

Ranaviru Sewa Authority – 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ranaviru Sewa Authority for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Authority as at 31 December 2023, 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 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 Company'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 Company'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 Company 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
According to Section 08 of Sri Lanka Public Sector Accounting Standard No. 06, although the values recognized in the financial statements should be adjusted by the entity to reflect post-balance sheet events, an expense of Rs. 594,500 related to the year 2023 had not been accounted for. As a result, the expense and accrued expenses were understated by that amount.	Spectacles were ordered from J.M. Wickramarachchi Company to be provided to visually impaired war veterans. A cheque had been signed for this order; however, before issuing the cheque to the supplier, it was reported that the spectacles provided to the war veterans were defective due to the cheque was not issued to the supplier. The amount was not recorded for as a payable expense in the financial statements.	According to Sri Lanka Public Sector Accounting Standards, financial statements must be prepared.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) An amount of Rs. 195,886,789, which is payable to the Department of Treasury Operations over the next three years, had been recorded as a capital grant, instead of being accounted for as non-current liabilities.	In the year 2021, a capital grant of Rs. 280,250,000 was provided for housing and self-employment loans, which was recorded as a receipt in the capital contribution account. Additionally, an amount of Rs. 85.36 million, which was repaid in relation to the years 2021 and 2022, was recorded as a deduction from the government capital contribution account. Also government capital contribution account was recorded as a non-current liability in the balance sheet.	Must disclosure of financial information accurately.

- | | | |
|---|--|---|
| (b) Due to the failure to account for a motor vehicle repair expense of Rs. 159,900 as an accrued expense for the year under review, the profit for the year was overstated by that amount. | It has been noted that the relevant officers were informed to take necessary actions to ensure that such shortcomings do not occur in the future. | Recognizing and accounting for accrued expenses accurately for the relevant year. |
| (c) In the review year, the closing stock was understated by Rs. 192,470, resulting in the surplus of the entity being underreported by the same amount. | It has been communicated that the relevant officers were informed to take necessary actions to prevent such shortcomings from occurring in the future. | The estimation and recording of closing stock must be accurately. |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation

Under the Mapiya rekavarana allowances Program, an amount of Rs. 4,978,580 was paid irregularly over an 18-month period from June 2016 to November 2017 it had not been recovered by the end of the reporting year.

Management Comment

The Criminal Investigation Department (CID) is currently conducting inquiries into this irregularity. A committee has been appointed to carry out investigation under Financial Regulations 104 regarding this irregularity, and it has been reported that approximately 25% of the audit has been completed to date.

Recommendation

Investigations related to the irregularity should be accelerate to ensure that the funds are recovered promptly

1.6.2 Advances

Audit Observation

An advance payment of Rs. 1,830,450 made to two officials for establish of the Women's Corps of War Heroes in the Colombo District in the year 2014 were not settled till the end of the year under review.

Management Comment

Two internal disciplinary investigations were conducted regarding the advance payment, and released the officials. Following the directives of the management board, a committee was appointed on 15th August 2023, to conduct an investigation under Financial Regulation 104.

Recommendation

Actions must be taken to recover the relevant advance payment.

1.7 Related Parties and Related Party Transactions not disclosed

Audit Observation	Management Comment	Recommendation
According to Section 25 of Sri Lanka Public Sector Accounting Standard No. 14, related party need to disclosures however, there were no disclosures regarding members of the tri-forces and police, who are assigned duties to the authority, in the financial statements.	By the end of the year 2023, 55 officials from the tri-forces, the Civil Defense Department, and the police were assigned duties within the authority. It has been communicated that the relevant officers have been informed to take necessary actions to ensure that such shortcomings do not occur in the future.	According to accounting standards, must disclosure of information

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial regulations 264 and 138 (3) (4) (5) (6)	Although formal receipts/bills should be attached to the voucher for all payments, contrary to these regulations, payments related to expenses amounting to Rs. 1,752,065 for the celebration of Ranaviru Day were made based on photocopies of improperly attached receipts and bills to six vouchers.	It was stated that the officers of the accounts department were instructed to make the relevant payment only after confirming that all documents required by financial regulations were properly attached to the payment vouchers.	According to financial regulations, vouchers must be approved, certified, and processed for payment.
(b) Financial regulations 137 (5)	Although vouchers should be approved only after verifying and ensuring that they have been accurately received and reviewed, contrary to this requirement, the Ranaviru Sewa Authority approved and paid an advance of Rs.	It was reported that the National War Heroes Commemoration Day ceremony is organized annually in collaboration with the tri-forces and the police. For this event, an order was placed to purchase snack packs from the Navy's Lighthouse Galley for 400 people, including special invited guests and war heroes' families. Upon the request of the	Should work according to the financial regulations.

- 200,000 to the institution, an advance payment of Rs. 200,000 was made. Lighthouse Gallery for the aggregate expenses related to Ranaviru Day, even before obtaining the relevant supplies.
- (c) Financial regulations 104 (4) Although a complete report should be submitted within three months from the date of the loss or damage, the investigation into the theft of copper pipes valued at Rs. 110,833 from two air conditioning units, which occurred on 3rd February 2023, had not been concluded. A police investigation is ongoing, and the committee appointed to conduct an internal investigation under Financial Regulation 104 has submitted its report. Actions will be taken in accordance with the management board's advices. Should work according to the financial regulations.
- (d) Section 6 of the Ranaviru Sewa Authority Act No. 54 of 1999 Act stipulates that within 60 days from the date of commencement, a list of all members of the armed forces and police who are disabled, deceased, or missing, along with their dependents, should be prepared, but until the end of the year under reviewed, a complete database containing these names had not been established. The information system has been updated with the basic details of deceased, missing, and disabled war heroes, using their service numbers as a reference. Currently, information regarding their closest relatives is also being update this information is being collected through grama niladharies at the level of divisional secretariat offices. According to the Ranaviru Sewa Authority Act No. 54 of 1999, actions must be.
- (E) The circular issued by the Secretary of the Ministry of Public Administration and Management on 24th January 2018, under reference number It was communicated that, for the purpose of evaluating the performance of staff working in government institutions, annual performance agreements should be It was communicated that the current staff of 115 members (57 permanent and 59 attach) is insufficient for the effective and continuous functioning of the Authority, Following this announcement to the Management Services Actions must in accordance with the circular

02/2018, regarding the development of human resources within the public sector. signed for all employees starting from the year 2018. However, the Ranaviru Sewa Authority has not signed these annual performance agreements. Although a human resources development plan was to be formulated and implemented, the Authority has not prepared such a plan. Department, it was advised that the staff of the Authority be restructuring. Accordingly, it was identified that there is a need 182 staff members. After filling these vacancies, actions will be taken in accordance with the circular issued on 24th January 2018, under reference number 02/2018, regarding the development of human resources within the public sector.

1.9 Cash Management

Audit Observation	Management Comment	Recommendation
On 1 st of November 2018, an amount of Rs. 1,500,000 was deposited as a seven-day call deposit with the Bank of Ceylon. By the end of the year under reviewed, more than five years had passed, yet no actions had been taken to renew this investment or to account for the relevant interest.	The interest income from this deposit is provided at the time of withdrawal, and it is not possible to identify the annual interest income. It was reported that recommendations regarding this deposit would be made to the Authority's investment committee and, based on the decisions communicated to the management board, actions would be taken accordingly.	Government funds should be invested with maximum effectiveness.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 245,654,689 and the corresponding surplus in the preceding year amounted to Rs. 121,972,695. Therefore an improvement amounting to Rs. 123,681,994 of the financial result was observed. The reasons for the improvement are compared to the previous year, lottery income increased by Rs. 140,555,624 fixed deposit interest income by Rs. 16,684,455 and donation receipts increased by Rs. 4,077,028 contributing to this growth. But, the total lottery income for the year 2023, which amounted to Rs. 270,381,736, was not received in cash the year under reviewed.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) An investigation done regarding irregularity transaction amounting to Rs. 4,481,269 for the installation of cladding at the Authority's main office in the year 2014. although, by the end of the reviewed year, responsible persons had not been identified	After the revelation of irregularity, the matter has been handed over to the Commission for Investigating Bribery or Corruption, and relevant investigation activities are ongoing. Based on the recommendations of the Public Enterprises Committee A committee has appoint to conduct an inquiry According to the committee, statements have been obtained from 6 out of 14 officials, and statements from 8 other officials are yet to be collected.	Those responsible should be identified, and the loss should be recovered.
(b) Ranaviru Suraksha Madura received as a donation to Ranaviru Seva Authority in the year 2009, nearly 2 acres of land located in Akuressa, Yakabedda, and The estimated value of Rs. 26,703,250. Without purpose of its utilization it was give to the Sri Lanka retired Servicemen's Union.	This land developed and of began an elders home of mothers of war hero in 14 th September 2018, by the authority. Three elderly individuals were provided with residential facilities with start, but by October 2019, all of them had vacated the premises. Following the instructions of the Secretary of Defense, this property was handed over to the Sri Lanka retired Servicemen's Union through an agreement starting from 15 th December 2020, for a period of three years, which is set to end on 15 th December 2023.	Assets should be utilized in accordance with the objectives.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) In 2012, the Higher Education Scholarship Project was introduced to children of war heroes selected to receive free education at universities, higher education institutions, and government-approved institutions to pay maximum monthly allowance of Rs. 3,000 for a maximum of 48 months. However, in addition to this, the authority has paid Rs. 732,000 for 244 installments for 24 students at the Kothalawala Defense Services	In 2012, a project was launched to provide higher education scholarships to the children of war heroes who successfully passed the A/L examinations, enabling them to support to educate at universities, higher education institutes, and government-approved institutions. It was announced that the criteria for this project were amended to be effective from 1 st of January 2021. Accordingly, it was confirmed that	Need for providing scholarships must be accurately identified.

University since January 2021, who are paying fees to pursue their education.

these scholarships would also be available to the children who studying at the Kothalawala Defense Services university, who are paying course fees, in accordance with the revised criteria.

- (b) According to Circular No. MOD/01/2021 of the Ministry of Defense dated 12th May 2021, it is stated that effective from 27th April 2021, parents of war heroes who passed away or missing before 19th May 2009, are entitled to receive a fixed monthly allowance of Rs. 25,000 upon the war hero reaching the age of 55 years, . However, it is noted that the "Mapiya surakuma" paid by the authority should not be disbursed. Despite this, after the war hero reached the age of 55, the authority had overpaid Rs. 711,000 as a "Mapiya surakuma" for a period ranging from 2 to 19 months on behalf of 26 persons.
- Due to a delay in communication, the Ranaviru Seva Authority was got information about this circular in January 2023. By that time, it was identified that 26 parents of war heroes who were receiving the "Mapiya surakuma" (because the war hero had reached the age of 55) were no longer entitled to benefits under this circular and the payment of this allowance to them was stopped starting from January 2023. It was also notified that from January 2023 onwards, the "Mapiya surakuma" would be paid according to the relevant circular.
- Under the prevailing law, payments related to war hero allowances must.

3.3 Under -utilization of Funds

Audit Observation

As the primary source of revenue for the authority, the fixed deposit interest income of Rs. 7,358,875 received in the years 2022 and 2023 for savings account at the National Savings Bank and Rs. 323,865 earned as savings interest on that interest amount, had been retained without being utilized effectively.

Management Comment

It was noted that the interest income from fixed deposits maintained at relevant banks, was credited to the National Savings Bank account number 100010885550 and the People's Bank account number 259200160007849 these respective savings accounts. The funds were retained in these savings accounts because the Treasury did not provide the scheduled Lottery Board provision and the budgetary allocations were not properly disbursed. This retention was intended to ensure the continuous operation of the Ranaviru welfare programs

Recommendation

Funds should be utilized with maximum effectiveness.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Management Comment	Recommendation
In 2001, the authority received a donation of a property known as "Kiralamada Kumbura," valued at Rs. 1,500,000, 1 acre, 1 rood, and 29 perches when by the end of the review year, this property remained without productive and no unutilized having been undertaken.	As The land in question was found unsuitable for distribution to war heroes the Galahitiyawa Agrarian Service Center reported that the property was suitable for rice cultivation. Based on this assessment, the authority's management board approved the transfer of the land to the Civil Security Department. The Civil Security Department has been notified to take over the property.	Assets should be utilized effectively accordance with the purposes.