

Head 249 – Department of Treasury Operations

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 249 - Department of Treasury Operations for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended 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. The summary report including my comments and observations on the financial statements of the Department of Treasury Operations was issued to the Accounting Officer on 30 May 2023 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 21 July 2023 in terms of Section 11(2) of the Audit Act. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Treasury Operations as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 this 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 the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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, and its materiality depends on the influence on economic decisions taken by users 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 Department's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

As required by Section 6 (I) (d) of the National Audit Act, No. 19 of 2018, I state the followings;

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements relating to the preceding year had been implemented.

2. Financial Review

2.1 Mangement of Revenue

2.1.1 Estimation of Revenue

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The Department had estimated the revenue amounting to Rs.103,400,000,000 under 11 Revenue Codes for the year 2022. The original revenue estimates relating to all Revenue Codes had been revised in the year under review. Moreover, a sum of Rs.100,000,000 had been estimated under the revised estimate relating to Revenue Code 3001.02.00 which was not included in the original revenue estimate. Total revenue estimates of 7 other Revenue Codes had been reduced by Rs.25,310,000,000. Total revenue estimates of 5 Revenue Codes had been increased by Rs.261,600,000,000. The revenue estimate relating to the Treasury Bond Surcharge – 2003.05.00, had been revised by increasing the revenue amounting to	Annual revenue estimates have been revised due to rise in various uncertainties in the collection of revenue due to the economic crisis and the instability in the country during the year 2022. Furthermore, the revenue mentioned in the revised estimate relating to the said Revenue Codes had been received in excess over the expected revenue, thus increasing the revenue. According to the nature of each source of revenue, it is not practically possible to prepare original/revised estimates with 100% accurate forecasting based on the actual revenue received at the commencement of the year or during the first 06 months of the year under review and the	Accurate and realistic revenue estimates should be prepared in terms of provisions of the F. R. 85.

Rs.14,200,000,000 mentioned in the original revenue estimate, by Rs.8,900,000,000. As a whole, the Department had revised the estimate, by increasing the revenue expected to be collected according to the original estimate by Rs.236,290,000,000. revised revenue estimates submitted by institutions collecting revenue. Such revenues for which situations arisen cannot be estimated in advance, is difficult to be estimated as compared with another period as well.

However, revenue of Rs.154,776,282,088 had been collected from 12 Revenue Codes by the end of the year under review. From among them, Revenue had been collected exceeding the original revenue estimates of 7 Revenue Codes. Accordingly, it was observed that estimation of revenue and revision thereof had not been carried out in a realistic manner.

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| (b) | In the comparison of the revised revenue estimate with the actual revenue, it was observed that it had varied within a range of a decrease of 97 per cent to an increase of 237 per cent relating to 6 Revenue Codes. | It is agreed with the audit observation. | Accurate and realistic revenue estimates should be prepared in terms of provisions of the F.R. 85. |
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2.1.2 Collection of Revenue in Arrears

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Arrears of revenue relating to 08 Revenue Codes as at 31 December 2022 was Rs.261,543,883,717 and of that, the revenue in arrears over one year was Rs.2,357,789,706.	It is agreed with the audit observation.	Action should be taken to recover arrears of revenue efficiently.
(b) As compared with the arrears of revenue indicated in the financial statements as at 31 December 2021, the entire arrears of	It is agreed with the audit observation.	

revenue had varied within a range of a decrease of 57 per cent to an increase of 18,443 per cent by 31 December 2022. Accordingly,

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| (i). | Interest under Revenue Code 20.02.02.99 – Interest - Arrears of revenue relating to other revenue had decreased by 57 per cent by 31 December 2022 as compared with the year 2021. | It is agreed with the audit observation. | Action should be taken to recover arrears of revenue efficiently. |
| (ii) | Arrears of revenue relating to other receipts under Revenue Code 20.03.99.00, had increased by 247 per cent by 31 December 2022 as compared with the year 2021. | It is agreed with the audit observation. | Action should be taken to recover arrears of revenue efficiently. |
| (iii) | Arrears of revenue relating to recovery of loans under Revenue Code 20.06.04.00, had increased by 18,443 per cent by 31 December 2022 as compared with the year 2021. | It is agreed with the audit observation. | Action should be taken to recover arrears of revenue efficiently. |
| (c) | At the examination carried out on arrears of revenue relating to the year 2019 and preceding years, it had been informed that an uncertainty existed on the recovery of arrears of revenue amounting to Rs.2,282,681,252 relating to 3 institutions on non-payment of loan interest and loan instalments in terms of agreements. | Outstanding loans were recovered through Sri Lanka Rubber Manufacturing and Export Corporation and Sarvodaya Economic Enterprise Development Services (Guarantee) Limited. However, an uncertainty further exists on the recovery of the said arrears. Accordingly, 02 factories located in Badureliya and Mawanella belonging to the Sri Lanka Rubber Manufacturing and Export Corporation, have been leased out to Aroma Natural Rubber (Pvt) Ltd. and action had been taken to use the said lease revenue and sale of machinery on valuation in the Foam Rubber Factory in Elpitiya since the year 2022 for the settlement of loans. Moreover, it had been reported | Action should be taken to recover arrears of revenue efficiently. |

that the Attorney General's Department had been notified on 22.04.2022 to file lawsuits for recovery of relevant outstanding loans and interest thereon to the Sanasa Society, Badulla and that the outstanding loans of Sarvodaya Economic Enterprise Development Services (Guarantee) Limited. will be restructured.

(d) The following differences existed between the opening balances of arrears relating to the preceding year (2021) indicated in the statement of arrears of revenue submitted as at 31 December 2022 and the closing balances of arrears of revenue indicated in Format ACA1(i) submitted as at 31 December 2021.

Revenue Code	Closing balance of arrears of revenue as at 31.12.2021 as per Format ACA-1(i) in the year 2021	Balance of arrears of revenue as at 01.01.2022 as per Format ACA-1(i) in the year 2022	Difference
	Rs.	Rs.	Rs.
20.02.01.99	6,938,319	7,118,319	(180,000)
20.02.02.99	22,565,926	22,564,779	1,147
20.03.99.00	25,310,655	71,264,326	(45,953,671)
20.05.99.00	-	62,622,634	(62,622,634)

Reasons for differences are as follows.

Revenue Code	Reason for Difference
20.02.01.99	Indicating arrears of revenue amounting to Rs.180,000 in the report on arrears of revenue as at 31.12.2022 which had not been indicated as at 31.12.2021 by Sri Lanka Customs.
20.02.02.99	The Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government has informed that this difference has occurred due to retirement of an officer.
20.03.99.00	It has been informed that arrears of Rs.44,633,775 had been indicated in the report on arrears of revenue submitted as at 31.12.2021 which was not indicated as at 31.12.2021 by the Civil Security

The relevant Revenue Accounting Officers should compare reports on arrears of revenue as at the end of the year.

Development and that a sum of Rs.160,703 had been recorded as at 31.12.2021 as arrears of revenue erroneously in the Department of Debt Conciliation Board.

20.05.99.00 Indicating arrears of Rs.62,622,634 in the report on arrears of revenue as at 31.12.2022 which had not been indicated as at 31.12.2021 by the Department of Pensions. The said arrears have been recovered in the year 2022.

(e) The following differences existed between the opening balances of relevant arrears by the year prior to the preceding year (2020) in the statement of arrears of revenue submitted as at 31 December 2022 and the closing balances of arrears indicated in Format ACA1(i) submitted as at 31 December 2021.

Reasons for differences in arrears of revenue are as follows.

The relevant Revenue Accounting Officers should compare reports on arrears of revenue as at the end of the year.

Revenue Code	Closing balance of arrears of revenue in the year 2020 and preceding years as per Format ACA-1(i) in the year 2021	Opening balance of arrears by the year preceding year 2021 as per Format ACA-1(i) in the year 2022	Difference
	Rs.	Rs.	Rs.
2002.01.99	405,000	510,000	(105,000)
2003.02.99	805,561	1,055,110	(249,549)

Revenue Code

20.02.01.99

Reason for Difference

Indicating arrears of Rs.105,000 relating to the year 2020 in the report on arrears of revenue submitted as at 31.12.2022 and not indicated in the report on arrears of revenue submitted as at 31.12.2021 by the Sri Lanka Customs.

20.03.02.99

The adjustment of variance in exchange rate of arrears of the Trade and Shipping Secretariats has been attributed to the difference.

2003.99.00 - 27,047,153 (27,047,153) 20.03.99.00 Indicating arrears of Rs.27,047,153 relating to years 2019 and 2020 in the report on arrears of revenue submitted as at 31.12.2022 not indicated in the report on arrears of revenue submitted as at 31.12.2021 by the Civil Security Department.

2.2 Management of Expenditure

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Overprovision had been made for 07 Recurrent Objects and as such, Rs.13,140,579 had been saved after utilizing the said provision during the year and accordingly, the savings out of the net provision ranged between 26 per cent and 80 per cent.	It is agreed with the audit observations.	Estimates should be accurately and realistically prepared in terms of F.R.50.
(b) In the comparison of the original estimate of expenditure with the revised estimate of expenditure, the variance relating to 4 Objects had varied from a decrease of 66 per cent to an increase of 224 per cent.	It is agreed with the audit observations.	Estimates should be accurately and realistically prepared in terms of F.R.50.

2.3 Deposit Balances

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
There were 13 deposit accounts totalling Rs.34,979,074 as at 31 December 2022 maintained without carrying out any transactions in the year under review. These deposit accounts are related to receipts of foreign grants and the said balances had remained dormant over many	The supervision on utilizing money in the deposit account for the specific purpose, is beyond the control of this Department and requests for imprests made by the institution implementing the project and the responsibility of releasing imprests based on the	Action should be taken to utilize grants for the purpose for which they were given or failing which, they should be credited to the relevant account or to the Government

years. Action should be taken to utilize these grants for the relevant purpose for which they were granted, and in failure to do so, it should be credited to the Government revenue in terms of Financial Regulations. However, action had not been taken accordingly.

amount of provision existing in the relevant Object, are fulfilled by this Department.

revenue, as the case may be, in terms of F.R.570.

However, the institutions implementing relevant projects have already been briefed on the deposit balances pointed out in the Audit Query and further action will be taken on the response made therefor.

2.4 Bank Accounts

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
In terms of F.R.387, overdrafts are prohibited from any official bank account whatsoever. However, bank overdraft facilities had been obtained from the People's Bank Account of the Director General of Pensions on 09 May 2022 and an interest of Rs.30,925,253 had to be paid for the value of Rs.7,727,113,034 which was the balance of overdraft of the said account as at that date.	With the arise of the severe economic crisis in the country, the liquidity of bank accounts of the Deputy Secretary to the Treasury was inadequate for payment of pensions for May 2022. As such, the funds issued for pensions to the official bank account of the Department of Pensions, had not been remitted. As the pensioners should be paid with pensions on the due date, the People's Bank had to make arrangements in that instance to pay pensions through the official bank account of the Department of Pensions.	Action should be taken in terms of F.R.387.

3. Operating Review

3.1 Non-achievement of expected Outcome

3.1.1 Accounting of Public Debt

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The Department had not introduced an appropriate methodology for management of cash flows and accounting of loan transactions.	Cash flow estimates relating to foreign loans cannot be directly applied as it is, to the Treasury cash flow. As other loan cash flows except for Budgetary	Public borrowings and accounting of debt servicing should be formalized.

supported foreign loans, are granted to achieve specific purposes of the relevant project, it is confirmed that realizations are carried out as per agreements entered into with relevant development parties.

- (b) According to information made available to Audit, the value of foreign loans unaccounted even by the end of the year under review despite having being realized in the year 2022 and in the year 2021 or before, were Rs.10,665.4 million and Rs.3.6 million respectively. However, according to computations of the Audit, the value of foreign loans so unaccounted, totalled Rs.11,700.6 million as at 31 December 2022, thus observing a difference of Rs.1,031.5 million. Accordingly, there were loan values realized but unaccounted in the year under review as well as in the previous years. As such, it was observed that the value of foreign loans presented in the statement of financial position as at 31 December 2022, was inaccurate. It was further observed that, in case of incurring any expenditure using unaccounted foreign loans, the said expenditure may not be included in the financial statements of the year under review.
- It is agreed with the audit observations
- Public borrowings and accounting of debt servicing should be formalized.
- (c) According to the information presented by the Director General of the Department of Treasury Operations to the Audit in the year under review and the preceding year, a sum of EUR 1,057,552 or Rs.240 million relating to the loan No.2001042 had not been included as unaccounted loan balances. However, the opening balance of this loan amount had been indicated as EUR 5,644,462 in the Note No.30(11) of the financial statements of the
- As the sum of EUR 1,057,552 under the Loan Agreement bearing No. 2001042 is not a realized loan during the year 2021 or preceding years, it has not been mentioned in the report sent along with the letter dated 17.12.2023.
- Public borrowings and accounting of debt servicing should be formalized.

Government and the said loan balance had been indicated as EUR 6,702,014 as at 31 December 2022 without being realized or repaid during the year.

- (d) Loan balances totalling Rs.518,293 million relating to 08 types of loans maintained in the financial statements of the Government totally outside the statement of financial position had been brought to account during the year under review. No disclosures whatsoever had been made thereon in the financial statements of the Government. Further, even though the accounting of borrowings through the Consolidated Fund is the general procedure of the Government, the aforesaid 08 types of loans could not be brought to account through the Consolidated Fund. However, loan installments relating to the said 08 types loans had been paid through the Consolidated Fund.
- As the borrowings had not been made under the Appropriation Act for financing the budget deficit within the relevant financial year, accounting through the Consolidated Fund is not necessary.
- Public borrowings and accounting of debt servicing should be formalized.
- It is reported that out of these 08 Loan Agreements, payment of loan installments of borrowings made for the projects of Hambantota Port (since the year 2017) and Norochcholai Coal Power Plant was made through the Consolidated Fund and servicing of debt made for the Airport Development Project, was carried out under the Airport and Aviation Services (Private) Limited.
- (e) Different loan currency units had been used in the financial statements of the Government for two loan agreements in the preceding year and as such, according to the report 854-1 of the CS-DRMS System, relevant loan balances had varied by Rs.340 million and Rs.285 million. Even though only the type of loan currency units of opening balances relating to those types of loans had been changed during the year under review, opening balances had not been rectified. Accordingly, the difference of the opening balance of the loan amount had been absorbed into the exchange loss arisen during the year under review. According to the financial statements of the Government and the
- The accurate loan balance as at 31 December 2021 relating to the two relevant loan agreements, has been indicated in the financial statements in loan currency units. The relevant debt liability remained as at that date has been recorded accurately in Sri Lankan Rupees using accurate exchange rates remained as at 31 December 2022.
- Public borrowings and accounting of debt servicing should be formalized.

report 854-1 of CS-DRMS System relating to the said two loan balances, differences equal to the value indicated as above were observed between exchange losses.

- (f) According to the report 854-1 of the CS-DRMS System obtained in the year 2021 for Loan Nos. 2021008 and 2021016, balances had not been indicated as at 31 December 2021. However, opening balances were observed as at 01 January 2022 in those reports obtained as at 31 December 2022 as follows.
- This Department has been briefed in the year 2022 by the Department of External Resources in respect of realizations on these two loan agreements and accordingly, it has been brought to account through the summaries of accounts in December 2022.
- Public borrowings and accounting of debt servicing should be formalized.

Loan No -----	Type of Loan -----	Amount -----	Value Rs. -----
2021008	USD	392,385	78,647,303
2021016	USD	12,500	2,505,423

Moreover, according to the financial statements of the Government, no opening balances had been indicated for above two types of loans as at 01 January 2022 and the following values had been brought to account as realizations during the year under review. As such, it was not obvious that in which year these borrowings were realized.

Loan No -----	Type of Loan -----	Realized amount -----	Value Rs. -----
2021008	USD	392,385	78,280,893
2021016	USD	472,500	168,106,589

- (g) The loan balance as at 01 January 2022 relating to the loan No. 2002054
- It is agreed.
- Public borrowings and accounting of

	amounted to EUR 11 or Rs. 2,495 and the relevant loan balance remained as at 31 December 2022 as EUR 4,373 or Rs. 1,692,045 without being realized during the year under review.		debt servicing should be formalized.
(h)	A total sum of Rs. 4,820,798 relating to the said two types of loans had been overstated in the financial statements as compared with the report 854-1 of the CS-DRMS System due to applying erroneous foreign exchange rates for two loan agreements.	It is agreed. The exchange rate of Rs.484.2413 relating to the 02 loan agreements had been applied erroneously instead of Rs. 483.2413 in the preparation of financial statements. It has been noted down to rectify in the year 2023.	Public borrowings and accounting of debt servicing should be formalized.
(i)	Negative loan balances totalling Rs.1,803,456 in respect of two loan agreements were observed in the financial statements of the Government and the report 854-1 of CS-DRMS System.	It is agreed.	Public borrowings and accounting of debt servicing should be formalized.
(j)	Negative loan realizations totalling Rs. 652,634,243 in respect of four loan agreements were observed in the financial statements of the Government and the report 854-1 of CS-DRMS System while negative loan realizations totalling Rs. 154,795,691 in respect of two loan agreements were observed only in the financial statements of the Government.	It is agreed. As projects were terminated, savings had been returned without spending money remitted by the grantor, thus observing these negative loan realizations.	Public borrowings and accounting of debt servicing should be formalized.
(k)	Negative loan realizations totalling Rs. 24,945,542 relating to two loan agreements were observed only in the financial statements of the Government and differences were observed between the balances (Closing balances of the preceding year) as at 31 December 2021 and the balances (Opening balances of the year under review) as at 01 January 2022 of the report 854-1 of the CS-DRMS System relating to those balances.	It is agreed. As projects were terminated, savings had been returned without spending money remitted by the grantor, thus observing these negative loan realizations.	Public borrowings and accounting of debt servicing should be formalized.

3.1.2 Foreign Grants

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The total of expenditure on foreign grants received during the year under review under foreign grants (Receipts in cash) had been indicated as Rs.3,218 million in the financial statements of the Government of the year 2022 and according to relevant deposit ledgers, the said expenditure totalled Rs.3,190 million. Foreign grants totalling Rs.27.7 million included in this difference had been credited to the Government revenue during the year under review without utilizing for the relevant purpose.	In case of savings of a certain amount once utilizing the money received as grants for the relevant purpose, the said amount should be returned to the grantor or credited to the Government revenue. In case such savings are not necessary to return to the grantor, that amount should be credited to the Government revenue. However, the sum of Rs.2.7 million received under the World Food Programme had been credited to the Government revenue due to incurring expenditure from Government funds before receiving money from the relevant grantor. The sum of Rs.24.9 million included therein was a penalty for delay, charged from suppliers due to failure in carrying out the procurement activity relevant to the technology grants within the due period.	Coordination and monitoring of utilization of foreign grants received for relevant objectives should be strengthened so as to ensure the credibility of grantors.
(b) The value of foreign grants received as foreign grants to the Government of Sri Lanka by 01 January 2022, remained dormant without utilizing for the relevant purpose even by 31 December 2022, amounted to Rs. 57.4 million.	Inspecting whether the money received as foreign grants are utilized for the relevant purpose or if not, for the relevant project, is an activity extraneous to the scope of the Department and the Department of National Planning and the Department of External Resources are the institutions which intervened in the said matter directly. However, the relevant implementing agencies have been informed from time to time by letters to take action to utilize the cash balances in relevant deposit accounts for the relevant project or if not, to credit them to the revenue.	Coordination and monitoring of utilization of foreign grants received for relevant objectives should be strengthened so as to ensure the credibility of grantors.
(c) Foreign grants totalling Rs.34,740,561 received for 05	In case of any savings further, after utilization of money received for the	Foreign grants received should be

projects from 04 grantors during the year under review, but not utilized for the relevant purpose, had not been returned to the grantor.

relevant project to the relevant objective and demanding those savings by the grantor, the said savings should be compulsorily returned to the grantor with the concurrence of the Department of External Resources and the request of the Agency by which the relevant project is executed.

3.1.3 On-lending

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The total value of installments of on-lending recoverable as at 31 December 2022 from 4 institutions relating to 5 On-lending Agreements due to failure in repayment of loans in terms of the On-lending Agreements of the institution concerned, was Rs.260,503 million. Of that, the value of installments totalling Rs.778 million was brought forward for over a period of 5 years.	The total value of installments of on-lending recoverable as at 31 December 2022 from 4 institutions relating to 5 On-lending Agreements due to failure in repayment of loans in terms of the On-lending Agreements, was Rs.260,503 million.	Granting and recovery of public on-lending and accounting of on-lending servicing should be formalized.
(b) The interest of on-lending receivable as at 31 December 2022 amounted to Rs.912 million and 3 institutions had not paid any interest whatsoever for the year 2022 to the General Treasury in terms of the relevant agreement and of that, the total value of unpaid interest older than 5 years was Rs.616 million.	The value of interest of on-lending receivable further as at 31.12.2022 amounted to Rs.912 million.	Granting and recovery of public on-lending and accounting of on-lending servicing should be formalized.
(c) A balance of on-lending totalling Rs.318,061 million had been granted during the year 2022 and of that, a balance of on-lending of	There were on-lending balances valued at Rs. 285,191 million relating to 06 institutions of the	Granting and recovery of public on-lending and accounting of on-

Rs.285,191 million had been granted to 06 institutions as new on-lending balances in the year under review. The value of the said on-lending was 90 per cent of the total value granted in the year under review.

lending servicing should be formalized.

3.1.4 Treasury Gurantees and Letters of Comfort

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) In terms of Fiscal Management (Responsibility) (Amendment) Act, No.12 of 2021, the limit of the insurance of gurantees stands at 15 per cent as a percentage of the gross domestic product for the year under review along with the two preceding financial years. Even though gurantees should be issued within the limit of Rs.2,826,300 million relating to the year 2022, action had been taken to issue gurantees up to Rs.2,908,515 million. As such, Treasury gurantees valued at Rs.82,214 million had been issued exceeding the limit of treasury gurantees in the year under review.	The Sri Lankan Rupee depreciated over 80 per cent in relation to the US Dollar due to unusual increase in the exchange rate as a result of economic depression prevailed in Sri Lanka since the beginning of March 2022. As such, the limit of the said Treasury gurantees exceeded its maximum by 31.12.2022. In terms of Fiscal Management (Responsibility) Act, No.03 of 2003 and amendments made later thereto, issuance of Treasury gurantees in the year 2022 had deviated from the Fiscal Law. As such, the approval of Parliament was sought therefor by submitting a proposal by the Department of Fiscal Policy and the Cabinet approval has been received therefor on 20.02.2023. Further, action is being taken by the said Department on future measures to be taken in this connection.	The limit of the issuance of treasury gurantees should be adhered to in terms of Fiscal Management (Responsibility) (Amendment) Act, No.12 of 2021.
(b) Treasury gurantees valued at Rs. 2,793,987 million and Letters of Comfort valued at Rs. 114,527 million had been issued under 239 and 19 instances respectively to external institutions by 31 December 2022. According to the	Audit observation is correct.	The process of issuance of bank gurantees and Letters of Comfort should be maintained in a proper and updated manner.

financial statements of the Government of the year under review, it was observed that Treasury guarantees valued at Rs. 45,628 million and letters of comfort valued at Rs. 66,637 million issued in 09 and 13 instances respectively to external institutions, had expired by 31 December 2022.

4. Human Resource Management

4.1 Attached Cadre and the Actual Cadre

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
A number of 22 vacancies comprising 07 in the posts of Deputy Director/Assistant Director in the senior level, 08 in the secondary level and 07 in the primary level, existed in the Department as at 31 December 2022.	There were 22 vacancies as at 31.12.2022.	Action should be taken to fill essential vacant posts to perform the function of the Department and in case of unnecessary posts, action should be taken to revise the cadre.