

Api Wenuwen Api Fund - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, and cash flow statement for the year then ended and notes to financial statements including material accounting policy information, 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 presented in Parliament appear in this report.

In my opinion, except for the effects of 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 Fund as at 31 December 2023, and 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 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 (SLAuS). 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 determines 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 Sub-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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 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 audit 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 audit 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;
- 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

The Fund is 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. Audit observations relating to the maintenance of main reports of accounting such as, general ledger, journal, journal vouchers and payment vouchers, have been included.

Audit Observation	Comment of the Management	Recommendation
a) Revenue earned from communications towers had been recognized based on the value of amount being credited to a bank account of the Fund by telecommunication companies. As such, there existed no methodology to verify the accuracy of revenue receivable to the Fund for the year as per the agreements.	Action will be taken in due course to obtain source documents relating to the sums credited directly to the bank account and request such registers from the companies after being signed.	Action should be taken to correctly recognize and account for the revenue.
b) A sum of Rs. 12,132,959 equivalent to 02 per cent of the housing grant paid to the beneficiaries without specifically identifying the actual amount and nature of expenditure on administration incurred in the year under review and the parties payable, had been written off against the revenue of the year as accrued expenses on administration as at 31 December 2023 without being considered a provision	As the housing project of the year 2023 is still in progress, the funds relating to administrative expenses will definitely be released to the tri-forces and Police once the stages of the project are completed.	The actual expenditure, accrued expense, and provisions relating to the period, should be correctly identified and accounted for.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
In case that assets are shown to their revalued amount in terms of Paragraph 90 of Sri Lanka Public Sector Accounting Standard 07, the relevant matters should be disclosed as per the Standard. Although a revaluation profit of Rs. 1,563,808 had been recognized through the revaluation of fixed assets of the Fund, that value had not been disclosed as per the said Standard.	Report of the Board which did the revaluation in terms of Paragraph 90 of the Sri Lanka Public Sector Accounting Standard 07, has been furnished to the Audit.	The necessary disclosures should be made through the accounts in terms of Paragraph 90 of Sri Lanka Public Sector Accounting Standard 07.

1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
a) The value of stock of building materials including bronze hinges and wiring accessories costing Rs. 1,071,546 purchased during the years 2010-2020 by the Fund for housing projects, had been brought to accounts as a fixed asset instead of being accounted for as a current asset.	Action will be taken to correct the value of the said stock of building materials through a journal entry.	Assets should be correctly identified and brought to accounts.
b) Following a decision taken by the Board of Management on 30 May 2023, approval had been granted to release the Skid Steer Loader costing Rs. 4,150,000 to the Navy for free. The profit or loss of this donation the net value of which amounted to Rs. 985,210 as at 01 January 2023, was not recognized and brought to accounts.	The net value of the asset had been eliminated from the fixed assets account and adjusted to the accumulated fund.	The profit or loss through the disposal of assets should be recognized and adjusted through the profit and loss account.
c) Due to reasons such as, the sum of Rs. 2,702,664 relating to 69 persons mentioned to have settled the housing installments in advance according to the accounts as at 31 December 2022, had been eliminated from the balance received prior to 31 December 2023, but it was not verified that the said value had been recognized as revenue of the year. The balance of Rs. 1,464,000 receivable from 16 households as at 31 December 2022 had been eliminated from the register of balances receivable as at 31 December 2023. The balance received prior to 31 December 2023 had been understated by Rs. 100,000, and schedule on revenue through housing installments had not been made available, accuracy of the sum of Rs. 69,323,714 shown as the installment revenue	It is scheduled to request the meeting of the Board of Management to be held in due course that action be taken to correct through a journal entry the funds received in advance which had not been shown in the final accounts of the year 2023 and the understated sum of Rs. 100,000, and resolve the issues relating to the recovery of installments.	The revenue should be correctly recognized and brought to accounts. The relevant information should be verified through detailed schedules when necessary.

of the Ranajayapura housing project, could not be verified.

- d) The balance of accrual expenses amounted to Rs. 109,648,125 as at 31 December 2023, but the same amounted to Rs. 109,677,622 as per the schedule, thus overstating the sum by Rs. 29,497.
- As the reasons causing the difference had been identified, corrective measures will be taken through journal entries.
- Account balance and the balance in schedules should be equal.

1.5.4 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Audit Evidence not Furnished	Comment of the Management	Recommendation
a) Payment of installments to half and full house beneficiaries.	7,780,412	Documents verifying that the beneficiaries had received the payments.	Action had been taken to obtain a verification letter signed by the beneficiary that the payments had been received, and the letters of verification are still being received.	It is necessary to verify all the payments in terms of Financial Regulation 264 (1) through a receipt obtained from the payee that the gross amount mentioned in the voucher has been received.
b) Receivable communication tower revenue.	21,840,910	Confirmation of balances relating to the receivable communication tower revenue.	Not replied.	Confirmation of balances should be obtained from the relevant institutions with respect to the due revenue from communication towers.
c) Interest income on 06 fixed deposits withdrawn in the year under review.	19,330,990	Source documents relating to the said interest income and other documents based on which the interest had been brought to accounts.	It is informed that action will be taken in due course to obtain a verification from the relevant bank once a fixed deposit is withdrawn.	The supporting documents and reports relating to the interest income mentioned in the financial statements, should be made available.

1.6 Accounts Receivable and Payable

1.6.1 Funds Receivable

Audit Observation	Comment of the Management	Recommendation
a) The installments due from the households of	Installments remained due over extensive periods due to	Necessary measures should be taken to promptly recover the

- Ranajayapura housing project totaled Rs. 43,503,101 as at 31 December 2023, and the total of outstanding balances continued to exist over 01-05 years therein amounted to Rs. 26,220,080 whilst a balance totalling Rs. 2,792,000 continued to exist over 05 years. Expeditious action should have been taken for the recovery of those outstanding balances.
- b) Income from the communication towers receivable as at 31 December 2023 totaled Rs. 21,840,910. According to the agreement, the lease rent of the preceding month should be recovered in the ensuing month, but the lease rents in arrears totalling Rs. 13,312,710 remained due over 02-15 months. Income receivable to the Fund being retained by external institutions over considerable periods, had caused the loss of investment opportunities for funds and unfavorable issues relating to liquid cash requirements.
- c) The agreements entered into with some of the Companies relating to communication towers, had not mentioned the terms and conditions on the measures to be taken in case of failure in settling the lease rents on time. As per agreements with
- reasons such as, retirement, failing to report for duty without obtaining leave, vacation of post, death, and imprisonment. A board of inquiry of the tri-forces has been appointed in that connection, and action will be taken by forwarding the recommendations of that committee to the Board of Management.
- At the end of each month, the relevant Companies are informed verbally and in writing. Action is being taken for prompt recovery.
- Action should be taken for the expeditious recovery of income in accordance with the agreements.
- Action will be taken to recover the tower income within the relevant month itself as per the agreements.
- Terms and conditions should substantially be included in the agreements being entered into and implemented; and , action should be taken accordingly.
- installments and registers should be maintained in an up-to-date manner.

certain Companies, fines should be charged on outstanding bills, but it was not verified that fines had been charged.

- d) According to the lease agreements of 21 stalls at the market complex of Ranajayapura, the monthly lease rent should be recovered prior to 25th day of the ensuing month. Nevertheless, the outstanding lease rent totaled Rs. 483,960 as at 31 December 2023, and age analyses had been furnished with respect to a sum of Rs. 218,150 therefrom.
- Age analyses had been furnished only as at 2023.12.31. Corrective measures will be taken through journal entries in the accounts in due course with respect to the sum of Rs. 297,260 receivable as at 2023.01.01.
- Action should be taken as per the agreements to recover the lease rents on time and updated reports should be maintained.

1.7 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
a) Section 09 of the Api Wenuwen Api Fund Act, No. 06 of 2008.	There shall be an account maintained by the Fund at the Central Bank of Sri Lanka in the name of the "Api Wenuwen Api Fund" and the moneys paid into the Fund under Section 07 of the Act shall be credited to the said Account. Nevertheless, the Fund had not maintained an account at the Central Bank of Sri Lanka.	As the Fund collects communication tower income, household installments, stall rents, and donations through accounts maintained at commercial banks, there shall be practical problems had a new account been opened at the Central Bank of Sri Lanka.	Action should be taken in accordance with Section 09 of the Act.
b) Section 10 of the Api Wenuwen Api Fund Act No. 06 of 2008, Inland Revenue (Amendment) Act, No. 10 of 2021 and the Inland Revenue Act	Five per cent equivalent to Rs. 13,771,820 of the interest income on fixed deposits of the Fund had been recovered as withholding tax as per provisions of the Inland Revenue Act No. 24 of 2017.	It is kindly informed that, as mentioned in the Section 10 of the Act, action is being taken to obtain concurrence of the	To verify the exemption of income tax with the Commissioner General of Inland Revenue, and informing the

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| No. 24 of 2017 as amended by the Inland Revenue Act No. 45 of 2022. | The said tax had been written off against the surplus of the year as an expense of the Fund. | Minister in charge of finance. | representatives (banks) to exempt the retention of tax. |
| | According to Section 10 of the Api Wenuwen Api Fund Act, the Fund shall be exempt from the payment of any tax on the income or profits of the Fund to such extent as is permitted in terms of the Inland Revenue Act No. 10 of 2006. Liability for tax had not been verified and the relevant banks had not been requested not to deduct the withholding tax. | | |
| c) Financial Regulation 877 (2) (c) as amended by Public Finance Circular, No. 01/2020 dated 28 August 2020 and Paragraph 03 of the Guideline 04. | A quarterly report should be prepared at the end of each quarter on the key activities of the Fund in a manner that progress of the Fund can be reviewed, and presented to the Auditor General with copies to the Department of Public Finance and Department of National Budget before the 15 th day since the end of the quarter. Nevertheless, those reports for the year 2023 had not been presented to the Audit. | Action will be taken in due course to prepare quarterly reports at the end of each quarter on the key activities of the Fund in a manner that progress of the Fund can be reviewed, and present to the Auditor General with copies to the Department of Public Finance and Department of National Budget before the 15 th day since the end of the quarter. | Action should be taken to present quarterly reports on the progress of the Fund. |
| d) Financial Regulation 877 (2) (c) as amended by Public Finance Circular, No. 01/2020 dated 28 August 2020 and Paragraph 2.2 of the Guideline 04. | Source documents such as, receipt vouchers, receipts, and invoices had not been used in recognizing the income of the Fund. All the income had been recognized based on the values shown under credits of the bank statement. | Credit notes of the persons who directly presented to this Fund. Furthermore, when collecting income from the telecommunication towers, accounting is done by considering the values mentioned in | Such values should be mentioned in the accounts with source documents so that account information can be verified. |

- the invoices and agreements.
- e) Financial Regulation 877 (2) (c) as amended by Public Finance Circular, No. 01/2020 dated 28 August 2020 , Paragraph 5.2 of the Guideline 04, and Public Sector Accounting Standard 01 (21). A statement of changes in equity/net assets should be included in the financial statements of the Fund as a main component. However, a statement of changes in equity had not been included in the financial statements of the Fund.
- f) Financial Regulation 877 (2) (c) as amended by Public Finance Circular, No. 01/2020 dated 28 August 2020 and Paragraph 07 of the Guideline 04. The limits on Budget allocations and actuals of the relevant year of accounts should be compared, and the budget reconciliation statement along with reasons for the variances (summarized), should be presented with the financial statements. However, such reports of variances had not been presented.
- It is kindly informed that a statement of changes in equity will be included in the ensuing year of accounts.
- Action should be taken to present financial statements as per the regulations.
- It is kindly informed that budget allocations and actuals of the relevant year of accounts will be compared, and the budget reconciliation statement along with reasons for the variances (summarized), will be presented with the financial statements in the ensuing year.
- Financial statements should be presented as per the financial Regulations.

1.8 Management of Funds

Audit Observation	Comment of the Management	Recommendation
Donations totalling Rs. 1,081,793 received during 2018-2023 remained in 03 current accounts maintained by the Fund for collecting donations from the public. As no payment whatsoever had been made out of those funds within the year or in the preceding years, the excess funds had not been invested effectively by maintaining a minimum balance in the accounts.	Action will be taken to invest the excess funds with a minimum balance being maintained in the current accounts.	A proper and effective fund management system should be maintained.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 75,144,999 as compared to the corresponding surplus of Rs. 398,875,766 for the preceding year. As such, a deterioration of Rs. 323,730,767 was observed in the financial result. This deterioration was mainly attributed by the increase in project development expenditure by Rs. 412,925,191.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
It was reported that 69 members of the Ranajayapura housing scheme had settled the installments in full, but transferring the rights to the houses to the members who had completed the installments, had not been done in terms of Section 02 of the agreement entered into between both parties.	Action is being taken to expedite the process of granting title certificates to the households of the Ranajayapura housing scheme in cooperation with the Divisional Secretariat, Ipalogama, Land Commissioner General's Department, and Ministry of Lands.	Action should be taken in accordance with the agreements.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
According to the Action Plan of the year 2023, it had been scheduled to complete the payment of aid totalling Rs. 423,275,789 for 379 partially-completed houses and 29 fully-completed houses by the end of the year 2023. Nevertheless, as at 31 December 2023, a sum of Rs. 106,613,263 remained further payable whilst a sum of Rs. 3,034,862 also remained payable for the year 2021.	Installments of some of the beneficiaries still remained payable due to practical issues on constructions. However, it is kindly informed that prompt action will be taken for the payment of this sum still remaining payable.	Action should be taken in accordance with the Action Plan.

3.3 Transactions of Contentious Nature

Audit Observation	Comment of the Management	Recommendation
<p>As for the payment of housing benefits by the Fund, funds had not been directly paid to the relevant beneficiary; instead, the funds had been released to the relevant accounts maintained by the Tri-Forces. Accordingly, a sum totalling Rs. 333.9 million had been released in the year 2023, and the necessity of a mechanism to expeditiously verify that the funds have been received by the relevant beneficiary on time, had been emphasized in the year 2021, but it had not been so done properly even up to the year under review.</p>	<p>Activities such as, selection of the relevant beneficiaries and releasing funds through the accounts are done by the tri-forces and the Police for ease of administration. Recommendations to the effect that constructions have been made, are given by the Grama Niladhari, Divisional Secretary, unit commanding officer of the Army, and director of welfare.</p>	<p>A methodology should be implemented to verify that the beneficiaries accurately receive the funds on time without delay.</p>

4. Accountability and Good Governance

4.1 Presentation of Annual Performance Report to Parliament

Audit Observation	Comment of the Management	Recommendation
<p>According to Section 11 (6) of the Api Wenuwen Api Fund Act No. 06 of 2008, financial statements of the Fund and reports of the Auditor General should be tabled in Parliament , but reports from the inception of the Fund up to the year 2022, had not been tabled in Parliament .</p>	<p>Financial statements of the Fund and reports of the Auditor General had not been tabled in Parliament since the inception of the Fund. Action is being taken at present in coordination with the relevant institutions to table such reports in Parliament .</p>	<p>Annual performance reports should be tabled in Parliament in terms of provisions of the Act.</p>