

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Api Wenuwen Api Fund for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of profit and loss and other comprehensive income, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the 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, the Finance Act No.38 of 1971 and Api Wenuwen Api Fund Act No.6 of 2008. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the fund as at 31 December 2025, 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 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 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 skepticism 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 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 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.

Audit scope 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 Accounts Receivable

Audit Observation	Management Comment	Recommendation
Although agreements with private telecommunication companies stipulated that rental income for a given month should be remitted to the Fund during the following month, payments were consistently delayed by more than two months and consequently, it was observed that a sum of Rs.16,506,908 was outstanding as of 31 December of the year under review.	Arrears of tower revenue relating to the final quarter of the year under review is currently being received by the Fund, and all relevant companies have been notified via letter to recover the remaining outstanding tower revenue amounting to Rs.3,464,174.	Action should be taken to collect tower revenue within one month, in accordance with agreements reached with private telecommunication companies, and to implement an effective monitoring mechanism for this purpose.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 9 of the Api Wenuwen Api Fund Act No.06 of 2008	A fund should maintained the Fund under the name “Api Wenuwen Api” in the Central Bank of Sri Lanka and although the cash payable to the fund under Section 7 of the said Act should be credited to that account, the Fund did not maintain such an account with the Central Bank of Sri Lanka. Instead, it maintained 06 accounts as 04 accounts with two state banks and 02 accounts with a private bank.	A board paper regarding the opening of a new Central Bank account will be submitted to the upcoming meeting of the Board of Management.	In accordance with Section 09 of the Act, a fund of the Central Bank of Sri Lanka should be maintained, and cash due to the fund in accordance with Section 07 of the Act should be credited to that account.

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| (b) | Inland Revenue Act No.24 of 2017 and its amended Acts | Although the letter dated 07 June 2024 from the Deputy Commissioner General of Inland Revenue notified that, the Fund is subject to income tax including Withholding Tax on the amounts earned by the fund, registration for income tax purposes and the submission of relevant tax returns had not been carried out in accordance with the provisions of the Inland Revenue Act. | That, the actions will be taken to register for income tax payments with the Department of Inland Revenue and to pay taxes in the future. | Registration for income tax purposes should be done in accordance with the provisions of the Inland Revenue Act, and the relevant tax liability should be paid by correctly identifying and applicable tax returns should also be submitted within the stipulated timeframes. |
| (c) | Financial Regulation 877(1)(c), as amended by Public Finance Circular No.1/2020 dated 28 August 2020. | Although the budget estimate for the upcoming year should be prepared in accordance with the Fund's objectives and submitted to the Director General of the National Budget estimate with the approval of the Governing Board for the approval of General Treasury prior to 30 September of the current year, the submission of the budget for the year under review had been delayed until 06 November 2024, and it was submitted without the approval of the Governing Board. | Due to the failure to hold a Management Board meeting between 30 May 2023 and 16 December 2024, it was not possible to submit to the General Treasury with the approval of the Management Board. | In accordance with Financial Regulations, actions should be taken to prepare the budget estimate prior to the due date and submit it to the Treasury with the approval of the Governing Board. |
| (d) | Letter of the Director General of Public Finance bearing reference PFD/RED/REG/F&C/2025/DEF dated 05 March 2025. | Although rental income received for the construction and use of communication towers should have been credited to the Consolidated Fund, revenue amounting to Rs.137.19 million received from three private companies was recorded as | A request was made to the Presidential Secretariat via a letter dated 28 April 2026, seeking a discussion with the Department of Public Finance and the Department of | Actions should be taken to credit the rental income received for the construction and use of communication towers to the Consolidated Fund |

income in the financial statements for the year under review, without being credited to the Consolidated Fund.	National Budget, and action will be taken in accordance with the instructions provided during that discussion.	in accordance with the letter from the Director General of Public Finance.
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1.7 Cash Management

Audit Observation	Management Comment	Recommendation
A cash balance ranging from Rs.2.69 million to Rs.23.33 million was maintained in the fund management bank account during the period from January to December earning a normal interest rate. However, action had not been taken to deploy these surplus funds into short-term investments that would have yielded a higher interest rate.	Actions are being taken to analyze the projected expenditures of upcoming month and the balance of the fund management account at the end of each month, and to place short-term investments with state banks.	Actions should be taken to identify surplus funds after identifying the Fund's daily and short-term liquidity requirements and to deploy them in short-term investments at high interest rates in order to generate maximum income for the Fund.

2. Financial Review

2.1 Financial Results

The financial result for the year under review was a surplus of Rs.339,152,298 and the corresponding surplus in the preceding year amounted to Rs.119,816,332. Therefore, an improvement amounting to Rs.219,335,966 of the financial result was observed. The main reason for this improvement was a reduction in the Fund's expenditure compared to the previous year, due to the non-incurrence of costs for the full and semi-housing projects implemented by the Fund during the year under review.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Reports indicated that 160 housing beneficiaries of the Ranajayapura housing complex had completed the payment of all instalments. Although ownership of the houses was required to be transferred to these individuals in accordance with Clause 2 of the	The list of housing beneficiaries of the Ranajayapura Housing Complex who have fully settled their installment payments has been forwarded to the Ipalogama	Action must be taken to transfer ownership to the final housing beneficiaries upon completion of payments in accordance with the agreements.

	agreement entered by both parties, it was not possible to make the relevant transfers to those housing beneficiaries during the year under review.	Divisional Secretariat via a letter dated 28 April 2026 for the purpose of issuing the deeds of transfer.	
(b)	Although it was planned to complete the disbursement of financial assistance totaling Rs.340 million for 300 semi-constructed houses and 20 fully constructed houses as per the action plan for the year under review, it was observed that financial assistance had not been provided for any of the houses by the end of the year. Furthermore, outstanding payments for semi-complete and fully completed houses amounted to Rs.22,456,942 for the year 2024 and Rs.1,181,172 for the year 2023.	Regarding all beneficiaries who applied for semi-complete or fully complete housing in 2025, actions were taken to obtain an affidavit from each beneficiary confirming that they had not received housing aid from other Tri-Forces welfare divisions and, due to the significant amount of time required for this process, it was not possible to commence the housing project within the year under review.	Action should be taken to expedite the selection of beneficiaries and necessary verifications in order to achieve the output levels predicted in the action plan, and to promptly settle outstanding aid payments from previous years.

3.2 Transactions in Controversial Nature

Audit Observation

The Secretary to the Ministry of Defence had entered into agreements with 03 private telecommunication companies to operate and manage telecommunication infrastructure associated with 49 transmission towers located on lands belonging to security force camps, and to remit the revenue generated therefrom to the fund. However, sufficient evidence regarding the specific authority vested in the Secretary to the Ministry of Defence to enter into such agreements with private telecommunication companies was not submitted for the audit, and it was not possible to verify the existence of such authority.

Management Comment

An inquiry was made to the technical division regarding the specific authority empowered to enter into agreements with telecommunication companies, but the relevant information could not be found.

Recommendation

Actions should be taken to verify before entering into agreements that the necessary authority exists to do so.

4 Accountability and Good Governance

4.1 Tabling of the Annual Performance Report in Parliament

Audit Observation	Management Comment	Recommendation
Although the financial statements of the Fund and the Auditor General's reports were required to be tabled in Parliament in accordance with Section 11(6) of the Api Wenuwen Api Fund Act No.06 of 2008, the reports covering the period from the Fund's inception up to the year 2024 had not been tabled.	That the Cabinet Memorandum prepared to seek approval for tabling the financial statements, performance report, and Auditor General's report for the year 2024 in Parliament was submitted to the Parliamentary Affairs and Policy Division on 12 March 2026.	In accordance with the provisions of the Act, actions should be taken to table the Fund's financial statements and the Auditor General's reports in Parliament within the stipulated timeframe.