

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ranaviru Seva Authority for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, 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 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 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 2022, 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

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

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'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 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'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 Authority.

1.4 Audit Scope (Auditor's Responsibility for Auditing 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 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 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 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

| Non Compliance with the reference to particular Standard | Management Comment | Recommendation |
|--|---|---|
| (i) In the year 2019, out of 3917 accounts identified as subject to payment on confirmation, there were 1800 accounts receiving parental care allowances at the end of the year under review and the necessary disclosures were not made according to 129(d) (I) of Sri Lanka Public Sector Accounting Standards No.1. | The relevant officials were informed to disclose this liability as a contingent liability from the year 2023. | Financial statements should be prepared in accordance with the instructions specified in the Public Sector Accounting Standards of Sri Lanka. |
| (ii) An amount of Rs.530,380 should be received from a computer assistant officer who has resigned from the Authority in 2011. A case has been filed by the Attorney General's Department to recover the amount. Regarding that the necessary disclosures were not made according to the paragraph (b) of Public Sector Accounting Standard 8. | The relevant officials were informed to act in such a way that such deficiencies do not occur in the future. | Financial statements should be prepared in accordance with the instructions specified in the Public Sector Accounting Standards of Sri Lanka. |
| (iii) According to paragraph 13 of Public Sector Accounting Standard No. 07, property plant and equipment should be grouped on the basis of their similar nature or functionality, but land and buildings were identified separately from property plant. | No comments were made | Financial statements should be prepared in accordance with the instructions specified in the Public Sector Accounting Standards of Sri Lanka. |

1.5.2 Accounting Deficiencies

| Audit Issue | Management Comment | Recommendation |
|---|-----------------------------|----------------------|
| (i) In the financial statements, the interest | The relevant officials were | Correctly calculated |

income on treasury bills is identified as Rs.5,372,849, but when calculated on the interest rate mentioned on the treasury bills, its actual interest value is Rs.3,770,210, so the treasury bills investment income and investment asset in the year 2022 were overstated by Rs.1,602,639.

- (ii) A fixed deposit has been opened and maintained by the Authority in the People's Bank from 29 June 2022 and in calculating the deposit interest income of it, Rs.396,364 was less accounted for. Accordingly, the interest receivable was understated by Rs.396,364.
- It is indicated that the relevant corrections will be made in the year 2023, and the relevant officials were informed to act in such a way that such deficiencies do not occur.
- Interest income related to the year should be calculated and accounted correctly.

1.5.3 Documentary Evidences not made available for Audit

| Item available | Amount Rs. | Evidence not | Management Comment | Recommendation |
|---------------------------------|------------|---|--|---|
| (i) Absence of Journal Vouchers | 56,255,315 | The accuracy of the journal entries totaling Rs.56,255,315 was to be certified by the accountant through a journal voucher, the certification was not done due to the fact that the journal vouchers were not prepared. | The relevant officers were informed to carry out the activities to account for after preparing and approving the journal vouchers for the journal entries from the year 2023 | Journal vouchers should be prepared and approved for journal entries. |

1.6 Accounts Receivable and Payable

1.6.1 Advances

| Audit Issue | Management Comment | Recommendation |
|---|--|--|
| Advances of Rs.1,830,450 received by two officers in the year 2014 were not settled till the end of the year under review. for that the disciplinary investigations were conducted against the relevant officials and both of them were rectified. Therefore, the persons | The Secretary of the State Ministry of Defense inform to conduct a disciplinary inquiry again. Accordingly, a disciplinary investigation has been conducted for the second time and the relevant report has been submitted to the Management Board on 26/01/2023 and no suitable | The officials responsible for the money to be recovered should be identified and recovered promptly. |

responsible for these payments were not identified.

method has been recommended to recover it.

Also, the files related to providing these advances have been referred to the investigation conducted by the Commission to investigate Bribery or Corruption.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

| Reference to Laws, Rules Regulations etc. | Non-compliance | Management Comment | Recommendation |
|--|---|---|--|
| Section 9.12 of the Department of Public Enterprises Circular No. PED/12 | The Authority had spent Rs.131,000 as the cost of half of the Agrahara insurance premium without obtaining an approval from the Department of Public Enterprises. | 50% of the monthly installments were paid by the Authority on the approval of the management boards. It was informed in the month of May 2022 that it could not be approved by the Department of Public Enterprises and since that month, this payment has been stopped by the Authority. | Necessary approvals should be obtained before payment is made. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to Rs. 121,972,695 and the corresponding surplus in the preceding year amounted to Rs. 19,846,298 Therefore an improvement amounting to Rs.102,126,397 of the financial result was observed. The reasons for the improvement are mainly due to compare to the previous year, the total expenditure decreased by Rs.157,394,469 than the total income decreased by Rs.55,268,071.

3. Operational Review

3.1 Management Inefficiencies

| Audit Issue | Management Comment | Recommendation |
|---|---|--|
| (i) The Authority was established with the aim of promoting the welfare of disabled, died or missing persons in action of the armed forces and police and their dependents. But at the end of | The data system currently created by Ranaviru Seva Authority operates under three stages. Under the first stage, the bio data of the soldiers died in action, missing and | The information system should be maintained accurately and up-to-date. |

the year under review, the Authority had failed to maintain a formal and accurate information system on the disabled, missing and deceased or their dependents.

disabled will be updated.

I would like to inform that the details of the dependents of the dead, missing and disabled war heroes due to in action reasons are being entered into the data system by the district officials under second stage. I would like to inform that under the third stage, the benefits provided/being provided by the Ranaviru Seva Authority and the welfare sections of the respective services are being included to the targeted beneficiaries.

- (ii) In the year 2014, the retention money of Rs.224,063 from the TCI company (T.C.I ENTERPRISES PVT LTD) for the installation of cladding in the main office of the Authority, was not released until the end of the year under review and no investigation was conducted on the irregularities in that transaction amounting to Rs.4,481,269 in the year 2014.
- The matter has been handed over to the Commission to investigate Bribery or Corruption. Due to the fact that the investigation related to this contract has not been completed by the end of the year 2022, the relevant retention amount is shown in the financial statements as an amount to be paid.
- Irregularities should be investigated immediately and efforts should be made to reduce losses.
- (iii) Although the income to be received to the Authority from the National Lottery Board's Supiri Vasana Sampatha and Hadahana Lottery income for the year 2022 is Rs.129,826,112. The Authority has received only Rs.10,193,960 from the Department of Treasury Operations as at 31 December 2022. Accordingly, Rs.119,632,152 was remained as receivables.
- The Department of treasury operations has not released the money properly from the year 2022. Although the Authority has made requests to the Department of Treasury Operations on several occasions in this regard, I would like to inform that due to the non-release of the relevant funds, it has not been possible to carry out the project activities of the Authority continuously and efficiently.
- Actions should be taken to recover the due income promptly.
- (iv) During the year under review, an amount of Rs.1,870,770 was paid to 18 persons as medical assistance for various surgeries to disabled war heroes and their family members. This aid money was given directly to the relevant persons without any method
- I would like to inform you that from 2023 onwards, money providing by the Authority for the surgeries will be given directly to the relevant institution through a cheque. I would also like to inform that the relevant officials have been instructed to follow
- It should be confirmed that the money given for medical facilities has been used for the relevant objective.

of payment to the institution providing medical facilities. Since there was no follow-up on that, it was not confirmed to the audit that the aid money paid had been used for the relevant matter.

up on all the benefits provided by the Authority from this year onwards.

3.2 Operational Inefficiencies

| Audit Issue | Management Comment | Recommendation |
|---|---|--|
| <p>(i) Rs.3192 million had been allocated for the completion of 1950 full houses and 1700 half houses under the Virusumithuru Housing Project which was started in the year 2017 and it was implemented jointly by the Authority and the National Housing Development Authority. Although the work was scheduled to be completed in 2019, it was extended to 2022 and only Rs.1035.1 million of the total project amount had been utilized by 31 December 2022. The total number of houses where the payment of one installment of the project or has started was 1496. Accordingly, at the end of the year under review, 40 percent of the expected housing target has been partially and fully assisted to 550 beneficiaries, which is 15 percent of the total project. Also, an amount of Rs.865,000 given to 6 beneficiaries at the beginning of the project in the year 2019 though it had to be recovered due to various problematic situations, it had not been recovered even as at 31 December 2022.</p> | <p>The National Housing Development Authority under-estimated the annual allocations required for the Virusumithuru housing project, the estimated amount was also used for other housing projects of that Authority, and money was not properly released for the construction of the beneficiaries' houses, due to the fact that the financial and physical performance was at a low level. The Housing Authority was informed on several occasions in this regard. Even though the related work could not be completed as expected.</p> | <p>Given disputed loans should be obtained back.</p> |
| <p>(ii) An estimate of expenditure for various sub-projects included in the project expenditure which is observed as the main expenditure item of the authority was not prepared. That situation was obstructed for the cost management</p> | <p>No answers were given.</p> | <p>Specific and clear estimates should be prepared for sub-projects.</p> |

3.3 Under -utilization of Funds

| Audit Issue | Management Comment | Recommendation |
|--|---|--|
| It was observed that an amount of Rs.3,607,941 out of Rs.25,366,500 received in the year 2016 from the security forces, Sri Lanka Telecom and other private institutions for the Virusara cards implemented by the Authority has remained idle for a period of four years from 31 December 2018 without utilizing. | Since the validity period of a Virusara Privilege Card is 05 years, the validity period of the cards issued in the year 2017 is going to end in the year 2023. After submitting the information to the Management Board in this regard, it has been advised to print the entire card at one place. Accordingly, related procurement activities are being carried out. | The management should work efficiently to use the money received for the specific purpose. |

3.4 Idle or underutilized Property, Plant and Equipment

| Audit Issue | Management Comment | Recommendation |
|---|--|---|
| In the year 2001, A land of 1 acre, 1 rood, 09 perches, valued at Rs.1,500,000 which was donated to the Authority for the construction of houses, it is remained idle without utilization even at the end of the year under review. | Three officers including the chairman of the Authority have observed this land and given a report. According to that report, it has been reported that there is no use of this land. I would like to inform regarding this land to the Secretary of Defense and will act according to the instructions given by him. | Land should be utilized properly without keeping it idle. |

3.5 Human Resources Management

| Audit Issue | Management Comment | Recommendation |
|--|---|---|
| The approved carder of the Authority (without the Chairman and Vice Chairman) is 89 persons. But as at 31 December 2022, out of a total of 120 staff members, there were 64 civil servants and 56 members of the security forces in actual carder and there was an excess of 31 staff. | Since all the recruitments of the institutions have been suspended since 2020, more people had to be assigned from the security forces to carry out the work of the Authority continuously and efficiently. By now the preparation of the strategic plan of the Authority has been started, and after preparing it, the required staff for the Authority will be identified. Accordingly, I would like to inform that how many members of the security forces will be detained further for Authority will be decided on that. | Action should be taken to fill up the vacancies or to review the approved carder to match to the actual carder. |