances without such formal approval.
- (iii) Chapter XIV Section 1:3 Even though payment for lodging and food had been obtained for field duties performed, combined allowance also had been obtained for such visits. A test check revealed that Rs.290,744 for food and Rs.44,662 as combined allowance had been obtained.
- (iv) Chapter XXIV Section 4:8 The Authority had paid a sum of Rs.189,545 as employees' gratuity on 30 September 2010 and 02 February 2010 to two officers who had resigned from Service on 30 September 2010 and 02 February 2010 without recovering the property loan balances amounting to Rs.736,393 recoverable from them. The Authority had not taken action against the officers who released the gratuity without recovering the money receivable by the Government.

- (f) Public Administration Circular 2/97 of 15 January 1997 and Section 6 of Chapter VII of the Establishments Code. The Authority which did not have its own approved Financial Regulations or Regulations on Overtime, had paid overtime at 1 ½ times per hour contrary to the provisions of the Public Administration Circular.
- (g) Financial Regulations of the Government of Sri Lanka

Financial Regulation 756 (2)(a) Even though two responsible officers should be appointed to the Board of Survey, the officers in charge of purchases had been deployed on Board of Survey duties. A sum of Rs.12,000 had been paid without formal approval to 04 officers of the Authority deployed Board of Survey duty.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the working of the Authority for the year under review had resulted in a surplus of Rs.2,137,985 as compared with the corresponding surplus of Rs.12,389,558 for the preceding year, thus indicating a deterioration of Rs.10,251,573 in the financial results. It was observed that the decrease of income by a sum of Rs.45,467,575 and the decrease of expenditure by Rs.32,852,099 comprising personal emoluments amounting to Rs.2,134,820 and compensation and welfare activities had been the major reasons affecting the deterioration in the financial result.

2:1:2 Matters of Contentious Nature

Eleven persons extraneous to the approved cadre had been deployed in service for the post of Co-ordinating Officer in the year 2010 and salaries amounting to Rs.773,916 had been paid in that connection.

2:2 Operating Review

2.2.1 Performance

The performance of the activities of the Authority during the year under review had been as follows.

Programme	Estimate	Actual	Variance	Estimated Instances	Actual Instances	Variance
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	Rs.	Rs.	Rs.			
1. Payment of Compensation for Death and Injury Caused to the General Public	208,754,400	48,964,500	159,789,900	2,758	638	2,120
2. Payment of Compensation for Deaths or Injury to Employees of Public or State Corporation Services	11,535,750	2,345,000	9,190,750	116	19	97
3. Payments of Compensation for Properties of Public Officers	40,595,000	39,155,411	1,439,589	341	398	(57)
4. Payment of Compensation for damaged places of Religious Worship	10,900,000	665,740	10,234,260	41	09	32
5. Payment of Compensation for Properties of General Public	27,190,000	25,126,893	2,063,107	322	332	(10)
6. Samurdhi Marriage Assistance to Displaced Persons	39,750,000	6,675,000	33,075,000	1,590	524	1,066
7. Payment of Compensation on Property for Special Category of Persons	2,850,000	597,500	2,252,500	19	06	13
8. Payment of Housing Assistance under the Joint Subsidy Scheme	126,450,000	85,000,000	41,450,000	1,404	2,087	(683)
9. Payment of Compensation for Death and Injury caused by Election Violence	10,617,250	--	10,617,250	354	---	354
10. Payment of Compensation for Properties destroyed by Election Violence	100,000,000	---	100,000,000	2,208	--	2,208
11. Payment of Cost of Living Allowance under the Joint Subsidy Scheme	41,250,000	---	41,250,000	1,250	--	1,250

2:2:2 Operating Inefficiencies

Interest amounting to Rs.30,720,000 in respect of 03 years had not been received for the investment of Rs.128,000,000 made in the National Housing Development Authority during the years 1990 to 1995 for the supply of loan facilities under the Joint Subsidy Scheme.

2:2:3 Budgetary Control

Significant variances were observed between the estimated and the actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Joint Subsidy Loan Scheme
- (c) Payment of Compensation
- (d) Housing Assistance Projects