

## **National Defence Fund - 2012**

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### **1. Financial Statements**

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#### **1:1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Defence Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1:2 Comments on Financial Statements**

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##### **1.2.1 Best Accounting Practices**

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Even though properties, plant and equipment should have been revalued for every 03 years or 05 years, lands valued at Rs.11,030,000 and buildings valued at Rs.4,520,000 belonging to the National Defence Fund had not been revalued after the date of 13 August 2008 and a frame of camel embedded with gems received as donation by the National Defence Fund in the year 1987 at the value at that date amounting to Rs.150,000 had not been revalued from that year up to now. Further, it was confirmed in writing that the above frame of camel was handed over to the Presidential Secretariat in the year 1989. However, its physical existence as at the end of the year under review had not been confirmed by the Fund.

##### **1.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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A Register of Fixed Assets had not been prepared in terms of Treasury Circular No.842 dated 19 December 1978 and the Financial Regulations 502(2).

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the operations of the Fund for the year under review had resulted in a surplus of Rs.57,510,514 as compared with the corresponding surplus of Rs.48,835,628 for the preceding year, thus indicating an improvement in the financial results by Rs.8,674,886. Increase of interest income on investments by Rs.15,887,298 or by 32.8 per cent was the main reason for this improvement.

## 3. Operating Review

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### 3.1 Performance

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Even though it was the functions of the Board to utilize the funds of the Fund under the direction of the President in most reasonable manner as considered by the Board and to the activities to promote and certify the national defence including payment of any benefits to the families of the Police Forces or Armed Forces or any members who were wounded or died while carrying out their duties, utilization of income earned annually for the relevant purposes was at a very weak level. Particulars relating to income received during the previous 05 years and incurring welfare expenditure thereon are given below.

<b>Year</b>	<b>Total Income Received</b>	<b>Welfare Expenditure</b>	<b>Percentage of Amount Spent for Welfare Expenditure from the Income Received</b>
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	Rs.	Rs.	%
2012	64,988,177	7,238,435	11.14
2011	49,082,045	-	0
2010	75,509,010	40,108,739	53.12
2009	78,037,379	5,500,000	7.05
2008	69,726,492	21,421,412	30.73

### **3.2 Management Inefficiencies**

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The rentals amounting to Rs.55,500 to be recovered for the year 2012 for 3 houses belonging to the Fund rented out for the utilization of the Armed Forces had not been recovered up to 19 July 2013. The rentals had been finally revised in the year 2006 and attention had not been drawn to revise the house rent even though 7 years had elapsed after the final revision.

### **3.3 Idle and Underutilised Assets**

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A sum of Rs.321,835 had been spent relating to the Fund during the year under review from the current account and its monthly average was Rs.26,820. However, the monthly average of the surplus funds of the Fund in those current accounts remained idle during the year under review amounted to Rs.683,794. It had not been utilized effectively in an investment.

## **4. Accountability and Good Governance**

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### **4.1 Corporate Plan**

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Even though a Corporate Plan should be prepared by the National Defence Fund at the beginning of the year at least for 03 years from the year 2010 onward in terms of letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of the Department of Public Finance addressed to all the Secretaries of Ministries, Chief Secretaries of the Provincial Councils, Heads of Department, District Secretaries and Heads of Local Authorities, such a Plan had not been prepared even up to 31 December 2012.

**4.2 Annual Action Plan**  
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Even though an Action Plan should have been prepared by the National Defence Fund for the year 2010 and onwards in accordance with the Corporate Plan prepared in terms of letter of the Director General of the Department of Public Finance mentioned in paragraph (5.1) above, the Action Plan for the year under review had not been prepared up to 31 December 2012.

**4.3 Annual Performance Report**  
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Even though an Annual Performance Report should be prepared by the National Defence Fund within 150 days after the closure of the financial year in terms of Public Finance Circular Nos.402 and 402(1) dated 12 September 2002 and 20 February 2004 pointed out in the letter of the Director General of the Department of Public Finance mentioned in paragraph (5.1) above and it should be tabled in Parliament with a copy to the Auditor General, the performance report for the year under review had not been tabled in Parliament even up to 31 August 2013.

**4.4 Procurement Plan**  
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The Procurement Plan in terms of National Budget Circular No.128 dated 24 March 2006 had not been prepared up to 31 December 2012.

**4.5 Meetings of the Board of Control**  
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Meetings of the Board of Control had not been conducted even in the year under review as like as in the previous year.

**5. Systems and Controls**

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

- (a) Accounting
- (b) Investment of Surplus Funds

## Appendix – 01

Statement of Income and Expenditure of the National Defence Fund for the year ended 31 December 2012.

	2012	2011
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<b><u>Income</u></b>	Rs.	Rs.
Donations	39,820	20,986
Interest on Investment	64,282,357	48,395,059
House rent	666,000	666,000
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	64,988,177	49,082,045
	=====	=====
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<b><u>Expenditure</u></b>		
Staff allowances	20,400	20,400
Welfare Expenditure	7,238,435	-
Depreciation on Buildings	184,078	193,767
Ranaviru Donation	34,750	32,250
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	7,477,663	246,417
	=====	=====
Income over Expenditure	57,510,514	48,835,628

## Annexure 02

## Statement of Investment of Funds

Invested Institute	Account Number	Date of Investment	Period (Years)	Balance as at 31 December 2012
				Rs.
National Savings Bank	2/0001/19/88646	28 August 2012	01	106,340,216
Treasury Bills	LKA 36413G198	20 July 2012	01	66,413,739
National Savings Bank	2/0065/11/54001	21 September 2012	01	87,135,436
National Savings Bank	2/0065/11/61784	27 June 2012	01	83,190,626
National Savings Bank	2/0065/11/61750	27 June 2012	01	78,031,913
National Savings Bank	2/0065/11/61768	27 June 2012	01	99,828,736
Treasury Bills	LKA 36412L 281	28 December 2012	01	45,325,620
National Savings Bank	2/0065/11/25753	24 March 2012	01	60,863,322
National Savings Bank	2/0065/11/25058	31 March 2012	01	400,000
National Savings Bank	2/0065/11/29465	30 June 2012	01	8,604,999
National Savings Bank	2/0065/11/61776	30 June 2012	01	11,071,998
National Savings Bank	2/0065/11/14085	16 July 2012	01	1,842,620

National Savings Bank	2/0065/11/14077	16 July 2012	01	1,842,620
Treasury Bills	000B SCB 11140005	20 April 2012	01	5,388,449
Treasury Bills	000B NRP 110490023	21 February 2012	01	3,215,408
People's Bank	0033 - 261 - 070152 -4	30 September 2012	01	25,013
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				<u>659,520,715</u>