

Ranaviru Seva Authority - 2014

The audit of financial statements of the Ranaviru Seva Authority for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 the Section 13(1) of the Finance Act, No. 38 of 1971 and Section 9(3) of the Ranaviru Seva Authority Act, No. 54 of 1999. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI-1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Ranaviru Seva Authority as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

The accounting policy relating to the amortization of fixed assets purchased from capital grants had not been disclosed in the financial statements and amortization in relation to the fixed assets amounting to Rs.541,632 purchased from the capital grants during the year under review had not been adjusted.

2.2.2 Accounting Deficiencies

The following observations are made

- (a) Without being considered the payment of Rs.609,972 made for the purchase of furniture in the preceding year, after the receipt of the goods during the year under review, the cost thereof amounting to Rs.2,288,899 had been brought to account as the total amount payable.
- (b) Depreciation of Rs.354,938 had been under stated in the accounts relating to the year under review.
- (c) Insurance expenditure amounting to Rs.257,171 payable for the year under review had not been brought to account.

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

Registers of fixed assets in respect of fixed assets and computer accessories had not been maintained by the Authority as required by the provisions in the Treasury Circulars No.842 dated 19 December 1978 and No.IAI/2002/02 dated 28 November 2002 .

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Authority for the year ended 31 December of the year under review had been a deficit of Rs.12,853,444 as compared with the corresponding deficit of Rs. 12,301,556 for the preceding year, thus indicating a deterioration of Rs.551,888 in the financial results for the year under review as compared with the preceding year. Although income had increased by Rs.190,230,099,

increase in the expenditure by Rs.190,781,987 had given rise to the deterioration of the financial results.

3.2 Analytical Financial Review

Recurrent grants amounting to Rs.229,790,000 had been received for the Ranaviru Memorial Project during the year under review and an expenditure amounting to Rs.264,220,940 had been incurred in respect of that project. This is an increase of 206 per cent as compared with the expenditure of the preceding year. Out of that, an expenditure of Rs.221,234,250 had been incurred for granting *Mapiya. Rekawarana* benefits and it is an increase of 345 per cent as compared with the preceding year.

4. Operating Review

4.1 Performance

(a) Installation of the Data System

The following observations are made

- (i) In terms of Section 6 of the Ranaviru Seva Authority Act, No. 54 of 1999 it had been specified that, within 60 days from the date of establishment of the Authority, a Register of Names containing the information of all the soldiers who have become disabled, been killed and are missing in action and the information of their dependents should be prepared, maintained and continuously updated. Nevertheless, despite the lapse of 15 years from the establishment of the Authority, action had not been taken to prepare complete registers and update them so as to appropriate to the requirements even by 31 December of the year under review.
 - (ii) In order to create a database by obtaining information of the war heroes, 269 forums had been established at one forum in a Divisional Secretary's Division in 8 provinces other than the North Province in the year 2004. However, despite a lapse of 11 years, the relevant purpose had not been fulfilled. As such, having initiated a system for collecting information island wide for the creation of database in the year 2011, a sum of Rs.12,958,801 had been spent up to the year 2014. Since the information collected in that manner as well being incomplete, creation of the database could not be completed even by 18 March 2015, the date of audit.
- (b) Although the main objective of the Authority is to set up industrial, agricultural or commercial ventures with a view to providing employment to the members of the Armed Forces and the Police Force who have become disabled in action, steps towards the fulfilment of that objective had not been taken even by 31 December of the year under review from the establishment of the Authority.

4.2 Management Inefficiencies

In order to recruit employees for the vacant posts of the Ranaviru Seva Authority, newspaper advertisements had been published on 25 October 2013 at a cost of Rs.351,876 and the relevant interview had been held on 01 July 2014, whereas those recruitments had been cancelled on 09 April 2015. Accordingly, the relevant expenditure was observed to be a fruitless expenditure in audit.

4.3 Transactions of Contentious Nature

The following observations are made

- (a) Out of the provision amounting to Rs.174,900,000 made for granting various loan facilities to the defendants of the war heroes who were killed and are missing and to those became disabled, a sum of Rs.1,134,210 had been spent on printing 9,900 calendars for the year 2015 and greeting cards and envelopes at 2000 units contrary to the relevant purpose.
- (b) Out of Rs.11,961,096 spent for the publicity media during the year under review, a sum of Rs.9,082,696 had been spent during the month of December of the year under review and it could not be established in audit that the respective expenditure was relevant to the achievement of the objectives of the Authority.
- (c) A sum of Rs.2,190,000 provided during the year under review for the construction of regional reception halls and parks to enable the war heroes to spend their time leisurely had been granted to the Provincial Governors of the North Central and Sabaragamu Provinces at Rs.1,095,000 in order to inscribe the names of the war heroes in the monuments of war heroes of the North Central and Sabaragamu Provinces contrary to the relevant objective.

4.4 Underutilization of Funds

The following observations are made

- (a) Although a sum of Rs.38,459,000 had been estimated for the capital expenditure during the year under review by the revised budget, of which only a sum of Rs.10,311,499 had been spent and it represented 27.53 per cent of the amount provided.
- (b) Out of Rs. 10,500,000 estimated for 4 projects during the year under review, a sum of Rs.9,155,452 or 87 per cent had not been spent for the relevant projects.

4.5 Idle and Underutilized Assets

The following observations are made.

- (a) A van and a motor bicycle had remained idle in the vehicle park of the Authority for a period of more than three years without being utilized for running.

- (b) The printing machine and other equipment purchased at a cost of Rs.651,739 on 25 August 2014 for the print of Ranaviru Priority Identity cards for the war heroes and their dependents had been stored in the stores without being utilized even by 09 September 2015, the date of audit. It was observed that there were equipment the warranty period of which had also expired in those equipment.

4.6 Delayed Projects

The following observations are made

- (a) Although a sum of Rs.8,000,000 and Rs.1,000,000 had been estimated for the installation of electric elevator and the construction and beatification of internal auditorium in the years 2013 and 2014 respectively and commenced those projects in the year 2015, those had not been completed even by 31 March 2016, the date of audit.
- (b) In order to develop infrastructure facilities of the Ranaviru Villages, the Authority had spent a sum of Rs.6,783,063 for 16 projects subject to a maximum of Rs.500,000 per project from the year 2008 to the year 2014, whereas project activities of the Ranaviru villages of Galnewa, Rambewa, Keragala, Kuruvita Paradise, Mirigama and Walbothale had not been completed even by 20 April 2016, the date of audit.

4.7 Personnel Administration

In accordance with the cadre restructuring of the Authority, there were 36 vacancies comprising the Administrative Officer, Accountant, thirty two Programme Officers and two Karyala Karya Sahayakas included in the approved cadre, whereas the Authority had not taken action to fill those vacancies even by 31 December 2015.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the financial statements should be furnished to the Auditor General within 60 days from the close of the financial year. Nevertheless, the financial statements relating to the year under review had been furnished to audit on 04 March 2016.

5.2 Internal Audit

Replies for 4 audit queries issued by the Internal Audit Unit during the year under review had not been given.

5.3 Procurement and Contract Process

The following observations are made

(a) Installation of Claddings of the Building

- (i) In awarding the contract relating to the installation of claddings of the building of the Authority, without being prepared total estimates and entered into a proper agreement and without being obtained performance bond in terms of Government Procurement Guideline 2006, the contract had been awarded to a contractor in March 2012.
- (ii) Without obtaining the engineering certificate to the effect that the relevant activity was properly carried out and without deducting the retention money, total value of Rs.6,393,600 had been paid to the contractor on 11 May 2012 by considering that the contract had been properly completed. However, due to the defects existed therein, 2 contracts valued at Rs.7,769,046 had been awarded to another contractor in March and August for removing and reinstalling claddings.
- (iii) It was observed in audit that as a result of incurring expenditure twice on the same task, the Authority had suffered a loss of Rs.6,393,600.
- (b) Even though updating of electricity supply of the building had not been included in the Procurement Plan, the Authority had spent a sum of Rs.1,817,285 for that purpose.

6. Systems and Controls

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

Area of Systems and Controls
-----**Observations**

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| (a) Accounting | Failure to take action to recognize the expenditure relating to the year correctly and bring it to account. |
| (b) Financial Control | Absence of a proper supervision on issuing, settling and utilization of advances. |
| (c) Personnel Administration | Failure to take action to fill vacancies and not carrying out progress review. |
| (d) Procurement Process | Failure to comply with the Procurement Guidelines in connection with the contracts. |