

Api Wenuwen Api Fund - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the statement of income, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund 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 Opinion

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 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund 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 Fund.

1.4 Auditor's Responsibility 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 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 Fund'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 fund 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 Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund 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 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation -----	Management Comment -----	Recommendation -----
Arrears instalments receivable from 707 house holders of the Ranajayapura housing project was Rs.29,070,660 and value of the arrears instalments over one year was Rs.17,326,401. Recovery of arrears instalment and the follow up actions were not in satisfactory level.	Immediate Actions have been taken to recover arrears instalments in the future. Further, instalments of months of April and May 2020 had not been recovered from Military Officers due to the COVID epidemic during the year 2020.	Actions should be taken in terms of agreements to recover the arrears.

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

Under mentioned observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Sri Lanka Sustainable Development Act No. 19 of 2017.	The Fund had decided the Sustainable Development Goals but had not determined the targets required to achieve them. The preparation of indicators to measure the progress of achieving those targets had not been done during the year under review.	No comments submitted.	Actions should be taken according to terms of Sri Lanka Sustainable Development Act No. 19 of 2017.
(b) Financial Regulation 877(2)(d)	Although a quarterly report on the main activities of the Fund should be prepared and submitted to the Auditor General before 15 days after the end of the quarter in order to review the progress of the Fund at the end of each quarter, the report for the last quarter of 2020 had not been submitted for audit.	No comments submitted.	Actions should be taken in terms of the Financial Regulation 877(2)(d).

1.8 Investment Management

Audit Observation	Management Comment	Recommendation
The average monthly balance maintained in a current account of the Fund during the year under review was Rs.1,618,991 while the average monthly balance maintained in a savings account was Rs.36,410,626. The surplus balances had not been used to raise funds by investing it effectively.	2.00 million is being held in the current account number 7040000. Arrangements have also been made to automatically credit the Fund Management Account when the income from that account exceeds Rs.2.00 million. Fund Management Account No. 73249610 will have to bear more than Rs.36.4 million in certain months to cover the payments of full and partial houses and administrative expenses. Excess balance could not be used to make an effective investment for the reasons mentioned above.	Budget forecasts should be made for the planned activities of the Fund and cash requirements and investment plans should be prepared accordingly.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.49,050,324 and the corresponding deficit in the preceding year amounted to Rs.169,350,051. Therefore, an improvement amounting to Rs.120,299,727 of the financial result was observed. The Decrease of project development cost by Rs.189,961,246 and the Decrease of project operating cost by Rs.6,747,031 were mainly attributed for this improvement of the financial result.

3. Operational Review

3.1 Operational Inefficiencies

Undermentioned observation is made.

Audit Observation

According to the 2020 Action Plan, even though it was planned to donate Rs.750,000 each for the completion of 400 partially built houses of war heroes and Rs.1,500,000 each for the construction of 50 houses under the Ranaviru fully built housing Project, the second installment for 38 partially built houses and 09 fully built houses and the final installment for any house had not been paid. Accordingly, financial performance remained at 61 percent.

Management Comment

No comments submitted.

Recommendation

Beneficiaries should be encouraged to complete the construction work from the benefits provided and Proper monitoring, supervision and follow up actions should be done by the fund.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation

In terms of Section 16.2 of the National Audit Act No. 19 of 2018 and the provisions of Financial Regulation 877 (2) (d), the Fund was required to submit a Performance Report with Annual Financial Statements but had not acted accordingly.

Management Comment

No comments submitted.

Recommendation

Section 16.2 of the Act and the provisions of 877 (2) (d) of the Financial Regulations shall be complied with.

4.2 Tabling of Annual Performance Report in Parliament

Audit Observation

According to Section 11 (6) of the Api Wenuwen Api Fund Act No. 06 of 2008, the Financial Statements and Auditor General's Report of the Fund had not been tabled in Parliament from the beginning of the Fund until the year 2019.

Management Comment

No comments submitted.

Recommendation

Actions should be taken in accordance with Section 11 (6) of the Act.

4.3 Internal Audit

Audit Observation

Although the Fund had planned to conduct an internal audit of receipts and payments, final accounts preparation under the Internal Audit Program for the year under review, it had not been implemented.

Management Comment

No comments submitted.

Recommendation

An internal audit should be conducted to evaluate the effectiveness of the Fund's internal control systems.

4.4 Budgetary Control

Audit Observation

According to paragraph 7 of the Financial Regulations 877 (2) (c), a Statement of Budget Reconciliation should have been submitted with the accounts with reasons for deviating from the approved budget limits and actual limits for the year 2020, but actions had not been taken accordingly.

Management Comment

No comments submitted.

Recommendation

Should be act according to the paragraph 7 of the Financial Regulation 877 (2) (c).