

## **Ranawiru Seva Authority – 2018**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ranawiru Seva Authority for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of changes in net assets for the year then ended and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in the paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **1.3 Responsibilities of management and those charged with governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

#### **1.4 Audit Scope**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control of the Authority relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Authority, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Authority;
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

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### 1.5.1 Accounting Deficiency

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<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
A motor vehicle assessed and brought to account at Rs. 2,100,000 on 23 December 2016 had been sold at Rs. 1,373,000 on 26 January 2018 and disposal profit of the asset had been calculated based on the initial cost of Rs. 1,500,000 instead of assessed value of the respective vehicle. As a result, the disposal profit of the asset had been overstated by Rs. 1,661,425 and provision for depreciation of motor vehicles had been understated by Rs. 1,101,425.	It is expected to correct the accounts in next year.	Instructions required to be given to keep the accounting entries as per the accounting standard.

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

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<b>Reference to the Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) F.R 756	Reports on board of survey carry out for the preceding year had been submitted on 10 May 2018 and a shortcoming in 170 of <b>inventory</b>	The report had been submitted in the Audit and Management Committee Meeting held	It is emphasis that the follow up actions required to be taken immediately on the

**subject** pertaining to 31 units had been shown as per the record. Eventhough respective shortcoming had been reduced upto 68 inventory subject pertaining to 18 units as per the report submitted on 19 October 2018 by carrying out a board of survey again, action had not been taken for the misplaced inventories even as at 31 December 2018.

on 19 October 2018 by goods misplaced and carried out board of strength the internal survey again on the control system on shortcoming remained in the inventory management. the board of survey of 2016/2017. Accordingly shortcoming had been reduced upto 68 inventory subject pertaining to 18 units. It is expected take action as per the Financial Regulation 104 thereon.

(b) Public Finance Circular No. 21 of 24 May 2002

Eventhough performance report for the year under review required to be tabled in the Parliament within 150 days by the end of financial year by the Ranaviru Seva Authority, performance reports for the years 2016 and 2017 had not been tabled in the Parliament even as at 31 December 2018.

Report of year 2016 was submitted the approvals of the Cabinet of Ministers. Action will be taken after receiving the approvals of the Cabinet of Ministers.

Action should be taken to table the annual reports as per the Circular

(c) FR 371

Eventhough soon after the completion of the works advances obtained required to be settled, action had not been taken to settle the advances aggregating Rs. 1,830,450 given to two officers in 5 instances even as at 31 December 2018.

It is expected to take action by carrying out the investigation again through the State Ministry of Defence, due to un satisfaction of the internal inquiry made thereon. In addition an investigation is being carried out by the Commission to Investigate Allegations of Bribery or Corruption thereon.

Action should be taken to strengthen the internal control on advances payment.

## 2. Financial Review

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### 2.1 Financial Result

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Operational result of the Authority for the year under review was a deficit of Rs. 22,447,903 and the corresponding deficiency of the preceding year amounted to Rs. 61,412,678. Thus indicated that the improvement in the financial result by Rs. 38,964,775. Limitations impose in the recurrent expenditure by Rs.50,680,390 for the year under review of the Authority over the preceding year had mainly attributed for the improvement.

## 2.2 Trend Analysis of Major Sources of Income and Expenditure

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Total income of the year under review had been decreased by Rs. 11,715,616 as compared with the preceding year and decreased in income received from supiri wasana sampatha lottery by Rs. 8,952,118 equivalent to 17.2 per cent as compared with the preceding year had mainly attributed for the decreased. Further, the decreased in Project expenditure by Rs. 32,113,180 as compared with preceding year and decrease in cost on supplies and contractual services by Rs. 3,153,507 and Rs. 2,078,721 respectively had been identified as main variances.

## 3. Operational Review

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### 3.1 Progress of the Project

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The following observations are made.

- (a) Health promotion campaign, medical clinic and psychological programme implemented by the Authority for the welfare of the war heroes during last 3 years period had not been implemented during the year under review. Further, it was observed that expenditure incurred on programmes of granting audio and video equipments, self-employment and scholarship for the disabled war heroes had been gradually decreased by annually. It was further observed that programmes had not been implemented to identify the social needs of the war heroes and their families and implement the welfare programme thereon.
- (b) The following table shows the comparison of the expenditure incurred for the projects on welfare of the war heroes implemented during the year under review and preceding year by the Authority and administrative expenditure of the Authority.

	<b>2018</b>	<b>2017</b>
	<b>Rs.</b>	<b>Rs.</b>
Expenditure on welfare programmes of the war heroes	389,812,549	421,925,729
General Administrative expenditure	84,113,655	96,617,499

### 3.2 Management Inefficiency

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<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
It was observed that top floor of the head office building with 2,887 square feet revalue value at Rs. 15,656,250 as at 31 December 2017 had been remained in unused from year 2012. Further, 06 computer tables valued at Rs. 42,138 procured in December 2016 by the Authority had been stored in idle without used even as at 31 December 2018.	Preparation activities of the top floor of the building are being carried out as enable to used in office works from 01 July 2019. Action had been taken to used the computer tables on the requirement of the Authority in future.	Action should be taken to use the physical resources of the Authority in effectively.

### 3.3 Matters in Contentious Transaction

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<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
It was revealed that instances of different fraud occurred, due to lack of information system on war heroes and weakness in the internal control system on welfare programmes implemented by the Authority. Eventhough it is able to pay monthly allowance of Rs.750 to a mother and father under the Ranaweru Mapiya Demana scheme, Rs. 5,941,500 of amount had been paid to two account holders from a state Bank during the 18 months period from June 2016 to November 2017. In internal inquiry made thereon had confirmed that a fraud had been occurred on the above value and it was observed that recommendations had been made to take legal action thereon at the end of the year under review.	Complain had been made to the Criminal Department and investigation activities are being carried out thereon.	Action should be taken to charged the loss occurred and implement a formal internal control system without allowing such activities again.

### 3.4 Underutilization of Funds

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<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Capital provision of Rs. 1,500,000 allocated from the Treasury during the year under review had not been utilized for the specific purpose.	Approval of the Finance Minister had been received on 08 October 2018 for the use of the main building of the Authority and funds had been released from the National Budget Department on 19 November 2018. Therefore, funds could not be utilized in proper manner.	Funds should be utilized in effectively by identifying relevant objectives.

### 3.5 Procurement Management

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<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
A sum of Rs. 2,057,442 had been incurred during the 9 months period of the year under review for the procurement of an air conditioner on the rental basis with the approval of the Board of Management without procuring	Due to long period of time was taken to complete the procurement activities of permanent air condition system for the Authority, approval of the procurement committee had been received to procure a air conditioner from a	Procurement activities required to be made in formal manner by adhering to Procurement Guidelines.

an air conditioner by estimating requirement of an air conditioner system for the Authority. Eventhough it is required to be given reasonable and equal chances to participate in procurement person who qualified and interested parties as per the Procurement Guidelines 1.2.1(d) in procuring on rental basis, it was observed that a reasonable chances had not been given to other competitive supplier entities, due to quotations are called from only one supplier on the respective procurement.

entity on the rent basis and it had to pay Rs. 2 million of amount thereon.

### 3.6` Human Resources Management

The following table shows the information on cader of the Authority during the year under review.

Post	Approved cadre	Actual cadre as at 31 December 2018		Number of employees in excess
		Number of army officers employed	Number of civil officers	
Executive	20	8	21*	9
Non Executive	70	35	54	19
<b>Total</b>	<b><u>90</u></b>	<b><u>43</u></b>	<b><u>75</u></b>	<b><u>28</u></b>

\* person have 06 personal posts.