

**1.1 Qualified Opinion**  
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The audit of the financial statements of the **Ranaviru Seva Authority** for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in net assets 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 in terms of provisions in Article 154 (6) of the Constitution which I consider should be reported to Parliament, appear in this report.

In my opinion, except for 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 Council as at 31 December 2019, and of 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**  
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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 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 Sub-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 Institute.

#### **1.4 Scope of Audit**

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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 Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comments of the Management	Recommendation
<p>Sri Lanka Public Sector Accounting Standard 19</p> <p>Even though a policy for allocation of post-employment benefit should be formulated based on the future salary increase, discount ratios, employees turnover and other actuarial assumptions, the Authority had allocated sums totalling Rs.16,922,149 as gratuity of 63 employees based on the last salary drawn by the employees at the end of the year under review and their period of service. Nevertheless, a policy as indicated above had not been formulated for the computation of post- employee benefit allocations.</p>	<p>The fact that the officers concerned have been instructed to formulate such policy.</p>	<p>Action should be taken in accordance with the standard.</p>

## 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Amortizations of Rs.473,448 had not been brought to account during the year under review.	The fact that adjustments will be made in the financial statements, 2020.	Amortization should be adjusted in respect of the assets purchased by the Government capital grants.
(b) Unused building materials worth Rs.88,614 had been capitalized.	The fact that adjustments will be made in the financial statements, 2020.	The value of buildings should be correctly assessed and capitalized.
(c) Interest income of the year under review for the Treasury bills had been overstated by Rs.294,922 in the account.	The fact that action will be taken to correct the above shortcomings in the accounts, 2020.	The interest income should be correctly calculated and brought to account.
(d) Contrary to the Sri Lanka Public Sector Accounting Standard 7, depreciations of Rs.96,946 had been made on 4 idle laptops worth Rs.152,000 as at the end of the year under review.	The fact that depreciations were computed according to a policy of the Authority and accounted for in the final account.	In accordance with the Sri Lanka Public Sector Accounting Standard 07, action should be taken to make depreciation on assets from the point of beginning of its use.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) F.R.371	Although advance should be settled immediately after the completion of relevant purpose, cash advances totalling Rs.1,830,450 granted to two officers in 5 instances during the	All the files relevant to the grant of these advances are being investigated under the custody of the Commission to Investigate Bribery or Corruptions and the investigation is	Action should be taken to strengthen the internal control system dealing with the grant of advances.

year 2014 had not currently in progress.  
 been settled even by  
 31 December 2019.

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| (b) | State Finance Circular No.05/2016 dated 31 March 2016 3.2.6 and Financial Regulation 756. | Even though board of survey reports should be furnished to the Auditor General before 15 June in each financial year, board of survey reports pertaining to the year 2019 had not been furnished.   | The board of survey report for the year 2019 is being prepared and it will be submitted immediately after completion of the report. | Action should be taken to submit board of survey reports in terms of the circular and the Financial Statements. |
| (c) | State Finance Circular No.21 dated 24 May 2002.   | Although the performance report pertaining to the year under review should be tabled in Parliament within 150 days from the close of the financial year, performance report pertaining to the years 2017 and 2018 had not been tabled even by 31 December 2019. | Necessary arrangements are being made to table the performance reports of the years 2017 and 2018.                                  | Action should be taken to table the annual reports in terms of circular.  |

## 2. Financial Review

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### 2.1 Financial Results

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The operations of the Authority for the year under review had resulted in a surplus of Rs. 14,424,207 as against the deficit of Rs. 22,447,903 for the preceding year, thus observing an improvement in the financial result by Rs.36,872,110.61. This improvement was mainly due to the decrease in the expenditure by Rs.25,407,720 and increase in the income by Rs.11,464,390 during the year under review as compared with the preceding year.

### 2.2 Trend Analysis of major Income and Expenditure items

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As compared with the preceding year, the total income of the year under review had increased by Rs.11,464,390 and this increase was due to the increase in the government recurrent contribution by Rs.20,609,831 or 5.3 per cent compared to the preceding year. Similarly, decrease in the project operating expenses by Rs.15,064,052 and contractual services cost by Rs.4,984,585 compared to the preceding year had been recognized as major variations.

### 2.3 Ratio Analysis

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According to the financial statements presented for the year under review, the current assets ratio of the Authority was 1:0.029. As 70 per cent of the current assets of the year under review represented cash and cash equivalent, a significant amount of assets had been retained in the liquidated assets.

## 3. Operating Review

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### 3.1 Progress of the Projects

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The health promotion projects, medical clinics and psychological workshops implemented by the Authority in the years 2015,2016 and 2017 for the welfare of the war heroes had not been implemented during the year 2018 and the year under review. In addition, workshops for the disabled war heroes, disaster relief programmes, skills development, self-employment assistance and entrepreneurship development programmes implemented in the preceding year had also not been implemented during the year under review. Similarly, it was observed that expenditure incurred on the foster parent scholarships and foster parent allowances programmes too had gradually decreased annually.

### 3.2 Management Inefficiencies

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The number of wheel-chairs, crutches, artificial legs and pairs of spectacles requested for the disabled war heroes was 354, 583,472 and 165 respectively. Nevertheless, actual supply of the above items was 25,29,9 and 0 respectively. Similarly, despite the receipt of Rs.10 million from the Api Wenuwen Api Fund for this purpose, due to not making the necessary arrangements, that amount had been remitted back to the above Fund on 31 December 2019.	As 84.25 per cent of the total allocation was made during the second half of the year 2019, procurement activities could not be completed on time.	Action should be taken to ensure maximum use of the provisions made.

### 3.3 Transactions of Contentious Nature

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Under the war hero foster parent allowance scheme, a sum of Rs.5,940,500 had been irregularly paid to two accounts holders during the period of 18 months from June	A complaint has been lodged in the Criminal Investigation Department and investigations are in	The system of control should be streamlined to prevent these

2016 to November 2017. A sum of Rs.4,978,500 of the above amount has not been recovered up to date. progress at present. incidents and action should be taken to recover the loss.

### 3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
For the purchase of equipment to the disabled war heroes, provisions of Rs.2,700,000 had been made from the annual estimate, 2019 and only Rs.1,492,888 or 55 per cent of the above provisions had been utilized. Similarly, provisions of Rs.480,000 made for the building and constructions had not been utilized.	Since this procurement activities commenced in the year 2019 could not be completed during the year, provisions were saved and performance remained at a low level. Further, the received capital grants were not sufficient enough to carry out the relevant work and therefore provisions were saved.	Action should be taken to ensure maximum use of the provisions made.

### 3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs.17,550,489 had been provided in respect of 237 beneficiaries of the foster parent allowances programme without confirming whether the beneficiaries were living and that amount remained idle from 01 to 10 years.	A full report on those beneficiaries will be prepared within one month and action will be taken accordingly.	Information about beneficiaries should be updated and internal control system should be strengthened.
(b) In case of death of the beneficiaries and payment of 25 per cent allowance from the salary of the war heroes, accounts of the beneficiaries who obtained the foster parent benefits should be cancelled and that money should be remitted to the Authority. Nevertheless, a sum of	A full report on those beneficiaries will be prepared within one month and action will be taken accordingly	Information about beneficiaries should be updated and internal control system should be strengthened.

Rs.2,493,756 existed in the accounts to be cancelled of 74 beneficiaries had not been recovered even by 31 December 2019.

- (c) Even though it had been planned to renovate a land and building received as a donation and situated at Yakabedda, Akuressa by spending Rs.10.1 million and use as a multipurpose training center, it was observed that the land and the building worth Rs.26.7 million remained idle and insecure. Under the approval of the Board of Management, this land and the other property were entrusted to the Sri Lanka Army camp (3<sup>rd</sup> Battalion of Gemunu) at Matara for their protection. This asset received as a donation should be used for the achievement of relevant objectives.

### 3.6 Delays in Projects or Capital Works

----- <b>Audit Observation</b> -----	----- <b>Comments of the Management</b> -----	----- <b>Recommendation</b> -----
<p>It was scheduled to complete the works of 1464 complete homes and 1275 partly homes under the Virusumithuru project from the year 2017 to 2019. Nevertheless, only 195 complete homes and 298 partly homes had been completed by the end of the year 2019. Accordingly, only 13 per cent of the complete homes and 23 of the partly homes had been completed by the end of three years.</p>	<p>As the project has been extended up to 2022, it is expected to complete the constructions within ensuing two years.</p>	<p>Action should be taken to achieve the desired targets.</p>