

## Api Wenuwen Api Fund – 2019

---

### 1.1 Opinion

---

The audit of the financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the income and expenditure account for the year then ended 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka and National Audit Act No. 19 of 2018 read in conjunction with provisions of the section 11(7) of the Api Wenuwen Api Fund Act No. 06 of 2008. My comments and observations which I consider should be report to Parliament appear in this report in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the 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 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 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 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 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 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 Accounts Receivable**

-----

The following observations are made.

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
	-----	-----	-----
(a)	Out of receivable communication tower income of Rs.24,140,263 at 31 December of year under review, a sum of Rs.3,093,853 had been remained receivable further.	An amount of Rs. 21,526,849 had been collected during the year 2020 from the respective telecommunication companies.	Action should be taken to collect the due amount as per the Agreement.
(b)	Arrears installments receivable from 667 house holders of the	Action will be taken to obtained instructions from the	Action required to be taken to recover the

Ranajayapura Housing project Board of Management to amount dues as per was Rs. 21,028,796. Value of the recover the long term dues. the Agreement. arrears installments over one year was Rs. 5,956,000 and value of the arrears installments over two years was Rs.6,075,700.

## 1.7 Non-compliance with Law, Rules, Regulations and Management Decisions

The following observations are made.

Reference to the Law, Rules, Regulations	Non- Compliances	Comments of the Management	Recommendation
(a) Paragraph 11(6) of the Api Wenuwen Api Fund Act No. 06 of 2008	Action had not been taken to table the financial statements of the Fund and Report of the Auditor General from the inception of the Fund to year 2018 in the Parliament.	Necessary action will be taken to table in the Parliament in the future.	Action should be taken as per the Paragraph 11(6) of the Act .
(b) Public Finance Circular No.05/2016 of 31 March 2016 and Financial Regulation 756	Board of Survey Reports of the Fund for the year under review had not been submitted to the Auditor General even up to 31 August 2020.	Respective activities were delayed, due to COVID 19 pandemic.	Action should be taken as per the Circular and Financial Regulation.

## 1.8 Cash Management

The following observation are made.

Audit Observation	Comments of the Management	Recommendation
(a) As the Fund had not been prepare prior plan on financial needs, interest income of Rs.7,217,101 could not be earn to the Fund, due to two fixed deposit had been encashed before the maturity for the fulfilment of financial needs of the revised activities of the year 2019.	The fixed deposits had to be encashed before the maturity for the payment of benefits to construct additional 325 fully and halfway houses in year 2019.	The expenditure should be scheduled by doing a financial forecast.

- |     |  |   |  |
|-----|--|---|--|
| (b) | As the Hansa Boat project which was assigned to the private entity had not been act as per the agreement, income of Rs. 676,497 was received during the year under review, due to activities of the service had been abounded from May to December 2019 by the Fund. It was observed 27 per cent of decrease in income compared with the preceding year. | It was commenced again from 10.01.2020 and it was continued with an agreement of 30 per cent for the Fund and 70 per cent for the Entity. | Action should be taken to collect the monthly income as per the Agreement. |
| (c) | Expenditures of Rs. 2,794,825 incurred for a ceremony of awarding war heroes housing benefit and Rs. 860,338 incurred for advertising the activities carried out by the Fund through the newspaper advertisement had been bone from the Fund.  | Comment not received  | Expenditure should be incurred for the propose of the Act.                 |

## 2. Financial Review

### 2.1 Financial Result

Operational result for the year under review was a deficit of Rs. 169,350,051 and the corresponding deficit of the preceding year amounted to Rs. 101,988,572. Thus, indicating deterioration in the financial result by Rs. 67,361,479. Eventhough income had been increased by Rs. 610,964, increase in development expenditure by Rs. 60,789,291 and project operating expenditure by Rs. 5,308,899 had been mainly attributed for the deterioration.

## 3. Operating Review

### 3.1 Operating Inefficiency

Audit Observation	Comments of the Management	Recommendation
(a) Awarding of benefits for the half way constructed houses to 400 war heroes included in the action plan of the year under review and subsequently it was revised up to 700 houses and financial benefits of Rs. 499,895,970 had been paid thereon. Second and	The construction had not been completed during the given period of time, due to inefficiencies on construction of some benefited war heroes.	Beneficiaries should be motivated to complete the construction activities by proper supervision and follow up.

third instalments for a member and third instalment for 11 members had not been paid during the year under review.

- |     |   |   |   |
|-----|---|---|---|
| (b) | As per the paragraph 4 of the Api Wenuwen Api Act No.06 of 2008, objectives such as obtained loan from financial institution by the members of the armed forces, provide direction to give aids for settlement of such loan, preparation of scheme to give assurance for the settlement of loans in death of the members of Army or permanently disabled or injured in war or other way had not been achieved during the year under review. | It was identified more than 25,000 applicants. It could not be fulfilled, due to financial crisis arising with the implemented housing project. | Action should be taken to fulfil the goals and objectives of the the Fund, as per the paragraph 4 of the Act. |
| (c) | As per the interpretation of paragraph 23 of the Api Wenuwen Api Act No. 06 of 2008, although members of police are indicated as members of the armed forces, benefits had not been received to the members of police during the year under review.   | Initial steps had been taken to award the benefits for the members of the Sri Lankan Police during the year 2020.                               | Action should be taken as per the paragraph 23 of the Act.  |

**4. Accountability and Good Governance**

**4.1 Presentation of Financial Statements**

Audit Observation	Comments of the Management	Recommendation
Interms of the paragraph 16.2 of the National Audit Act No.19 of 2018, performance report required to be submitted with the annual financial statements had been submitted on 27 July 2020 by the Fund.	Performance Report had been submitted on 27 July 2020 to Audit.	Action should be taken as per the paragraph 16.2 of the Act.

#### 4.2 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Interms of paragraph 04 of the Public Finance Circular No. 01/2014 of 17 February 2014, action plan prepared for the year under review had not been included necessary information.	Resubmit by including to the action plan submitted for the year 2020.	Annual action plan should be prepared interms of the Circular.

#### 4.3 Budgetary Control

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Budget of the Fund of the year under review had not been used as effective management control tool.	Action will be taken to use the Budget as effective management control tool in future.	Action should be taken to use the budget as effective management control tool.

#### 4.4 Sustainable Development Goals

<b>Audit observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to the Sri Lanka Sustainable Development Act, No. 19 of 2017 and President Secretary Circular No. PS/SP/SB/3/201 of 16 March 2018, Sustainable Development objectives, targets and index for measurement of targets had not been identified.	Due to project of the Fund had been implemented as per the annual plan from the inception, targets required to be achieve the Sustainable Development Goals and had not been included the index on progress of achievements. Action will be taken to prepare the future plans of the Project in compliance with the Sustainable Development Act.	Action should be taken according to the Act and Circular.