

Api Wenuwen Api Fund – 2018

1.1 Opinion

The audit of the financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2018 comprising the balance sheet as at 31 December 2018 and the income and expenditure account 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(3) 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position as at 31 December 2018 and its financial performance and cash flows for the year then ended of the Fund in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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

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 Fund 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 Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund 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 Fund.

1.4 Auditor's Responsibilities for the audit of the Financial Statements

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 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 Fund'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

Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.6 Accounts receivable and payable

1.6.1 Accounts Receivable

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Eventhough tower income of Rs. 25.92 million receivable from telecommunication Companies as at 31 December 2018, the balance had not been conformed from the respective Communication Companies.	Rs. 997,734 of amount had been collected in January 2019.	Action should be taken to collect the balance amount of Rs. 24.92 million receivable further as per the Agreement.

- (b) According to the financial statements, arrears installments receivable from 439 house holders of the Ranajayapura Housing project was Rs. 21.51 million. It was included Rs. 12.38 million of arrears installments over 02 years and Rs.1.93 million of arrears installments over 05 years. Action will be taken to collect the amount dues by connecting the respective divisions in future. Action required to be taken to collect the amount dues as per the Agreement.

1.7 Non-compliance with Law, Rules, Regulations and Management Decisions

The following observations are made.

Reference to the Law, Rules, Regulations	Non- Compliances	Comments of the Management	Recommendation
(a) Api Wenuwen Api Fund Act No. 06 of 2008			
(i) Paragraph 04	A sum of Rs. 1,043,500 had been paid to the association of the Retired Flag Offices for vocational training programme and welfare trip which are not relevant to achieve the goals and objectives or non-subordinate objectives of the Act.	According to the authority delegated under Paragraph 5 (1) of the Act, action had been taken to give Rs. 1,043,500 of amount on the approval of the Board of Management from the Fund.	Expenditure should be incurred only for the achievement of goals and objectives or non-subordinate objectives stipulated in paragraph 04 of the Api Wenuwen Api Fund Act No.06 of 2008.
(ii) Paragraph 11(6)	Action had not been taken to table the financial statements of the Fund and Report of the Auditor General from the inception of the Fund to year 2017 in the Parliament.	Respective financial statements had been submitted to the Director General of the Department of Public Finance and action will be taken to submit the all financial statements to the Parliament in future.	Action should be taken as per the Paragraph 11(6) of the Api Wenuwen Api Fund Act No. 06 of 2008.
(b) Public Finance Circular No.02/2014 of 17 October 2014 and Financial Regulation 756	Eventhough Reports on board of survey required to be submitted to the Auditor General on or before 17 March 2019 by carrying out a board of survey at the end of the year under review for the Fund, action had not been taken accordingly.	A board was appointed to board of survey. Action will be taken to submit the reports immediately completing the survey.	Action should be taken as per the Public Finance Circular No. 02/2014 of 17 October 2014 and Financial Regulation 756.

1.8 Cash Management

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
It was observed that a fixed deposit had been encashed by the Fund before 18 days to maturity without preparing proper plan on future financial needs of the Fund. Accordingly it was observed that the interest income of Rs.439,247 could not be earned, due to calculation of interest on 8.25 per cent instead of 11 per cent agreed in calculation of interest on investment by the Bank.	The fixed deposit had been encashed on the requirement for urgent financial grants of the selected beneficiaries of the halfway constructed housing project and action will be taken to release the financial grants in future by managing the financial requirements of the Fund according to the plan.	It is required to regularize the financial control by preparing a plan for financial requirements.

2. Financial Review

2.1 Financial Result

Operational result of the Fund for the year under review was a deficit of Rs.101,988,572 and the corresponding excess of the preceding year amounted to Rs. 196,813,687. Thus, indicating deterioration in the financial result by Rs. 298,802,259. Eventhough increase in income of the Fund by Rs. 28,582,415, increase in project development expenditure by Rs. 309,756,656 and project operating expenditure by Rs.6,835,752 had been mainly attributed for the deterioration.

3. Operating Review

3.1 Operating Inefficiency

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
An amount of Rs. 10 million from a company remained under the purview of the Line Ministry and Rs. 362,390 of amount as personal donations had been received to the Fund during the year under review.	Action will be taken to submit the proposal to the Board of the Management scheduled to be held in future and action will be taken to implement projects to increase in funds base on the decision of the Board of Management	Action should be taken as per the paragraph 5 (2) (1) (a) of the Api Wenuwen Api Act No.06 of 2008.

However, as per the paragraph 5 (2) (1) (a) of the Api Wenuwen Api Act No. 06 of 2008, although ability had remained for raising of fund from local and foreign sources and accept the presents and donations for the expand of the Fund, any other programme had not been implemented for the increase of the Fund.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
Eventhough performance report required to be submitted with the annual financial statements as per the paragraph 16.2 of the National Audit Act No.19 of 2018, action had not been taken accordingly by the Fund.	Action will be taken to submit performance report of the Api Wenuwen Api Fund with the performance report of the Ministry.	Action should be taken as per the paragraph 16.2 of the National Audit Act No.19 of 2018.

4.2 Annual Action Plan

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
According to the Public Finance Circular No. 01/2014 of 17 February 2014, annual action plan had not been prepared by the Fund comprising with the activities targeted to achieve the objectives mentioned in the Act with the long term vision for the year 2018, organization structure of the Fund, approved cader and actual cader and financial requirement plan for annual activities.	A plan shown only number of beneficiaries under completed and half way constructed house had been submitted.	Annual action plan should be prepared for the Fund as per the Public Finance Circular No. 01/2014 of 17 February 2014.

4.3 Sustainable Development Goals

Audit observation	Response of the Management	Recommendation
According to the Sri Lanka Sustainable Development Act, No. 19 of 2017 and President Secretary Circular No. PS/SP/SB/3/201 of 16 March 2018, indicators had not been identified to measure targets by awarening of the Sustainable Development Act and identifying the targets required to reach the goals by the Fund.	All the divisions of the Fund had been informed to achieve the objectives mentioned in the Sri Lanka Sustainable Development Act No. 19 of 2017.	Actin should be taken according to the President Secretary Circular No. PS/SP/SB/3/201 of 16 March 2018.