

## **Api Wenuwen Api Fund - 2013**

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The audit of financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the income and expenditure account, the cash flow statement and register of investments for the year then ended 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 Section 11(7) of the Api Wenuwen Api Fund Act, No. 06 of 2008. My comments and observations on the above financial statements appear in this report.

### **1.2 Management's Responsibility for Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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**

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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 risks assessments, the auditor considers internal control relevant to the Fund'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 Fund'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.

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

## 2. **Financial Statements**

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### 2.1 **Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Api Wenuwen Api Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

## 3. **Financial Review**

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### 3.1 **Financial Result**

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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. 67,561,567 as compared with the corresponding surplus of Rs. 31,995,802 for the preceding year. As such, an increase of Rs. 35,565,765 was observed in the financial result for the year under review as compared with the preceding year.

### 3.2 **Analytical Financial Review**

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An increase of Rs. 35,565,765 had been shown in the financial results for the year under review as compared with the preceding year. The following variances between the expenditure and the income had attributed to this position.

- (a) Increase of donation income by Rs. 120,466,062 or 342 per cent.
- (b) Increase of transmission tower income by Rs. 40,754,527 or 36 per cent.
- (c) Increase of installment income of the Ranajayapura Housing Project by Rs. 3,164,346 or 45 per cent.
- (d) Increase of interest income on investments by Rs. 14,483,785 or 18 per cent.
- (e) Increase of sales income from wrist bands programme by Rs. 2,602,234 or 272 per cent
- (f) Increase of project expenditure by Rs. 144,847,955 or 54 per cent.
- (g) Increase of depreciation by Rs. 1,059,288 or 5892 per cent.

#### 4. **Operating Review**

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##### 4.1 **Performance**

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The main objectives and goals of the Fund were establishment of schemes to provide financial assistance to construct houses for members of the armed forces, providing aid to obtain housing facilities to entitled members of the armed forces, making provisions for obtaining loans from private institutions by the members of the armed forces and granting aid for payment of such loans and formulating a scheme to confirm repayment of loans at the death or at the battle front or permanently disabled in another way or in an injury in terms of paragraph 4 of the “Api Wenuwen Api” Fund Act, No.06 of 2008.

Even though 05 years had elapsed after establishment of the Fund by the year under review, attention of the Fund had been paid only on granting aid to provide housing facilities for entitled members of the armed forces out of the said Fund. Even though out of the entire assets of the Fund, 90 per cent or Rs. 821,046, 485 had been invested in treasury bills and fixed deposits, no attention had been paid for utilizing the said amount to fulfill the above objectives except investment of funds.

##### 4.2 **Management Inefficiencies**

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The following observations are made.

- (a) Even though in terms of the Cabinet Decision entered into on 03 February 2009 in respect of the Cabinet Memorandum No. MOD/FD/IA/5/3/(2) submitted to the Cabinet of Ministers on 23 January 2009 by the Minister of Defence, the Secretary to the Ministry of Defence, Public Security, Law and Order had informed the institutes such as the Three Armed Forces, Department of Police and Department of Civil Security by the letter No. FD/IA/05/03(2) of 11 November 2009 that action should be taken to ‘credit’ all receipts from external sources to the Consolidated Fund and to contribute the entire income so credited to the Consolidated Fund to the “Api Wenuwen Api” Fund as a grant, no action had been taken to obtain the income earned from external sources in any year up to the year under review through the Consolidated Fund to the “Api Wenuwen Api” Fund as a grant.
- (b) Even though a sum of Rs.800,000 should have been recovered by 200 monthly installments at the rate of Rs.4,000 per installment for a house from the members of three Armed Forces who had obtained houses from the Ipalogama Ranajayapura Housing Project, the Fund had failed to recover the outstanding installments of Rs.1,762,996 by the end of the year under review.

## 5. **Accountability and Good Governance**

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### 5.1 **Corporate Plan**

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Even though in terms of letter No.PF/R/2/2/3/5 (4) dated 10 March 2010 of the Director General of Public Finance, a Corporate Plan should be prepared at the beginning of the year at least for 03 years from the year 2010 onwards, the said Corporate Plan had not been prepared even by 31 December 2013.

### 5.2 **Annual Action Plan**

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Even though an Action Plan should be prepared for the year 2010 and onwards in accordance with the Corporate Plan, the Action Plan for the year under review had not been prepared even by 31 December 2013.

### 5.3 **Annual Performance Report**

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Even though the Annual Performance Report that should be prepared by the 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 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 by 31 October 2014.

### 5.4 **Annual Procurement Plan**

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The Annual Procurement Plan in terms of National Budget Circular No.128 dated 24 March 2006 had not been prepared even by 31 December 2013.

## 6. **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) Recovery of Installments
- (b) Investment of Funds
- (c) Preparation of Plans