

Ranaviru Seva Authority - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Ranaviru Seva Authority for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the comprehensive income statement, statement of changes in equity 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 the Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented in Parliament, appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Ranaviru Seva Authority as at 31 December 2021, 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

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 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 the 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 Ranaviru Seva Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern of the Staff School and using the going concern basis of accounting unless management either intend to liquidate the Ranaviru Seva 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 Sub-section (1)16 of the National Audit Act, No.19 of 2018, the Ranaviru Seva 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 Scope of Audit (Auditor's responsibility regarding the auditing 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 General'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 Authority'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'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 Ranaviru Seva 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 audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Authority 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 Ranaviru Seva Authority and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Ranaviru Seva Authority has complied with applicable written law, or other general or special directions issued by the governing body of the Ranaviru Seva Authority.
- Whether the Ranaviru Seva Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Ranaviru Seva Authority 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with reference to the particular Standard	Comments of the Management	Recommendation
A number of 414 furniture items and 351 electrical items in the possession of the Authority had been revalued in the current year and the relevant disclosures had not been made in the financial statements as per section 90 of the Public Sector Accounting Standard 07.	Due to officers being called for work on roster and work from home basis resulting from the existence of Covid 19 in the year 2021, delay was caused in appointing a suitable committee to revalue the assets of the Authority and as a result it was not possible to revalue the assets at the start of the year and it was carried out and accounted on 31 12 2021.	Financial statements should be prepared taking into consideration the instructions clearly mentioned in the Sri Lanka Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Comments of the Management
(a) Even though equipments worth Rs. 10,484,441 had been ordered to be purchased from the Army Rehabilitation Centre, the amount to be paid for that included in the accounts stood at	Due to a book keeping error the amount to be paid as at 31 12 2021 for disability equipment purchased from the Army Rehabilitation Centre which were to be distributed amongst	Management should take action to account in a such way that reflects the true picture of the transactions and incidents in the financial statements.

Rs. 8,200,000. Accordingly, the disability equipment expenditure had decreased by Rs..2,284,441.

the disabled soldiers had been understated by Rs.2,284,441 as the expenditure for purchasing the disability equipment in the relevant year and on account of this the current liabilities too had reduced by that amount. This error will be corrected in the accounts of 2022.

(b) Even though the provision for gratuity in the current year stood at Rs.1,128,206, it had been mentioned in the statement of financial performance as Rs.945,083. Accordingly, the expenditure of the year had been understated by Rs.181,123.

The balance amount was paid after the gratuity amount owed to the officer being abated from the salary amount of Rs.183,123.00 owed to the Authority from the officer who had left the service in the current year. This mistake had been caused due to the crediting of thus abated salary amount to the gratuity allowance expenditure account instead of crediting it to the salaries and wages account. It is informed that although these mistakes were caused, personal emoluments value or total balance of the period in the financial performance statement of 2021 has not been affected.

All transactions related to the period should be mentioned in the correct financial statements.

(c) Since parents care amount of Rs.3,108,000 related to the year 2020 is included in the expenditure of the year 2021 the expenditure of the current year has been overstated by that amount.

This mistake has been caused since the outstanding amount of the year 2020 has been debited to the **parents care allowance account** of 2021 instead of debiting it to the adjustment account of the preceding year. It has been informed that the relevant book keeping would be done correctly from 2022.

All transactions and incidents taken place in the year under review should be mentioned in the financial statements.

1.6 Accounts Payable and Receivable

Audit Observation	Comments of the Management	Recommendation
(a) Advance amount of Rs.1,830,450 given in 2014 to two officers of the Ranaviru Seva Authority had not been settled even by 31 December 2021.	Since the accused have been acquitted by the first disciplinary inquiry and also since it is not possible to satisfy with the decision of the one-member tribunal, another disciplinary inquiry has been initiated from 18 02 2022 and investigations related thereto are now underway as per the instructions of the secretary of the Ministry.	Action should be taken to promptly recover the dues owed to the Authority from the relevant parties.
(b) A sum of Rs.5,940,500 had been improperly paid under Ranaviru Parents Care Scheme to two account holders during the 18 months from June 2016 to November 2017. Out of this amount Rs.4,978,580 had not been recovered even by the end of the year under review.	16 persons including a civil person and 15 officers served at the Ranaviru Seva Authority, have been named as repondents for this malpractice. Of this number 6 persons are attached to the tri forces and action cannot legally be taken against them and the civil person as per Establishment Code. Seven of other 09 officers have resigned from service and only two officers are still serving. It has been informed that except for the said two officers, the investigations are conducted regarding other persons through a complaint under No B/11041/2018 filed at the fort Magistrate Court.	Action should be taken to recover the dues owed to the Authority from the relevant parties.

1.7 Non-compliance with Laws, rules and Regulations

Reference to Law, Rules and Regulations	Comments of the Management	Recommendation
Section 4.2.2 of Sri Lanka Procurement Guidelines.	Admit that a procurement time table has not been prepared in the year under review. It is kindly informed that a procurement time table has	Action should be taken as per the provisions of the Procurement Guidelines.

been prepared for the year 2022.

1.8 Cash Management

Audit Observation	Comments of the Management	Comments of the Management
<p>A sum of Rs.281,300,000 for initiating ViruSahana Housing Scheme (On the basis of paying back) and a sum of Rs.12,000,000 for acquiring assets had been received by the Authority from the General Treasury in the current year and those two figures had been added together and mentioned under capital grants in the financial statements.</p>	<p>A sum of Rs.12,000,000.00 for acquiring assets and a sum of Rs.281,300,000.00 for granting loans to war heroes were granted and all that money was credited to the Government Contributory Capital Account. Accordingly, it has been mentioned in the financial statement that the balance of the Government Contributory Capital Account stands at Rs.293,000,000.00. It is informed that this will be indicated as a note in future statements for easy identification.</p>	<p>Comments of the management.</p>

2. Financial Review

2.1 financial Results

The operational result of the year under review was Rs.19,846,298 as compared with the corresponding surplus of Rs.11,933,946 in the preceding year. Accordingly, an improvement of Rs.7,912,352 was observed in the financial result. The increase in the total income by Rs.179,306,940 in relation to the increase in operational expenditure by Rs.171,394,588 as compared with the preceding year had caused this improvement.

3. Operational Review

3.1 Management Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>Spending by the Authority of Rs. 404,500 being the half cost of the Aghara Insurance premium without obtaining the</p>	<p>A letter regarding obtaining of the approval for this task was referred to the Department of Public Enterprises together with</p>	<p>Action should be taken to obtain all necessary approvals before initiating welfare schemes.</p>

approval of the Public Enterprise Department as per section 9.12 of Circular No PED/12.

the recommendation of the Ministry of Defence in 2021. No reply had been received so far in this regard. Therefore, the Authority continues to pay 50 % of the monthly premium of Agrahara Insurance Scheme and it has been informed that it will take action as per the descion of Public Enterprises Department.

3.2 Operational Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>A sum of Rs. 3,607,941 has been saved of the amount of Rs. 16,607,826 received from the Ministry of Defence for the preparation Viru Saru cards and it has been observed that such amount has been remaining for 5 years without being utilized.</p>	<p>It has been informed that this amount will be utilized for the second phase of the issuance of Viru Saru cards.</p>	<p>Management should take steps to utilize the money for the purpose for which it was meant.</p>

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) In violation of the provisions in section (c) of chapter 1.2.1 of the Procurement Guidelines, technical evaluations had been done on five occasions where there have been no sufficient number of suppliers coming forward competing each other.</p>	<p>It has been informed that although preparations had been made to go for Limited National Competitive bidding, invitation of bidding was made through Email since there was quarantine curfew in force in the country and the need to supply the essential disability equipments for war heroes without delay and also since there was only limited time period for the year to end.</p>	<p>Provisions related to procurement should be followed when dealing with procurement activities.</p>
<p>(b) It was observed that in getting supplied a Cochlear Implant replacement equipment valued at Rs. 2,510,000 without</p>	<p>It is informed that, based on the request made by the relevant soldier to obtain a cochlear implant processor including the</p>	<p>Provisions related to procurement should be followed when dealing with procurement activities.</p>

following the procurement procedure, transparency had been overlooked as a bid obtained only from one institution had been submitted to a technical evaluation committee which was tasked with carrying out of technical evaluation of hearing-aids and obtaining such technical evaluation from that institution and getting it included in that technical committee's report and based thereon, obtaining the approval of the procurement committee.

(c) On each occasion where procurement activities had been carried out for getting supplied of disability equipments, selection of suppliers to whom the bid invitations were to be referred to under limited calling for bids, had not been made in a transparent manner and it was observed that for getting supplied the same item bids had been invited several times. Accordingly, it was revealed that bid invitations had not been referred to the relevant suppliers for the relevant supply.

N7(CP1000) model and the recommendation given by a specialist doctor after studying the submitted hearing test report and the recommendation of the technical evaluation committee appointed for this purpose and the approval of the procurement committee, the relevant hearing aid equipment was purchased by directly calling for bids from J.M.Wichramarachchi institution which is the only institution capable of supplying cochlear implant processor including the N7(CP1000) model.

It became difficult to call for bids under Limited National Competitive bidding since travel restrictions were imposed following nationwide curfew was clamped. Therefore, quotations were invited only through Email platform. On some occasions where there were no registered suppliers for the year 2021, quotations were called for from suppliers registered in 2020 and it has been informed that the quotations had to called for several times since quotations were not submitted for certain equipments and also due to samples were not submitted for equipments for which quotations were submitted.

Provisions related to procurement should be followed when dealing with procurement.