

## **Ranaviru Seva Authority – 2020**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Ranaviru Seva Authority or the year ended 31 December 2020 comprising the statement of financial position/balance sheet as at 31 December 2020 and the statement of comprehensive income, statement of changes of equity and cash flow statements 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 reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ranaviru Seva Authority as at 31 December 2020 and of its financial performance and its 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 based 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 true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines 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's 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 intends 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's 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 Corporation.

#### **1.4 Scope of Audit) Auditor's Responsibilities for the Audit of 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 skepticism 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 Corporation's 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' 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 Corporation'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 the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents 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 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 College and whether such systems, procedures, books records and other documents are in effective operation.

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

## **1.5 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Accounting Deficiencies**

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Action had not been taken to assess and account the value of a plot of land, 20.40 purchases in extent, received as a gift to the Authority on 22 March 2010 and a sum Rest. 50,000 received as a gift had also not been accounted.	It was informed that after establishing whether this is a paddy land or not since it is named as ‘Delgaha Kumbura’ when the name of the land is stated, future action will be taken having being taken the assessment.	The management needs to account transactions and events in a manner that shows the real position of the transactions and events in the financial statements within the existing accounting practice.
(b) Instead of accounting the recovery of benefits amounting to Rs. 5,183,006 paid related to previous years due to decrease of beneficiaries, as a prior year adjustment, it had been deducted from the expenditure of the year and an interest income of Rs. 2,644,431 received relating to the previous years had been stated as an income of the year under review and as such, the surplus of the year under review had had been overstated in the financial statements.	The relevant officers were made aware to account correctly since the year 2021.	The management needs to account transactions and events in a manner that shows the real position of the transactions and events in the financial statements within the existing accounting practice.

#### 1.4 Accounts Receivable and Payable

Audit Observation	Comments of the Management	Recommendation
(a) A sum Rs. 530,380 due from a female officer to the Authority who had left the service had not been recovered. Moreover, advances totaling Rs. 1,830,450 given to two officers of the Authority in the year 2014 had not been settled even by 31 December 2020.	The Attorney General drafted the plaint to prosecute against the relevant party for the recovery of Rs. 530,380 and future action will be taken as per the instructions of the Attorney General.	Expedite the recovery of dues to the Authority from the parties concerned.
(b) A sum of Rs. 5,940,000 had been improperly paid to two accounts holders during the period of 18 months from June 2016 to November 2017 under the war heroes foster parents allowance program. A sum of Rs. 4,978,580 of that amount had not been recovered even by the end of the year under review.	This has been handed over to the Criminal Investigation Department and the Department had filed a complaint under the case No. B/11041/2018 in the Magistrates Court in Fort and the investigation is been carried out. The Defense Secretary was made aware of this case at the Audit and Management Committee meeting held on 01.07 2020 at the Ministry of Defense. Accordingly, the Defense Secretary had informed the Additional Secretary (Defense) to appoint a committee to inquire into this discrepancy expeditiously.	Expedite the recovery of dues to the Authority from the parties concerned.

## 2. Financial Review

### 2.2 Financial Results

The operation of the Authority for the year under review had resulted in a surplus of Rs. 11,933,946 as compared with the surplus of Rs. 14,424,207 in the preceding year. Accordingly, a deterioration of Rs. 2,490,261 was observed in the financial results. The decrease of Supiri Wasana Sampatha lottery income by Rs. 15,171,240 and the decrease of interest income by Rs. 976,729 had mainly caused to this deterioration.

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
----- Half of the Agrahara Insurance premium to be paid by the salaries, deducted from officers had been incurred by the Authority and a sum Rs. 412,500 had been spent during the year under review therefor. Before being established such a welfare scheme, the approval of the Department of Public Enterprises had not been obtained in terms of Section 9.12 of the Guidelines on good governance.	----- Approval of the Department of Public Enterprises had not been obtained on this and action will be taken to obtain its approval in due course.	----- The Management needs to obtain all approvals before the commencement of welfare schemes.

#### **3.2 Operating Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
----- Documents require for the preparation of title deeds of 12 plots of lands located in Balangoda and Kegalle given to the war heroes in the year 2002 by the Authority through temporary permits had been referred to the Army Legal Directorate. However, action had not been taken to complete the process.	----- It was informed that documents require for the preparation of title deed relating to the lands in Balangoda and Kegalle had referred to the Army Directorate of Legal Services on 08.12.2020 and one title deed of a plot of land at Malambe had signed by the Chairman on 24.12.2020.	----- Since the Authority needs to fulfill its operations efficiently and effectively in order to achieve expected objectives of the Authority, expedite the transfer of ownership of those lands among beneficiaries.

#### **3.3 Idle or underutilized Plant, Machinery and Equipment**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
----- Even though a land, 01 acre, 02 roads and 22 purchase in extent, with a	----- At the beginning of this elders' home, 3 elders had taken facilities but all of them had left the	----- Property, Plant and Equipment received as donations by the Authority needs to be

house somewhere in Akuressa had been given as a donation to the Authority in the year 2009 for the betterment of war heroes and their families, this property valued at Rs, 21.14 million had remained idle for period of 01 year since 19 December 2019 even up to the end of the year under review.

elders home by the end of October 2019. It was informed that as per the instructions of the Defense Secretary, an agreement had been signed on 15.12.2020 to operate this land and property as an elders home by the Army Ex-services Association .(Temporary)

efficiently and effectively utilized in a manner that achieves the Authority's objectives.

### **3.4 Human Resources Management**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
----- Two posts of Assistant Director, Administration and the Assistant Director of Projects had fallen vacant since the year 2018. Action had not been taken to fill them. Four posts of program officers and seven posts of Management Assistants had fallen vacant by 31 December 2020.	----- Applications were called for the recruitment of 01 Assistant Director (Projects), 04 posts of Program Officers and 07 posts of Management Assistants in the year 2021 by the new administration.	----- Expedite the recruitment of existing vacancies by the end of the year under review.