

Api Wenuwen Api Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, 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 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 fund as at 31 December 2024, 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

My opinion regarding the financial statements 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 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 its annual and periodic financial statements to be prepared.

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 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of Financial Statements

Entities are required to devise and maintain a "well-designed" 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. Observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal Vouchers and Payment Vouchers etc. have been included.

	Audit Observation	Management's Comments	Recommendation
(a)	Separate ledger accounts were not maintained for the instalment income receivable, pre payments, instalment income for the year, etc. regarding the housing instalment income of the Ranajayapura Housing Complex, and all transactions had been adjusted only through a control account. As a result, the accuracy of arrears instalment, instalment received in advance, and income for the year could not be verified.	According to the audit observation, action will be taken to maintain separate accounts in the future for the receivable income, the instalments received in advance and the instalment income for the year.	Accounts should be maintained in a manner that accurately identifies annual income, arrears income, and income received in advance.
(b)	Although 2 percent of the total project value or Rs.5,533,942 was written off against the surplus of the year under review as accrued administrative expenses for the housing project of the Ranaviru Housing Project, any payment had not been made from the amount of Rs.12,132,959 which had been accounted as accrued administrative expenses of the housing project in previous years.	As the housing projects for the year 2023/2024 continue to be implemented, action will be taken to obtain an expenditure report before releasing and granting administrative expenses based on the approvals of the Board of Management and, if there is any remaining amount, action will be taken to bring it to the fund.	Expenses that have not been paid after the actual cost has been identified even by the end of the year should be recognized as accrued expenses, and provisions should be made for other uncertain expenses.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant Standard	Management's Comment	Recommendation
Relevant matters should be disclosed according to the paragraph 90 of Sri Lanka Public Sector Accounting Standards No.07 when assets are stated at revalued amounts. Although a revaluation gain of Rs.440,982 was identified through the revaluation of the fixed assets and it had not been disclosed in accordance with the above accounting standards.	The disclosures related to the revaluation values of assets will be shown by a note in the financial statements in future years.	Relevant disclosures should be made in accordance with paragraph 90 of Sri Lanka Public Sector Accounting Standards No.07.

1.5.3 Accounting Deficiencies

Audit Observation	Management's Comments	Recommendation
Although there is a tax liability in respect of the income earned by the Fund in terms of the Inland Revenue Act No.24 of 2017 and its amended Acts, the financial statements of the Fund have not been prepared in a manner that complies with tax purposes. The withholding tax amount of Rs.9,077,055 deducted from the investment interest income of the Fund had been written off against the surplus as an expense of the Fund.	The Inland Revenue Department has informed that the amounts of money earned by the Api Wenuwen Api Fund cannot be considered as income tax exempt amounts as specified in the Third Schedule to the Inland Revenue Act, No.24 of 2017.	Tax returns should be submitted and accounts should be prepared in accordance with tax purposes as per the Inland Revenue Act No.24 of 2017 and its amended Acts.

1.5.4 Documentary Evidences not made available for Audit

Item	Value Rs.	Evidences not made available	Management's Comments	Recommendation
(a) Revenue of Transmission Towers	26,778,441	The accuracy of the income receivable could not be verified as balance confirmations were not submitted to substantiate the income receivable.	Action will be taken to obtain balance confirmation reports regarding future income.	Actions should be taken to obtain confirmations for the year-end receivable balances.
(b) Instalment income in Ranajayapura Housing Complex	70,580,963	Detailed schedules showing the way of calculating the value of Rs.70,580,963 stated in the income statement as instalment income of Ranajayapura houses were not submitted.	Separate name registers of members of the tri-services exist in calculating housing instalment income, action will be taken in the future to maintain a single register as directed.	Corresponding schedules should be presented so that the values and balances shown in the financial statements can be identified with certainty.
(c) Towers Income	166,684,058	Although the revenue should be recognized in accordance with the agreements that the Fund was entered with the telephone companies, Transmission Towers income	Due to the inability to accurately calculate the income from complex transmission data	A method to ensure that the receivable income under the agreement is calculated

		had been identified based on remittances credited to the fund's bank account by those companies and documents submitted by those companies. However, since method was not implemented to ensure that the income was correct, the accuracy of the values of transmission towers income of Rs.166,684,058 and accrued towers income of Rs.26,778,441 in the current year could not be verified.	volumes such as Internet, local and international call networks, invoices cannot be prepared for transmission tower revenue and although the technical division of the Ministry has been informed about this, that the agreement has not been expressed.	accurately should be followed.	
(d)	Income of the Towers	164,130,928	According to the Memorandum of Understanding (MoU) signed with two telephone companies covering a period of 10 years, although it was stated that 50 percent of the total revenue from the towers is paid to the fund. It was not possible to verify whether the fund received the correct income as per the agreements due to the documents sent by the telephone companies do not indicate the total revenue from the relevant towers. As a result, the accuracy of the income received from the two companies, which amounted to Rs.164,130,928 could not be verified.	Since the legal issues mentioned in Section 4.1.3 of the Memorandum of Understanding need to be reviewed, this Memorandum of Understanding will be submitted to the Technical Division for further instructions.	A method to ensure that telephone tower income is accurately calculated and accounted in accordance with the agreement should be followed.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Management's Comments	Recommendation
(a)	A weakness in timely collection of instalments were existed due to the arrears of receivable instalments from Ranajayapura house owners	The tri-service divisions have been informed through letters regarding the recovery of outstanding instalments from	Actions should be taken to immediately recover the arrears from house owners in

were Rs.31,359,101 as at 31 December 2024 and, out of which, the total arrears for a period of 1 to 5 years were Rs.14,802,000 and the total arrears for more than 05 years were Rs.3,648,000.

Ranajayapura housing beneficiaries and actions have been taken to promptly recover the outstanding instalments in the future, and factors such as the inability to charge instalments from monthly salaries due to delays in processing pensions, vacating the service, death etc. and changes in permanent residence are cause to increase in outstanding instalments.

accordance with the agreements.

- (b) According to the agreements reached with the telephone companies regarding tower revenue, the rent for a particular month should be paid to the fund in the following month, an amount of Rs.15,018,841 remained in arrears at the end of the year under review due to the delay in payments of more than two months and late fees had not been charged as per the agreement.
- The arrears have been recovered and all companies have been informed to recover the arrears of Rs.5,539,338 that further to be received and, that the action will be taken to collect the towers revenue at the end of the relevant month as per the agreement.
- Action should be taken to collect revenue on time and charge late fees as stated in the agreement.
- (c) Although there should be no income arrears as at the end of the year since the monthly shop rent is to be paid on the 25th of each month as per clause 2.A of the agreement for the lease of 18 shops in the Ranajayapura Shopping Complex, Rs.750,149 had been identified as receivable shop rent income in the financial statements.
- The administrative office has been informed about the arrears rent at the Ranajayapura Shopping Complex and the arrears rent income is currently being received by this fund.
- Actions should be taken to collect rental income on the due date as per the agreement.

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

	Reference to Laws, Rules, Regulations	Non-compliance	Management's Comments	Recommendation
(a)	Section 09 of the Api Wenuwen Api Fund Act, No.06 of 2008.	As stated in the aforementioned section, the Fund should maintain a fund in the Central Bank of Sri Lanka	Since the fund's transmission tower revenues, housing instalments, shops rents	Action should be taken in accordance with the Act, and if there are instances where the

		under the name of “Api Wenuwen Api Fund” and, although the funds payable to the Fund in accordance with Section 7 of the said Act should to be credited to the said account, the Fund had not maintained an account with the Central Bank of Sri Lanka.	and donations are collected through accounts existing in commercial banks, opening a new account at the Central Bank of Sri Lanka will face a number of practical problems.	provisions of the Act are impractical, appropriate amendments should be made legally.
(b)	Financial Regulation 877(1)(c) as amended by Public Finance Circular No.1/2020 dated 28 August 2020	Although the budget for the upcoming year should be prepared in accordance with the objectives of the Fund and, submitted to the Director General of the National Budget for the approval by the General Treasury before September 30 of the current year with the approval of the Board of Governors, the submission of the 2024 budget document was delayed until 27 November 2023 and was submitted without the approval of the Board of Governors.	Although the budget for the year 2024 was presented to the President and the Minister of Defence on 26.09.2023, it was submitted to the Treasury with approval dated 24.11.2023 and that it was submitted to the Treasury without approval due to the non-conclusion of the Board of Management meetings from 30.05.2023 to 16.12.2024, and that the budget for the year 2024 was approved by the Board of Management on 17.12.2024.	The budget for the upcoming year should be submitted to the Director General of the National Budget before September 30 of the current year as per the Financial Regulations.
(c)	Sections 11(1), (2) and (4) of the Api Wenuwen Api Fund Act, No.06 of 2008.	The financial statements of the Fund should be prepared and submitted to the Board of Governors in accordance with the aforementioned provisions and, although the financial statements should be approved by a resolution of the Board in accordance with Section 11(4), the financial statements for the year 2024 had not been approved by a resolution at a meeting of the Board of Directors.	That the financial statements for the year 2024 have been submitted for audit with the signatures of the Chairman of the Fund and the members of the Board of Governors and, that the action will be taken to obtain covering approval for the 2024 financial statements by presenting them at the upcoming 33 rd Board of Management meeting.	The financial statements should be approved by a resolution of the Board of Governors and presented in accordance with the Act.

- (d) Paragraph 6(b) of Guideline No.04 referred in Financial Regulation 877(2)(c) as amended by Public Finance Circular No.01/2020 dated 28 August 2020. Although financial statements are required to be prepared and presented in three languages, the financial statements for the year 2024 were presented only in Sinhala language. Since the financial statement for the year 2024 has been sent for translation into Tamil and English, it will be presented in the future. Financial Statements should be presented in all three languages as per Financial Regulations.

1.8 Cash Management

	Audit Observation	Management's Comments	Recommendation
(a)	There was a balance of Rs.1,141,318 received as donations from the year 2018 to 2024 in three current accounts maintained by the Fund to collect public donations. Since any payments were not made in relation to these accounts during the year or in previous years, action had not been taken in the year under review to effectively invest the surplus funds while maintaining a minimum deposit amount.	Since the officers authorized to manage these accounts are not currently performing duties in the fund, that the nominations of new officers will be submitted for approval and, that the action will be taken to put it into a productive investment thereafter.	A suitable program should be implemented to invest surplus funds effectively.
(b)	It was observed that the Fund Management Savings Account maintained by the Fund had an excess cash balance, and a balance ranging from Rs.06 to 13 million during the first half of 2024 and a balance ranging from Rs.12 to 37 million during the second half of the year had been maintained. Although interest was received on this at a minimum interest rate, actions had not been taken to generate income by investing the excess money in short-term investments.	It is the requirement of any business/organization to ensure that funds only sufficient to make payments at any given time are maintained in the account and to retain some funds for working capital needs and, Financial surpluses/deficits may arise due to uncertainties that may arise in unpredictable situations.	Proper fund management should be maintained to ensure that relevant expenses are incurred within planned periods and surplus funds are invested more profitably.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.119,816,332, while the corresponding surplus for the previous year was Rs.75,144,999. Accordingly, a growth of Rs.44,671,333 was observed in the financial result. This increase was mainly due to a decrease in housing assistance payments by Rs.142,728,695 compared to the previous year. It was not possible to record a high surplus due to a decrease in interest income on investments by Rs.95,118,015.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observation	Management's Comments	Recommendation
(a)	Although it was planned to complete the payment of assistance amounted to grants Rs.340,000,000 for 300 semi-houses and 20 complete houses by the end of 2024 according to the 2024 Action Plan, Rs.108,303,531 for the year under review and Rs.9,050,456 for the years 2022 and 2023 were still to be paid as at 31 December 2024.	It was difficult to complete the 2024 housing project as planned due to the facts that, increase in commodity prices due to the Covid pandemic in 2021 and the economic instability in the country in 2022 and the administrative problems including file deficiencies, delays in intelligence confidential reports and, instructions have been given to expedite the construction work.	The expected goals planned for each year should be achieved according to the action plan.
(b)	It was recorded that 131 members had paid the instalments for the houses in the Ranajayapura Housing Complex and, it was failure to complete the process of transferring ownership of houses to individuals who had completed their instalment payments in accordance with Section 2 of the agreement entered into by both parties during the year under review.	Actions are being taken to expedite the process of issuing title certificates to Ranajayapura housing beneficiaries in connection with the government institutes i.e. Ipalogama Divisional Secretariat, the Department of the Commissioner General of Lands and the Ministry of Lands with the direct intervention of the Ministry of Defence.	Immediate action should be taken to transfer the ownership of the houses to those who have paid the instalments in accordance with the agreements.
(c)	Although documents should be maintained for each individual to ensure that the individuals selected for housing assistance meet the required qualifications and that all information provided is accurate and truthful, the files maintained by the Fund were not maintained in a manner that met those requirements and contained deficiencies such as the presence of uncertified photocopies, applications without relevant recommendations, and lack of confirmation that interviews had been conducted.	The selection of beneficiaries for the housing projects implemented under the fund is carried out by the Director of Directorate of Veterans' Affairs & Rehabilitation, Board and other welfare departments and, the files of the selected soldiers will be submitted to the fund and actions will be taken to provide benefits.	It should be confirmed that the selected individuals meet the required qualifications and that all information provided is accurate and true.

- (d) The Fund had not followed a method of directly paying benefits to the selected beneficiaries under the housing assistance project implemented by the Fund and, Rs.283.22 million had been released to the deposit accounts of the Tri-Forces and the Police in the year under review in respect of previous years and the year under review. Furthermore, it was not possible to satisfactorily verify the accuracy of the signatures and other information contained in the documents being retrieved and confirmation that the beneficiaries of housing assistance have received the benefit money was provided only through a letter obtained through an external party, and there was a significant delay in this.
- An evaluation form stating the amount received by the beneficiary himself/herself, after the recommendation of the Grama Seva Officer, Divisional Secretary, Unit Commanding Officer of the relevant army, Welfare Director and the Coordinating Officers appointed by this Ministry will be submitted to the Ministry and, a letter confirming receipt of the relevant funds, signed by the beneficiary and signed by the coordinating officer, will be obtained from this fund in the release of funds for the phases to the beneficiaries of the semi-detached housing project.
- A system for direct payment of benefits by the Fund to the beneficiary and a system for verifying that the benefits have been received correctly should be implemented.

3.3 Transactions in Contentious Nature

Audit Observation	Management's Comments	Recommendation
The Fund had entered into contracts with 03 external telephone companies to operate and manage telecommunications infrastructure facilities associated with 49 transmission towers located within the lands of the security forces camps and the fund had received an income of Rs.166.68 million during the year under review from that. However, the specific authority to enter into agreements with external telephone companies and to treat the income generated thereby as income of the Fund was not disclosed.	That the agreements have been made to make payments to the "Api Wenuwen Api Fund" No.6 of 2008 in accordance with the clauses of the Memorandum of Understanding entered into with the communication tower companies and that the authority is delegated under other receipts in accordance with Section 7 (e) of the Api Wenuwen Api Fund Act.	The specific authority to enter into agreements with telephone companies and to treat the income to be credited to the Consolidated Fund as income of the Fund should be disclosed.

4 Accountability and Good Governance

4.1 Tabling of the Annual Performance Report in Parliament

Audit Observation	Management's Comments	Recommendation
Although the financial statements and Auditor General's reports of the Fund are required to be tabled in Parliament in terms of Section 11(6) of the Api Wenuwen Api Fund Act, No. 06 of 2008, the reports from the inception of the Fund up to the year 2023 had not been tabled in Parliament.	Documents related to tabling the Fund's financial statements and Auditor General's reports in Parliament are currently being prepared in accordance with Section 11(6) of the "Api Wenuwen Api" Fund Act No. 06 of 2008.	Section 11(6) of the Api Wenuwen Api Fund Act, No. 06 of 2008 should be followed.