

Ranaviru Seva Authority - 2013

The audit of financial statements of the Ranaviru Seva 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 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 Accounting Standards / Sri Lanka 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 conducted in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the significance of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of the recorded or unrecorded items, and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and the cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

Even though assets should be depreciated from the time they are made fit for use in terms of the Sri Lanka Public Sector Accounting Standard No. 9, provision for depreciation had not

been made for the assets costing Rs.7,175,577 purchased during the year due to the adoption of the policy for not depreciating the assets in respect of the year of purchase.

2.2.2 Accounting Policies

The policy followed in connection with the donations received by the Authority had not been disclosed and the computers and accessories valued at Rs.462,760 received as donations by the Authority in the year under review had not been brought to account.

2.2.3 Lack of Evidence for Audit

The accuracy of the loans amounting to Rs.213,585,238 that remained receivable as at 31 December of the year under review could not be established due to the non-submission of a schedule prepared on the basis of the relevant individual accounts.

.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made in connection with the non-compliance with laws, rules, regulations and management decisions.

Reference to Laws, Rules, Regulations, etc.,	Non-compliance
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(a) Finance Act, No. 38 of 1971 Section 8(1)	Even though the budget for the year under review should have been approved by the Board of Governors before 30 September 2012, that had been approved only on 22 February 2013.
(b) Public Administration Circular No. 41/90 of 10 October 1990	Even though the fuel consumption of the motor vehicles of the Authority should be tested once in every 06 months, such tests had not been carried out from the inception of the Authority up to date.
(c) Public Enterprises Circular No. PED/12 of 02 June 2003	
(i) Section 5.2.1	The budgeted statement of income and expenditure, the balance sheet, and budgeted cash flow statement and the Action Plan had not been included in the budget prepared for the year under review.
(ii) Section 6.5.1	The draft Annual Report which should be presented with the financial statements had not been presented.

(d) Treasury Circular No. 842 of 19 December 1978, Treasury Circular No. IAI/2002/02 of 28 November 2002 and Circular No. DMA/02 dated 01 September 2009 of the Department of Management Audit

The Authority had not maintained the Register of Fixed Assets and the Register of Fixed Assets on Computers, Accessories and Software

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 2013 had been a deficit of Rs.12,301,556 as against the surplus of Rs.2,294,685 for the preceding year. Accordingly, a deterioration of Rs.14,596,241 in the financial results for the year under review was observed, The increase of recurrent grants, service charges and Ranaviru Flag sales income by a sum of Rs.35,586,678 and the decrease of lottery income, interest income and donations by a sum of Rs.19,757,140, the increase of maintenance expenses, other recurrent expenditure, operating expenditure and depreciation by a sum of Rs.40,014,858 and the decrease of contractual services by a sum of Rs.1,150,177 during the year under review had been the reasons for the deterioration.

4. Operating Review

4.1 Performance

(a) The following observations are made in connection with the Installation of the Data Systems

In terms of Section 6 of the Ranaviru Seva Authority Act, No. 54 of 1999 it had been prescribed that, within 60 days from the date of establishment of the Authority, a Register of Names containing the information on all the soldiers missing and their dependents and maintain such register in the updated manner. As, such register had not been prepared, an Island-wide Information Collection Scheme had been launched for the preparation of a data base by spending a sum of Rs.6,230,691 in the years 2011 and 2012. Nevertheless, the Authority had failed even by 31 December 2014 to systematically enter such information obtained from the scheme to a data base.

(b) Action had been initiated to provide an appropriate land for the landless soldiers who were rendered disable and died in action. The matters revealed in audit in that connection are given below.

(i) Kiralameda Land at Minuwangoda 1.44 acres in extent received in the year 2001 could not be distributed as it is a paddy land. A suitable course of action had not been taken in that connection up to date.

(ii) Action had not been taken up to date for the distribution of 10 lands 75.82 acres in extent received by the Authority through the Divisional Secretariats

in the year 2004 for distribution among soldiers. The status of those lands is given below.

- Two lands 31.57 acres in extent (Gajarama and Suriyapokuna Koragahawela lands) had been noted as unfit for occupation. The Authority had failed to obtain alternate Lands.
 - Action had not been taken up to date to distribute among the soldiers the balance 08 lands 44.25 acre in extent.
- (c) Action is being taken by the Authority to grant loans such as housing loans, self employment loans, medical loans and three wheeler loans to the families of the disabled and deceased soldiers as providing measurers of financial relief to the members of families. The Authority had paid a sum of Rs.1,060,212,885 on 6,481 loans during the years 2004 to 2013. The Authority had failed even by the end of the year 2013 to establish an Information System containing the particulars of benefits obtained by each beneficiary from the Authority up to date and to reconcile the individual ledger balance with the Control Accounts and confirm the accuracy of the loans.
- (d) There are 40 Ranaviru Villages in which the Authority carries out infrastructure development aimed at creating model villages embodying the Ranaviru name. Even though the Authority had obtained provisions for the implementation of programmes such as development of infrastructure facilities of Ranaviru Village, providing equipment and goods to villages, cordiality development programmes, development of common amenities, home garden programmes, and spiritual and social programmes, activities such as the effective utilization thereof, identification of future needs by carrying out studies of villages and carrying out checks of the effectiveness of facilities provided had been at a very weak level.

4.2 Management Inefficiencies

The following observations are made.

- (a) The Ranaviru Women's Force had been established in March 2013 for the strengthening of the Women of ranaviru families in all villages, in their economic, family development, community development and social spheres for making those women the guards of the respective villages. The Authority had spent Rs.2,545,709 and Rs.1,002,401 on its inaugural ceremony and the media expenses respectively. One workshop under this Programme costing Rs.140,000 had been held for 100 women on 18 December 2013.
- (b) A sum of Rs.38,312,618 had been spent by 31 December 2013 on repairs and improvements to the land and building purchased for Rs.90 million in the year 2009. Even though office work had been shifted to that building while repairs were in progress, the construction of the auditorium on the upper floor and the installation of the lift for the convenience of soldiers vising the office to obtain services had not been completed even by 30 April 2015.

- (c) Out of the advances amounting to Rs.811,080 obtained in the year under review, the unspent balance sum of Rs.185,664 had been refund after delays ranging from 14 days to 150 days since the completion of the programmes. The unspent balances of advances obtained without accurate estimates of expenditure ranged between 12 per cent to 40 per cent and it was observed that there were delays in the settlement of advances.
- (d) The unsettled advances as at 31 December 2013 amounted to Rs.2,186,172 and those remained without being settled over periods ranging from 07 days to 231 days since the date of obtaining the advances. Out of those advances, a sum of Rs.29,894 had been handed over to the Authority on 31 December 2013 as the balance of 09 advances totaling Rs.219,800 without handing over the bills for settlement.
- (e) Even though the motor vehicle No. PR-0612 given to the Authority by the Ministry of Defence in the year 2011 had been used regularly action had not been taken for the transfer of the ownership or return the motor vehicle.

4.3 Operating Inefficiencies

An order for furniture for the second floor of the Ranaviru Seva Authority building amounting to Rs.3,049,860 had been placed on Sri Lanka State Trading (General) Corporation Ltd on 13 August 2013. The Authority had paid an advance of Rs.609,972 and the goods ordered should have been supplied by 19 October 2013. The matters observed at an examination carried out in that connection are given below.

- (a) Out of the goods which should have been supplied by 19 October 2013, goods valued at Rs.2,171,860 only had been supplied even by 31 December 2014. Goods different from those given in the order had been supplied while quantities exceeding the order made had also been supplied.
- (b) The conditions of the order had not been fulfilled even by 31 December 2014 and a bill for Rs.2,183,280 had been forwarded by a private company on 07 February 2014. As such it was observed that the above Corporation had sub-contracted the order to another company.

4.4 Idle and Underutilised Assets

The following observations are made.

- (a) A van and a motor cycle had been idle parked in the Authority premises over a period exceeding two years.
- (b) Even though a finger printing machine had been purchased for Rs.210,000 on 22 January 2013 it had not been made use of for the preparation of salaries and other administrative functions.

4.5 Staff Administration

The approved staff of the Authority as at 31 December 2013 had been 44 and the actual staff had been 35, thus resulting in 09 vacancies. The following observations are made in this connection.

- (a) The approval for the restructure of the staff of the Authority had been granted by the Department of Management Services on 16 October 2012 and the recommendation for the approval of the Scheme of Recruitment had been made by the Salaries and Cadre Commission of 09 July 2013. The Scheme of Recruitment had been approved by the Department of Management Services on 19 August 2013. Accordingly, the notice for the recruitment of staff had been published in the newspapers on 25 October 2013 and the applications had been closed on 08 November 2013. Nevertheless, the recruitment of staff had not been finalized up to date.
- (b) The posts of Administrative Office, the Accountant and the Project Manager had fallen vacant on 15 March 2014, 14 May 2012 and 16 August 2013 respectively and the Authority had not taken action to fill the above 09 vacancies including the above vacancies. The activities of the Accounts Section had been handled by the Finance Assistant and two other clerks without proper distribution of work.
- (c) A monthly plan showing the co-ordination of the Provincial Offices of the Authority with the activities of the Authority had not been prepared. It was observed that the progress review meetings on the activities of those offices are not being held properly.

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 of 02 June 2003, the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements for the year 2013 had been presented for audit only on 29 December 2014.

5.2 Budgetary Control and Action Plan

The following observations are made.

- (a) Even though budgetary provision should be made for the achievement of the targets set for the current year in the Corporate Plan and an Action Plan should be prepared for the efficient utilization of such funds by determining the responsibilities for the financial and physical targets and operate to reach the targets by making necessary revisions based on timely comparison with the actual balances, such systems was not in operation in the Authority.
- (b) Comparison of the budgeted expenditure of the Authority for the year under review revealed variances in the recurrent expenditure ranging from 12 per cent to 56 per cent and the variances in the capital expenditure ranging from 66 per cent to 92 per cent due to the failure to execution the activities in accordance with the Action Plan.

5.3 Procurement Plan

Even though the estimated capital expenditure in the Annual Procurement Plan prepared by the Authority amounted to Rs.32.55 million, a sum of Rs.11 million only had been spent in the year. This had resulted from the failure to carry out the construction and installation activities of the Authority premises according to the plan.

5.4 Unsettled Audit Paragraphs

The position with regard to the implementation of the directives made by the Committee on Public Enterprises at the meeting held on 15 November 2012 is given below.

Direction Number	Subject	Summarised Directive	Current Status / Observations
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15	Distribution of Lands among Soldiers	Prepare an Action Plan for the distribution of Land which had not been distributed up to date and accelerate those activities	An Action Plan for acceleration of land distribution has not been prepared up to date
17	Lands and houses distributed to the beneficiaries and the financial assistance supplied for construction or repair of houses from the year 2009 up to date	To forward a report to the Committee within one month on the lands and houses distributed to the beneficiaries by the Ministry and the Authority and the financial assistance supplied for construction or repairs to houses from the year 2009 up to date.	Such report had not been forwarded to the Committee up to date.
18	Identification of the actual requirements of Soldiers	Identify the actual requirements of the Soldiers and forward a report thereon to the Committee within 3 months.	Such report had not been forwarded to the Committee up to date.

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) Accounts
- (b) Staff Management
- (c) Assets Management
- (d) Internal Control
- (e) Purchases