

## **Api Wenuwen Api Fund - 2014**

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The audit of financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure account and the cash flow statement 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.

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

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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**

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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 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 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.

### **1.4 Basis for Adverse Opinion**

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Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

## **2. Financial Statements**

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### **2.1 Adverse Opinion**

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In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the

Api Wenuwen Api Fund 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**

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### **2.2.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) Out of the sum of Rs. 136,000,000 granted to the Sri Lanka Army for the construction of houses in the year under review, only Rs. 127,305,345 had been spent as at 31 December 2014. Nevertheless, the total amount had been brought to account as an expenditure, thus the expenditure had been overstated by a sum of Rs.8,694,655 whereas the receivables had been understated by a similar amount.
- (b) Tools and equipment purchased at a cost of Rs.1,713,542 in the year under review and the preceding years had been brought to account under current assets, thus adjustments for depreciation had not been made for the relevant years.

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

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The following non-compliances with laws, rules, regulations and management decisions were observed.

<b>Reference to Laws, Rules, and Regulations</b>	<b>Non-compliance</b>
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(a) Financial Regulation 757 of the Democratic Socialist Republic of Sri Lanka	A physical verification had not been carried out in respect of non-current assets valued at Rs.14,330,738 and stock valued at Rs.1,713,542 as at 31 December 2014.
(b) Section 8 of the Api Wenuwen Api Fund Act, No.06 of 19 February 2008	The Board of Management had not conducted meetings in the year under review.

## **2.4 Transactions not supported by Adequate Authority**

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Sums amounting to Rs.141,651,981 and Rs.593,947,151 had been invested in treasury bills and fixed deposits respectively during the year under review without obtaining the Treasury approval.

## **3. Financial Review**

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### **3.1 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 deficit of Rs. 77,029,760 as against the surplus of Rs.67,310,121 for the preceding year, thus indicating a deterioration of Rs. 144,339,881 in the financial result

for the year under review as compared with the preceding year. The increase of expenditure by Rs.9,212,921 despite a decrease of income by Rs.135,126,960 had mainly attributed to this deterioration.

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

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##### **4.1 Action Plan and Annual Performance Report**

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Even though an Annual Action Plan in terms of Public Finance Circular No.01/2014 of 17 February 2014 and a Performance Report in terms of Section 4.3 of the Public Finance Circular No. No.PF/423 of 22 December 2006 should be prepared, action had not been taken accordingly.

##### **4.2 Procurement Plan**

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A Procurement Plan in terms of National Budget Circular No.128 of 24 March 2006 had not been prepared for the year under review.

##### **4.3 Budgetary Control**

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An Annual Budget in terms of Section 4.1 of the Public Finance Circular No. No.PF/423 of 22 December 2006 had not been prepared, whereas capital and recurrent expenditure amounting to Rs.430,555,025 had been incurred during the year under review, contrary to Section 4.1(c).

#### **5. Systems and Controls**

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

- (a) Financial Control
- (b) Accounting
- (c) Budgetary Control