

Rehabilitation of Persons, Properties and Industries Authority-2013

The audit of financial statements of the Rehabilitation of Persons, Properties and Industries Authority for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity 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 8(2) of the Rehabilitation of Persons, Properties and Industries Act, No. 29 of 1987. 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 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 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 judgment, 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 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 Rehabilitation of Persons, Properties and Industries Authority as at 31 December 2013 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 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) Even though the current assets and the non-current assets, the current liabilities and the non-current liabilities should be disclosed in the proper sequence in the format of the statement of financial position in accordance with the Sri Lanka Public Sector Accounting Standard No.1 , those had not been shown in that sequence in the statement of financial position.
- (b) Even though the prior year comparative figures shown with the accounts for the year under review had been altered as shown in the Sri Lanka Public Sector Accounting Standard No. 3, the notes on explanations had not been presented.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) In the revaluation of the assets in the year under review, a part of selected assets only had been revalued instead of revaluing the entire class of assets. Accordingly the assets not revalued amounting to Rs.8,138,908 had been eliminated from the accounts.
- (b) A sum of Rs.1,522,660 of recurrent nature spent by the Authority for the partitioning of rooms of a rented building prior to the year under review had been shown under the non-current assets. But the Authority's Office had been shifted to another place by the end of the year under review.

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

Non-compliance with the following laws, rules and regulations were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter XIV Section 1.3	Combined allowances amounting to Rs.460,863 had been paid outside the provisions of the Establishments Code, to the officers of the Authority.
(b) Financial Regulation 371(2) of the Democratic Socialist Republic of Sri Lanka	Even though the maximum limit for the grant of ad hoc sub-imprest is Rs.20,000, contrary to that advances exceeding Rs.20,000 up to Rs.207,500 had been granted in 35 instances. In addition, further advances had been granted before the settlement of the previous advances.
(c) Paragraph 2 of the Public Enterprises Circular No. 95 of 14 June 1994	Special allowances amounting to Rs.86,857 had been paid to different grades of staff for duty without the approval of the Treasury.

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| (d) Treasury Circular No.842 of 19 December 1978 | A Register of Fixed Assets had not been maintained in accordance with the provisions in the Circular. |
| (e) Public Administration Circular No. 30/2008 of 31 December 2008 | Even though the maximum limit of distress loans granted to officers is Rs.250,000 , two officers had been granted distress loans exceeding that limit. |
| (f) Management Services Circular No. 43(1) of 12 September 2011 | If the salary received by an officer is reduced due to the conversion of salary, the adjustment allowances given for its removal should be stopped completely with effect from 01 July 2011. Nevertheless payments had been made continuously to three officers without taking action accordingly. |

2.4 Unreconciled Control Accounts

Even though the compensation paid in the year had been shown as Rs.98,625,564 in the financial statements, that according to the registers maintained by the Compensation Division amounted to Rs.96,238,064. Thus a difference of Rs.587,500 was observed.

2.5 Accounts Receivable

The Authority had not taken action for the recovery of the compensation amounting to Rs.44,300 receivable from an insurance institution in connection with accident caused to a motor vehicle in the year 2009.

2.6 Transactions not supported by Adequate Authority

Even though an initial deposit of Rs.4,500,000 had been paid for the procurement of a new rented office building, no such agreement had been reached during the Procurement Committee evaluation stage. Nevertheless, an initial deposit had been paid without approval.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Authority for the year ended 31 December 2013 had resulted in a surplus of Rs.7,418,327 as against the deficit of Rs.1,283,016 for the preceding year. The improvement of the financial result by a sum of Rs.8,701,343 as compared with the preceding year had been due to the increase of Government grants by a sum of Rs.150,578,000 and the interest income and other income by a sum of Rs.1,483,270.

4. Operating Review

4.1 Performance

According to the Action Plan of the Authority, targets had been set for the grant of loan amounting to Rs.843,200,000 to 6,317 beneficiaries under three projects through the finance institutions for the purpose of rehabilitating the persons displaced due to terrorist activities. Even though loans amounting to Rs.170,533,000 had been granted to 1,216 beneficiaries, the overall progress had been at a low level of 20 per cent. Even though the grant of a sum of Rs.745,000,000 to 5,707 beneficiaries under the Self-employment Scheme which is major project out of those, had been planned, the actual amount of loans granted to 1,202 beneficiaries had been Rs.167,233,000. As such a progress less than 22 per cent was observed.

4.2 Management Inefficiencies

The following observations are made.

- (a) Out of the money given by the Authority to the National Housing Development Authority for the grant of loan facilities under the Unified Assistance Scheme, the sum of Rs.123.2 million recoverable and the interest thereon had not been recovered despite the elapse of the agreement period.

- (b) Loans amounting to Rs.76,631,093 granted in the year 1983 for rehabilitating the properties affected by the internal conflicts in the country and for self-employment had not been recovered up to date.

4.3 Transactions of Contentious Nature

The following observations are made.

- (a) Even though it had been agreed with the landlord for the payment of a monthly rental of Rs.750,000 for the building taken on rent for shifting the office at the end of the year under review, the valuation made by the Chief Valuer amounted to Rs.700,000 per month.
- (b) A sum of Rs.200,000,000 had been received from the Treasury as provision for the payment of compensation in the year under review. Out of that a sum of Rs.188,194,294 had been utilized for the payment of compensation for deaths, injuries and properties. Sums of Rs.1,383,769 and Rs.1,698,820 spent on the food for the cheque distribution function and for bus transport respectively had also been brought to account under the compensation paid.

5. Accountability and Good Governance

5.1 Corporate Plan

Even though a Corporate Plan for the years 2012 to 2016 had been prepared in terms of Section 5 of the Public Enterprises Circular No. PED/12 of 02 June 2003 for the achievement of the Vision and Mission of the Authority, it had not been revised and updated.

5.2 Procurement Plan

The Authority had not prepared a Procurement Plan for the year 2013.

5.3 Internal Audit

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

6. 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 respect of the following areas of control.

- (a) Accounting
- (b) Fixed Assets
- (c) Budget
- (d) Housing Aid Projects
- (e) Payment of Compensation