

# **Auditor General's Triennial Report**

**2021-2023**

**Statutory and Other Funds**

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## **1. Executive Summary**

The 57 statutory and non-statutory funds had been established with an objective of fulfilling the specific goals under the ministries, departments or public corporations and 52 funds out of those had been established under an act, regulation, rules, approval of Cabinet of Ministers and specifications and 05 funds had been established under a trust deed.

As per Financial Regulations 876(3) inserted through the paragraph 15 of Public Finance Circular No.01/2020 dated 28 August 2020, it had been informed to immediately revoke the non-statutory funds and credit the balances in those funds to the Consolidated Fund and if there are fair reasons available for maintenance of a non-statutory fund, it had been specified that such funds should be legalized by a Parliamentary Act. But 07 funds had not taken action accordingly.

One fund out of 57 had submitted the accounts up to 2017 and 04 funds had not presented the financial statements for 2023. Similarly, it had been decided to be liquidated one fund on 31 December 2023.

Furthermore, the total assets balance and the total liabilities balance were Rs. 4,520,018,947,912 and Rs.166, 528,980,180 respectively in relation to 52 funds out of 57 which had submitted the financial statements as at 31.12.2023.

## **2. Opinion of the Auditor General on the Financial Statements**

Statutory Funds and Other Funds prepare annual financial statements comprising the statement of financial position as at the end of the year and income statement, a cash flow statement, statement of changes in equity and a summary of significant accounting policies and other explanatory information for the year then ended. The Auditor General provides independent assurance that the financial statements give a true and fair view of the operations of the entities. This assurance is provided by expressing an opinion on the financial statements. The conclusion of the Auditor General as to whether the statement of financial position and the statement of financial performance of the Statutory Funds and Other Funds present a true and fair view and as to whether those financial statements comply with Sri Lanka Accounting Standards or Sri Lanka Public Sector Accounting Standards, which are currently compliant with International Public Sector Accounting Standards, and Financial Reporting Standards is expressed by the audit opinion.

Four types of opinions are expressed after considering material misstatements or discrepancies according to the financial statements, and limitations of scope and disagreements between management and the auditor. They are:

### **Unqualified Opinion**

This opinion is expressed when material misstatements or non-compliances are not reported in the financial statements.

### **Qualified Opinion**

This opinion is expressed when material / misstatements or inconsistencies have been reported in the financial statements, but, they have not been extended to the financial statements of entity.

### **Adverse Opinion**

Adverse audit opinion is expressed when material / misstatements, reported in the financial statements have been extended to the financial statements.

### **Disclaimer of Opinion**

This opinion is expressed when the auditor is unable to obtain sufficient and appropriate audit evidence for audit opinion owing to the limitation in the scope and when the auditor decides that there may be undisclosed misstatements in the financial statements.

**Details of the opinion of Statutory Funds and Other Funds.**

Information on the audit opinions issued in relation to the financial statements submitted in relation to 57 Statutory and Other Funds for the years 2021, 2022 and 2023 is mentioned in the following table.

	2021	2022	2023
<b>Unqualifid</b>	11	10	10
<b>Qualified</b>	39	38	35
<b>Adverse</b>	1	1	1
<b>Disclaimer</b>	4	5	5
<b>Opinion has not decided yet</b>	-	-	-
<b>Financial Statements not received</b>	2	3	6

	Name	2021	2022	2023
1.	Agrarian Development Fund	Qualified	Qualified	Qualified
2.	Farmer's pension and social security benefit scheme	Qualified	Qualified	Disclamier
3.	Farmers' Trust Fund	Qualified	Qualified	Qualified
4.	Fishermen's pension and social security benefit scheme	Qualified	Qualified	Qualified
5.	Buddhasasana Fund	Qualified	-	-
6.	Hindu Cultural Fund	Unqualified	Unqualified	Unqualified
7.	National Film Corporation Trust for Film Artist and Film Technicians	Qualified	Qualified	-
8.	National Film Development Fund	Qualified	Qualified	Unqualified
9.	Construction Guarantee Fund	Qualified	Qualified	Qualified
10.	Fisheries Reward Fund	Qualified	Qualified	Qualified
11.	Peliyagoda Central Fish Market Complex Management Trust	Qualified	Qualified	Qualified

12.	Forest Department Fund (Department of Forest Conservation)	Qualified	Adverse	Adverse
13.	Wildlife Conservation Fund	Qualified	Qualified	Qualified
14.	Zoo Development and Welfare Fund	Qualified	Qualified	Qualified
15.	Coastal Protection Reward Fund	Unqualified	Qualified	Disclaimer
16.	Samurdhi Social Development Trust Fund	Qualified	Qualified	Qualified
17.	Samurdhi Fund	Qualified	Unqualified	Unqualified
18.	Samurdhi Housing Development Lottery Fund	Adverse	Unqualified	Unqualified
19.	Employees' Provident Fund	Qualified	Qualified	Qualified
20.	Teachers Widows' and Orphans' Pension Fund	Qualified	Qualified	Unqualified
21.	Local Government Service Pension Fund	Qualified	Disclaimed	Disclaimed
22.	Public Service Provident Fund	Disclaimed	Disclaimed	Disclaimed
23.	Tea Shakthi Fund	Disclaimed	Disclaimed	Disclaimed
24.	Thurusaviya Fund	Qualified	Unqualified	Qualified
25.	Customs Overtime, Cargo Examination, Information Technology and Communication Fund- Sri Lanka Customs	Qualified	Qualified	Qualified
26.	Customs Officers Management and Compensation Fund	Qualified	Qualified	Qualified
27.	Sri Lanka Customs- Customs Officers' Reward Fund	Qualified	Qualified	Qualified
28.	Reward and Incentive Fund- Department of Motor Traffic	Qualified	Qualified	Qualified
29.	Vehicular Emission Test Trust Fund - Department of Motor Traffic	Qualified	Qualified	Qualified



30.	Excise Reward Fund	Qualified	Qualified	Qualified
31.	Ceylon Electricity Board Employee Provident Fund	Unqualified	Qualified	Qualified
32.	Sri Lanka Tourism Development Fund	Qualified	Qualified	Qualified
33.	Rehabilitation of the Visually Handicapped Trust Fund	Qualified	Qualified	Unqualified
34.	Samastha Lanka Sasanarakshaka Mandala Fund	Qualified	Qualified	Qualified
35.	Ceylon Electricity Board Employee Pension Fund	Unqualified	Unqualified	Qualified
36.	Api Wenuwen Api Fund	Qualified	Qualified	Qualified
37.	National Defence Fund	Qualified	Qualified	Qualified
38.	Prisoners Welfare Fund	Qualified	Qualified	Qualified
39.	Insurance Fund	Unqualified	Unqualified	Qualified
40.	Intellectual Property Fund	Qualified	Qualified	Qualified
41.	Company Fund	Qualified	Qualified	Qualified
42.	Co-operative Surplus Fund	Qualified	Disclaimer	Disclaimer
43.	Co-operative Development Fund	Qualified	Qualified	Qualified
44.	Name of the Institution - Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund	Disclaimer	Qualified	Qualified
45.	Measurement Units Standards and Services Fund	Qualified	Qualified	Qualified
46.	Provident Fund of the Coconut Cultivation Board	-	-	-
47.	National Health Development Fund	Qualified	Qualified	Qualified
48.	University Provident Fund	Unqualified	Unqualified	Unqualified

<b>49.</b>	University Pension Fund	Unqualified	Unqualified	Unqualified
<b>50.</b>	National Sports Fund	Unqualified	Unqualified	Qualified
<b>51.</b>	Botanical Garden Trust Fund	Unqualified	Qualified	Qualified
<b>52.</b>	Ambuluwawa Dissanayake Mudiyanselage Jayaratne Religious Centre and Bio-diversity Complex Trust Fund	Disclaim	Disclaim	-
<b>53.</b>	National Insurance Trust Fund	Disclaim	Disclaim	-
<b>54.</b>	Sri Lanka Deposit Insurance Scheme	Unqualified	Unqualified	Unqualified
<b>55.</b>	Esala Perehara Trust Fund	Qualified	Qualified	Qualified
<b>56.</b>	Inland Revenue Incentive Fund	Qualified	Qualified	Qualified
<b>57.</b>	The President's Fund	Unqualified	Unqualified	Unqualified

### 3. Independent Observations of the Statutory and Other Funds

#### 3.1 Agrarian Development Fund

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	498,559,804	150,880,472	347,679,332	8,441,248	Qualified
<b>2022</b>	562,767,045	146,163,543	416,603,502	49,078,658	Qualified
<b>2023</b>	600,960,892	135,914,015	465,046,877	49,228,196	Qualified

<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1. According to the Financial Regulation 876(3), if there are reasonable grounds to abolish or continue the functions of non-statutory Funds, it should be legislated by an Act of Parliament. Nevertheless, it had not been so done regarding the Fund.	2023	The Fund should be maintained in accordance with laws, rules and regulations.	The Agrarian Development Fund has been established under Section 97.1 of Chapter VIII of the Agrarian Development Act, No.46 of 2000.	
2. Since a register of lands for which the acreage tax to be paid relating to the Agrarian Development Fund had not been	2022 2023	The new computer system should be installed without delay and an updated information system should be	Action is being taken to determine the lands for which acreage tax is payable using a computer system.	The survey of paddy lands in all districts has already been completed under Geo Goviya Phase 1 using digital

maintained in the Head Office, it was not able to verify that the 20 per cent acreage tax contributions remitted by the District Offices is being properly remitted. An updated information system had also not been operated in this regard.

maintained.

technology, and the survey of terrestrial lands is scheduled to commence in the year 2025 under Geo Goviya Phase 2.

**3.2 Farmer's pension and social security benefit scheme**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,497,334,645	83,464,375,410	(81,967,040,765)	340,728,410,000	Qualified
<b>2022</b>	1,516,033,327	87,508,723,634	(85,992,690,306)	314,051,635,000	Qualified
<b>2023</b>	2,202,748,150	89,457,327,489	(87,254,579,339)	467,192,949,000	Disclamier

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1.	The scheme includes total assets of Rs.2,202,748,150 and total liabilities of Rs.89,457,327,488, resulting in liabilities exceeding assets by Rs.87,254,579,339, and has total current assets of Rs.1,092,503,529 and total current liabilities of Rs.2,527,354,554, leading to current liabilities exceeding current assets by Rs.1,434,851,025, making the going concern of the scheme problematic without the contribution from	2023 2022 2021	Action should be taken to activate the Scheme.	Farmer pension payments are made by allocating funds from the government budget.	No actions have been taken to ensure going concern.

the treasury.

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| 2. | Due to the absence of a method for updating the accurate bio-data of farmers, pensions of deceased and non-claimed farmers are continuously sent to the postal department. Consequently, in 2023, the postal department returned Rs.259,373,191 in unclaimed pensions, leaving an outstanding balance of Rs.81,000,602 due from the postal department by the end of the reviewed year. The lack of updated records for farmers who did not collect their pensions resulted in the inability to verify the accuracy of the year-end balance and the funds received. | 2023<br>2022 | Information regarding unclaimed pensions must be maintained and updated regularly.     | Check the documents received by the head office and store them in the head office or record room and to update the computer database with the information of those documents. Maintain the unpaid pension records provided online by the District Accountants. | The pensions of farmers whose biodata information is updated and not entitled accordingly have not been remitted to the Treasury. |
| 3. | According to Section 12(c) of Farmers' Pension and Social Security Benefit Scheme Act, No. 12 of 1987, Although an information system containing biodata   | 2023<br>2022 | The biodata information system of the scheme must be regularly updated and maintained. | It is planned to update the data by connecting the E.R.P software system with the banking system and to commence computerization of subsequent   | The biographical information system has not been updated.   |

was maintained in relation to the scheme, the failure to regularly update and enter data resulted in the inability to obtain the necessary financial and operational reports.

installments from the year 2022.

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| 4. | According to Section 12(d) of Farmers' Pension and Social Security Benefit Scheme Act, No. 12 of 1987, Although the scheme requires evaluation, review, and modifications to its operational rules, an interest rate of 3.32 percent per half year was applied to the refund of unclaimed pensions, in addition to the net premium amount, without any established law, rule, or regulation. | 2023<br>2022 | A formal regulation must be established to calculate interest on the net premium amount.                                     | Although it was stated that the net contribution and interest calculations would be carried out by a biostatistician, this had not been done. | There is no rule to calculate interest on the net contribution amount.  |
| 5. | According to Section 15(1) of Farmers' Pension and Social Security Benefit Scheme Act, No. 12 of 1987, Although the board has the authority to notify contributors   | 2023<br>2022 | The contributor must be informed that failure to make proper installment payments will result in the forfeiture of benefits. | No action has been taken to inform the contributor about the loss of benefits.  | The contributor had not been informed about the loss of benefits mentioned in the certificate deed due to any late payment of installments. |

of the loss of benefits under the certificate if they fail to make 5 consecutive payments, in practice, the beneficiary did not miss 5 consecutive installments, those who failed to pay 5 installments intermittently were still considered to have breached the agreement, resulting in the loss of pension benefits

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| 6. | According to Section 27(1) of Farmers' Pension and Social Security Benefit Scheme Act, No. 12 of 1987, Although the amount of loan to be obtained by the scheme should have been decided with the agreement of both the Minister in charge and the Minister of Finance, a loan of Rs.290,800,755 was obtained from the Agricultural and Agrarian Insurance Board without such an agreement. As of December 31, 2023, | 2023<br>2022 | The scheme should obtain a loan with the agreement of both the Minister in charge and the Minister of Finance. | Due to the lack of funds in the scheme for the payment of farmers' pensions in 2010 and 2011, actions were taken to pay farmers' pensions by obtaining funds from the Agricultural Insurance and Fishermen's Pension Schemes, as per the recommendations given by the Ministry of Finance. | The consent of the Minister in charge and the Minister of Finance had not been obtained when obtaining the loan. |
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the total loan balance, including the interest to be paid, was Rs.518,782,124.

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| 7. | According to Section 6 of Farmers Pension certificate of deed, if 75 percent of the required semi-annual contribution amount has been paid, the contributors are entitled to a pension lower than the specified amount determined by the board. However, benefits were forfeited for these contributors                          | 2023<br>2022 | Entitled to receive a pension lower than the prescribed pension.                       | To process a reduced pension if a contributor has paid more than 75 percent of the premium amount due without cancelling the contribution for the purpose of processing a reduced pension.   | The farmer's contribution was refunded without paying a pension lower than the prescribed pension. |
| 8. | There is no approved carder related to the scheme and 50 percent of the total salary expenses and other administrative expenses of the board have been debited as expenses of the scheme. Even though Rs.15 from every instalment received from the beneficiary in repayment of unclaimed pension as administrative expenses, an | 2023         | No other charges should be made from the contribution amount without an approved rule. | Since farmers who contribute to the Farmers' Pension Scheme are required to be provided with a death gratuity and a full and partial disability allowance in addition to their pension as per Sections 4 b, c and d of the Farmers' Pension Act, an insurance fee of Rs. 30 per season is charged for that insurance coverage. | Approval had not been obtained to charge fees from the premium money.                              |

insurance fee of Rs.30 per instalment properly paid by the farmer and again Rs.150 as insurance fee had been decided and deducted from the amount refunded to the farmer. Accordingly, no rule had been approved for this.

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| 9.  | Rs.5,640,925 had been spent to collect data for an information system in the year 2017 but the information system had not been built due to not collecting the expected information.   | 2023<br>2022         | Information should be collected and relevant system should be built, updated and maintained.  | No action has been taken | The information system had not been updated and maintained.                                      |
| 10. | The balance of Rs.251,547,146 in group life insurance fund of farmers' pension scheme as on 31 December 2007 and its related investment had been transferred to the account of Agricultural and Agrarian Insurance Board. A loan amount of Rs.295,230,442 had been obtained from group insurance | 2023<br>2022<br>2021 | Correct decisions should be taken so as to provide economic benefits to the scheme. Money received from the treasury should not be utilized for other purposes. | No action has been taken | The activities of the fund have not been reviewed to ensure that economic benefits are obtained. |

fund in the years 2010, 2011 and 2012 for the need of cash for the scheme and the accumulated interest for that was Rs.422,547,571 up to year 2023. An amount of Rs.7,980,276 from the amount of Rs.206,225,000 received from the treasury for the administrative expenses of the scheme in the year under review and Rs.20,000,000 from the contribution income received from the farmers had been used to recover part of the loan amount. Accordingly, the investment in the life insurance fund had become a loan amount.

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| 11. | More than 7 million rupees had been paid in the previous years to the farmers for compensate the crop damages due to the closure of the Mavil Aru sluice and the case filed in this regard was referred to the Attorney | 2023 | follow up should be done regarding the filed cases. | No action has been taken | Irregularities in crop damage compensation payments to farmers have not been followed up. |
|-----|---|------|---|--------------------------|---|

General for advice on 30 November 2007, but follow up had not been done in that regard as of the date of this report.

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| 12. | <p>Out of the unclaimed balance of Rs.4,254,932,613 since the year 2012, an amount of Rs.3,033,329,200 was transferred to the pension fund without making any payment to the relevant farmers. Accordingly, the disadvantageous position of the scheme had been reduced.</p>   | 2023         | <p>Action should be taken to traced and paid the unclaimed pension by farmers.</p>  | <p>No action has been taken</p> | <p>No action has been taken to pay the pensions due to farmers.</p>   |
| 13. | <p>Out of the 871,425 farmers registered in the scheme, 474,803 farmers aged between 61 and 93 as at 31 December 2023, but 264,227 of them have not been paid pension. Although the letter No. 6/FPS/33/2 addressed to all Deputy/Assistant directors on 23 June 2023 has been informed to find the contributors and take actions to provide</p> | 2023<br>2022 | <p>Necessary actions should be taken to identify the contributors who completed 60 years of age and who have not applied for the pension.</p> | <p>No action has been taken</p> | <p>The identification of unpaid pension contributors who had completed 60 years of age had not been done.</p> |

pension to those who have not sent the applications and have completed 60 years in the year 2022 who are entitled to pension, but when checking a sample of 12 district offices 6 of them had not done so.

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| 14. | As the inability to provide necessary facilities to activate the deed when 5 consecutive instalments were breached, 1127 contributors in the year 2021, 2226 contributors in the year 2022 and 715 contributors during the year under review had been paid net contribution without pension out of the contributors who have applied for pension after completing the prescribed age. | 2023 | When consecutive instalments are breached, the same should be informed and necessary facilities should be provided for activation of the deed. | 5 | No action has been taken | Action had not been taken to activate the deed after notifying the non-payment of 5 consecutive installments. |
| 15. | No method had been introduced to identify farmers whose deeds had become inactive due to non-payment of premium and social  | 2023 | Mechanisms should be introduced to detect breach of deed.  |   | No action has been taken | No methods had been introduced to identify breaches of the deed.  |

security payments upon enrollment in the Pension and Social Security Scheme after 2021 and to suspend their accounts so that their installments would not be accepted.

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|-----|--|------|---|--------------------------|---|
| 16. | Planned 3 activities according to the strategy of enhancing effectiveness of pension and social security scheme in the action plan of year 2023. Accordingly, Not Introduction of programmes to keep contributors active, awareness through short messages (SMS) and web applications to check account balance had not been implemented. | 2023 | Action should be taken to maintain contributors active.               | No action has been taken | Strategic planning activities had not been carried out to increase the effectiveness of the scheme. |
| 17. | Although the competing insurance companies would inform and guide contributors regarding premium payments and delays, the Board had not been introduced a system for that.   | 2023 | Promotional conditions prevailing in the industry should be followed. | No action has been taken | There were no competitive insurance promotions.   |

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| 18. | Revenue amounting to Rs.13,420,221 received from contributors for the year under review had been shown in financial statements on cash basis instead of accounting contributions on accrued basis due to failure in maintaining the register including premium receipts in an updated and completed manner including the date of enrolment into the Scheme and date of entitlement by contributors so as to identify the value of contribution due from active contributors for the accounting year. | 2022<br>2021 | Register of contributors must be maintained up-to-date             | Necessary actions are being taken to initiate a program for the automatic computerization of subsequent installments. | The list of contributors' outstanding balances has not been updated. |
| 19. | After paying Rs.3,918,881,123 out of Rs.3,968,000,000 received from the treasury for the payment of farmers' pension during the year under review, the remaining balance of Rs.49,118,877 was not remitted to the  | 2022         | Amounts unpaid to contributors should be remitted to the treasury. | No action has been taken  | Unpaid money to contributors has not been remitted to the treasury   |

treasury and was not disclosed in the financial statements as a payable amount.

20. During the year under review Rs.167,470,484 unclaimed from farmers' pension payments had been accounted as income of the scheme without being disclosed in the financial statements as a credit to be repaid to farmers.
- 2022 pensions should be disclosed in the financial statements as until those are recovered by farmers.
- 2021 Only pensions not received in 2023 had been accrued and payable.
- Unclaimed pensions of Rs. 125,633,943 in 2021 and Rs. 340,373,793 in 2023 had not been settled.
21. Although all the three entities of Accounts Namely Farmers' pension and social security benefit scheme, Fishermen pension and social security benefit scheme and Agricultural and Agrarian Insurance Board are functioning together, 50 percent of administration expenses of Agricultural and Agrarian Insurance Board and 20 percent of other expenses as high as 50 percent had been absorbed in to the
- 2022 The basis on which the Absorption rate of expenses was determined should be disclosed.
- It is stated that these rates will be reviewed in the future with the approval of the Board of Directors.
- The actual cost of the schemes had not been absorbed.



farmers' pension scheme. The basis on which the rates were decided was not disclosed to check the reasonableness of those rates.

22. According to Sub Section 6(1) of Farmers' Pension and Social Security Benefit Scheme Act, No. 12 of 1987, Though a contributor is entitled to a pension when he attains the Age of 60 years, In this Scheme.

(i) There was no system to receive pension applications and inform them about the due dates for applications and bring applications.	2022	An easy system should be set up to receive pension applications.	Details of farmers who have completed 60 years of age will be forwarded to district offices, and it is expected that farmers will be informed through e-mail and SMS messages in the future. Actions will be taken to bring awareness to farmers at the agrarian services level and at the district level.	An easy method for obtaining pension applications has not been introduced.
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| <p>(ii) Due to non-availability of a system to identify farmers who have reached the prescribed age, the beneficiary has to submit the retirement benefit application from himself.</p> <p>Accordingly, He himself had to bear the loss due to the delay in not submitting the applications on the due date because some reasons like beneficiary in hospitalized or confined at home and receives treatment, contribution payment book is missing, inability to submit applications to the Board without the contribution payment book.</p> | <p>2022</p> | <p>A system should be developed to identify farmers who reach the prescribed age.</p>  | <p>It is stated that efforts will be made to inform farmers who have reached the age of 60 by sending postcards to the addresses provided by them and to inform farmers through newspaper advertisements.</p> | <p>There was no system for identifying farmers who had reached the required age.</p>   |
| <p>(iii) In the sample audit carried out in respect of 12 farmers in 4 districts during the year under review, there was a delay of 2 years to 10 years in repayment of premiums and delayed grant of</p>  | <p>2022</p> | <p>Farmers' pension should be paid from the date of completion of 60 years of age and net premiums should be paid without delay.</p> | <p>Instructions have been given to provide a number to the contributor and update it on Google Drive to ensure that pensions are paid without delay for applications received at the</p>                      | <p>From the date of attaining the age of 60, the farmer's pension is not paid and net contributions are made in arrears.</p> |

pension for a period of 10 months to 9 years from the date of completion of prescribed age was observed.

district office.

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|------|---|------|---|---|--|
| (iv) | Due to the non-payment of the amount related to the period from the date of entitlement to the pension benefits to the date of preparation of pension, from the year 2012 to the year 2022, the arrears of Farmers' pension amounting to Rs.3,914,947,932 were continuously being brought forward in the financial statements without settle. | 2022 | Farmers' pension should be paid from the date of completion of 60 years of age. | It is planned that the name will be included in the pension register at the time of receiving the pension entitlement and the outstanding pensions will be paid gradually by obtaining treasury provisions in the future. | Farmers' pensions must be paid from the date of attaining the age of 60. |
| 23.  | The names of pensioners who had not obtained their pension for 6 months were removed from the pension payment list by pension division officials without verification of their deaths.  | 2022 | Deceased must be verified before names are removed from the pension register.   | It is stated that pension recipients who continue to fail to receive their pensions will be checked and their names will be removed from the payment list.  | The deceased had not been confirmed and removed from the register.       |
| 24.  | Although 1½ years have passed since the launch of the new farmers'  | 2022 | Contributors who have not paid their instalments properly should be             | Installment receiving information is not updated.   | There was no system to identify contributors who had not paid their      |

pension benefit scheme and 485 new contributors have joined the scheme, no action has been taken to identify and inform contributors who have not paid instalments properly.

identified and informed.

premiums.

### 3.3 Farmers' Trust Fund

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss)</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>before tax</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,623,928,859	38,001,969	1,585,926,890	99,344,921	Qualified
<b>2022</b>	1,679,448,992	28,133,509	1,651,315,483	64,254,621	Qualified
<b>2023</b>	2,321,478,018	48,558,163	2,272,919,855	659,362,632	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1.	The unrecognizable interest receivable balance of Rs. 1,193,727, the short-term loan receivable balance of Rs. 14,347,914, and the Farmers' Committee loan balance of Rs. 9,112,579, which were taken over at the time of the establishment of the Trust Fund, have uncertain recoverability.	2023 2022 2021	Impairment provisions should be made for uncertain balances.	A committee has been appointed, and future actions are being carried out.	The uncertain balances have not been recovered
2.	In the year 2022, when the Revolving fund and the Agricultural trust fund were merged to establish the Farmers' Trust	2023 2022 2021	The accuracy of the balances should be confirmed as per the submission of the confirmation of balances.	No action has been taken.	The confirmation of balances has not been obtained.

Fund, the farmers' deposits worth Rs.697,644, the share account worth Rs.591,965 and the balances of the Govisetha fund of Rs.159,399,408 which were assigned, as no evidence had been submitted to confirm the balances and accuracy of those balances could not be confirmed.

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|----|--|----------------------|--|---|---|
| 3. | According to the Section 14 of Deed of Trust of the Farmers' Trust Fund dated 09 March 1994, a staff recruitment procedure for the Trust Fund had not been developed.  | 2023<br>2022<br>2021 | A recruitment procedure should be prepared.  | No action has been taken  | A recruitment procedure has not been prepared.          |
| 4. | According to the paragraph 15.1 and Part I of Public Finance Circular No. 01/2020 dated 28 August 2020 (FR 876(2)), non-statutory funds that are currently in operation should be cancelled with immediate effect and their balances should be credited to the | 2023<br>2022<br>2021 | According to the circular, Actions should be taken to legalize through an Act of Parliament. | Further actions are being carried out regarding the draft bill. | It has not been legalized through an Act of Parliament. |

consolidated fund, otherwise such funds should be legalized by act of Parliament if there are reasonable reasons to continue. However, this fund which was established by the Deed of Farmers' Trust dated 9 March 1994 had not acted accordingly.

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|----|---|----------------------|---|---|--|
| 5. | According to the chapter 07, Annexure I, Forms and Guidelines 5 related to Public Finance Circular No. 01/2020 dated 28 August 2020, an action plan was not prepared for the year under review to fulfil the objectives of the farmers' trust fund. | 2023<br>(1.6.c)      | An Action Plan should be prepared and acted upon.       | An action plan was not prepared.                | An action plan was not prepared.                       |
| 6. | Between 2002 and 2004, a loan amounting to Rs.102,662,700 was provided to the National Livestock Development Board on 9 occasions, with an agreement to repay Rs.9,000,000 within one year and the remaining  | 2023<br>2022<br>2021 | Action should be taken to recover the outstanding loan. | A monthly installment of Rs.500,000 is charged. | Action has not been taken to collect it within a year. |

Rs.93,662,700

immediately upon the sale of the Mahaberiyatenna Watta in Kandy. But at the time of agreement, the land had been leased to an external party for 99 years and as of December 31 of the year under reviewed, although 21 years had passed since the loan was given, the outstanding loan balance was Rs.49,512,700 and the accrued interest was Rs.98,023,448.

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|----|---|----------------------|---|--|--------------------------------|
| 7. | In the year 2020, a loan amount of Rs.200,000,000 was given to the Department of Agricultural Development for the farmers who grow maize and an interest amount of Rs.1,788,650 was supposed to be charged for it, but no interest amount had been collected. | 2023<br>2022<br>2021 | Action must be taken to collect the interest.                 | Interest has not been charged.   | Action has not been taken.     |
| 8. | In the year 2016, an amount of Rs.500,000 was given to a farmer for potato crop   | 2023<br>2022<br>2021 | Action must be taken to recover the loan amount and interest. | Legal proceedings are ongoing after being presented to the Farmers' Arbitration Board. | Legal proceedings are ongoing. |



cultivation after agreeing to recover it within 24 months, but the project was not completed and even after 7 years, the loan amount and interest were not recovered.

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|-----|---|----------------------|--|--|--|
| 9.  | An interest-free loan of Rs.5,966,000 was given to Ran Geviliya Social Enterprise Public Company in the year 2018 on the basis of payment in one year, but the relevant amount was not recovered till the year under review.  | 2023<br>2022<br>2021 | Action must be taken to collect the loan amount. | It has been referred to the Attorney General's Department. | It has been referred to the Attorney General's Department. |
| 10. | The outstanding balance to be recovered from the loan amounts given from time to time by the Trust Fund to the Department of Agricultural Development for providing loans to farming companies was Rs.14,347,914 and a period of time from 24 to 32 years had passed. | 2023<br>2022         | Action must be taken to collect the loan amount. | No action has been taken                                   | Action has not been taken to recover the loan.             |

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|-----|---|----------------------|--|---|--|
| 11. | In 2002, when the Revolving Fund and the Agricultural Trust Fund were merged and the Farmers' Trust Fund was established, 10 retired officers were appointed to recover the short-term loan balance of Rs.44,255,850 of the revolving fund assigned to the fund by paying allowances of Rs.1,490,000 in the year 2014, but the uncollected loan balance still amounts to Rs.39,909,275. | 2023<br>2022<br>2021 | Action must be taken to collect the loan amount.           | A committee has been formed, and the necessary actions are being carried out. | Although a committee has been appointed, the loan amount has not been collected. |
| 12. | Rs.860,000 from the loan amount granted to a private company in the year 2003, along with an accrued interest value of Rs.816,666, remains to be collected.   | 2023<br>2022<br>2021 | Action must be taken to collect the loan amount.           | It has currently been referred to the Attorney General's Department.          | Legal proceedings are ongoing.   |
| 13. | By 2016, a loan balance of Rs. 2,451,780 provided to 63 farmers engaged in big onion seed production remained outstanding.  | 2023<br>2022<br>2021 | Action must be taken to collect the loan amount as agreed. | Payment is being collected in installments.                                   | A deficit balance of Rs.2,451,780 exists.  |

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|-----|--|----------------------|--|---|--|
| 14. | A balance of Rs.13,223,746 is due from the loan amount provided to the Commissioner General of Agricultural Development in 2015, intended for farmers growing maize in the Anuradhapura District, under the condition of recovery within one year.   | 2023<br>2022<br>2021 | Action must be taken to collect the loan amount as agreed.                         | Payment is being collected in installments. | Action has not been taken to recover the loan in accordance with the agreed terms.       |
| 15. | A loan advance of Rs.50 million for the emergency seed paddy purchase program to meet the national seed paddy requirement of the 2022/23 Maha season was given to the Department of Agriculture on 21 July 2022 and remained idle in that department for one month and the amount was returned to the Agrarian Development Department on 20 August 2022. Of that amount, Rs. 36,656,960 had not been used and it was 73.31 percent of the total amount | 2023                 | It must be confirmed that the received loan will be used for the intended purpose. | No action has been taken.                   | It has not been confirmed that the received loan is being used for its intended purpose. |

provided.

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|-----|--|--------------|--|---------------------------|---|
| 16. | Without being utilized the money to implement the main objective of establishing the Farmers' Trust Fund, the funds of the Trust Fund had been continuously invested in fixed deposits and Treasury Bills. A sum of Rs.465,000,000 had been invested in fixed deposits and Rs.90,420,510 in treasury bills and earned Rs.72,762,442 as interest income as at 31 December of the year under review. | 2022<br>2021 | The funds should be utilized to achieve the main objective of establishing the Fund. | No action has been taken. | The main objective of establishing the trust fund has not been implemented. |
| 17. | In terms of Section 877(2)(e) of F.R. inserted by paragraph 15.1 of State Finance Circular No. 01/2020 dated 28 August 2020, the annual performance report of the fund for the year 2021 should be submitted to the parliament within 150 days after the end of the financial year, however the  | 2022<br>2021 | It should be submitted to the parliament in accordance with the circular.            | No action has been taken  | Since 2021, performance reports have not been submitted to Parliament.      |

report has not been submitted to the parliament so far.

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|-----|---|------|---|---------------------------|---|
| 18. | A sum of Rs.25,000,000 had been released to the district offices of the Department of Agrarian Development in the year 2020/21 for granting loans to the farmers under the special program for the cultivation of fallow fields and the district offices had not disbursed Rs.10,519,024 of that amount to the farmers.             | 2021 | Plans should be implemented as expected.                            | No action has been taken. | The Department of Agricultural Development has not implemented the special program for the cultivation of fallow fields as planned. |
| 19. | In terms of Section 877(1)(c) of Financial Regulation inserted by paragraph 15.1 of State Finance Circular No. 01/2020 dated 28 August 2020, although the budget for the current year should be forwarded to the Director General of National Budget for the approval of the Treasury before 30 September and a copy thereof should | 2021 | Approval of the General Treasury should be obtained for the budget. | No action has been taken  | Since 2021, the budget document has not been submitted for approval to the Treasury.  |

be forwarded to the  
Director General of  
State Finance,  
expenditure of  
Rs.28,164,693 had  
been incurred during  
the year without so  
forwarding the  
budget.

**3.4 Fishermen's pension and social security benefit scheme**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss)</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>before tax</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	636,238,296	4,708,981,776	(4,072,743,480)	(427,806,224)	Qualified
<b>2022</b>	663,412,060	5,140,628,886	(4,477,216,826)	(406,060,646)	Qualified
<b>2023</b>	794,865,150	5,695,621,088	(4,900,755,938)	(425,104,832)	Qualified

<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1. Even though the pension liability was Rs.5,532,349,026, the investment value on that day was Rs.793,808,692. Accordingly, sufficient investment was not made to settle these obligations.	2023	Adequate investment should be made to settle the pension liability.	No action has been taken	Investment was not made.
2. Going concern of the scheme is disputed as the total net assets of the scheme continue to be negative and the total liabilities cannot be met by the total assets of the scheme.	2023 2022 2021	Action should be taken to prevent the total net assets of the scheme from becoming continuously negative.	No action has been taken	No action has been taken to prevent the net assets becoming continuously negative.

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|----|---|----------------------|--|---|--|
| 3. | According to Section 5(1) of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990, Any fisherman between the ages of 18 and 59 is eligible to join the Fishermen's Pension Scheme, however no Fishermen's Pension members have enrolled in the scheme after 2018.   | 2023<br>2022<br>2021 | New members should be enrolled for the going concern of the Scheme.  | Actions have been taken to launch a new fishermen's pension scheme  | No new members have been enrolled  |
| 4. | According to Section 7 of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990, Although pensions should have been provided to fishermen who contributed to the scheme upon reaching the age of 60 years, a total of Rs.5,537,581 was recorded as pension arrears in the financial statements, including Rs.4,159,063 for 139 fishermen who were granted pensions between January 2007 and December 2016, and | 2023<br>2022<br>2021 | A plan should be formulated to provide retirement pensions to fishermen who have contributed to the scheme upon reaching the age of 60 | The lists of contributors who have completed 60 will be sent to the district offices and the Department of Fisheries and Aquatic Resources will be informed and fishing community will be informed through a newspaper advertisement. | There is no system in place to provide pensions upon reaching the age of 60. |



Rs.1,378,518 for 45 fishermen who were granted pensions in 2022 and 2023, but payments were not made to the fishermen.

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|----|--|----------------------|--|--|--|
| 5. | According to Section 16 of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990, Although the contributor should be informed about the loss of benefits due to non-payment of premiums for ten consecutive installments, this was not done due to the lack of a proper system for collecting and reporting premium payments. | 2023<br>2022<br>2021 | The contributor should be informed regarding the loss of their benefits. | No action has been taken   | The contributor was not informed about the loss of benefits. |
| 6. | According to Section 20 of the Fishermen's Pension and Social Security Benefit Scheme Act, No. 23 of 1990, The advisory committee established for the implementation of the scheme has not met since November 2016.  | 2023<br>2022<br>2021 | The Fishermen's Pension Advisory Committee should be convened.           | Actions will be taken to convene the Advisory Committee in 2024. | The advisory committee had not been convened.                |

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|----|---|------|--|---|--|
| 7. | Accordinging to Section 02(c)(iii) of Budget Circular No. 01/2023, dated 27 January 2023, Rs.557,736 has been paid to 4 officers as allowances for overseeing the pension section, despite the absence of an approved staffing procedure from the Management Services Department.                             | 2023 | A staffing procedure approved by the Management Services Department should be established. | These payments have been made with the approval of the Fisheries Pension Advisory Committee, the Board of Directors and the Minister of State Secretary in charge of the subject.   | No approved staffing procedures have been developed.                         |
| 8. | The scheme has 64,117 contributors, with no new enrollments since 2018. As of December 31, of the year under review, out of 31,146 contributors who had reached the retirement age of 60 years, 24,187 (including 5,549 contributors who had made lump-sum payments) had not received their pension benefits. | 2023 | Action must be taken to ensure payments are made when contributors reach the age of 60.    | It has been informed that the lists of contributors who complete 60 will be sent to the district offices and the Department of Fisheries and Aquatic Resources will be informed and the fishing community will be informed through a newspaper advertisement. | There is no system in place to provide pensions upon reaching the age of 60. |
| 9. | Loans totalling Rs.518,000,000 has been granted in several instances by the fishermen's   | 2021 | Action should be taken to recover the loan amount and interest thereon.                    | It has been informed that steps will be taken to recover this amount gradually.   | No action has been taken to recover the loan and interest.                   |

pension and social  
security benefit  
scheme to the  
farmers' pension and  
social security  
benefit scheme for  
the purposes of the  
said scheme since  
the year 2010 and  
the loan amount and  
interest thereon  
recoverable brought  
forward as at the end  
of the year 2021  
under review  
totalled  
Rs.248,129,566.

**3.5 Buddhasasana Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	845,241,465	7,821,063	837,420,402	17,674,593	Qualified
<b>2022</b>	-	-	-	-	-
<b>2023</b>	-	-	-	-	-

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Out of the receivable advances and other receivable cash balances amounting to Rs. 13,031,828, which has not been submitted age analysis, it was observed that the balances of Rs. 1,087,447 was older than 09 years and Rs. 11,944,381 was older than 06 years according to the financial statements of previous years and the relevant balances had not been recovered.	2021	Action should be taken to recover the relevant balances immediately.	Instructions have been given to recover those balances.	It was not charged until 30 September 2024.

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|---|---|---------------|---|---|--|
| 2 | According to Financial Regulation 877(1) (c) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, although the budget of the next year should be submitted before 30 September of the current year to get treasury approval, the budget for the year 2022 was not submitted for approval and although the submission of the budget related to the financial year 2023 for treasury approval was done on 25 October 2023, the relevant approval was not received. | 2022 and 2023 | Action should be taken as per Financial Regulations.                                | Although the 2023 budget was presented on 25.10.2023 for the treasury approval, arrangements have been made to send a reminder letter to the treasury as the approval has not yet been received.                                      | The budget for the year 2023 had not been approved until 30 September 2024.                  |
| 3 | Although Rs. 180,891,411 was received as income of the fund in the year 2023, only Rs. 51,573,122 or 29 percent out of that had been spent for the purposes of the fund. Although the role of the fund is to protect and nurture the Buddhasasana in such manner as the   | 2022 and 2023 | Programmes should be implemented immediately to fulfill the objectives of the fund. | Due to the high bank interest rate prevailed in the year 2023 based on the economic situation in the country, the income of the fund was about Rs. 180 million, but the estimated income of the year 2024 is about Rs. 92,535,694 and | The recommendations of the Auditor General had not been implemented until 30 September 2024. |

board considered as most appropriate and use funds for such purposes as may be considered as it is, the fund had failed to implement programmes such as suit with the income received by the fund annually.

development projects were implemented less in the country in the year 2023 and accordingly, it is considered this excess in the year 2024 and arrangements have been made to pay for the projects.

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|---|---|---------------------|--|----|---|---|
| 4 | The performance report for the year 2019 was submitted for tabling in the Parliament on 01 March 2024 and the performance reports of the fund were not submitted for tabling in the Parliament after the year 2019. | 2021, 2022 and 2023 | Answer is incorrect. As the audit reports related to the years 2020 and 2021 have been submitted, action should be taken to table the performance reports in the Parliament. | is | It was noted to table the performance reports of the fund for the years of 2020, 2021 in the Parliament after the completion of the work of auditing. | Action had not been taken to table the performance reports for the years 2020 and 2021 in the Parliament until 30 September 2024. |
|---|---|---------------------|--|----|---|---|

**3.6 Hindu Cultural Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	39,392,353	-	39,392,353	2,221,118	Unqualified
<b>2022</b>	48,490,086	-	48,490,086	9,097,733	Unqualified
<b>2023</b>	55,289,584	-	55,289,584	6,989,419	Unqualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1.	According to paragraphs (a) and (b) of the sub section 2(1) of section 6 of the Hindu Cultural Fund Act No. 31 of 1985, although it was mentioned as a task of the Board of Directors to increase the funds received by the fund through grants, gifts and donations (Local and foreign) during the year, a programme was not prepared for it in the year 2023.	2023	Necessary actions should be taken to raise the funds as per the provisions of the Act.	Due to arriving activities to the new office and Covid epidemic situation, it was not implemented and noted to be implementing in future.	The necessary actions have not been taken to raise the funds as now as per the recommendation of the Auditor General.
2.	According to section 3(11) of the Hindu Cultural Fund Act No. 31 of 1985, although the	2023	The activities of the fund should be regulated by holding the meetings of Board	That was noted for future implementation.	Only one board meeting had been held for the year 2024 until 30 September 2024.

regulation of procedures related to the activities of the fund should be done in Director Board meetings, only one Director Board meeting was held for the year 2023. Accordingly, the Board of Directors had not carried out the regulatory activities as per applicable the Act had not been amended to include the minimum number of meetings to be held for a year.

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| 3. | 11 | Hindu educational and cultural programmes that were expected to be implemented with an allocation of Rs. 20,600,000 in the year 2023 and a capacity development programme for the upcountry labour community that was expected to be implemented under an allocation of Rs. 1,000,000 had not been implemented. | 2023 | Relevant activities should be carried out as per the action plan. | Due to arriving activities to the new office and Covid epidemic situation, it was not implemented and noted to be implementing in future. | Any programme related to the year 2024 had not been implemented until 30 September 2024. |
|----|----|---|------|---|---|--|



4. Due to that a 2023 Necessary action Due to the Covid The expected  
 necessary should be taken to epidemic situation income related to  
 programme has not get income as and the economic the year 2024 had  
 been prepared to get the expected. crisis, action was not been earned  
 the expected income until 30 September  
 from the action plan 2024.  
 as the amount of Rs. programmes related  
 3,000,000 from flag to flag day and art  
 day income, Rs. activities. That was  
 4,000,000 from local noted for future  
 and foreign financial implementation.  
 assistance and Rs.  
 2,000,000 from arts  
 related programmes,  
 it was not possible to  
 earn that full amount  
 and Rs. 1,310,424 or  
 47 percent out of the  
 expected book sales  
 income of Rs.  
 2,800,000.

**3.7 National Film Corporation Trust for Film Artist and Film Technicians.**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss)</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>before tax</b>	
				<b>Rs.</b>	
<b>2021</b>	18,919,832	92,183	18,827,649	113,069	Qualified
<b>2022</b>	18,211,863	76,095	18,135,768	225,556	Qualified
<b>2023</b>	-	-	-	-	

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Although the interest rate on investment has been gone up by July 2022, the trust had lost an interest income that could have been obtained due to keeping excess cash balance of around Rs. 2 million approximately in the current account during January to December 2022.	2022	Action should be taken to invest promptly the excess money belonging to the fund on the proper approvals of the Board of Trustees.	This is due to the lack of Board of Trustees approval and, proper approvals will be taken in the future.	The situation was the same also in the year 2024.
2	The National Film Corporation Trust for Film Artists and Film Technicians Act, No.03 of 1986				
(i)	According to Section 06, although	2022	New ways of generating income	As having to face many practical	It has been informed that there

it should be done the provision of money or acceptance of grants, gifts or donations in cash or in kind from local or foreign sources to achieve the objectives of the Trust, the expenses of the Trust had become a burden on the treasury as none of these tasks have been done.

should be identified and steps should be taken to improve the fund position in order to fulfill the objectives of the trust.

problems in had not been an opportunity to implement new income generating sources. various proposals to generate sufficient income for carrying out the objects of the trust and due to the Covid pandemic situation and the economic instability in the country during the year under review, new programs or procedures have not been implemented to achieve the desired objectives.

- (ii) As per Section 03(1), although it was stated that, the management and control will be vested to a constituted Board of Trustees, a Board of trustees had not been appointed for about 8 years and 07 months from the date of 30 November 2012 to 06 July 2021 and it was observed that the Board of Trustees had not made an active contribution to the development of the Trust as not holding Board of Trustees meetings for more

2021  
2022

The meetings should be properly held and the board of trustees should give active contribution for the betterment of the trust.

On the change of Line Ministry after the Board of Trustees had been appointed in line with that action has been taken to hold the 88<sup>th</sup> meeting of the Board of Trustees on the date of 31 March 2023.

After 31 March 2023 the meetings of 89,90,91 of the Board of Trustees had been held on the date of 19<sup>th</sup> January 2024 and 19<sup>th</sup> September 2024.

than a year until 31 March 2023 after the 87th Board of Trustees meeting held on 31 December 2021.

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|---|---|------|--|--|---|
| 3 | <p>The amount of Rs.1,000,000 which was received in January 2019 on behalf of the Ranasinghe Premadasa Memorial Trust and which was decided to be credited to the trust was invested in a fixed deposit in the name of National Film Corporation and received interest income, and it had been assigned to the corporation trust on 06 June 2022. The trust had also kept the amount in the bank current account for a period of 02 months until 08 August 2022 and then invested it in a fixed deposit for a period of one year. Accordingly, action had not been taken to fulfil the objectives or functions which this trust is established until the end of the</p> | 2022 | <p>The prompt action should be taken to fulfil the objectives or functions which this trust is established and to invest without delay</p> | <p>As per the decision of the 86 meeting of Board of Trustees held on the date of 06.07.2021 action has been taken to maintaining fixed deposits this money in the trust fund.</p> | <p>It has been Invested taking under the National Film Corporation Trust for Film Artist and Film Technicians. It was informed that decide the activities will be done.</p> |
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year under review.

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| 4 | The information about the purpose or functions of the Rukmani Devi Trust did not submit to audit and Rs.462,778 of that fund continued to be carried forward under the capital employed in the statement of financial position without doing any work. | 2021<br>2022 | The objectives related to the establishment of this fund should be investigated and the related tasks should be carried out. | Action will be taken to pay the attention of the Board of Trustees again regarding this matter.  | It was informed that decisions will be taken regarding this in the future Board of Trustees meetings.  |
| 5 | According to Section 40 of the National Audit Act No.19 of 2018, the Board of Trustees of the Trust had not appointed an internal auditor to carry out internal audit activities.  | 2021<br>2022 | An internal audit should be conducted as per the National Audit Act.   | Related activities have been carried out by now to appoint an officer for the post of internal auditor and it was informed that action will be taken regarding this, as soon that appointment has been done, | The internal auditor had not been appointed even by the date of 30 September 2024.   |
| 6 | Almost 37 years have passed since the establishment of the Corporation Trust as on the date of audit and, the affairs of the Trust are being carried on at the same or less operational level  | 2021<br>2022 | Actions should be taken to improve the status of the funds and to fulfill the objectives of the Trust.                       | After obtaining adequate financial provision from the General Treasury the allowance paid had been increased up to Rs. 5,000 and payment has been made to all eligibilities                                  | Although the Board of Trustees had taken action to give monthly pension allowances for the entire eligible wait listed Film Artist and Film Technicians, |

than the initial stage and, only the payment of contributory pensions to artists and technicians was done and, it was observed that the trust did not carry out any tasks among the objectives of the act such as updating the pensions in accordance with the existing economic conditions, providing pensions instantly to the pensioners on the waiting list and providing welfare medical facilities etc

included in the wait listed. payments of death aids and medical aids had not been made.

Further action will be taken to make payments of death aids and medical aids occasionally from the annual interest received investing Trust funds in the future.

7	Contrary to the Financial Regulation 877(2)(d) as amended in Section 15.1 of the Public Finance Circular No.01/2020 dated 28 August 2020, the financial statements for the year 2022 had been submitted to the Audit on 17 April 2024 after a delay of a year and the performance report had not been submitted along with.	2021 2022	The financial statements should be submitted to the Audit on the due date according to the provisions of the Circular.	There has been some delay in preparing the financial statements for the year ending 2022.12.31 and submitting them to the Board of Trustees for approval in accordance with the Auditor General's report submitted for the financial statements for the year ending on 31.12.2021.	The financial statements for the year 2023 had not been submitted for audit even by the date of 30 September 2024 and the period of delay was 7 months.
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**3.8 National Film Development Fund.**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	129,364,050	1,832,404	127,531,646	4,000,099	Qualified
<b>2022</b>	145,568,176	1,860,404	143,707,772	12,976,126	Qualified
<b>2023</b>	167,170,550	2,572,436	164,598,114	20,890,342	Unqualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Out of the balance total of Rs.71,648,272 including film production loan, cinema theater loan and Covid-19 cinema theater loan, the loan balance more than 5 years lapsed was Rs. 71,024,268 as at the date of 31 December 2023 and Rs. 64,602,413 out of that had been lapsed even 20 years. Collapse the industry and the failure of the management to take effective measures to recover this loans and Rs.67,177,716	2021 2022 2023	The top management should take action to recover old past due balances.	Since the cinema halls are doing the projection work with modern technology the opportunity to showing 35 mm films have decreased and the possibility to exhibit and recovery of loans has been lost, and necessary arrangements will be made for the screening of films through television channels and You Tube channels in the future.	Adequate measures had not been taken to recover the long term past due balances even by the 30 September 2024.

which were 93 percent of the total debtor balance had been provisioned as doubtful debts. Although it has been shown regarding this even by the previous year's audit queries there had not been pay the attention regarding recovering the non-recoverable loans even in the Governing Board meeting.

2	Out of the balance total of Rs.31,523,282 including rental contribution receivable to the fund as at 31 December 2023 from the Sri Lanka National Film Corporation was also Rs. 26,393,457, Rs.3,532,156 receivable from the film exhibition income Rs. 23,002,208 also had been more than 5 years lapsed, necessary measures had not promptly been taken to recover this money by the management.	2021 2022 2023	Action should be taken to recover the rental money receivable from the Corporation.	Since there were no earning of income for the film Wekanda Walawwa and Nisalagira there has been a situation of impossible to recover these pass due money. Action will be taken to earn income screening films through television media.	As per the recommendation of audit rental money receivable from the Corporation even at present.
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| 3 | While the deposit interest income of the fund during the year under review was Rs. 20,507,972, the income earned from the film industry which was the main source of income of the fund remained as low as Rs.2,281,047. This situation was caused by the collapse of the film industry and the fact that money was invested instead of focusing primarily on uplifting that industry. | 2022<br>2023 | Should be responsible to incur money for the development of the film industry instead of investing money of the Fund. | Due to the delays in the appointment of the governing body due to the transfer of ministries, there has been no effective process for the point you have pointed out. | No attention had been paid to incur money for the development of the industry even at present.   |
| 4 | No any expense had been incurred during the year under review and as per the Orders of under the Section 61 and 05 of the National Film Corporation Act No. 47 of 1971 amended by the extraordinary Gazette No, 946/9 dated 24 October 1996, amount of Rs. 10,759,729 of bank balance was owned to the fund as at the date of 31 December 2023. Further since there has been           | 2021<br>2023 | Money should be utilized for the objective of the fund established.   | Rs. 8 million has been invested on the approval of the Governing Board in the year 2024, after delegation of authority of signing the cheques.                        | Rs. 8 million has been invested on the date of 04 July 2024 and expenditure had not been incurred for any activity that should be fulfilled. |

remained not less than Rs. 5 million of monthly average bank balance during the 12 months from January to December without utilizing in the current account, the interest could be able to earn by investing excess money had been lost to the fund.

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| 5 | <p>Since there was not mentioned the way of holding Governing Board meetings in the Orders of under the Section 61 and 05 of the National Film Corporation Act No. 47 of 1971 amended by the extraordinary Gazette No, 946/9 dated 24 October 1996, only one Governing Board meetings had been held during the year 2023 and in the previous years was also the same. Accordingly, although this fund was established with the aim of developing the film industry, an active contribution for the</p> | <p>2022<br/>2023</p> | <p>Attention should be paid to the amending the Orders.</p> | <p>It is being expected to do effective activities by amending the Gazette of the fund as per the instruction of the Governing Board.</p> | <p>As per the recommendation of audit action had not been taken even at present.</p> |
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improvement of the cinema industry had not been provided by the Governing Board.

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| 6 | According to the Order No. (4) (a),(b), (c), (d), (e), (f), (g), (h), (i),(j) and (k) under section 61 and 05 of the National Film Corporation Act No. 47 of 1971 as amended by Special Gazette No. 946/9 dated 24 October 1996 following tasks were not done.                                     | 2021<br>2022<br>2023 | The management shall arrange to perform the functions of the fund as per the orders of the Act.   | Action will be taken focusing the matters had been shown in the future.                                | After the governing body had been appointed, by making amendments of the Gazette of the film development fund, it was informed that action to be taken to develop local film industry. |
| 7 | The fund had not prepared a budget document for the year 2023 in accordance with the financial regulations 877(1) (c) and (d) published by 15.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020 and the fund has been incurred expenses without having a budget document approved. | 2022<br>2023         | A budget should be prepared in accordance with the objectives of the fund and no expenditure should be incurred without an approved budget. | No budget has been prepared. No any payment has been made from the Development Fund in the year 2 023. | Although the budget had not been prepared even by the 30 September 2024, an amount of Rs. 191,868 had been incurred.   |

**3.9 Construction Guarantee Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,707,261,360	1,247,522,116	1,459,739,244	310,233,611	Qualified
<b>2022</b>	2,600,464,086	853,145,475	1,747,318,611	285,269,552	Qualified
<b>2023</b>	2,869,316,518	786,621,499	2,082,695,019	332,685,658	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
<b>01. Receivables</b>					
(a)	The outstanding bills discounting balance as at 31 December 2023 was Rs.10.30 million. This was due to non-payment of bills by the employers. Out of which Rs. 10.21 million or 98 percent from one Construction company and the remaining 02 percent or Rs. 92,019 from another company was not recovered for more than 04 years.	2021, 2022, 2023	Actions should be taken to recover outstanding bills discounting balances from contractors.	Issues related to contractors who executed projects with discounted bills had been referred to arbitration. Efforts are already being made to recover the relevant discounts through this process.	The arrears owed by the contractors had not been recovered yet.
(b)	The Fund issues Bonds and guarantees to registered	2022, 2023	The performance of contractors should be properly monitored, and the	Although the amount spent so far for demand guarantee money	The money had not been recovered. Due to the inability to

contractors without keeping any security and employers demand guarantee money in the cases of poor performance of the contractors. From 2011 to 2019, an amount of Rs. 87.65 million was paid to the employers in 22 cases, out of this balance Rs. 4.67 million could not be recovered and was written off with the approval of the Board of Trustees in 2019. Further, from 2020 to 2022 the amount paid to the employers and to be recovered from contractors to the Fund was Rs. 30.16 million. In addition, in the year 2023 Rs. 26.67 million demanded to the fund. Accordingly, the sum paid by the Fund to the employers amounting to Rs. 139.80 million, had to be recovered back to the Fund by 31 December 2023. In this regard, the judgments of the legal actions

amounts due to the fund must be promptly recovered.

had already been submitted for reimbursement, the process has been ongoing for several years with a considerable amount of money expended; no positive results had been obtained yet. Nevertheless, in accordance with the instructions you provided for this effort, the process is being continued to ensure an economically fair judgment.

execute the fiscal order for property seizure, the situation has not yet been clarified.

including arbitration were in favour of the Fund but unable to recover the related money. The Fund had been spent Rs. 0.85 million for the legal proceedings related to this in the year under review.

## 02. Payables

- (a) The Ministry of Roads and Highways had given Rs.33,389 million to the Fund during 2020 to 2023 to pay the certified bills of 314 contractors carrying out the construction contracts under the 100,000 km rural road scheme, of which Rs. 32,782.47 million was released to the contractors. Furthermore, an amount of Rs. 220.62 million was retained by the Fund in the transit money account as of 31 December 2023 without being released to the relevant contractors. Out of this balance Rs.88.10 million was retained from 01 2021, 2022, 2023 In this regard, agreements or a Memorandum of Understanding (MOU) should be established with the Ministry of Highways and Road Development, and the withheld funds should be periodically settled. Due to the discontinuation of contractor responsibilities, there have been suspensions in projects. Although several legal obligations for the guarantees have expired, discussions between the contractor and the employer regarding their responsibilities for the project had been discussed further; hence, the construction guarantee fund is holding a limited amount of funds until it is fully released from its obligations following a comprehensive review. Currently, 97% of the transit It had not been settled Rs. 220.62 million to contractors with an active guarantee period

to 03 years and Rs.3.43 million from 03 to 05 years. An amount of Rs. 60.55 million, related to 123 completed projects, was retained by the fund without being released to contractors. Also, out of the money given to the Fund by various other parties to be released to the contractors amounting Rs. 27.77 million had not been settled to the respective contractors on 31 December 2023. Out of this balance the total of Rs. 7.08 million and Rs. 11.89 million was retained by the Fund from 01 to 03 years and 03 to 07 years respectively due to inadequate current performance of the respective projects. Therefore, the responsibility for future settlement of these amounts could not be ascertained in the audit. Thus, it was observed that it is problematic to retain the money

money has already been released, and once the stakeholders' review is completed, it will be possible to gradually release the remaining funds over the coming period.

given by the employers for settling the contractors' bills as transit money for a long period of time.

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

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| (a)  | Paragraph 41(1) of National Audit Act No. 19 of 2018   | 2021, 2022, 2023 | Audit and Management Committee meetings should be held as per the National Audit Act. | The fund is subject to continuous operational review and internal audit, with the management committee ensuring that all necessary actions are taken accurately and transparently based on common management decisions at all times. | There have been no meetings held for the audit and management committees. |
| Although the Fund should conduct audit and management committees to review the operational activities of the Fund and timely report to the Board of Trustees, the Fund never held an audit and management committee meeting. Additionally, the Fund had not participated in the audit and management committee meetings of the Ministry of Finance, Economic Stabilization and National Polices. |  |                  |   |  |   |
| (b)  | Deed of Trust of the Fund dated 05 August 1999 Section | 2021, 2022, 2023 | The Fund should comply with the provisions of the                                     | The subject numbers 07, 08 and 11 of the trust deed  | Reimbursements for expenses were not made                                 |



<p>9 (f)</p> <p>The Board of Trustees shall not be entitled to receive salaries, allowances or honorarial salaries but may be reimbursed for expenses incurred in the performing of their duties. However, contrary to that the Fund had paid monthly Rs. 50,000 to each trustee, aggregating to Rs. 2.50 million, Rs. 2.30 million and Rs. 2.50 million during the years 2021, 2022 and 2023 respectively.</p> <p>Nevertheless, the details of the expenses incurred by the Board of Trustees for the performance of their duties had not disclosed in the financial statements. Furthermore, no disclosure was made in the financial statements regarding these related party transactions.</p>	<p>trust deed.</p>	<p>is directly binding on the affairs of the trustees and their additional duties are identified. This should be considered an expense incurred in fulfilling those duties. In accordance with clause 9(F) of the trust deed, these expenses had been reflected in the financial statements on behalf of the performance of the Board of Trustees.</p>	<p>according to the provisions of the trust deed; instead, a fixed amount was paid monthly.</p>
<p>(c) Financial Regulations 876(3) issued by Public Finance Circular No.</p>	<p>2021, 2022, 2023</p> <p>The Fund should comply with financial regulations.</p>	<p>The Fund expects the Secretary of the Treasury, as the settlor, to take</p>	<p>The necessary steps had not been taken to legislate this through an Act</p>

01/2020 dated 28 August 2020. If there are any reasonable grounds for continuing non statutory Fund, the Fund should be legalized by an Act of Parliament. However, the Fund had not complied with this requirement even by 31 March 2024.

action at the of Parliament up to appropriate time this point. regarding this matter

#### 04. Management Inefficiencies

- (a) The Fund had entered into an agreement with Sri Lanka Telecom during the year 2015 to design and develop a Management Information System (MIS) to the worth of Rs.2.98 million. As per the agreement, the first installment and the second installment to be paid after development, total Rs. 2.08 million or 70 percent of the contract value was paid to the relevant institution in the years 2015 and 2016 and it was shown under non-current
- 2021, The Management Information System should be successfully developed in accordance with the agreement.
- 2022, The Management Information System should be successfully developed in accordance with the agreement.
- 2023, The Management Information System should be successfully developed in accordance with the agreement.
- Although the system initiated in 2015 could not be completed by 2023, it was stated that it will be finalized at the originally agreed-upon amount to avoid any losses at present.
- 50% of the service had been completed by mid-2024.

assets as software development advances in the statement of financial position. Although about 08 years have been passed since the money was paid, the preparation of this Management Information System (MIS) was not completed even up to 31 March 2024. During the year under review, the fund had also failed to complete the work as per the agreement.

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| (b) | The Fund was established in 1999 and received a Capital Grant of Rs. 55 million from the General Treasury in four instances during the period of 2000 to 2005. But there was no mechanism for remittance of annual profits to the treasury. Meanwhile, from the retained earnings of Rs.949.79 million as on 31 December 2020, Rs.500 million was transferred to a reserve account | 2022, 2023 | A system should be established to remit the surplus or portion of the surplus annually to the Treasury as per the circular. | Since the organization has been operating on a rented basis for 25 years, provisions have been allocated from our earned income to construct our own service premises to expand operational activities in accordance with the authority granted by clause 8(c) of the trust deed. | No remittance had been forwarded to the treasury. |
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named "Provision for Infrastructure" and remained idle. Retained profits and reserves were Rs.912.95 million, while long-term investments were Rs.1,208.91 million and short-term investments were Rs.1,041.61 million as at 31 December 2023.

- (c) In calculating the fund's bond and guarantee levy income, 2 percent and 2.5 percent were charged from the bond value for advance bonds and performance bonds, respectively, for 100,000 kilometer road development projects. Additionally, bond extension levy charges for advance bonds and performance bonds were 1.5 percent and 1.75 percent respectively. Although a special management report detailing these fees was submitted for audit, the meeting minutes with board
- 2021, 2022, 2023
- Decisions made by management or committees, with the approval of the Board of Trustees, should be included in the bond and guarantee income files.
- The board of trustees makes policy decisions, while the management takes appropriate steps for each project, including determining charges based on risk and undertake other activities. A general report on this is maintained.
- Even though the standard minimum charge or a higher amount was decided on the basis of risk taking, no records of discussions or any notes regarding service charges were maintained

of trustee's approval were not submitted to audit. Additionally, an amount was added to the bond and guarantee levy income based on existing risk levels on bond income. This value was assessed by management according to the prevailing risks and included in the bond and guarantee levy income. However, there was no any document of the risk assessment or any discussion notes in the files. Additionally, the sections regarding service fees in the Fund's annual reports from 2020 to 2023 do not contain any notes.

#### **05. Accountability and Good Governance**

According to 2021, Financial Regulation 2022, 877(2)(e) issued by 2023 the Public Finance Circular No. 01/2020 dated 28 August 2020, the Accounting Officer of the Fund shall	The provisions of the circular should be followed.	In preparing the relevant report, all necessary information has been systematically included in accordance with the government guidelines. It was	Annual reports were not tabled in Parliament.
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prepare the Annual Performance Report in all the three languages under the prescribed provisions, and aforesaid report to be tabled in Parliament within 150 days after the end of each financial year. However, no evidence was presented to the audit regarding tabling annual performance report of years 2020, 2021 and 2022 to Parliament even up to the date of 31 March 2024.

confirmed that this report is consistently sent to the Secretary of the Treasury at the Ministry of Finance, as the institution's settlor, for appropriate action within the first 60 days following the end of the year.

#### 06. Budget control

According to the 2021, Financial Regulation 2022, 877 (1) (c) issued by 2023 Public Financial Circular No. 01/2020 dated 28 August 2020, the budget prepared by the Board of Trustees for the next year should be remitted to the Director General of National Budget before 30 September of the current year for obtaining the approval thereof.

The Fund should comply with financial regulations.

The budget documents are presented to the treasury at the scheduled or approximate time every year. Since no examination has been conducted regarding this matter so far, it should be accepted as approved.

Although the budget was submitted to the Treasury, there was no information indicating that it was approved.

However, the budget of the Fund for the year 2023 had not approved as per the provisions in the above circular.

**3.10 Fisheries Reward Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	11,497,024	1,658,092	9,838,932	197,872	Qualified
<b>2022</b>	11,850,950,	1,907,760	9,943,190	3,637,671	Qualified
<b>2023</b>	12,717,378	2,955,290	9,762,088	372,570	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	By doing raids in the years of 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 the number of cases had been filed as 348, 488, 427, 327, 604, 536 692,293 and 719 respectively. However no any reward money was paid to the officials who participated to the raids in the years of 2017, 2018 and 2020 and the amount of allowances paid to the officials who participated to the raids in relation to 03 cases out of 719 cases filed in the	2021, 2022, 2023	An expeditious system should be developed for awarding the reward money.	Relevant officers are being made aware to promptly take action to collect information and pay allowances.	To bring the files of the case relevant to receive rewards to the Investigation and Training Division, Accordingly, although an internal Circular No. DFAR/INV/2024/01has been issued to expedite payment of reward money, money has not been given.



year 2023 was Rs. 250,165. Out of the amount of Rs. 9,848,765 payable for the past years no any money was paid to the rewards recipients in the year under review. Accordingly, it was observed that officers are not encouraged to raid illegal fishing activities due to non-arranging of expedite procedure to giving reward money for officers.

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| 2 | Even though 719 cases were filed through all district fisheries offices in the year 2023, and cash from the sale of confiscated goods from only 04 District Fisheries Offices were credited to the Reward Fund, it was not revealed that much attention had been paid regarding non receiving of income from other District Fisheries Offices to the reward fund by the management. | 2021, 2022, 2023 | The sale of confiscated goods should be expedited after the cases are over. | Letters of instruction have been issued to recover any money, that can be credited to the Fisheries Reward Fund and arrange for giving incentives to the officers who involved in the raids and judicial proceedings. | Although Circulars, letters of instruction have been issued promptly recovering cash from the sale of confiscated goods, that can be credited to the Fisheries Reward Fund and arrange for giving incentives to the officers who involved in the raids and judicial proceedings, the sale of confiscated goods has not expedited. |
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- 3 It was observed in 2022, All the details of Instructions are Instructions have  
audit that the 2023 cases which are in being given to enter been given to enter  
accuracy of progress and cash in to the in to the  
information of the receivable to the performance report performance report  
cases forwarded in reward fund from details regarding of 2024 details  
the performance closed cases the money regarding the raids  
report could not be should be included receivable to the of illegal fishing  
disclosed due to the in the performance fund from the raids activities.  
information report.  
of illegal fishing  
regarding cases has activities and cases  
been filed by district are being filed.  
fisheries offices,  
cases which are in  
progress, goods are  
in the custody of the  
respective offices,  
cash receivable to  
the reward fund  
from closed cases  
had not been  
updated by the  
Department of  
Fisheries and  
Aquatic Resources.

**3.11 Peliyagoda Central Fish Market Complex Management Trust**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss)</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>before tax</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,127,567,170	220,536,801	1,907,030,369	(29,620,704)	Qualified
<b>2022</b>	2,112,203,741	224,111,820	1,888,091,921	(17,851,060)	Qualified
<b>2023</b>	2,083,555,437	203,589,493	1,879,965,944	(8,063,877)	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Provisions had not been made for doubtful debts for debtors amounting to Rs. 81,141,044 and amounting to Rs.55,152,854 out of the debtors were lapsed 3 years that is 68 percent out of the debtors.	2022	Action should be taken to recover the outstanding balances and Provisions should be made for doubtful debts for lapsed debtors.	Provision for doubtful debtors there should be thoroughly study about these debtors. A Committee has been appointed regarding this action is taken as per the decisions of that.	Recovering of outstanding balances has not been made.
2	As per the F.R 502(2) A Fixed Assets Register had not been maintained and therefore a Board of Survey also had not been done for the year 2022 and the accuracy of fixed assets of Rs. 2,341,721,086 could not be verified.	2021 2022	A Fixed Assets Register should be maintained and those assets should be surveyed.	A Fixed Assets Register is being maintained by the Trust. Instructions are given to take actions to update that register further taking into consideration the facts that has shown by the audit. The Board of Survey is	An updated Fixed Assets Register is not being maintained.

done for the year  
2022 and 2023

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| 3 | Financial Regulation 876(2) (a) as included in the Public Finance Circular No. 1/2020 of 28 August 2020. Even though it was stated that if there are fair reasons for maintaining the Fund further, that fund should be legalized by an Act of Parliament an approval had not been taken up to the date of this audit report. | 2021<br>2022 | Action should be taken to legalize the Fund by an Act of Parliament.                  | A draft has been prepared to legalize by an Act and the activities of that are in final phase.                       | an Act has not been legalized for the Fund.                        |
| 4 | Deed of Trust dated 10 August 2010 Section 7(e)<br>Although the Board of Trustees should prepare written criteria approved for leasing 154 wholesale shops and 128 retail shops belonging to the trust, the lease was done without a transparency from the year 2011 to 2022 without preparing such criteria.                 | 2021<br>2022 | Should be introduced written criteria to lease outlets in the manner of transparency. | A committee of 6 members has been appointed according to the decision of the Board of Directors of Management Trust. | Written criteria regarding leasing outlets have not been prepared. |

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| 5 | Although it has been almost 6 years since the staff was approved, recruitment was not done after getting the recruitment procedure approved by 31 December 2022 for the posts of Manager, Accountant and Internal Auditor of the trust.   | 2022 | Recruitments for the approved posts on the permanent basis should be done after getting the recruitment procedure approved. | After getting the cadre approved by the Department of Management Service recruitments has been done a part out of it. | Recruitments has not been done for the approved posts.   |
| 6 | 64 retail outlets out of 128 retail outlets of the complex were converted into wholesale outlets in the year 2012 incurring of Rs. 9,625,540. As at the date of audited 31 December 2022, action had not been taken to use 35 number of retail outlets and 9 number of converted wholesale outlets in the complex for sales activities. | 2021 | Outlets not used for sales activities should be used for operational activities.  | Action will be taken to Find out about the relevant outlets and give them to appropriate applicants.                  | It has been impossible to rent out the relevant outlets. |

**3.12 Forest Department Fund (Department of Forest Conservation)**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	228,229,472	-	228,229,472	18,927,751	Qualified
<b>2022</b>	229,673,194	-	229,673,194	1,443,722	Adverse
<b>2023</b>	258,217,616	-	258,217,616	27,950,146	Adverse

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Due to reasons such as, inadequacy in the values of rewards, lack of attention on the efficiency in carrying out the functions of the Fund, delays in paying rewards, and failure in identifying the expenses to be incurred on forest conservation in a timely manner, objectives of the Fund could not be fulfilled, and an extensive amount of funds had received at the Fund. The value of that amount was	2023	Action should be taken to properly achieve the objectives in establishing the Fund.	All officers who applied for rewards have been paid from the fund so far. Plans are being made for efficient utilization of the fund.	The fund was no longer efficiently utilized due to the fact that the rewards values had not been reviewed until 30 September 2024, the needs for the efficient operation of the fund had not been identified, and the expenses for forest protection had not been identified in time.

Rs.251,648,896 as  
at 31 December of  
the year under  
review.

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|---|---|------|---|---|---|
| 2 | It was the policy of the Fund that court fines, the main source of income of the Fund, be accounted for under accrual basis. However, no follow up action had been taken as to whether all the court fines relating to the finalized court cases had been remitted by the courts. | 2023 | Action should be taken to recover the court fines relating to finalized cases.            | A record of cases is maintained by the Protection and Law Enforcement Division. And those details are matched with the information about reward fund receipts related to closed cases. The Courts do the necessary work to collect the money due for the reward fund. | As at 30 September 2024, it was not possible to check the progress of the follow-up process as it was not possible to obtain the information about the fines to be levied for the closed cases from the forest divisional offices on a monthly basis. |
| 3 | The annual performance reports had not been prepared and tabled in Parliament since inception of the Fund.  | 2023 | Action should be taken to prepare the annual performance reports and table in Parliament. | The performance report for the year 2023 has been prepared and it is being tabled in Parliament.  | The 2023 performance report has not been tabled in Parliament until 30 September 2024.  |

**3.13 Wildlife Conservation Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	8,543,424,383	201,306,195	8,342,118,187	(710,716,619)	Qualified
<b>2022</b>	9,038,278,706	422,528,193	8,615,750,512	248,108,226	Qualified
<b>2023</b>	11,788,201,481	585,497,888	11,202,703,593	2,517,770,342	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	An amount of Rs.10,079,912 directly credited to the Department's bank account by a foreign person as a donation in terms of financial Regulations 625(3) was accounted as income to the Wildlife Conservation Fund without following the provisions of the Financial Regulations.	2021	Should act according to the financial regulations.	Take necessary actions by taking into consideration the instructions received from the Department of Foreign Resources and the matters in the Gazette.	As of 30 September 2024, action had not been taken regarding donations as per the financial regulations.
2	As preparation of estimates based on the building construction rates that not relevant for	2021	Estimates should be prepared by using correct rates.	The relevant officers have been informed to make future estimations using the	The digging of elephant trenches has now been stopped, and the relevant officials



the digging trench, the estimate had been increased by Rs.312 for 01 cubic meter when comparing with irrigation rates and, the engineering estimate had been made in excess of Rs.49,534,056. As a result of that, it had been paid Rs.28,478,736 than scheduled cost for 91,278.09 cubic meters.

recommended rates. have been informed to use the appropriate rates for similar tasks in the future. However, the overpayment had resulted in a loss for the fund.

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|---|---|------|--|---|--|
| 3 | According to Section (6)(1)(d) of 469 Authority of Fauna and Flora Protection Ordinance No.41 of 1982, any plant within the national garden should not be cut, girdled, lopped, tapped, burnt or in anyway damaged it or destroyed it. However, trees were removed in a large quantity when constructing the elephant fence and, the required approval had not been taken to remove them by identifying the | 2021 | Action should be taken as per the Act. | Officers have been informed to act according to the directives of the Act while carrying out future projects. | Before digging a trench for the proposed Lunugamwehera Elephant Holding Ground, the electric fence line has been cleared along the scrubby grassland fields to minimize damage to the trees. Also, instructions have been given to the officers to act according to the Act. |
|---|---|------|--|---|--|

	quantity of trees that should be removed by surveying on them.				
4	Although an environmental assessment report should be obtained before clearing forest reserves or doing a project according to the provisions in the Gazette No.859/14 published on 16 February 1995 as amended by Section 23(v) of National Environmental Act No.47 of 1980, an environmental assessment report had not been taken in this regard.	2021	Action should be taken to get an environmental assessment report as per the Act and, the environmental report relevant for the elephant fence should not be used for the elephant trench.	Officers have been informed to act according to the directives of the Act while carrying out future projects.	Prior to trenching, no environmental evaluation was done for trenching due to the fact that the electric fence route had been cleared to minimize damage to the environment for the construction of the electric fence.
5	As per Financial Regulation 137(5) of Financial Regulations of Democratic Socialist Republic of Sri Lanka, the officer who approves the payments should be satisfied that they have been examined and correctly taken on charge in the case of supplies. Rs.15,815,099 had been paid for obtaining 4,333 of	2021	Should act as per the Financial Regulations.	This amount has been given to the Railway Department for rail transportation. Actions are being taken to get the rails as soon as possible, and instructions have been given to the relevant officials to follow the instructions of the audit in the future.	In addition to the 725 rails provided so far, another 518 rails have been provided by the Railway Department to the Beliatta railway station, and they should be transported from the railway station to the Lunugamwehera National Park.

parts of rail lines for the construction of elephant fence before the receipt of the goods and, it was only supplied 660 rail line parts even by April 2022.

For that, the prices were invited from the organizations providing transportation facilities on 30.07.2023, and since no company submitted the prices as at 14.08.2023. Bids were recalled and according to the bids received, one transport company was selected, and the contract was awarded to that company on 02 September 2023. The railway department is working to remove the rails and provide the remaining rails for assembly.

6	439 of strongly protected mammals and turtles, whales and dolphins owned to the reptile category that included to the Annexure II of Fauna and Flora Protection (Amended) Act No.22 of 2009 had	2021	Actions should be taken to reimburse this money and account properly.	In my letter No. WL/06/04/66(Volume ii) dated 15.06.2023 to the Secretary of the Ministry of Urban Development and Housing with copies to the General Treasury and the Chairman of the Marine	The relevant amount had not been reimbursed as at 30 September 2024.
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been died due to the Pearl Expressway Ship catching fire. Though the Department had incurred Rs.2,378,249 for the examinations of finding deceased animals, it had not been acted to reimburse that amount even by April 2022. That amount had not been stated in the accounts as amount to be received.

Environment Protection Authority to reimburse this amount to the Department of Wildlife Conservation. Also, according to the letter No. 06//MEPA/03/EC/2023 and dated 23.06.2023 of the Chairman of the Marine Environmental Protection Authority, it would be more appropriate if there is a possibility to receive this money directly from the Treasury to this Department and it is better for the Wildlife Conservation Department to inform the Treasury and make inquiries to get the money, The Board of Directors of that Authority has given instructions in the board meeting held on 23.06.2023.

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| 7 | Although the entry fees for the national protected areas | 2022 | The revised fees should be charged from the date | Revised fees will be charged from the date of approval of | It has been informed that in future |
|---|--|------|--|---|-------------------------------------|

	<p>under the Department of Wildlife Conservation have been amended by Gazette No. 2292/11 dated 08 August 2022, the fee revision had been applied since 02 September 2022 and the old fee had been charged until then. As a result, only 07 National Parks, namely Yala, Kumana, Lahugala, Maduru Oya, Galoya, Wilpatthu, Galvesland, had lost an income of Rs.16,844,205 in relation to that period.</p>	<p>mentioned in the Gazette.</p>	<p>the gazette in future revisions,</p>	<p>amendments, the revised fees will be charged from the date of approval of the gazette.</p>	
8	<p>A contract for the construction of electric fence that 123 km long for Zone No. 01 of Anuradhapura district had been awarded at a value of Rs.241,229,637 without conducting an initial environmental test, environmental impact assessment and social impact assessment</p>	<p>2022</p>	<p>Ensure that all monies due are collected and the project is effectively completed and all payments are supported by vouchers.</p>	<p>The performance bond and advance bond were submitted to the Bank of Ceylon branch requesting that the bonds be released and paid before the expiry date of 31.12.2021. The contractor obtained an injunction from the court and stopped paying the department. Based</p>	<p>Based on the court decision, it is being worked on to get it in the future.</p>

according to the  
Guideline 2.3 of the  
Government  
Procurement  
Guidelines.

Accordingly, the  
physical progress  
of the contract,  
which was  
supposed to be  
completed on 28  
January 2020, had  
been stopped  
midway when the  
physical progress  
was 37 percent as a  
result of public  
protests, blockades  
in elephant  
corridors, land  
problems during  
the construction of  
the electric fence.

While

Rs.28,327,073

should have been  
charged from the  
mobilization

advance given for  
this contract, the  
bond value of  
Rs.48,245,927

which had been  
obtained for it was  
allowed to expire  
on 31 December  
2021. The

concerned

contractor had been  
filed a case in the  
court against the  
acquiring of the

on the court's  
decision, the  
department is  
working to obtain  
those guarantees,  
and necessary  
measures will be  
taken to prevent  
such defects from  
occurring in future  
projects.

performance  
guarantee to the  
government in 16  
November 2021.

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| 9  | According to the amended Financial Regulations by Public Finance Circular No. 2020/1 dated 28 August 2020 Financial Regulations No. ) (1) 877c(, the approval of the Treasury for the 2023 budget of the fund had not been obtained.  | 2023 | Should act as per the Financial Regulations.               | The budget approved by the Minister-in-charge will be submitted to the Ministry of Finance in the future,  | The 2024 budget had not been sent to the Treasury for approval by 30 September 2024.                                   |
| 10 | A cabinet decision had been received to procure 6,000 wild elephant movement barrier discs and 1,500 km long electric fence for 500 meters in the Udawalawa area at a cost of Rs.87,308,715 from a government company within 90 days on 15 March 2021. Accordingly, items worth Rs.13,436,932 were received without quality checks and were broken and destroyed in the places where they | 2023 | Action should be taken to recover the amount due promptly. | Instructions have been sought at the Ministry level for recovery of further dues. Also, in the future such procurements will be done by calling prices through public notices. | The related goods were broken and destroyed and an amount of Rs.8,017,640 had not been recovered by 30 September 2024. |

were stored. The contract was cancelled on 30 December 2022 due to non-delivery of supplies, and the basic advance amount of Rs.8,017,640 could not be recovered from the related advance bond.



**3.14 Zoo Development and Welfare Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	5,046,011,763.00	131,333,630.00	4,914,678,133.00	(558,081,259.00)	Qualified
<b>2022</b>	5,009,820,177.00	229,158,427.00	,780,661,750.00	(429,958,380.00)	Qualified
<b>2023</b>	4,845,017,826.00	232,860,893.00	4,612,156,933.00	(187,636,878.00)	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	136 foreign birds had been purchased with an expense of Rs.66 million in year 2020 and, the construction works of the bird garden in Hambantota Safari Park that was expected to construct for the exhibition of these birds had not been completed even by the end of the year under review. As a result of this, 57 birds had been retained in the other cages in the safari park without exhibiting.	2021, 2022, 2023	In order to fulfill the purpose of buying birds at a huge expense, should display those birds and earn income and work to protect and develop those birds.	As the price of nets and cables to be imported for the construction of foreign bird sanctuaries has so far increased by three times the estimated amount, the revision of the estimates has been assigned to the Central Advisory Bureau of Engineering. It is expected to re-implement the foreign bird sanctuary project in 2024.	Although these birds were purchased with the aim of displaying them in an imported netted cage and earning income, the birds had not been displayed to fulfill that purpose even by the 30 September 2024.

2	According to Article 11 of the Code of Ethics included in the Animal Welfare Strategies updated in 2015 by the World Association of Zoological Gardens and Aquariums, deaths of animals in care should be performed in all cases except where there is a compelling reason not to perform a necropsy. However, in 2021, the deaths of 18 animals belonging to 13 breeds had not been confirmed to have a strong cause and no post-mortems had been carried out.	2022	Records of dead animals should be maintained indicating the reason for not conducting post-mortems.	Arrangements are being made to conduct post-mortems for all the dead animals.	Accurate records of dead animals were not maintained, giving reasons for not conducting post-mortems.
3	Due to the fact that 13 animal deaths were not included in the animal assessment report issued in 2021 and it was observed that there were differences in the sizes of 09 species of dead animals, the number of animal deaths included in the	2022	Records of dead animals should be maintained indicating the reasons for not conducting post-mortems.	All animals that die will be conducted post-mortems. Efforts will be made to avoid omissions in record keeping.	Reports had not been submitted to confirm the correctness of the number of animal deaths.

animal assessment report could not be confirmed as correct.

4	According to the exhibition standards mentioned in paragraph 03 of the ethical system included in the updated animal welfare strategies in the year 2015, the environment necessary for the natural behavior of the animals should be prepared in the zoological garden. However, as of 20 December 2022, it was observed that there are 15 animals living alone in their cages, 35 unaccompanied animals and 21 unaccompanied animals in Dehiwala Zoo. The post-mortem report stated that the Japanese monkey (a female) who died on 09 March 2022, suffered from a depressive condition due to living alone for 15 years and may	2022	Animal welfare should be increased while complying with ethics.	Due to the Covid pandemic situation, animal exchange activities have been hampered for many years, but currently animal exchange programs are bringing animals to the zoo. Also, bringing animals from foreign zoos for individual animals is currently in operation.	Even though the activities of bringing the animals are going on, the matters mentioned in the observation have not been fully resolved.
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affect the  
aggravation of  
cancer cells Urine  
Cancer.

Accordingly, it was  
observed that  
animals living  
alone can have a  
severe impact on  
the mental and  
physical health of  
those animals.

**3.15 Coastal Protection Reward Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	3,561,792.00	-	3,561,792.00	(2,079,250.00)	Unqualified
<b>2022</b>	3,215,697.00	-	3,215,697.00	(346,095.00)	Qualified
<b>2023</b>	2,878,616.00	-	2,878,616.00	(337,081.00)	Disclaimer

<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1. The statement of changes in Equity, statement of cash flows, and notes including a summary of significant accounting policies and other descriptive notes which should be included in a complete set of financial statements as per Section 21 of the Sri Lanka Public Sector Accounting Standard 1, had not been submitted. Further without maintaining ledger accounts and not following accrual	2022 2023	Ledger accounts related to the assets, liabilities, income and expenses of the Fund should be maintained in accordance with the accounting standards and the financial statements should be prepared and submitted accordingly.	Necessary arrangements are being made to maintain ledger accounts.	While maintaining the relevant ledger accounts, action is being taken to maintain the accounting activities as per the Public Finance Circular No. 01/2020.

basis, only income and expenditure account and balance sheet had been prepared on cash basis.

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| <p>2. According to Guideline 1 of the Guidelines and direction for the payment of rewards from the Coastal Conservations Reward Fund established in terms of Section 31 (f) of the Coastal Conservation and Coastal Resource Management Act No. 57 of 1981, as amended by Acts No. 64 of 1988 and No. 49 of 2011 published by Extraordinary Gazette No. 2018/11 dated 09 May 2017 of the Democratic Socialist Republic of Sri Lanka, out of the amount of Rs.15,231,732 of fine credited to the reward fund since 2014 to 2023, the amount to be paid as rewards was Rs.7,615,866. However, a sum of</p> | <p>2022<br/>2023</p> | <p>Arrangements should be made to get the names of the relevant police officers on time and arrangements should be made to pay the rewards without delay.</p> | <p>Arrangements have been made to send letters to the respective regional offices asking them to send the relevant information.</p> | <p>It has been informed that it will be corrected</p> |
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Rs. 2,878,616 remained unpaid. The reason for this outstanding amount was the lack of details regarding the relevant cases and the amounts to be disbursed.

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| 3. | According to the bank current account maintained by the reward fund, the remaining cash balance as of 31 December 2023 was over Rs.2.8 million due to non-payment of funds on due date during the period from 2016 to 31 December 2023.   | 2023 | Arrangements should be made to pay the rewards due in consultation with the police department.   | Arrangements are being made to get the names and make the payments. | Payments are being made according to the list of names received and necessary arrangements are being taken to get the name lists of the relevant officers for the rest of the payments. |
| 4. | Internal control over receipts and payments was inadequate due to several errors. These included the failure to reconcile the receipts and payments accounts presented with the financial statements, inconsistencies in documents related to fines sent by courts and reward money sent by | 2023 | Correct information should be entered and updated in the documents, details of payments should be recorded in the General Deposit Register, information recorded in the General Deposit Register should be included in the receipts and payments register and arrangements should be made to establish an internal | Arrangements are being made to correct the documents.               | The names and information of the officials nominated for the Coastal Protection Reward Fund payments are being recorded in the relevant documents.                                      |

police stations, outdated documentation, and the failure to record and update payment details in the general deposit register.

control related to receipts and payments.

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| 5. | A proper system for exchanging information with the Magistrate Court and Police Department had not been developed to collect all the fines recovered from the accused by the courts and to distribute the collected money as rewards to the relevant parties. As a result, it has been difficult to obtain the necessary information to easily and quickly identify the fines receivable from the courts and the individuals entitled to the rewards. Additionally, 40 percent of the fines that should have been remitted to the Treasury had not been submitted on time. | 2022<br>2023 | As soon as the case is finished, the fines should be collected from the courts and paid without delay. A proper arrangement for information exchange should be introduced between the Provincial Council and the department heads. | Necessary steps are being taken to collect fines that have not been forwarded to the department. | Although the necessary steps are being carried out to collect the fines that had not been forwarded to the department, the fines were not collected and remitted to the treasury on time. |
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**3.16 Samurdhi Social Development Trust Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	10,925,251,737	3,659,562	10,921,592,175	(1,518,333,556)	Qualified
<b>2022</b>	12,244,673,402	126,968	12,244,546,433	1,328,591,826	Qualified
<b>2023</b>	14,678,059,783	266,143	14,677,793,639	2,329,823,803	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Contrary to the paragraph 6(9) of the Trust deed (instrument No 8) of Samurdhi Social Development Trust Fund the former Director General of the Department of Samurdhi Development who act as a Chairperson of the Board of Trustees, Rs. 984,323 of acting allowance that was ¼ out of the basic salary of the permanent post of the department had been obtained from February 2020 to October during the	2022-3.1 2023-3.3	In terms of Deed of the Trust of the fund an acting allowance should not be paid and inconsistent to that money should be charged.	As per the requirements occurred in future relating to the payment of this allowances added to the amendments occasionally to the Deed of Trustee due to be made as per the instructions of the Board of Trustees.	Amendments have not been made up to now.

year under review in addition to the allowance had been obtained for the meetings of Board of Trustees incurred by them for the performing their duties and also an amount of Rs.53,887 of acting allowance had been obtained by the current Chairman from November to December 2023.

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| 2 | Financial Regulation 877 (1) (c) as established in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020 Even though preparing the budget of the coming year a copy of that should be submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury with the approval of the Secretary of the Ministry before 30 September year | 2021-4.2<br>2022-4.1<br>2023-1.7 (c) | Action should be taken in accordance with the Circular. | Preparing the budget relevant to the year 2024 that have been forwarded to the Chief Accountant with the approval of the Secretary of the Ministry for the approval of the General Treasury. | It has been forwarded for the approval of the General Treasury for the year 2024. |
|---|--|--------------------------------------|---|--|---|

under review action  
had not been taken  
accordingly.

**3.17 Samurdhi Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,190,678,505	-	2,190,678,505	103,549,896	Qualified
<b>2022</b>	2,172,617,599	-	2,172,617,599	194,075,494	Unqualified
<b>2023</b>	2,631,220,651	20,769,510	2,610,451,140	437,833,541	Unqualified

  

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Financial Regulation 876 (3) as established by Paragraph 15.1 of the Public Finance Circular No.01/2020 of 28 August 2020, although it was stated that if it seems that it can be fulfilled under the state budget that approved by Government Appropriation Act. However action should be taken promptly to end the activities of those funds. Despite the Samurdhi Fund not meeting sufficient	2023-1.5.2 2022-1.5.2 2021-1.5.3	Action should be taken in accordance with the circulars and provisions.	Further action that will be taken as per the circular, after the balance due to the fund is recovered.	No action has been taken regarding the funds up to date as per the circular.

activity requirements for several years, action as per the circular were not taken.

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|---|---|---|--|--|--|
| 2 | <p>Loans had been given to the Samurdhi beneficiaries for agriculture, fisheries and animal husbandry projects on Treasury provisions in the year 2007 on recovery basis and it was decided to credit the relevant recoveries of these loans to the Gampubudu Jeevanopaya revolving account as per the Circular No.</p> <p>ස/අධි/10/ජාස.ගම් of 16 July 2007. Although a sum of Rs14,947,065 had been stated as receivable (fisheries and animal husbandry) in the financial statements of the Samurdhi Fund, no any information had been recorded to the Samurdhi Fund up to the date</p> | <p>2023-3.1<br/>2022-3.1<br/>2021-3.1</p> | <p>Action should be taken to recover the outstanding money and accurately accounted for.</p> | <p>That the banks have been informed that to provide details of the installments collected and reissues by the Samurdhi Banks and reinvestment of installments and interest is done at the bank level and that steps have been taken to report that information.</p> | <p>Information of installments recovered from the beneficiaries and reissues has not been obtained up to date.</p> |
|---|---|---|--|--|--|

regarding recovering of loan installments and reissuing by the Samurdhi Banks. Accordingly, the activities of the fund which are collection of installments and rental income receiving from the income generation projects and investing/reinvesting of the above income receiving from the projects implemented throughout the island were not fulfilled by the Fund.

**3.18 Samurdhi Housing Development Lottery Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,460,749,786	132,671,500	2,328,078,286	221,057,494	Adverse
<b>2022</b>	3,118,384,928	134,339,500	2,984,045,428	652,757,142	Unqualified
<b>2023</b>	3,356,926,086	204,484,189	3,152,441,897	163,400,569	Unqualified

<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
In terms of Financial Regulation 877 (1) (c) as established in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020 even though the budget had been prepared for the year under review a copy of that should be submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury with the approval of the Secretary of the Ministry.	2023-1.6 (a) 2022-1.5(a) 2021-4.2	Action should be taken in accordance with the Financial Regulations.	That the budget prepared relating to the year 2024 had been submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury.	For the year 2024 had been submitted to the General Treasury for approval.

**3.19 Employees' Provident Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	3,191,743,853,000	25,608,073,000	3,166,135,780,000	340,728,410,000	Qualified
<b>2022</b>	3,491,767,852,000	31,906,612,000	3,459,861,240,000	314,051,635,000	Qualified
<b>2023</b>	3,895,119,583,000	37,713,758,000	3,857,405,825,000	467,192,949,000	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	According to the schedule for the calculation of depreciation for financial statements as at 31 December of the year under review, the value of fully depreciated fixed assets were Rs. 644.89 million and Rs. 167.01 million respectively for the Department of Labour and the Employee Provident Fund Division of the Central Bank of Sri Lanka. Action had not been taken to identify the assets that are still in use	2021 2022 2023	Action should be taken in accordance with Sri Lanka Accounting Standards.	It had planned to take appropriate actions in accordance with accounting standards for fully depreciated fixed assets, as well as to properly dispose of fixed assets that are not in use, in the next year.	Not implemented.



among those assets and to correct the estimation error, occurred due to not reviewing the useful life of assets accurately in accordance with paragraph 51 of Sri Lanka Accounting Standard No. 16, as per Sri Lanka Accounting Standard NO. 08 and to properly dispose of the assets that were no longer in use.

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| 2 | According to the bank reconciliation statements prepared as at 31 December 2023 for nine bank accounts maintained by the Fund, a net amount totaling Rs. 4,757.69 million after making adjustments existed related to the period from 2001 to 31 December 2023, as balances which had not been settled. This net balance includes transactions recorded in the cash book but not recorded in the | 2021<br>2022<br>2023 | Management should focus on reconciling the transactions of these bank accounts that have persisted for a long time. | A special project was initiated in 2020 in this regard. Through this project, issues related to four bank accounts have been identified, and relevant bank reconciliation statements and the details regarding the adjustments have been prepared. However, due to the interconnection of the main account at the Bank of Ceylon with all other accounts, further adjustments may arise in the other four bank | Although settlement activities are being carried out, appropriate actions have not been taken regarding the balances that have existed since before the year 2018. |
|---|--|----------------------|---|--|--|

bank statement, transactions recorded in the bank statement but not recorded in the cash book, dishonored cheques, direct debits/credits, the balance existed as an error in the computer accounting system since 2006, money orders and cheques deposited but not realized and cheques issued but not presented. Out of this, a net balance of Rs. 1,336.98 million had not been settled even by 30 April 2024.

The amount of Rs. 273.72 million included in this unsettled net balance was a figure that had been set off against the unsettled transactions of Rs. 5,175.11 million in the cash book and the unsettled transactions of Rs. 5,448.83 million in the bank statement, and those balances persisted before the

accounts when clearing that account. As a result, the relevant adjustments were not used to prepare the final accounts for 2023. Furthermore, appropriate action will be taken for the balances that could not be reconciled prior to 2018.

year 2018.

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| 3 | According to the financial statements as at 31 December 2023, the cost of motor vehicles was Rs. 97.20 million. As per the information provided for the audit, there are 42 motor vehicles financed from the Fund so far and the total cost is Rs. 140.58 million. Accordingly, a difference of Rs. 43.38 million was observed between the motor vehicle cost stated in the statement of financial position and the cost of the motor vehicles financed from the Fund. | 2021<br>2022<br>2023 | All assets financed by the provisions of the Fund should be included in the statement of financial position of the Fund. | All the vehicles belonging to the department can be identified and the correct number of vehicles can be presented in the financial statements based on the Object of acquiring those vehicles or their transfers and corrective actions are being taken accordingly, | Corrections have not been made.   |
| 4 | As on 31 December of the year under review, the total balance of the five sub-accounts reported within the member account balance in the financial statements was Rs. 94,633 million. However, according to the  | 2021<br>2022<br>2023 | Reconciliation statements should be prepared for the difference.   | As individual accounts are maintained on cash basis while transactions are recorded on accrual basis in the general ledger, there is a variance in the balances between the two systems. To confirm that daily  | A reconciliation statement has not been prepared for the relevant difference. |

supporting documents provided for these accounts, the total balance of these sub-accounts was Rs. 78,693 million, resulting in a difference of Rs. 15,940 million. Despite this, reconciliation statements were not submitted for the audit.

transactions occurring in the member account balances of both systems are accurately recorded, the accounts in both systems are compared daily.

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| 5 | According to the financial statements, the Employees' Provident Fund Division of Department of Labour had fixed assets amounting to Rs. 1,154.03 million as at 31 December 2023. However, the supporting documentation for these fixed assets, including details such as asset code numbers, purchase dates, asset costs, and the locations where the assets are installed, were not presented for the audit. | 2021<br>2022<br>2023 | Proper records should be maintained regarding the assets of the Fund. | There is no comprehensive register of all fixed assets. However, assets purchased under the Fund since 2016 have been entered and documented in the SIGAS software according to the categories. | Rectifications had not been made |
|---|---|----------------------|---|---|----------------------------------|

6	<p>Contrary to the Circular No. 01/99 dated 11 February 1999 of the Department of Labour, it was observed at the audit test checks carried out in relation to the Gampaha District Labour Office that there had been 70 instances, where it had taken 22 to 1438 days to issue the first notice to recover surcharges and contributions totaling Rs. 103 million after conducting institutional inspections pertaining to the years 2018 to 2023. Furthermore, final notices had not been issued to collect Rs. 13.46 million due in relation to 05 instances.</p> <p>From 2020 to 2023, a total of Rs. 52.73 million, Rs. 95.22 million, and Rs. 7.96 million were to be collected as contributions and surcharges from 61, 16, and 08</p>	2023	<p>Members should be provided an optimal service by sending notices for the recovery of contributions and surcharges without delay.</p>	<p>The information of these institutions has been given to the relevant officials to collect the respective funds, issue final notices, and take legal action against the institutions where lawsuits need to be filed.</p>	<p>Further delays are observed.</p>
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institutions  
respectively related  
to the Colombo  
North, Gampaha,  
and Kalutara  
district labour  
offices.

- 7 According to the 2023 Arrangements Labour officers are Institutions that  
monitoring data should be made to engaged in field have not  
system of the Fund, carry out activities for three undergone  
there were 4,835 inspections in days a week, and inspections still  
active registered relation to the each officer remain.  
institutions and 411 institutions that inspects around 20  
inactive/closed have not been institutions per  
institutions related inspected for a month.  
to the Gampaha long time and to Additionally, the  
District Labour allocate Assistant Labour  
Office as at 11 institutions that Commissioner  
September 2023. In have not been includes 05 inactive  
terms of the Section assigned to sub- institutions to the  
1(IV) of Circular zones to their list of institutions  
No. 6/2000 dated respective sub- that should be  
10 February 2000 zones and carry inspected by each  
of Department of out the inspections. labour officer.  
Labour the  
institutions that had  
not inspected for a  
long time should be  
selected for  
inspection during  
the inspection of  
institutions.  
However, 84 per  
cent of the  
aforementioned  
institutions had not  
been inspected in  
the period from  
2018 until 11  
September 2023.  
Furthermore, it was

observed that 8,483 registered institutions in the Gampaha zone had not been allocated to sub-zones, resulting in no supervision being conducted for those institutions.

8	<p>In terms of the Section 15 of Employees' Provident Fund Act, No. 15 of 1958, the contributions related to employees of certain institution must be remitted to the Fund before the last day of the following month after the end of each month. However, the institutions registered in 2022 within the arealimit of the Colombo North and Gampaha District Labour Office, 89 and 109 institutions respectively had not made the relevant contributions even on 31 December 2023 since their registration dates,</p>	2023	<p>Follow-up actions should be carried out systematically.</p>	<p>Appropriate steps have been taken to identify institutions that had not paid contributions from the registered institutions and to initiate corrective actions through labour officers.</p>	<p>In relation to the institutions in North Colombo and Gampaha District Labour Offices, the contribution have not been received from 35 and 56 institutions respectively even as of 27 September 2024.</p>
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and no follow-up actions had been taken regarding this matter.

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| 9  | According to the Section 3.4 of Procurement Guideline 2006, registered suppliers or the suppliers registered in the yellow pages and the rainbow pages in the telephone directory should be selected for calling quotations during the procurement process. However, the method used to select suppliers for calling quotations for the purchase of computers, cameras, and printers totaling Rs. 27.89 million in the year under review, was not disclosed. | 2023                 | Procurements should be conducted transparently in accordance with procurement guidelines.                                | As these suppliers are long-term engaged suppliers related to the procurement, efforts are being made to ensure that they are registered in the rainbow pages at the time of obtaining price quotations. | No evidence provided to disclose the method used to select the suppliers.  |
| 10 | An amount of Rs. 5,000 million or 52 percent of the equity investment of unlisted companies was invested in a private company in the year 2013 and although the construction of the  | 2021<br>2022<br>2023 | Investments should be made with a focus on minimizing risks, and efforts should be taken to recover the invested amount. | The Cabinet has decided to sale this company and accordingly, the State-Owned Enterprises Restructuring Unit under the Ministry of Finance, Economic Reform, and National                                | Expressions of interest have been called for selling the company. The invested amount has not yet been received. |



Grand Hyatt Colombo project which was to be operated under that company was required to be completed by 27 December 2021, the company had reported that the project could not be operational. Furthermore, the State-Owned Enterprises Restructuring Unit is currently taking necessary actions to facilitate the sale of this company. Therefore, although 11 years had passed since the aforementioned investment had made, the Fund had not received any return from the investment.

Policies is currently taking the necessary actions to sale the company.

11	The number of employers who were not registered with the Employees' Provident Fund and only registered with the Employees' Trust Fund Board was 28,994 as at 31 December 2023 and the total amount	2023	Actions should be taken to register the employers that should be registered with the Fund in accordance with the Act, through effective coordination between the two institutions.	Actions are being taken to identify employers covered by the Employees' Provident Fund Act and to facilitate their registration with the Fund through labour officers in charge of the areas where their institutions are	No formal arrangements have been made for proper coordination between the two institutions.
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of contributions received from those employers to the Employees' Trust Fund Board on that day was Rs.401.25 million.

Accordingly, no appropriate procedures had been established coordinating with the Board to identify employers who should be registered with the Fund but have defaulted to register.

located.

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| 12 | An agreement was entered into with a private institution on 09 January 2020 to settle the outstanding bank account balances that have existed since 2001 in the Fund's bank reconciliation statements.<br>Although the final report had to be submitted within 08 weeks from the date of the agreement, the desired objectives of the project had not been achieved even by the date of this | 2022<br>2023 | Actions should be taken in accordance with the agreement to resolve the issues existing in the main bank account. | An interim report of the said institution was submitted on 30 October 2020. However, as the reconciliation of the main bank account had not been completed, the relevant adjustments could not be used in preparing the final accounts for 2023. | The issues in the main bank account have not been resolved. |
|----|--|--------------|---|--|---|

report. However, 50 per cent of the contracted amount i.e.Rs. 1.56 million had been paid by 31 December 2020.

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| 13 | For the investment of Rs. 500 million made in an airline company in 2010, no income has been received by the Fund to date. | 2021<br>2022 | When making investments, action should be taken to ensure that optimal investments are made in such a way that high returns can be provided to the members. | This is a company entirely under government ownership, and due to continuous losses, it is sustained through financial provisions provided by the government via the treasury.   | The invested funds have not been recovered. |
| 14 | Due to the cancellation of the license of "The Finance Company" on 31 December 2021, the Fund had lost Rs.205.49 million.  | 2021<br>2022 | When making investments, action should be taken to ensure that optimal investments are made in such a way that high returns can be provided to the members. | Following the revocation of the business license issued to this company by the Central Bank of Sri Lanka on 22 May 2020, and the suspension of the company's share transactions by the Colombo Stock Exchange on 28 December 2020, therefore, in the event of liquidation of the company, the Fund may receive its investment or a portion thereof as the remaining value. | The invested funds have not been recovered. |

15	<p>A sum of Rs. 12.61 million had been spent to purchase 15,000 cards for the project initiated to issue new identity cards and re-register members of the Fund, and Rs. 17.67 million had been spent to purchase 35 account balance verification machines (KIOSK) for the same project. These 15,000 purchased cards were not utilized for the relevant purpose and remained idle in the Information Technology department even on the date of audit. Additionally, 2 machines out of 35 machines had been disposed. Out of the remaining 33 idle machines, 25 had been brought to the head office for disposal. It was observed that the money of the fund has been wasted due to the fact that proper needs have not been identified and assets have</p>	<p>2021 2022</p>	<p>Projects should be initiated with proper planning and study, and when expenses are incurred from the Members' Fund, efforts should be made to ensure that the expenditures are effective.</p>	<p>It has been stated that the 15,000 cards cannot be used for other purposes, and since the fingerprint recognition machines in the KIOSK devices are unusable, efforts are being made to remove those machines and distribute them to the district offices. Accordingly, 13 fingerprint recognition machines have already been distributed, and the remaining parts of the machines are being proposed for disposal</p>	<p>Due to the failure of the project, the total expenditure incurred is an idle cost. During the physical inspection, 28 machines were observed. No benefit has been gained from the printed cards.</p>
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	been purchased and utilized efficiently for this project which is not currently in operation.				
16	During the stock book inspection, it was observed that 12 Logitech Quick Cameras purchased in 2017 for the fingerprint and photo identification project, 35 out of 50 Logitech Quick Cameras purchased in 2019 for Rs. 1.7 million, and 2 out of 24 laptops purchased in 2018 for Rs. 3.3 million remain idle.	2022	Projects should be initiated with proper planning and study, and when expenses are incurred from the members' fund, efforts should be made to ensure that the expenditures are effective.	Arrangements have been made to distribute these equipment to offices separately as per the requirement	It was observed during a physical inspection conducted on 22 September 2024 that 16 cameras remain in the stores without being issued. Furthermore, due to the failure of the relevant project, the expected objective was not achieved despite the expenditure.
17	The amount of Rs. 12,237 million recovered by filing lawsuits against the employers in the account held in the name of "Commissioner General of Labour" and retained in the Central Bank of Sri Lanka, the amount of Rs. 440 million that had been retained in a	2021 2022 2023	Actions should be taken promptly to settle the unsettled contributions.	The presence of contributions referred without "C" reports, as well as contributions referred with incomplete or discrepant "C" reports, has caused difficulties in crediting these balances to individual accounts. In order to settle these balances,	As on 30 August 2024, an amount of Rs. 63,040 million, which has not been settled, is pending to be transferred to the members' individual accounts.

General Deposit Account of the Department of Labour, the balance of Rs. 78,797 million held in the account named "Current Year Contribution

No.01", the balance of Rs.1,009 million held as Retained Benefits and Unclaimed Benefits to members due to various reasons, the balance of Rs.2,590 million as Shortfall/Excess

Contributions and the balance of Rs.552 million as Shortfall/Excess

Refund Payments had been indicated under the member account of the Fund as at 31 December 2023 and the respective members who should be received had not been identified and settled.

The Committee on Public Accounts had also directed in the years 2013, 2016 and 2017 to expeditiously settle the aforesaid accounts, which

measures have been implemented including informing employers about contribution detail reports with discrepancies in member names and numbers, imposing a 2 per cent surcharge on the total amount for erroneous "C" reports, collecting contribution detail reports through electronic means, and introducing automated methods for updating member accounts, etc.

	had been maintained without crediting to the members' accounts.				
18	An amount of Rs 3.27 million was to be recovered from an employer in the area limit of Kalutara District Labour Office due to the default in payment of contributions for the period from October 2019 to April 2022. Although approval had been granted on 30 December 2022 to pay this amount in 32 installments, only four installments i.e Rs. 510,000 had been paid to the Fund by 30 June 2024 and actions had not been taken regarding the recovery of the remaining Rs. 2.76 million.	2023	Follow-up actions should be taken and recover the outstanding installments.	The necessary actions have been taken to promptly recover the outstanding installments.	Not recovered.
19	As per a verdict issued in a case examined due to an employer in the area limit of the Kalutara District Labour Office	2023	Follow-up actions should be taken and allocate the funds to the relevant members.	As the discrepancies in member names and numbers need to be resolved by the relevant institution, the institution has	The money had not been disbursed to the members.

failing to pay contributions from January 2011 to December 2020, resulting in an amount of Rs. 5.89 million had been recovered.

However, the total amount of Rs. 1.14 million that should have been distributed among 07 members had not been disbursed even by 31 December 2023.

been notified in writing regarding this matter. Immediate action will be taken to correct as soon as the information received.

20	<p>The funds collected through legal actions against employers are held in a General Deposit account until they are disbursed, and the balance was Rs. 440.36 million as at 31 December 2023. Out of which Rs. 87.06 million was collected during the period between 2009 and 2022. Due to the failure to remit these funds to the Central Bank of Sri Lanka after identifying the respective members so that the members'</p>	2023	<p>Actions should be taken to confirm the rights of the respective members and to provide them with optimal return based on the said right.</p>	<p>Employees' Provident Fund Deposits include various amounts collected through legal proceedings as installments and the payment of this money has been delayed due to reasons such as inability to make payments until the total amount is collected, deposit holders migrating abroad and waiting for the heirs to present themselves due to the death of the original owners, etc. have caused delays in the disbursement of</p>	<p>As on 31 July 2024, Rs. 120.75 million remains further to be settled.</p>
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	individual accounts could be credited, the investment income that could have been earned from these funds had lost to the members.			these funds.	
21	The Fund had filed 14,096 cases against external entities to recover a total of Rs. 12,755.09 million as at 31 December 2023. Among these, 4,381 cases aimed at recovering Rs. 2,420 million were in inactive status, while 2,138 cases for recovering Rs. 1,232 million were in open warrant status. Further, external entities had filed 62 cases in court against the Fund, seeking a total of Rs. 201.3 million.	2022 2023	Necessary actions should be taken and recover the outstanding amounts.	The Circular No. 06/2024 dated 03 September 2024 was issued giving instructions to prevent active case files from becoming inactive and for proper maintenance and efficient closing of case files.	Court proceedings are ongoing
22	Out of the claims applications submitted by members to the Fund as at 8 May 2024, the total number of applications that had not been	2022 2023	Actions should be taken to avoid delays and provide optimal service to the members.	As on August 2024, steps have been taken to finalize 3,980 applications out of the received applications.	Although some progress has been observed regarding the applications received between year 2022 and 2024, no progress was observed

released the claims by that date was 5,559. Among those applications, 1,344 applications were received from 2012 to 2023, of which 463 applications were only entered into the data system without any further action being taken. Additionally, the number of application at the stages of Claims for Authorization and Claims for Approval were 81 and 172 respectively. It was observed that due to the long time taken for the claims releasing process, the delay in the release of funds to the members puts them in a disadvantageous situation.

with respect to 432 out of the 436 applications received between year 2012 and 2021.

23	The service providing institution for facilities management and service charges and internal cleaning of the Mehewara Piyesa building had	2023	Overhead expenses should be allocated according to the agreements made with each institution.	It appears to be a situation that has arisen due to the payments made utilizing the annual allocations allocated to the department.	Action has not been taken to recover the overpaid amount
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submitted a bill amounting to Rs. 6.55 million for the month of October 2023 and the total amount had been borne entirely by the Fund without being distributed among all the institutions established in the building.

24	60 computers, 60 cameras, and 60 printers totaling Rs.27.89 million had been purchased for the project of re-registering the members of the Fund. The "memory capacity" specification used when purchasing the first 30 computers out of the above 60 computers was modified when purchasing the last 30 computers and quotations had been called accordingly and it was confirmed through documents that the specification used for the second instance was	2023	Procurements should be planned optimally and funds should be utilized efficiently when expenses are incurred from the members' Fund.	These devices are planned to be distributed to the respective regional offices by the end of the third quarter of 2024,	35 computers, 7 cameras and 6 printers were in the stores as on 27 September 2024.
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adequate for the aforementioned project. Accordingly, since a unit was purchased for Rs. 335,328 in the first instance and for Rs. 141,400 in the second instance, resulted a loss of potential saving of approximately Rs. 193,928 per unit, which meant a total of Rs. 5.82 million in the first instance. Furthermore, although the project was planned to start on 1 June 2022, the expected results were not achieved from the expenditure incurred due to the fact that 51 computers, 53 cameras and 50 printers remained in the store without distributing even by 14 March 2024.

25	The Employees' Provident Fund had not established an independent internal audit division and The internal audit of the Central Bank of Sri	2021 2022	Necessary actions should be taken to establish an internal audit division.	The Audit Advisory Committee, in which a member of the Board of Governors of the Central Bank of Sri Lanka participates,	The vacancies in the Internal Audit Division of the Department of Labor have not been filled
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Lanka's Employees' Provident Fund Division is performed by the Internal Audit Division of the Central Bank of Sri Lanka. Although the approved staff of the Internal Audit Division of the Department of Labour, which administers the Fund, was 14, the actual number was limited to 8. Although the Committee on Public Accounts had continuously ordered since the year 2013 that the internal audit of the department should be strengthened in a situation where the fund manages a Members' Fund of about Rs.3.4 trillion, by the end of the year under review, the staff vacancies and the audit work of the fund had to be completed. There were no actions taken to pay more attention. The approved internal audit plan prepared

is reviewing the audit activities of the Employees' Provident Fund Department

for the year 2022 of the fund and the internal audit reports issued in relation to the year were also not submitted to the Auditor General.

**3.20 Teachers Widows' and Orphans' Pension Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,481,847,180	-	2,481,847,180	340,728,410,000	Qualified
<b>2022</b>	2,819,539,721	-	2,819,539,721	314,051,635,000	Qualified
<b>2023</b>	3,257,173,026	-	3,257,173,026	467,192,949,000	Unqualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	According to Order No.04 of the School Teachers' Pension Act No.44 of 1953, a fund should be built from the contributions of teachers' widows and Orphans and pension payments should be made to teachers' widows and Orphans through this. However, a separate bank account had not been maintained for the fund for collection and payment of contributions. The contributions were	2021 2022 2023	It should be act according to the orders of the Act.	The payment of widows and orphans' pensions to Piriven and Private School teachers is made from 253 Appropriation Head of the Consolidated Fund allocated by the Annual Appropriation Act.	Orders of the Act had not been followed.

collected in the bank account of the Director General of Pensions and payments had been made under the expenditure head of the Pension Department.

2	<p>In terms of Order No.9(a) of the School Teachers' Pension Act No.44 of 1953, a register containing the details of those who were eligible to pay each contribution and those who paid the contribution had not been maintained. Furthermore, contributions had been received only from 06 out of 09 provinces to the fund and the reasons for non-receipt of contributions from other provinces were not revealed.</p>	<p>2021 2022 2023</p>	<p>A formal information system about the contributors should be maintained.</p>	<p>Only values that are credited from the provinces are sent through credit notes and a Widow's Orphan's Pension File is maintained for the teachers separately containing their details in the name of the school for the teachers who served in registered Piriven and government-aided private schools.</p>	<p>A formal information system about contributors had not been maintained.</p>
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**3.21 Local Government Service Pension Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,117,718,219	541,782	1,117,176,437	(22,710,992)	Qualified
<b>2022</b>	1,090,156,001	640,953	1,089,515,048	(27,070,918)	Disclaimed
<b>2023</b>	1,073,077,382	1,032,608	1,072,044,775	(16,701,878)	Disclaimed

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Although the fund should keep accounts on the accrual basis according to Sri Lanka Public Sector Accounting Standard No. 01, the contribution receipts related to the previous years and the audited year had been accounted on the cash basis. The amount of cash contribution was Rs.91,246,749 in the year 2021, Rs.91,670,745 in the year 2022 and Rs.77,965,865 in the year 2023.	2021, 2022, 2023	In accordance with Sri Lanka Public Sector Accounting Standard No. 01, income and expenses should be accounted on accrual basis.	Sri Lanka Public Sector Accounting Standard is not followed.	Sri Lanka Public Sector Accounting Standard has not been followed.

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|---|--|--|---|---|
| 2 | <p>The balance 2021,2 confirmations had 022, not been received 2023 for total balance receivable of Rs.566,236,315 of 123 local government entities related to the year 2021,for total receivable balance of Rs.103,587,376 of 56 local government entities for the year 2022 and for total receivable balance of Rs.74,922,370 of 59 local government entities for the year 2023.</p> | <p>Actions should be taken to verify the amount of contribution to be received by verifying the balance.</p> | <p>The respective institutions are informed about the amount to be paid by quarterly by the monthly bills.</p>  | <p>Action had not been taken to obtain the balance confirmations.</p> |
| 3 | <p>A difference of 2023 Rs.712,143,081 was observed between the contribution amount receivable from 152 local government entities as at 31 December 2023 according to the financial statements of the fund and the contribution amount payable according to the financial statements of the respective local government entities.</p>  | <p>Actions should be taken to verify the amount of contribution to be received by verifying the balance.</p> | <p>Action had not been taken to confirm the amount of contribution to be received by verifying the balance.</p> | <p>Action had not been taken to obtain balance confirmations.</p>     |

**3.22 Public Service Provident Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	83,475,610,651	236,938,863	83,238,671,788	6,570,594,169	Disclaimed
<b>2022</b>	91,234,411,455	445,396,408	90,789,015,047	8,273,969,785	Disclaimed
<b>2023</b>	107,919,406,725	569,137,237	107,350,269,487	17,102,563,543	Disclaimed

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Since the schedules had not been submitted for the government contributions receivable of Rs.212,203,695 and Rs.221,198,964 stated in the financial statements of 2022 and 2023 respectively, it was not confirmed that the contribution receivables are from which institutions to which contributors.	2022, 2023	The correctness of balances should be confirmed by maintaining a proper database of contributors' individual accounts.	A process to include an analysis of contributions received at the institution level by cheques from 2024 onwards has been started by now.	Action had not been taken to maintain a formal data system regarding the individual accounts of contributors.

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|---|---|-------------------------|---|---|--|
| 2 | <p>Since the individual balance schedules had not been submitted as to be separated according to each contributor for the year 2021,2022,2023 repectively ,The correctness of Rs.31,284,678,563, Rs.33,593,599,143 and Rs.36,705,629,449 in the balances of compulsory contribution account, Rs.48,313,024,475, Rs.51,808,746,221 and Rs.56,522,311,342 in the balances of government contribution account and Rs.48,191,933, Rs.51,986,116 and Rs.56,462,571 in the balances of the voluntary contribution account were not confirmed.</p> | <p>2021, 2022, 2023</p> | <p>The accuracy of balances should be confirmed by maintaining a data system.</p> | <p>A process to include an analysis of contributions received at the institution level by cheques from 2024 onwards has been started by now with the expectation of correctly analyzing the existing balance later.</p> | <p>Action had not been taken to maintain the individual balances by a data system.</p> |
| 3 | <p>According to Section 25 of the Public Service Provident Fund Act 1942, after the end of each financial year, although the</p>  | <p>2021, 2022, 2023</p> | <p>The provisions of the Act should be followed.</p>                              | <p>A process to include an analysis of contributions received at the institution level by cheques from 2024 onwards has been</p>  | <p>Action had not been taken to implement the provisions of the Act.</p>               |

Director of Pensions should notify each contributor about the total amount of the fund credited in his name on that date, the procedure to fulfill that requirement has not been developed.

started by now with the expectation of correctly analyzing the existing balance later.

**3.23 Tea Shakthi Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	83,475,610,651	236,938,863	83,238,671,788	6,570,594,169	Disclaimed
<b>2022</b>	91,234,411,455	445,396,408	90,789,015,047	8,273,969,785	Disclaimed
<b>2023</b>	107,919,406,725	569,137,237	107,350,269,487	17,102,563,543	Disclaimed

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	The unpaid lease rent of Horana Fertilizer Warehouse, Mawaralawatta and 12 factories as at 31 December 2021 was Rs.127,148,022 in terms of the agreements entered into in respect of the leasing out the factories.	2021	Arrangements should be made to recover arrears of installments as per the agreement.	The buyers had been informed in writing regarding the start of the action will be initiated to recover the outstanding amounts.	The outstanding balance of Rs.120,736,964 had not been collected up to now.
2	As the arrangements should be made to levy a delay charge of 1 per cent of the lease rent for each day that the	2021	Delay charges should be recovered as per the agreement.	A committee has been appointed to review the collection of late fees.	Late fess of Rs. 1,529,889,861 had not been collected up to now.

monthly lease rent payable as per the lease agreement which did not pay on or before the first day of the next month, it was observed that sum of Rs.740,132,354 had to be recovered as delay charges payable for non-payment of lease rent 31 December 2021.

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| 3 | A loan was provided subjected to maximum limit of Rs. 07 lakhs under the Activation of Dormant Plant Project initiated by the Tea Shakthi Fund and cases had been filed against 05 tea factories to recover the money receivable to the Tea Shakthi Fund after the expiry of the relevant contract period. | 2021 | Activities of Management should be carried out in a manner of minimizing litigation.                                      | The lawsuit had been filed against all management factories that had receivable balances and Ministry is currently appearing in the cases. | The legal proceedings have not been completed and receivable balances had not been collected up to now from the tea factories. |
| 4 | The Management of the Tea Shakthi Factory was handed over to Nugegoda Raigam Plantation Pvt. Ltd. for a period of 10 years   | 2021 | Monthly lease rent should be deposited in bank within the next 10 days and if the lease rent for 02 months are defaulted, | The management buyer has been informed in writing that the relevant arrears have to be paid before 12.10.2022 and that                     | As per the agreement debt balances had not been collected up to now and the factory had been takeover to the                   |

from 30 January 2017 to 29 January 2027 through a Memorandum of Understanding. A grace period of two months was given to pay the lease rent from the date of commencement of the contracted period and both parties had agreed through this Memorandum of Understanding to charge the delay charge of 1 per cent for every day of delay from the monthly lease rent. Nevertheless, out of total installment receivable up to 31 July 2022 amounting to Rs. 40,185,000, the amount received by the Fund was Rs. 4,617,000 which was only 11 per cent from the date this factory was handed over on lease basis. The lessee had last paid a lease rent of Rs. 627,000 on 11 July 2019 and after that, no lease rent whatsoever had paid for a period of

arrangements should be made to take actions to recover the arrears of lease rent.

if the payment is not made, the agreement will be cancelled and the factory will be repossessed, and legal action will be taken to recover all the arrears due.

Fund on 25 January 2023 and lease to the Wewal Kadura Tea factory on 6 March 2024.



02 years.

Accordingly, the sum of arrears of installments and arrears of delay charges for this factory as at 31 July 2022 had been Rs. 322,718,895.

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| 5 | The Management of the Mawarala Tea Factory had been handed over to Greenline First Pvt. Ltd. for a period of 10 years on 28 April 2017. Out of the total amount of installments to be charged from the date of leasing out this factory to 31 January 2022 amounting to Rs. 23,652,000, the amount of lease rent to be paid to the Tea Fund was Rs. 810,000 and it was observed in audit that it was 3.42 per cent out of the total amount. | 2021 | Arrears of lease rent should be recovered from the responsible parties by following legal proceeding as per the agreement . | A committee has been appointed to recover the relevant outstanding amount, and the factories have been informed in writing regarding the payment of the relevant lease rents in accordance with the agreement of that committee. | Though the Mawarala Tea Factory had takeover to the fund, the receivable lease rents had not been collected as per the agreement |
| 6 | The amount of lease rent paid by the lessee on 30 April 2022 in respect of this property which was  | 2021 | Arrears of lease rent should be recovered from the responsible parties by following legal proceeding as per                 | A committee has been appointed to recover the relevant outstanding amount, and the factories have been   | Though the Mawarala Tea Factory had takeover to the fund on 2023, the receivable lease   |

	acquired on lease by Walahanduwa Green Line First Pvt. Was 52 per cent of the total lease rent and the total arrears of installment to be received to Tea Shakthi Fund had been Rs. 10,300,000 .	the agreement .	informed in writing regarding the payment of the relevant lease rents in accordance with the agreement of that committee.	rents had not been collected as per the agreement
7	The tea cultivation in this land with 100 acres of land owned by Tea Shakthi Fund was 42 acres and also has a tea plant nursery. Likewise, two tea plant nurseries should be maintained in this land as per the Section 19 of the agreement and the lessor had agreed to maintain the tea plant nurseries maintained by the Small Tea Plantation Development Authority and the other nurseries to be maintained by the lessee and to maintain the existing mother plantation as it is. The tea should be	2021 The lessee should be made aware as the tea plant nursery and tea plantation should be properly maintained as per the terms of the agreement.	The estate had been takeover to the fund again due to the unable of obtaining the expected harvest as per the terms of the agreement.	Although the Mawarala Estate had been taken over by the Fund, it had not been possible to obtain the expected re-cultivation and harvest as no steps had been taken to transfer the land to a new tenant.

replanted in 12 acres, as 02 acres per year in the leased property in terms of clause 18 of the agreement entered into with the lessor and the lessee party had also agreed to plant tea. Accordingly, it had been indicated that the Company was impossible to get the expected yield while harvesting, in the report of the Committee on giving recommendations to resolve the issues regarding asset management and collection of lease in the Tea Shakthi Fund dated 04 August 2021.

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| 8 | <p>The approved 2021 finished tea capacity of Sri Lanka Tea Board is 35,000kg per month regarding this factory which was leased by Walahanduwa Green Line First Pvt. Company. The lessee had leased this factory for a</p> | <p>Arrears of lease rent should be recovered from the responsible parties by taking legal actions as per the agreement.</p> | <p>A committee has been appointed to recover the relevant outstanding amount, and the factories have been informed in writing regarding the payment of the relevant lease rents in accordance with the agreement of that</p> | <p>The outstanding lease rents had not been collected to date in accordance with the agreement.</p> |
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period of 10 years from 17 November 2016 to 16 November 2026 and the lease rent paid was 37 per cent of the total lease rent as at 30 April 2022. Accordingly, the arrears of lease rent installment as at that date had been Rs. 24,187,837 .

committee.

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| 9 | The Management of this Factory was given 24 on November 2016 on lease base for a period of 10 years to a private lessee in Ratnapura area. The amount of installments to be received to Tea Shakti Fund as at 01 March 2022, had been Rs. 9,775,500 and the total amount, including installments and delay charges for arrears had been Rs.76,973,660. This lessee had not paid any amount to Tea Shakti Fund from January 2020 to 01 March 2022. | 2021 | The arrears of lease rent should be collected according to the agreement. | A committee has been appointed to recover the relevant outstanding amount, and the factories have been informed in writing regarding the payment of the relevant lease rents in accordance with the agreement of that committee. | Although the factory was taken over by the fund in 2023, the outstanding lease rents had not been collected to date as per the agreement. |
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| 10 | It was observed that the arrears lease rent to be received to Tea Shakthi Fund had been Rs. 2,150,000 by 31 May 2022 .   | 2021 | Arrears of lease rent should be recovered without delay.   | Written notice had been given that legal action will be taken.   | The outstanding lease rents had not been collected to date as per the agreement.                              |
| 11 | The Raigam Small Tea Estate Development Society had agreed to an Memorandum of Understanding to take over the Management of the Raigam Korale Tea Factory on lease basis again for a period of 10 years from 20 January 2021 to 19 January 2031 . Although the Raigam Small Tea Estate Development Society had agreed to pay the management fees of Rs.600,000 per month as per the lease agreement and to pay the amount of Rs.23,302,826 payable from Dikhena Society to the party that supplied the fresh tea leaves to those parties, the amount of lease payable by this society to the | 2021 | The arrears should be recovered from the responsible parties by taking legal actions as per the agreement. | A committee has been appointed to recover the relevant outstanding amount, and the factories have been informed in writing regarding the payment of the relevant lease rents in accordance with the agreement of that committee. | The outstanding lease rents had not been collected from the responsible parties to date as per the agreement. |

Tea Shakti Fund as at 31 December 2021 was Rs. 3,600,000 and the above arrears of fresh tea leaves had also not been paid.

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| 12 | The Fund had filed two cases against a person for unauthorized acquisition of a part of the land belonging to the Mahaweli Tea Shakti Tea Factory and for the construction of a garage by a person on a land of 5.41 perches belonging to the Balangoda Tea Shakti Tea Factory.                            | 2021 | Proceedings should be expeditiously brought to end.  | The law case is ongoing.  | The law case had not been finished.  |
| 13 | The objectives of restructuring of Tea Shakti Fund were to provide benefits to the shareholders from the income from leasing the factories and taking actions to return the amount of Rs. 135 million used for the activities of the factories from the Welfare Insurance Fund to that Fund and after that | 2021 | Actions should be taken in terms of the agreement to achieve the objectives of restructuring the Fund as per the Decision of Cabinet of Ministers. | Rs.135 million of the Welfare Insurance Fund had been invested in fixed deposit accounts. | Although Rs. 135 million had been invested in fixed deposits as per the decision of the Cabinet of Ministers, the remaining lease rent revenue had not been credited to the Consolidated Fund. |

crediting the remaining lease rent income to the Consolidated Fund. Nevertheless, although it had elapsed almost 5 years since the Fund was restructured, the Fund had impossible to achieve its objectives due to failure to receive factory lease rent income as expected. Even though a lease rent income of Rs. 165,806,868 had been earned from the Management and leasing out the assets of Tea Shakthi Fund as at 31 December 2021, a mechanism had not been introduced for the continuation of the Welfare Insurance with the amount of Rs. 135 million given for the factory work from the Welfare Insurance Fund.

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| 14 | When assigning of permanent staff to other institutions under the Ministry, arrangements | 2021 | Salaries paid to officers released to an external institution should be reimbursed. | Relevant appointments have been made based on the vacancies in the relevant institutions | Salaries paid to officers who were released to an external institution had not |
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should be made at the discretion of the respective institution and staff salaries and allowances based on the existing budget allocations of those institutions as stated in the observations of the Minister of Finance for the Decision of Cabinet of Ministers No. CMP/16/1224/726/015-I dated 13 July 2016, which approved the restructuring of the Fund. Nevertheless, three Management Assistant Officers had been released to the Rubber Development Department and a driver to the Small Tea Estate Development Authority and a sum of Rs.1,459,614 and Rs.1,822,298 had been paid from the Fund as salaries for those officers in the years 2018 and 2019. Similarly, a sum of Rs.1,587,324 in 2020 and

and the necessary been reimbursed. preliminary work has been initiated to take further action in this regard.



Rs.1,715,940 in  
2021 had been paid  
for two  
Management  
Assistant Officers  
and a Driver.

**3.24 Thurusaviya Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	47,463,260	7,411,494	40,051,766	3,543,063	Qualified
<b>2022</b>	44,591,405	9,020,825	35,570,580	(3,978,820)	Unqualified
<b>2023</b>	47,242,825	8,155,931	39,086,894	(2,344,023)	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	The car that was received to the Thurusaviya Fund from the Presidential Secretariat on 05 January 2020 was not in running condition since the day it was brought in and since sufficient funds had not been allocated for vehicle repairs, it had been parked in the premises of Thurusaviya Fund for more than three years without taking action to repair it.	2022	The vehicle should be repaired and utilized.	Since the repair cost of this vehicle is high, it has been submitted to the Committee for Identification of Disposable Vehicles.	Although the assets of the Thurusaviya Fund had been distributed and liabilities had been written off and the fund was closed as at 31 December 2023, action has not yet been taken to dispose of this vehicle.

2	<p>As per the decision of the last meeting of the Management Board of the Thurusaviya Societies held on 14 December 2023, the Thurusaviya Fund should be abolished and the Thurusaviya Societies should be transferred to another institution in writing and 212 societies, which had been registered, should be enforced and 152 societies, which had been registered, should be abolished in terms of Sub-section No. 17(4) of the Thurusaviya Act, No. 23 of 2000.</p> <p>Nevertheless, the relevant actions had not been taken even by the end of May 2024.</p>	2023	<p>As per the decision of the meeting of the Management Board, action should be taken to enforce and abolish the societies.</p>	<p>All the documents required to gazette the enforcement and abolition of these societies have been prepared.</p>	<p>Action has not yet been taken to gazette those societies.</p>
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### 3.25 Customs Overtime, Cargo Examination, Information Technology and Communication Fund- Sri Lanka Customs

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,491,322,458	544,994,745	1,946,327,713	(176,966,439)	Qualified
<b>2022</b>	2,261,405,536	500,943,271	1,760,462,265	(181,023,338)	Qualified
<b>2023</b>	2,058,901,284	421,921,922	1,636,979,362	(123,832,043)	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	During the preparation of overtime income estimates for the overtime income collection centers, the agreements with the relevant agencies regarding the estimated overtime hours and the number of officers to be assigned were not submitted to the audit.	2021	The arrangements should be made to enter into formal agreements with the relevant institutions.	The audit was informed that the number of officers providing services for overtime revenue collection centers is not certain and the number of officers employed and the number of hours employed will be determined based on the need for service and no agreements have been entered.	There were no arrangements to enter into formal agreements with the relevant institutions.
2	During the period from 1967 to 2007, the total investment was Rs.14,434,542	2021	The present service provision and the existence of institutions should be investigated and	It was informed to the audit that the money related to the institutions mentioned here has	The institutions were removed from the relevant account balances without any

	<p>with the interest income of Rs.14,181,228 had been earned through the use of external investments of Rs.253,314 which was deposited by 75 institutions in Sri Lanka Customs.</p> <p>However, without investigating the existence of these institutions as well as the provision of services at present, the relevant balance was carried forward in the accounts under liabilities and investments.</p>	<p>proper accounting should be done or other necessary activities should be done.</p>	<p>not been deposited in the name of the Customs Department and that the relevant bank account books have been kept in the custody of the Customs Department as a safeguard and the balances of the relevant bank accounts (with interest) have been included in the accounts of the Customs Department.</p>	<p>investigation into their existence, further service provision, relationship with the department etc. in the year 2023.</p>
3	<p>Although all 2021 public servants must use the fingerprint machine to record their arrival and departure according to Public Administration Circular No. 3/2017 of 17 April 2017, none of the government officials employed by the Sri Lanka Customs had</p>	<p>The customs staff should also work according to the general circulars related to all officers of the public sector.</p>	<p>A signature register as per General form 18 was maintained to record the arrival and departure of officers indicating that the use of fingerprint recording machines has become practically difficult due to the nature of work of the Customs Department.</p>	<p>The customs staff had not acted as per the Public Administration Circular.</p>

fulfilled that requirement, and an amount of Rs.948,323,405 had been paid as overtime for the year 2021.

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| 4 | The shortage in 2021 overtime fund had been increased by Rs. 35,191,543 than the preceding year and due to the use of accumulated funds to cover the deficiency, the balance of the accumulated fund has been gradually declining since 2018. Accordingly, the balance of the accumulated fund which was Rs. 2,331,074,672 in the year 2018 had been reduced to Rs.1,946,327,712 by 31 December 2021. | Due attention should be paid to the gradual deterioration of the balance of the accumulated fund and necessary steps should be taken.                               | A fee collection committee had been appointed to review and update the revenue collection under the customs overtime, cargo examination fees and the Customs Information and Technology Communication Fund. It had been notified that based on the committee's recommendations, the above rates will be updated in the future to increase the income of the overtime fund. | Adequate attention was not paid to the gradual deterioration of the balance of the accumulated fund. Accordingly, the balance of the accumulated fund which was Rs. 2,275,913,245 in the year 2019 had been decreased to Rs.1,636,979,362 from Rs.638,933,884 by 31 December 2023. |
| 5 | A sum of 2021 Rs.93,950,498 was paid to the officials as overtime expenses in excess of the overtime income collected during the year. Furthermore, the   | The management should take measures not to make overtime payments beyond the funds collected from external organizations and the income earnings should be properly | A fee collection committee has been appointed to review and update this matter, and based on the committee's recommendations; the above rates will be updated in the future. Efforts are   | The management had not managed the income earnings properly by taking measures to avoid overtime payments beyond the fees collected from external  |

	expenditure that exceeded the collected overtime income had increased by Rs.32,434,768 compared to the previous year.	managed.	being made to agencies. increase the income of the overtime fund.
6	<p>Although, Rs.1,055,739,250 was estimated as the income of the overtime fund in 2021, due to the fact that the actual income earned was Rs.854,372,907, an adverse variation of Rs.201,366,343 was observed in the actual income over the estimated income. This was a decline of 19 per cent as a percentage of estimated revenue. The main reason for this was the decrease of Rs.207,450,430 in income under the sub heading "Colombo".</p> <p>Consequently, though an excess income of Rs.165,325 was expected according to the</p>	2021 Budget Should be appropriately prepared.	-Do- Budget had not been appropriately prepared.

budget estimate of the overtime fund, the result was a deficit of Rs.176,966,439.

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| 7 | Although, there should have been a procedure approved by the Secretary of the Ministry of Finance for making payments to customs officials from the cargo examination fee account according to the Special Gazette of the Democratic Socialist Republic of Sri Lanka No. 17/1520 dated 26 of October 2007, such a procedure had not been approved. | 2023 | Compliance to the special gazette should be required.                                  | It was informed that after examination of the files, a note was taken to look into this matter.  | A procedure was not prepared in accordance with the Special Gazette.                   |
| 8 | Although, it was approved by the Director General subject to the final recommendation of the Overtime Committee to increase the hourly overtime rate approved in 2004 by 45 percent by order No. 855 dated 01 March  | 2023 | The approval of the Ministry of Finance and the Overtime Committee should be obtained. | In order to revise the existing fees, charges and overtime amounts (rates) collected by the Customs Department, a gazette is currently being prepared and submitted for the approval of the Ministry of Finance as per the | The approval of the Finance Ministry and the Overtime Committee had not been obtained. |



2013, and to increase the hourly overtime rate by 50 percent by order No. 1274 dated 01 October 2018, it was not confirmed to audit that the final recommendation was received from the Overtime Committee or approval was received from the Finance Ministry for these two orders.

recommendations of the Fees and Charges Sub-Committee and the Overtime Committee.

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| 9 | 90 percent of the customs overtime fund was paid to the officers as overtime without confirming whether the officers worked outside of their normal duties and a small amount of Rs.251,611,691 was credited to the government revenue out of the total overtime income collected within the period of 2021 to 2023 of Rs.2,516,116,911. Accordingly, there should be a review of the amount | 2023 | There should be a review of the amount credited to the state revenue. | It was informed that the decision has been made regarding the amount paid to the officials and the amount credited to the government revenue as per the paragraph (4) 3 of the Special Gazette No. 1520/17 dated 26.10.2007 related to the Customs Overtime and Cargo Examination Fee and as per the paragraph (3) 5 (a) of the Special Gazette No. 1829/39 dated 27.09.2013 related to the Customs | There was no re-examination of the amount credited to government revenue. |
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credited to the state revenue by the management.

Information and Technology Communication Fund consequently.

- 10 Although, as per 2023 Department Order No. 1140 dated 27 February 2017, to claim the customs cargo examination fees, it is stated that reporting for duty must be done on weekdays before 06.00 AM and on weekends and public holidays before 9.00AM. and failing which there is no entitlement to examination fees. However, From the year 2012 to the year 2023, without verification of the arrival/departure of Sri Lanka Customs staff as per existing circulars, Rs. 3,334,759,284 had been paid as examination fees.
- The arrival/departure should be confirmed and payments should be made as per existing circulars.
- Although, the arrival and departure of officials should be confirmed by the use of fingerprint recording machines according to the Public Administration Circular 09/2009, due to the nature of the work of the Customs Department, it has been practically difficult to implement it. Therefore, to record the arrival and departure of the officials of the Sri Lanka Customs Department, a formal signature register is maintained as per common form 18, and a separate formal register is also maintained for leave documents and customs overtime and for the same with the approval of a staff officer. Since
- The payments should be made after obtaining confirmations of the arrival/departure.

overtime payments have been made after proper verification, it was informed that it disagreed with the audit opinion.

- 11 The revenue 2023 collected to the Fund for the year under review with respect to overtime, cargo examination and Information Technology, amounted to Rs.820,263,153 Rs.243,393,910 and Rs.14,976,000 respectively. The officers involved in those tasks had been paid a sum of Rs.862,061,573 equivalent to 105 per cent of the overtime revenue, 50 per cent of the cargo examination revenue amounting to Rs.121,696,955 and 80 per cent of the revenue through Information Technology amounting to Rs. 11,980,800. The following matters were

observed in the said payment process.

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| (i)  | Despite being 2023 continuously pointed out in the previous audit reports that payments were not made under proper control through the Overtime Fund, no action whatsoever has been taken thus far to formalize this process.         | The overtime payment process currently applied should be reviewed. | Analyzing the facts pointed out in the previous audit reports, efforts are being made to further streamline the payment system. | No action has been taken so far to regularize this situation. |
| (ii) | Compared to the year 2022, the overtime income in the year 2023 had decreased by Rs.21,217,698. Furthermore, Rs.41,798,420 was paid to the officials as overtime expenses in excess of the overtime income collected during the year. | The income should be properly managed.                             | Compared to the year 2022, the overtime cost in the year 2023 was reported to have decreased by Rs. 76,811,047.                 | Actions had not been taken to manage income properly.         |

**3.26 Customs Officers Management and Compensation Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	10,099,832,072	1,509,174,581	8,590,657,491	855,371,840	Qualified
<b>2022</b>	11,080,879,797	990,546,592	10,090,333,205	1,499,675,714	Qualified
<b>2023</b>	12,570,781,850	80,379,402	12,490,402,448	2,400,069,243	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Due to the allocation of money to this fund without specific criteria for developing the management effectiveness of customs officials and for the compensation of officials as well as without accurately planning the future expected purposeful expenses, a trend of the cumulative balance of the fund was observed to grow annually. The accumulated balance of the fund as at 31 December 2020 was Rs.7, 775	2021	The Customs Ordinance is now 153 years old and should be amended to suit the present.	According to the provisions of the Customs Ordinance, 20 percent of the fines imposed by sales and penalties in customs investigations, after deducting the relevant expenses, will be credited to this fund. Accordingly, there is a cumulative balance in the fund and the annual balances are also added to it.	The accumulated balance of the fund was continuously growing till the date of this report, and the accumulated balance had grown to Rs.12,490 million by 31 December 2023.

million and as at 31 December 2021 was Rs.8 , 611 million. It was observed that there has been an increase of Rs. 836 million or 11 percent. The following reasons were also primarily responsible for the continued growth of the fund's accumulated balance.

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| <p>(i) This fund had continued to grow due to the fact that officials had to pay rewards for various customs offenses arising out of inadequate measures to control customs duty evasion and 20 per cent of the same was credited to this fund. During the last 10 years, money was credited to the fund from 2740 customs investigations and the value was Rs.6,922 million.</p> | <p>2021 In order to develop the effectiveness of the officials, a system suitable to the current situation should be introduced.</p> | <p>Adequate measures were not taken to control customs duty frauds despite being agreed with the observation.</p> | <p>Artificial intelligence technology has not been introduced to control customs tax frauds as of the date of this report.</p> |
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| (ii)  | <p>Due to the 2021 consideration of the government tax revenue lost during the imposition of penalties for customs offenses as part of the penalty and the determination of officials' rewards on the basis of that penalty, there is a loss of government revenue that should be credited to the Consolidated Fund.</p> <p>Simultaneously, there was an increase in the amount of reward money paid to the customs officials as well as the money allocated to this fund.</p> | <p>Necessary steps should be taken to review for not receiving the 70 per cent (20 per cent to the Management and Compensation Fund and 50 per cent to the Reward Fund) of the proceeds from the penalties and sale of confiscated goods collected after investigations.</p> | <p>No revisions were made in the percentages credited to the government revenue, indicating that the incentive to detect customs offenses in the officials could be maintained high due to this reward money.</p> | <p>The necessary actions to amend the Customs Ordinance and the legal provisions of the related funds in a formal and timely manner have not been done so far.</p> |
| (iii) | <p>The fact that the 2021 legal provisions of the Customs Ordinance and related funds have not been formally and timely amended to suit the complexity of imports and exports due to the current free economic policies</p>  | <p>The Customs Ordinance should be amended to suit the present.</p>  | <p>Although efforts were made to amend the Customs Ordinance from 2018, the work had stalled due to disagreements among trade unions by June 2024.</p>  | <p>-Do-</p>  |

had primarily  
affected these  
increases.

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| (iv) | Although, the income of the fund was Rs.897 million in the year 2021, the amount spent for the primary objective of the fund was approximately Rs.41 million.   | 2021 | The Act should be amended and a system suitable for the current situation should be introduced to compensate the customs officers and to improve the welfare of the employees. | A very low percentage of 6 percent of the total income was spent from the fund in the year 2023 also, and the remaining 94 percent was added to the fund. | A system suitable for the present had not been introduced. |
| 2    | Although one of the primary objectives of this fund was to compensate the customs officials for the disasters during the course of their duties, no such compensation was reported during the period of last 08 years under scrutiny. Accordingly, in order to fulfill those objectives, it was observed during the audit that an unusual amount of money is being collected for this fund. | 2021 | The Act should be amended and a system should be introduced to compensate the customs officials which are suitable for the current situation.                                  | Even though, no payments were made for such calamities in the past 10 years up to the year 2023, the credits to the fund had been made continuously.      | -Do-   |
| 3    | According to the provisions of the Management and   | 2022 | The provisions of the Gazette should be complied with.   | Such expenses had been incurred indicating that there   | A sum of Rs.554,984 was borne from this                    |



Compensation  
Fund of Customs  
Officers published  
in the Gazette No.  
792 dated 05  
November 1993, 5  
main rules were  
introduced to  
dispose of the  
money in the fund.  
In the occasions  
where no  
provisions were  
made in those  
rules, and if it is  
required to spend  
for some special  
requirement  
according to the  
opinion of the  
Director General  
of Customs, with  
the prior approval  
of the Finance  
Minister could be  
made. However,  
an amount of  
Rs.4,705,715 was  
borne from this  
fund for various  
expenses such as  
New Year's  
opening ceremony  
expenses, banquet  
expenses, etc.,  
which were not  
directly related to  
increase the  
effectiveness of  
the Management.

was no need to fund in the year  
obtain the special 2023 also for  
approval of the entertainment  
Finance Minister. expenses.

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| 4 | The amount spent from the management and compensation fund for postgraduate courses in a period of 6 years from the year 2017 to the year 2022 was Rs.127,466,286. Although, there were 323 officers had followed the course by 31 December 2022, only 149 people had completed the courses and submitted their certificates. The department did not have information on whether the rest of the officers successfully completed the course or dropped out, and there was no follow-up system. | 2022 | It should be confirmed that the courses have been completed.                            | Actions had been taken to computerize the details of all the officers registered in the Human Resource Development Department for postgraduate courses. | Although, it was informed to audit that 13 officers who received money from the fund to study post-graduate courses in the year 2023 had been completed the courses and submitted their certificates by 28 of March 2024, out of them, 08 officers had not been completed their courses and submitted relevant certificates to the institute which was revealed in examining the personal files |
| 5 | Although the property, plant and equipment with a cost of Rs.123,465,297 and accumulated depreciation of Rs.118,179,542 under 02 categories of assets were stated in the   | 2023 | It is required to maintain the necessary documents to scrutinize and verify the assets. | Documents for scrutinizing and verifying assets were not prepared.  | Even till the date of this report, the required documents were not maintained.  |

statement of  
financial position  
as non-current  
assets, no  
information such  
as fixed asset  
registers, inventory  
verification  
reports, etc.  
required to verify  
the said assets was  
submitted to the  
audit.

**3.27 Sri Lanka Customs- Customs Officers' Reward Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	3,777,907,755	2,780,677,643	997,230,112	122,199,633	Qualified
<b>2022</b>	3,364,783,771	2,164,047,182	1,200,736,589	217,437,608	Qualified
<b>2023</b>	2,045,581,184	514,799,292	1,530,781,892	424,344,028	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Although, the concurrence of the Minister of Finance should be obtained for the distribution of money from the reward fund and a suitable system should be prepared for the same according to Section 153 (2) (b) of the Customs Ordinance No. 17 of 1968, without confirming that the concurrence of the Minister of Finance were received for the Departmental Order No. PL 118 dated 28 January	2021	Compliance to Customs Ordinance should be required.	The Director General of Customs had informed the audit that the documents pertaining to the approval obtained from the Minister of Finance cannot be traced at present from the institution.	Actions had not been taken to obtain the concurrence of the Minister of Finance for the said departmental order till the date of this report.

1988, a sum of Rs.18,624,256,063 to officers and Rs.2,422,648,345 to informants had been distributed as reward funds in 23 years from 1999 to 2021.

- 2 Tax revenue to be received to government was paid as rewards.

Without collecting the minimum amount of tax revenue that should have been received by the government and crediting it to the state revenue related to customs offenses of which customs investigations are based in importing, the lost tax revenue had been imposed as a punishment and 50 percent of it had been used to pay rewards to officials and informants. The audit had pointed out for many years about the negative impact on the state

revenue. However, no investigation was done on it. Due to the negligence of this situation, a continuous increase in the amount of reward money distributed to the officers was observed and further observations in this regard are given below.

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| (i)  | There was a need to formally and timely amend the Customs Ordinance Act as well as the legal provisions of these funds to suit the complexity of imports and exports based on the existing free economic policies of the country. | 2021 | Attention should be paid to securing government revenue. | The Cabinet of Ministers had approved the amendment of Sections 08, 47, 51, 101, 117, 153, 164 and 165 of the Customs Ordinance and the revised Customs Ordinance was expected to be enforced from 1 July 2024. However, it was temporarily stopped due to strikes conducted by customs unions over the amendments. | The legal provisions of the Customs Ordinance were not amended in a formal and timely manner. |
| (ii) | According to Section 162 of the Customs Ordinance, the  | 2021 | Attention should be paid to securing government revenue. | -Do-  | -Do-  |

Director of Customs has been empowered to take appropriate action in relation to violations of customs regulations.

However, the attention shown by the Sri Lankan Customs in securing the state revenue was not at a satisfactory level.

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| 3 | A sum of Rs.62,611,784 was credited to the fuel fund in the year 2021, which was a sub-fund of the reward fund. Although, the purpose of the establishment of the fund was stated to be "covering the fuel costs required for customs investigations", no expenditure was incurred from the fund in the year 2021 due to the fact that the fuel costs incurred for the investigations had become a burden on the general budget of | 2021 | Attention should be paid for the administration funds. | It was informed that the primary purpose of establishing this fuel fund is to use it for customs investigations and if there is any excess fuel requirement, then to meet the fuel requirement of the marine unit (Marine Unit) which was used for the customs prevention activities implemented by the department before the LTTE military situation. | From the year 2019 to the year 2022, no expenditure was incurred from this fund and an expenditure of Rs.554,500 was incurred only in the year 2023. Although, the cost of fuel incurred for the investigations had been a burden on the general budget of the Customs, no action had been taken to review the needs of the fund until the date of this report. Accordingly, the accumulated |
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the department.

However, due to the continuous accumulation of money in this fund regardless of the reasonable requirements, its balance was Rs.651,419,513 at the end of 2021 which was saved from the provisions related to the general budget without incurring any cost to the fund, was shown as a surplus of the fund.

balance of the fund at the end of 2023 was Rs.940,499,772.

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| 4 | <p>Although, an improvement of Rs.22,847,367 could be seen in the Narcotics Prevention Fund (Narcotics Fund) in the year 2021 which is a sub-fund of the reward fund for payments on behalf of officers participating in drug raids, the amount paid during the year was only Rs.7,910,000.</p> | 2021 | <p>Attention should be paid to the utilization of funds.</p> | <p>Although, the management had observed and agreed to the audit, the collection of cash for the fund had been taken place as usual.</p> | <p>Although, a sum of Rs.61,565,304 was credited to this fund in the year 2023, no amount was paid during the year.</p> |
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| 5 | In the year 2022, Rs.56,257,455 was credited to the 2.5 percent fund set up as a sub-fund of the reward fund for payments to officers in departments that do not directly contribute to investigations but provide support services and the accumulated balance of that fund as at 31 December 2022 was Rs.271,086,409. No payment had been made from this fund since 2019 and the management had continued to maintain this sub-fund without reviewing the requirement. | 2022 | The attention should be paid to the allocation of funds.      | It was informed that the fund has been set up in cases where money has not been received as fines or sales in relation to any investigation, and if the Director General of Customs deems that it is necessary to offer a reward to those who participated in the investigations for their dedication and service, in such cases, it was informed that a reward amount would be awarded. | Money was continuously collected to this fund.  |
| 6 | There were 9754 customs investigations related to the 40 Directorates of the Department from the year 2015 to 31 December 2022, of which 3199 investigations related to the  | 2022 | The steps should be taken to finalize investigations rapidly. | The audit was informed that necessary steps are being taken to expedite the investigations by minimizing the delays.   | There were 8450 investigations conducted under various departments, of which 3080 investigations were delayed for more than 05 years, 4348 investigations for |

Revenue Task Force (RTF), 1593 investigations related to the Preventive Division, and 1593 investigations related to the Central Investigation Division. There were 738 related investigations and 4224 related to other 37 sectors. Further, there were 1518 more than 07 years old, 1026 more than 06 years old, 1038 more than 05 years old, 852 more than 04 years old and 1009 more than 03 years old, 1442 investigations older than 02 years, 1417 investigations older than one year and 1452 investigations within one year out of the total number of investigations on the last day of 2022.

02 to 04 years, and 1022 investigations within one year as at 31 December 2023.

- 7 Although the 2023 Compliance to Since the Officers of 18 reward money provisions of the performance of the other departments should be Customs Ordinance Customs of the Customs

distributed among the concerned officials and informers according to a scheme approved by the Finance Minister in terms of Section 153(2) (b) of the Customs Ordinance No. 17 of 1968, bringing about 19 amendments to the Departmental Order No. PL 118 so far, the management had distributed the state owned money and penalty money to the officials of 18 other departments of the Customs who did not directly contribute to the said investigative work.

Accordingly, the value of the reward money allocated for the officers of such Sections for the year 2023 was amounted to Rs.444,437,389.

should be required.

Department is a who do not performance based directly on the contribution contribute to the of the officers of all customs sections, it had investigations had been mentioned also been that in order to distributed shares motivate and from the reward encourage the fund. There is officers of each also a system of section, reward transferring the money has been employees of the distributed to department represent the between each officers of all section every 6 sections related to months, customs raids. considering

providing benefits to everyone as one of the objectives.

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| 8 | At the end of the investigations conducted in | 2023 | Compliance to the provisions of the Financial | The Chairman of the Preliminary Investigation | Even up to the date of this report, the preliminary |
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relation to a consignment of cigarettes shipped from Singapore under the transshipment method by a foreign private company, the consignment of cigarettes was auctioned for Rs.5,901,750.

However, as the customs was found guilty in the cases filed by the relevant foreign agency against the sale, the customs had to pay Rs.69,451,809 due to this wrong decision.

Although, the file related to this investigation was later misplaced and the report of the preliminary investigation committee appointed on 11 May 2023 against the responsible officers and the officers responsible for the above wrong decision was supposed to be submitted within

Regulations should be required.

Committee had inquiry submitted an committee report interim report on had not been 19.03.2024 stating submitted and as the current status of at 30 September the preliminary 2024, the delay in investigation. the report was 16 months.

two months as per the Financial Regulations of the Democratic Socialist Republic of Sri Lanka-F.R.102 and 110, it had not been submitted even by 30 May 2024.

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| 9 | An importer had filed a suit against a forfeiture and penalty imposed as a result of a customs investigation and was ordered to repay Rs.31,000,000 to the importer from the amount recovered by the customs. Although, 50 per cent of the forfeiture and penalty value is credited to this fund, while there were approximately 541 officials who received reward money, without recovering any money from them, the amount credited to the Consolidated Fund and the amount | 2023 | Steps should be taken to protect state revenue. | At the end of this investigation, as nearly 541 officials had been paid to the extent that it was practically impossible to recover the money from them, the amounts credited to the Consolidated Fund and the Management and Compensation Fund had been withdrawn and the importer was compensated. | As of the date of this report, no system has been prepared to recover the money from the officials in case the money is to be returned as a result of a court process after the payment of rewards to the officials. |
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credited to the Management and Compensation Fund were withdrawn and the importer was compensated.

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| 10 | <p>In relation to a 2023 stock of animal feed imported by a private company by submitting false invoices, the tax value that the company attempted to evade was Rs.15,198,755 and the undervalued amount of the goods was Rs. 63,519,586. However, at the end of the investigation, the investigation officer had only imposed a mitigated forfeiture of Rs.500,000 for the customs duty value attempted to be defrauded and a forfeiture of Rs.19,000,000 for the undeclared value of goods. The penalty imposed was very low at 3.2 per cent</p> | <p>Steps should be taken to protect state revenue.</p> | <p>The Audit was informed that the mitigation of forfeiture by the Inquiry Officer was done within the legal framework as per the provisions of the Customs Act.</p> | <p>As only 30 percent of the fine imposed at the end of the investigation is credited to the state revenue, the Customs Ordinance should be amended to increase that percentage. Although, the responsibility of the customs to secure the state revenue in the mitigation of the penalty has been pointed out by the audit for several years, the attention has not been paid to it.</p> |
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compared to the tax value attempted to be evaded. Therefore, it is emphasized here that the customs should be more careful to secure the government revenue.

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| 11 | <p>Although, a 2023 consignment of sugar imported from India detected as white sugar was classified as high risk by the Customs Risk Management Unit (RMU) and subjected to thorough inspection, the work was not carried out properly and the sample selected was insufficient to detect defects. Therefore, there was a stock of brown sugar in the container and the goods had been cleared by the customs. However, following a tip-off from the Compliance and</p> | <p>Compliance to the provisions of the Customs Ordinance is required.</p> | <p>It was informed that the decision to mitigate the fine by 30 million rupees by the Honorable Minister of Finance is in accordance with Section 165 of the Customs Ordinance.</p> | <p>Since not all containers submitted for clearance are scanned, the audit has pointed out from time to time that artificial intelligence should be connected to the scanning system. However, this has not been done so far.</p> |
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## Facilitation

Division, during the inspection, 20 undeclared

containers of brown sugar were also found there.

At the end of the investigation, a fine of Rs.500,000 and forfeiture of Rs.189,293,778

was imposed against the importer. The

appeal made by the importer to reduce the penalty imposed in terms of Section 165 of the Customs Ordinance was rejected by the Minister at the first instance and later, taking into account the appeal, the penalty imposed was reduced by Rs.30,000,000.

The reasons for the second relaxation were not clear.

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| 12 | According to a 2023 sample audit conducted on investigations completed in the year 2023, the importers | The revenue due to the government should be collected properly. | At the end of a customs investigation, decisions are made after taking into account all the evidence presented | As only 30 percent of the fine imposed at the end of the investigation is credited to the state revenue, the |
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committed various customs offenses in 10 cases and attempted to evade the payment of tax amounting to Rs.59,583,245, for which the total penalty value imposed by the customs was Rs.1,821,501,276. Due to the subsequent mitigation of the penalty value, it had reduced to Rs.88,116,774 and the value of 30 per cent (30%) credited to the government from the mitigated penalty value was Rs.26,435,033. Compared to the amount of tax attempted to be evaded, it was amounted to Rs.59,583,245 Due to the subsequent mitigation of the penalty value, it had reduced to Rs.88,116,774 and the value of 30 per cent (30%) credited to the government from the mitigated penalty value was

during the Customs investigation, and Ordinance should the audit was be amended to informed that the increase that necessary percentage. Although, the provisions for the same are laid down the audit had pointed in sections 129, out for several 130, 163 and 166B. years that the responsibility of the customs to secure the state revenue in the relaxation of the penalty, attention had not been paid for that.

Rs.26,435,033.

Compared to the amount of tax attempted to be evaded, it was amounted to Rs.59,583,245 and a decrease in state revenue by Rs.33,148,213.

Thus, the revenue that can be earned by the government from the money earned by the imposition of penalties is lower than the tax revenue that the government receives through the normal system and therefore, it was problematic whether the customs has acted prudently as an institution that bears the main responsibility of generating income for the government.

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| 13 | According to Section 129 of the Customs Ordinance, every person who fraudulently evades or attempts to evade, or | 2023 | Compliance to the provisions of the Customs Ordinance is required. | At the end of a customs investigation, decisions are made after taking into account all the evidence presented during the | -Do- |
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knowingly engages in, the duty on imports or any part thereof, may, at the discretion of the Director General of Customs, be liable to a forfeiture of three times the value of such goods. However, according to the sample audit, only in 3 cases was the penalty equal to the value of the goods and in the remaining 7 cases was the penalty lower than the value of the goods. Accordingly, it cannot be ruled out in the audit that by failing to impose a significant penalty for customs offences, there may be an incentive for the concerned persons to commit further frauds.

investigation, and the audit was informed that the necessary provisions for the same are laid down in sections 129, 130, 163 and 166B.

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| 14 | Out of 1902 investigations taken into account on the basis of the investigations concluded in the | 2023 | The management should focus on establishing a strong legal system. | The management had held discussions about the necessity of establishing the relevant systems as | Although, the audit has pointed out from time to time that artificial intelligence should be |
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year 2023, 498 were related to import of undeclared goods and in addition 224 were related to import of excess quantity and 207 was undervaluation also. However, through the establishment of a strong legal system, these common customs offences could be reduced to a significant level and therefore, attention of the management should be paid as the ability to collect the import tax revenue due to the government then can be made accurately and timely.

soon as possible to include Automated Risk Management (ARM) in the system according to the classification related to the customs errors and to analyze how the customs errors occur from time to time and work to correct it.

connected to the scanning system Since not all containers submitted for clearance are scanned, this has not been done so far.

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| 15 | Although, many divisions of the customs involved in the clearance process were engaged in the customs investigations that started due to the incidents, there was no system to | 2023 | A centralized information system should be maintained at Sri Lanka Customs. | It was informed that a CCR register is being maintained for the system of centralization in this regard and necessary steps are being taken to improve it. | A centralized information system was not developed. |
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know the progress of those investigations and each of the divisions carried out the investigations individually and after the investigations were completed, they were referred to the finance department for reward payments. The information about the investigation files was decentralized in each division and accordingly the divisions did not have a centralized information system necessary for making management decisions about the progress of investigations and also for performance checks.

**3.28 Reward and Incentive Fund- Department of Motor Traffic**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	102,710,502	19,417,037	83,293,465	2,946,579	Qualified
<b>2022</b>	120,092,499	21,357,611	98,734,888	12,043,191	Qualified
<b>2023</b>	160,584,122	38,667,396	121,916,726	16,397,208	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	According to the payment vouchers maintained by the fund, the total recurrent expenditure for the year was Rs. 1,521,042. However, with the amounts which were not actually spent (provisions for expenses) but were entered as other expenses, the financial statements were included Rs. 2,306,023 as recurrent expenditure. Due to this, the recurrent	2023 2022 2021	According to the periodical concept, the income and expenses related to the year should be recognized correctly in the financial statements.	Total recurrent Expenses Rs.2,306,023 had been incurred, including Administrative Expenses Rs.1,330,872, Audit Fee Rs.131,100 Commendation evaluation, Rs.444,050 Sports Welfare Rs.300,000 and Staff Training Rs.100,000.	The recommendation has not been implemented.

expenditure of year had been overestimated by Rs.784,981.

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| 2 | According to the balance confirmation letter given by the bank on 31 December 2023 in relation to 3 fixed deposits of the fund, the interest accrued on that date was Rs.15,148,732, but due to the inclusion of Rs.14,003,911 as fixed deposit interest in the financial statements, surplus for the year was understated by Rs.1,144,821. | 2023<br>2022         | Conducting accurate identification of transactions based on source documents.  | The interest calculated by bank confirmation has been correctly considered and included in the final account. The interest mentioned in the bank confirmation letter has been treated in accounts as in lining with audit query in the previous year. Therefore, in this year, the interest confirmed by bank confirmation has been entered in the final account as annual interest. | The recommendation has not been implemented. |
| 3 | Although all receipts and disbursements of a statutory fund are formally recorded in appropriate journals and ledger accounts based on source documents in accordance with sub-paragraph 01 of the Financial Regulations 877(2) (c) of Guideline 04   | 2023<br>2022<br>2021 | According to the periodical concept, the income and expenses related to the year should be recognized correctly in the financial statements. | Preventive measures are not mentioned.   | The recommendation has not been implemented. |

introduced under paragraph 15.1 of Part I of State Finance Circular 01/2020,

Inconsistent with that, since many years an allocation of administrative expenses of the reward and Incentive Fund had been considered and accounted as the year's expense. Due to reason of that, without purpose or proper need, the amount of Rs. 931,510 administrative expense reserve had been created in the statement of financial position.

4	There was no required provision for payment of allowances to the Board of Governors of the fund in the Treasury circular No. P.E.D/3/2015 dated 17 June 2015 issued in relation to the payment of allowances to the Board of Governors and no	2023 2022 2021	Action should be taken according to the Treasury Circulars.	The services of 05 members of the governing board are provided for the management of the fund and the management of the fund is carried out by paying a very minimum board allowance subject to the allocation of annual administrative expenses subject to the approval of the	The recommendation has not been implemented.
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other formal approval had been granted.

Nevertheless, allowance of Rs. 154,500 had been given to the Board of Governors of the fund without formal approval.

governing board.

- 5 According to the No. 03(1) of the Motor Traffic (Reward and Incentive Fund) Order No. 04 of 2011

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| (i) it is included Provision for expenditure in an accounting year up to Rs.100,000 for training and educational activities, up to Rs.50,000 for sports, entertainment and welfare activities and up to Rs.50,000 for gifts for commendation or special appreciation of staff members. Nevertheless, there was no provision for making provision for future situations. | 2023<br>2022<br>2021 | Proceeding as per the orders of the Act. | Since the amount of money allocated annually for training and education activities, sports entertainment, welfare and appreciation activities is not sufficient for the amount of the staff of the department, the past several years allocations had to be collected and incurred expenses accordingly. Since incurring the severance expenses for several years in a particular year | The recommendation has not been implemented |
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However an allocation of Rs.300,000 had been made for the said subjects during the current year.

without such allocation will have an adverse effect on the profit and loss account of the relevant year and the relevant expenditure will have to be incurred at a specific future date, the severance accounts shall be subject to the decision of the governing board.

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| <p>(ii) As included in the observation in (i) above, the expenditure for a sports activity should be subject to a maximum of Rs.50,000, however non complying with that, the department had been incurred an expenditure of Rs.944,050 for a friendly cricket tournament and a netball tournament during the year under review.</p> | <p>2023</p> | <p>Proceeding as per the orders of the Act.</p> | <p>From the year 2021 to the year 2023, the total amount of Rs. 944,050 allocated for sports entertainment, welfare activities and commendation of staff members was spent for the cricket tournament held for the whole department in 2023 and for the procurement of clothes for the state netball team.</p> | <p>The recommendation has not been implemented</p> |
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6	<p>Although provision is included for payment reward money for persons who provide information to the Commissioner of Motor Traffic about persons who committing motor vehicle irregularities and identify information related to erroneous activities/detect erroneous activities as per No.3(1) of the Directives (Rewards and Incentive fund) for motor vehicles, No.04 of 2011, the formal procedure had not been established to provide information regarding above fact and to inform the people about the reward system.</p>	<p>2023 2022 2021</p>	<p>Attention should be paid to prepare a formal procedure in order to achieve the objectives of the fund.</p>	<p>There is a system of complaining to the investigation division of the department regarding irregularities related to motor vehicles and there is adequate provision in terms of Motor Vehicles (Rewards and Incentives Fund) Order No. 3(1) "a" regarding the payment of money to those who provide information about any irregularities.</p>	<p>The recommendation has not been implemented</p>
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**3.29 Vehicular Emission Test Trust Fund - Department of Motor Traffic**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	628,635,112	4,111,084	624,524,028	248,572,349	Qualified
<b>2022</b>	480,078,657	3,176,924	476,901,733	252,377,705	Qualified
<b>2023</b>	608,492,820	2,463,192	606,029,628	334,633,332	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Due to the fact that the amount to be paid for the provision of water, electricity and office facilities from the Department of Motor Traffic to the Fund had not been calculated and accounted for, the expenses related to the year were understated in the financial performance statement.	2023 2022	Properly identifying all expenses related to the year and including them in the financial statements.	In the future, the management of the fund will discuss with the department officials and prepare a correct system and make payments accordingly.	The recommendation had not been implemented.
2	During the accounting year, Motor Traffic Department officers were	2023	Properly identifying all expenses related to the year and including them in the financial	Since the legal authority for the activities of the Vehicular Emission Test Trust Fund has	The recommendation had not been implemented.

employed full-time for the functions of the fund, but the salary and emoluments paid for their services amounting to Rs.3,067,810 were not accounted for as expenses of the fund. Therefore, the surplus of the year had been overstated.

statements.

been received by the Motor Vehicle Act and to maintain the relationship between the fund and the Department of Motor Traffic, the officers working under the Department of Motor Traffic are assigned to the Vehicular Emission Test Trust Fund. As they are permanent officers of the Motor Transport Department, they are paid by the Department itself.

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| 3 | According to the accounting books and documents maintained by the fund, as on 01 January 2023, the cost of 3 items of property, machinery and equipment should be Rs.283,534,928 and the accumulated depreciation should be Rs.258,245,984. Nevertheless, cost being Rs.230,008,038 and accumulated depreciation | 2023<br>2022 | Keeping accounts in accordance with generally accepted accounting principles. | That this accounting deficiency will be rectified in accordance with accounting standards. | The recommendation had not been implemented. |
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provisions being Rs.204,718,592 had been reported in the Note No. 01 included in the financial statements. Due to the reason of this, the actual values of property, machinery and equipment were not reflected in the financial statements.

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| 4 | <p>Three air quality measuring devices being Rs.129.99 million which were purchased by the fund on 17 December 2018 were assigned to the Central Environment Authority and the National Building Research Institute in the year 2020. Nevertheless, the Fund was calculated Rs.17.650 million as depreciation on above devices, and then was included in the financial statements. As result of this, non-current assets were overstated and</p> | 2023 | <p>Keeping accounts in accordance with generally accepted accounting principles.</p> | <p>Agreed. Will fix it.</p> | <p>The recommendation had not been implemented.</p> |
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surplus for the year was understated.

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| 5 | A mobile air quality measuring unit costing Rs.47,247,000 held by the fund was handed over to the National Building Research Institute on 10 March 2023. In keeping the accounts record related to the said handover, the value of depreciation up to the date of handing over Rs.1,786,325 should be adjusted. But it was not in accordance with that, and due to the fact that Rs.3,106,650 had been calculated as depreciation and shown in the financial performance statement, the surplus of the year had been reduced by Rs.1,320,325. | 2023                 | Keeping accounts in accordance with generally accepted accounting principles. | The above mobile air condition testing vehicle has been legally handed over to the Building Research Institute on 10.03.2023. But because they did not submit the above vehicle for registration on 10.03.2023, it was removed from the books of account on 30.04.2023. we will be working on making accounting corrections. | The recommendation had not been implemented. |
| 6 | In lining with the paragraphs 03 and 04 of State Finance Circular   | 2023<br>2022<br>2021 | Carrying out the necessary activities in the relevant legal environment.      | Regarding the liquidation of Vehicular Emission Test Trust Fund, a   | The recommendation had not been implemented. |

No. 02/2018 issued in accordance with Cabinet Paper No. 17/1615/702/002-xvii and the decision of the Cabinet meeting held on 09 August 2017, the Vehicular Emission Test Trust Fund should be liquidated and liabilities settled in 2018.

Nevertheless, The Board of Trustees of the Fund had been managed to run the Fund by approving the budget documents of the Fund by the Line Minister without the approval of the Cabinet of Ministers, the Ministry of Finance and the Treasury. However in preparing the financial statements, management had not disclosed that the going concern of the fund was uncertain.

Cabinet paper was forwarded and the Ministry of Finance was requested to provide oversight for the same. A committee was appointed to provide oversight and the committee's report was given to the Cabinet. The report including those observations was given back to the observations of the Ministry of Finance and recommendations were given by the Ministry of Finance to implement those decisions. After that the recommendation was forwarded by the Cabinet to the National Operations Room where it was told to close this fund instead of continuing.

According to that decision, the Cabinet again informed the Department of Motor Transport and the Ministry of Environment to provide related observations.



According to the relevant instructions, necessary clarifications have been made and given to the Cabinet and after the observations have been forwarded by the Cabinet to the National Operations Room, the National Operations Room is discussing the same.

7	10 percent of the inspection fee charged for each vehicle shall be paid to the Vehicular Emission Test Trust Fund as per the agreements entered into with two private companies who conducting emission tests. However, as the Income of Rs. 336.47 million had been recognized and accounted by the Fund without confirming whether the government received the revenue properly	2023 2022 2021	Income should be properly verified	The Vehicular Emission Test Trust Fund Office has the necessary passwords to access the information system of the relevant institutions and obtain information about the quantities of tests carried out at any time. Arrangements are made accordingly. Accordingly, occasional comparisons would be done. Further, according to the suggestions of the audit office, preliminary work is being done to conduct a system	The recommendation had not been implemented.
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during the year under review in lining with the number of tests conducted by the private companies, the test fee charged by them and the revenue due to the Emissions Fund.

audit of the computer system of the contractor smoke testing institutes.

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| 8 | Smoke testing companies had not been made appropriate arrangements to access their computer systems to obtain information related to the tests conducted. While dongles were provided to access their systems in necessary cases, but due to their non-functioning properly, it was difficult to get information. | 2023 | The arrangements should be made for income recognition properly. | Contract companies have created two automated software to audit and manage the emissions testing program and have provided Dongles to the Office of Vehicle Emissions to access their central data system for online verification of daily vehicle emissions testing. However, during normal office hours, around 30,000 vehicle emissions tests are carried out, so downloads are slow in nature. The concerned companies have been informed in writing to correct this error. | The recommendation had not been implemented. |
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9	According to State Finance Circular No. 01/2020 dated 28 August 2020 and F.R. 876 (2) (a) If it appears that, the functioning of the existing funds is of national interest and if the funds have not been properly approved by the parliament through an act, then the approval of the parliament should be obtained within one year of the issuance of this circular, even though, such approval had not been obtained.	2023 2022 2021	Compliance monetary regulations.	with	In February 2019, the Minister of Transport forwarded a Cabinet Paper advising the Cabinet to suspend the decision to liquidate the Vehicle Emissions Trust Fund in 2018. There, the Minister of Finance and the Minister of Transport had discussed and asked to take a decision for this and report it back to the Cabinet. But due to the Corona epidemic situation in the country at that time, taking a decision on this has been delayed. However, for the survival of the fund, the Secretary of the Treasury has appointed a Deputy Secretary of the Treasury as the Chairman of the Emissions Trustee Board, and the Trustee Board meetings have been held accordingly. Also in this regard, matters were presented to the	The recommendation had not been implemented.
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Cabinet in January 2023. A committee has been appointed to take a decision on the continued existence of the fund and its recommendations have been forwarded to the Cabinet Office. In additionally recommendations of the National Operations Office which is established by the Prime Minister's Office regarding the re-establishment of the Vehicle Emission Fund are to be forwarded to the Cabinet.

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| 10 | Whereas the approval had been given to liquidate the Emissions Trustee Board and establish an Emission Project Office as a division under the Department of Motor Traffic by the letter No. DMS/1143/VETF and dated 10 December 2017 of Department of Management | 2023<br>2022 | Acting on the recommendations of the Management Services Department letter. | These payments have been made with the approval of the Board of Trustees in accordance with the Trustee Agreement in order to obtain the participation of officers to carry out the functions of the fund effectively. These payments will not be made when an officer applies for composite | The recommendation had not been implemented. |
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Services, and the recommendations for liquidation had been given by the letter No. PED/RED/CIR/2018/02 dated 18 August 2018 by the Secretary to the Treasury. Nevertheless, The governing body of the fund had been working to pay salaries and allowances by maintaining other posts outside the approved staff without establishing it as a division under the Department of Motor Traffic.

allowances

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| 11 | The duties specified in the job description relating to that position shall be performed on an agreed salary in relation to a particular position and no additional payment shall be entitled to such functions. But for 13 project assistants, research assistants and project technicians | 2023 | Proceedings should be made to incur expenditure on formal approval. | These payments have been made with the approval of the Board of Trustees in accordance with the Trustee Agreement in order to obtain the participation of officers to carry out the functions of the fund effectively. These payments will not be made when an officer applies for composite | The recommendation had not been implemented. |
|----|---|------|---|--|--|

who have been hired on contract basis to carry out work related to emissions such as conducting smoke test programs, conducting awareness programs, etc, a participation allowance of Rs.2,000 per day had been paid for the work which had to be done as per the job description.

Accordingly,

During the year under review, the allowances of Rs.846,175 had been given without formal approval for the said subject.

allowances.

12	Without the approval of the Ministry of Finance or the relevant salary authority structures and based on an approval obtained in Board Paper No. 2022/04 submitted to the Board of Directors on 21 December 2022,	2023	Proceedings should be made to incur expenditure on formal approval.	These payments have been made with the approval of the Board of Trustees in accordance with the Trustee Agreement in order to obtain the participation of officers to carry out the functions of the fund effectively.	The recommendation had not been implemented.
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An arrangement had been made to pay an allowance of Rs.2,000 for a maximum of 06 times per month for external government officials who were made to participate in air emission programs such as Central environment authority officers, police officers , and one time allowance of Rs.1,000 for the technicians of Cleanco Lanka and Laugfs Eco Sri Private Companies. Accordingly During the year under review, allowances of Rs.1,230,500 had been given for the said subject without formal approval.

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| 13 | Whereas Three project assistants, ten technicians, two drivers and two office assistants were recruited on contract basis for | 2023 | Proceedings should be made to incur expenditure on formal approval | To obtain the services of all the officers mentioned here, the approval of the board of trustees has been obtained for all the past years | The recommendation had not been implemented. |
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the Emissions Fund and their contracts had expired in the years 2016, 2017 and 2018. However without extending or renewing the said contract agreements, the seventeen officials were employed without a service agreement during the year review, and it had been paid worth of Rs. 8,585,980 as salaries and allowances without any legal basis.

employments and the trustee fund has been abolished and the people currently employed have been taken into permanent service and the appointment letters and service contracts have been signed for all the officers.

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| 14 | An amount of Rs.1,383,500 was awarded to the Ministry of Environment on 17 August 2023 on the approval of the Board of Directors without the approval of the Ministry of Finance or the Line Ministry, which was not included as a grant of funds to other external agencies in the budget | 2023 | Proceedings should be made to incur expenditure on formal approval. | These funds were provided on the approval of the Board of Trustees as per the Trustee Agreement for a program related to the achievement of the objectives of the establishment of the Vehicle Emissions Fund. | The recommendation had not been implemented. |
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allocations  
prepared for the  
year 2023.

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| 15 | <p>According to the decision taken by the Board of Trustees of the Fund on 16 January 2020 and 03 November 2020 regarding air quality measuring equipment, 02 units of ambient air quality measurement installed in the Eco Tech model with a total cost of Rs. 82.752 million have been handed over to the Central Environment Authority.</p> <p>Whereas, no provision has made in annual budget for the operational repair and maintenance services of the equipment assigned to the relevant institution, the Air Emission Fund had been incurred irrelevant cost of Rs.3,437,358 by transferring that much amount to</p> | <p>2023<br/>2022</p> | <p>Developing a proper system related to cost control.</p> | <p>The Emissions Fund was established with the objective of reducing overall air pollution.</p> <p>Accordingly, in order to reduce the air pollution caused by vehicles and other sources, it is necessary to buy and sustainably maintain scientific level air condition measurement equipment and spend a lot of money. One of the primary objectives of this fund is to improve air quality. This fund will spend the money allocated for such activities without incurring any additional cost to the government. Accordingly, money has been given to authorized government agencies to obtain information on air quality in order to make correct policy</p> | <p>The Vehicle Trust was had not been implemented.</p> |
|----|--|----------------------|--|--|--|

the Central  
Environment  
Authority.

decisions about air  
conditions.

- 16 For the tripartite 2023 Careful spending of The funds have The  
implementation of funds. been given to the recommendation  
the proposal National Building had not been  
submitted by the Research implemented.  
National Building Organization to  
Research carry out the  
the Central relevant work.  
Environment  
Authority for the  
development of a  
national platform  
for the integration  
and distribution of  
air quality and data  
management  
system, the budget  
document of the  
year 2023 has been  
allocated Rs. 150  
million, but the  
work related to the  
said work was not  
done during the  
year under review.  
According to the  
agreed conditions,  
the relevant  
institutions should  
check the progress  
of the work to be  
done and make the  
relevant payments.  
However the Fund  
had been paid Rs.  
9 million to the  
National Building  
Research

Organization  
without checking  
the progress and  
confirming the  
work to be done.

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| 17 | <p>Prior to making the investments, the Fund had been invested an amount of up to Rs.500,000,000 from the excess amount of the Fund in fixed deposits without the approval of the Minister of Finance, the Treasury Secretary and the Cabinet of Ministers.</p> <p>According to the account of the fund, the accumulated profit till 31 December 2023 is Rs.612.023 million, but without crediting the said accumulated profit to the consolidated fund, Rs.551.888 million was invested in fixed deposits and Rs.60.135 million in savings deposits.</p> | 2023 | <p>Invest the excess money with the approval of the Secretary of the Treasury or arrange for the proper crediting of public funds to the Consolidated Fund.</p> | <p>Excess money in the fund is transferred to the Treasury subject to the approval of the Vehicle Emissions Trust Fund Board. Therefore, Rs.200,000,000/- has been transferred to the General Treasury in the year 2023 subject to the approval of the Board of Trustees at the request of the General Treasury. In case of excess funds in the account, as per the provisions of the trust agreement, the funds were invested in short-term fixed deposits of the People's Bank where the accounts are currently held, subject to cover approval as per the advice of the Deputy Secretary of the Treasury and the Board of Trustees. However in the requests</p> | <p>The recommendation had not been implemented.</p> |
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made to give a part of the excess money of the treasury, the money has been sent to the treasury. The excess money of the fund is credited to the consolidated fund only subject to the approval of the board of trustees at the request of the state finance department.

Accordingly, in the year 2023, Rs. 200 million has been credited to the Consolidated Fund.

18	Rs. 29.52 million has been spent by the Air Emission Fund for the year 2012 to 2023 for various researches such as traffic-related air pollution, air quality, energy, environment and economic effects of major cities in Sri Lanka. However, by obtaining the final result from those projects, no program had been prepared and implemented for	2023	Formulate a program for positive action on research reports obtained.	It is informed that all the research reports have been received and the recommendations given by the research reports have been implemented and the relevant data has been handed over to the interested parties as well as to the air resource management unit of the Ministry of Environment and on our website as well as the environment The	The recommendation had not been implemented.
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any positive  
action.

Ministry's website  
has been  
implemented.

- 19 According to 2023 Develop a proper According to the The  
paragraph 4.1 of system to recognize agreement between recommendation  
the agreements entered into with the companies, the had not been  
the two private amount due to the implemented.  
companies that  
have been awarded  
contracts for air  
emission tests, the  
contractors shall  
remit an amount of  
10 percent of the  
daily income to the  
Emission Fund  
within seven days.  
One of the  
contracting  
companies has  
paid the relevant  
amount to the Air  
Emission Fund  
within seven days  
to fulfill the above  
condition, but the  
other contracting  
company has not  
remitted the  
money to the fund  
within the relevant  
period to fulfill the  
above condition.  
According to the  
agreement, a  
surcharge of 3  
percent per day of  
delay should be  
charged, but the  
Emissions Fund

had not taken steps to charge such a surcharge.

According to the calculations made by the audit, in the year 2023, for the cases of late payments of one day, two days and three days, approximately A surcharge of Rs.1,189,569 should have been charged.

Calculating contractual late fees was problematic as companies did not submit reports to identify revenue collected on a daily basis.

20	The Vehicular Emission Trust Fund had provided two ambient air quality measuring units to the Central Environmental Authority at a cost of Rs.82.75 million and the mobile ambient air quality measuring device at a cost of Rs.47.24 million to the National Building Research	2023 2022	Use of assets without underutilization.	The main purpose of purchasing this equipment is to obtain data required for air condition management and display it to the public. Accordingly, an Air Quality Index has been created and the quality of the surrounding air is displayed. Furthermore, the data obtained by	The recommendation had not been implemented.
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Institute.

According to the agreement, the measurement data obtained by the relevant equipment should be given to the fund, but due to the lack of a pre-defined plan regarding the work to be done using the measurement data obtained by the air quality measurement equipment and lack of useful work being done using the said measurement data, more than Rs. 130 million of investment money of the government and the measurement data obtained by the equipment had been become useless.

these units are displayed on the websites of the Central Environment Authority and the National Building Research Institute in order to make the data available to interested parties. In addition, I inform that this data has been directed to be used by the Air Quality Management Center of the Ministry of Environment to identify policies, decisions and activities related to air quality management.

21	From the year 2008 when the fund was established to the year under review, Rs.283.5 million were spent on providing air quality measuring equipment and	2022	Performance reports or progress reports should be prepared periodically.	Will be taken the action to submit the performance reports as indicated by the audit. Also, the details of the performance of the fund are included in the performance report of the	The recommendation had not been implemented.
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smoke testing equipment to other external organizations, and on Rs.40 million for research and development activities to achieve objectives of the Fund. But performance reports or progress reports had not been maintained to ascertain whether the fund's objectives were achieved through those investments. Accordingly, the board of trustees of the fund had failed to evaluate whether the objectives of the fund were fulfilled in the last 15 years based on the performance data/reports.

Department of Motor Transport.

22	Without obtaining the necessary preliminary approval and completion of necessary infrastructure for setting up new smoke testing stations, on December 28,	2022	Such investments should be made only after ensuring that basic approvals and necessary infrastructure are completed.	The Commissioner General of Motor Transport gave permission to carry out inspections so that the buses belonging to the Sri Lanka Transport Board can get revenue licenses and all the district	The recommendation had not been implemented.
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2017, the Emissions Fund had been provided 10 diesel vehicle smoke test kits to the Sri Lanka Transport Board at a cost of 21.937 million rupees. Although, Until the year 2023, due to the inability to obtain the necessary legal clearances for the establishment of smoke testing stations, the said equipment was becoming unusable for more than 5 years.

secretariats and regional secretariats have been informed about it and it is very I would like to inform you that the work will be started soon.

**3.30 Excise Reward Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	291,524,196	38,844,870	252,679,326	(71,662,780)	Qualified
<b>2022</b>	331,806,612	31,086,992	300,719,620	48,444,530	Qualified
<b>2023</b>	362,116,691	24,363,751	337,752,940	36,968,594	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Even though the value of land and buildings had been indicated as Rs.47, 134,000 in the statement of financial position, it was only the value of the building. However, the land in which the building is located had not been assessed and accounted at the end of 2021 and the necessary documents required for verification of the ownership of the land had not been submitted to the audit.	2021	Having properly verified the ownership of the land in which the building is located, it is assessed and accounted.	Since the Ministry of Education belongs the land, the activities for taking over is in progress. The vesting certificate had not been received so far.	The recommendations in relation to land and buildings belonging to Excise Training School transferred to Department of Excise since 2013 had not been implemented up to September 2024.

2	No depreciation adjustments have been made for buildings worth of Rs.47, 134,000 at the end of 2021.	2021	To take action as per Sri Lanka Public Sector Accounting Standards	The instructions had been given to the relevant officers for calculation of the depreciation in 2022.	No provision for depreciation had been made up to date having assessed the buildings value.
3	The gross carrying amount, cumulative depreciation and net carrying amount of the assets should be disclosed in the schedule of property, plant and equipment in accordance with Sri Lanka Public Sector Accounting Standards No.-07, only net carrying amount of Rs. 101,798,966 of 08 assets category items including buildings, furniture and office equipment had been disclosed. The net carrying amount of such property, plant and equipment was Rs.190, 995,393 as at the end of 2023.	2023	Do	The action will be taken to rectify this in due course.	No action had been taken as per the Accounting Standards.

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| 4 | In accordance with paragraph 17(b)1 and II of Tobacco Tax Act No.08 of 1999, the action should be taken to establish Tobacco Reward Fund from 25 percent of cigarette fines received no action had been taken to establish such fund from 1999 to at the end of 2023. The money allocated annually up to date had been indicated as a long-term liability of Rs.24,363,751 payable to Tobacco Reward Fund without making investments. | 2023 | The action should be taken to establish the Tobacco Reward Fund.                          | The steps will be taken to establish Tobacco Reward Fund having discussed with Legal Draftsman's Department for inserting the new amendments required for the regulations in relation to Tobacco Tax Act No.08 of 1999.             | The Tobacco Reward Fund had not been established.                    |
| 5 | As per paragraph 02 of Excise Circular No.10/2019 dated 27 December 2019, the Reward Fund had contributed to pay the incentives to all the officers who serve in the department since 2019 subject to amendment of excise notice  | 2022 | The amendment of excise notice 818 dated 04 March 1994 should be expeditiously completed. | The excise notice 818 dated 04 March 1994 had been amended suitably to the present situation taking into consideration expansion of the role of the department and submitted to the Ministry of Finance on 03.03.2021 for approval. | The amendment of excise notice No.818 had not been performed so far. |

No.818 dated 04 March 1994 prevailed now. Accordingly, an amount of Rs. 55,376,838 including an amount of Rs. 54,243,053 within 2022 and an amount of Rs.1, 133,785 paid to the officers who had not claimed the incentives in the previous years at 17 occasions had been incurred for the payment of incentives. The amendment activities of the relevant excise notice enabling to make the legal provisions for the payment of the incentives to all staff of department had not been completed even though 27 had elapsed at the end of 2022.

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| 6 | Even though it had been planned to carry out 4,000 technical crime raids as per the action plan of Department of | 2023 | The attention should be paid to achieve a qualitative progress of the raids. | The raids had decreased than the targeted one as per the shortage of current officers, restrictive condition occurred with | 4,000 raids estimated for 2023 had been planned for 2024 also. Up to now, 2,385 raids or 59 percent out of that |
|---|--|------|--|--|---|

Excise 2023, 5,499 had been performed. The progress of the achievement of targets of 10 excise stations out of that was in low value and even though the annual targets had been exceeded in 10 excise stations, the raid targets given was in low value. Moreover, as per the fines amount analysis of 1,559 technical crime raids based on payment of reward money in 2023, 65 percent was related to the raids for violation of conditions in general nature.

regard to the had been investigations and performed. The representations raids had not been carried out for planned for amendment of the covering the raid targets. It is major offences. abundant of violation of the general conditions and it is few of violation of the main conditions.

**3.31 Ceylon Electricity Board Employee Provident Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	73,985,427,313	877,169,992	73,108,257,320	4,672,608,058	Unqualified
<b>2022</b>	87,243,763,180	802,391,604	86,441,371,576	9,742,206,300	Qualified
<b>2023</b>	96,408,654,994	1,656,884,047	94,751,770,947	13,294,852,358	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	An amount of Rs.19.06 million remained receivable from the 128 inactive members for loans granted against member balances more than 3 years as at 31 December 2023 due to unsettlement of member balances to the deleted and vacated members. Out of that amount, an amount of Rs.9.5 million belonging to the 34 inactive members and an amount of Rs.2.4 million belonging	2022-1.6.1 2023-1.6.1	Appropriate action should be taken to settle the long outstanding loan balances of inactive members.	Loans granted for the inactive members are also recorded in our books of accounts and it will be cleared at the time of settling the final settlements of the inactive members.	Recommendations are not still implemented.

to the 86 inactive members remained receivable for more than 7 years and 31 years respectively.

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|---|--|--|--|--|--|
| 2 | An amount of Rs.107 million belonging to the 588 deleted members remained payable for more than 3 years as at 31 December 2023 due to non-submission of required documents to release the balances of respective members. Out of that, a sum of Rs.56.8 million belonging to the 307 deleted members and an amount of Rs.1.9 million belonging to the 124 deleted members remained payable for more than 7 years and 31 years respectively | 2021-1.6 (e)<br><br>2022-1.6.2 (a)<br><br>2023-1.6.2 (a) | Appropriate action should be taken to settle the long outstanding member balances. | These balances are lying in the financial statements of the Fund due to non-submission of required documents to release the balances of respective members. Therefore these balances cannot be written off as the liability of the fund is still in existence. | Recommendations are not still implemented. |
| 3 | Amount totaling to Rs.5.1 million belonging to the 305 vacated members remained  | 2023-1.6.2 (b)   | Appropriate action should be taken to settle the long outstanding member balances. | It will be cleared at the time of settling the final settlements.  | Recommendations are not still implemented. |



payable for more than 6 years as at 31 December 2023.

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| 4 | <p>In terms of the rule 4 of the provident fund regulations Every member and the employer shall contribute to the Fund 10 percent and 15 percent respectively from employee's salary or wages. Contrary to the definition of basic salary, while calculating the contribution to the Fund, the salary including the highest allowance of the CEB employees had been considered.</p> | <p>2021 – 1.7 (a) (i)<br/><br/>2022 – 1.7 (a) (i)<br/><br/>2023 – 1.7 (a) (i)</p> | <p>Should be complied with the provident fund regulations.</p> | <p>When calculating provident fund contribution, highest allowance was considered, apart from the Consolidated Salary, which is in accordance with the Personnel Circular Ref No: DGM(P)/Policy/GS (1)/181 dated October 23, 2007.</p> | <p>Recommendations are not still implemented.</p> |
| 5 | <p>Contrary to the rule 22 of the provident fund regulations dividends for the previous year had been paid based on the members' credit balances standing as at 31 December 2023, instead of the members' credit balances standing</p>  | <p>2022- 1.7 (a) (ii)<br/><br/>2022- 1.7 (a) (ii)<br/><br/>2023- 1.7 (a) (ii)</p> | <p>Should be complied with the provident fund regulations.</p> | <p>Dividend is not accumulated for the Last Year's contribution in which the member is retired therefore the direction given by the Rule No 22 is complied with.</p>   | <p>Recommendations are not still implemented.</p> |

as at the end of the previous year. Further, it was observed that dividends for the year 2022 had been paid to the 285 members who were retired on 31 December 2022 based on the said members' credit balances standing as at 31 December 2022 in contrary to this provision. Further, contrary to this provision retained earnings as at 01 January 2023 and net profit totaling to Rs.13.29 billion only after deduction of inspection cost and tax for the year 2023 had been fully distributed amongst members

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| 6 | In terms of the rule 31 of the provident fund regulations, amendments to rules shall be lawful for the Ceylon Electricity Board by decision of the Board from time to time and at | 2022-<br><b>1.7 (a)</b><br>(iii)<br><br>2023-<br><b>1.7 (a)</b><br>(iii) | Should be complied with the provident fund regulations. | A special committee was appointed at the Provident Fund Management Committee Meeting held on 14th February 2024 to review and recommend required changes to | Committee report is not yet submitted. Once the report submitted, the Rules Amendment process will be started. |
|---|---|--|---|---|--|

any time to alter, vary, modify, remake or rescind the rules or any of them, subject to the approval of the Commissioner of Labour, and the Commissioner of Inland Revenue. However, without the approval of the Board, the Commissioner of Labour and the Commissioner of Inland Revenue and not publishing the amendments to the Provident Fund Regulations, 2003 through a gazette notification, rules relating to powers and duties of management committee, investment powers, loans to members etc. had been amended by the Fund and acted upon accordingly.

the existing Rules and regulations of the Fund. Once the committee report is submitted, the existing rules and regulations of the Fund will be amended.

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|---|--|--|--|---|---|
| 7 | An amount of Rs.2.3 billion had been invested in three Treasury Bonds through Entrust Securities PLC (ESP) in the years 2008 and | 2021-3.1 (a)<br>2022-3.1 (a)<br>2023-3.1 | (i) Should ensure that a proper internal control mechanism is in place to avoid such incidents in future.<br>(ii) Should ensure that all | Ceylon Electricity Board Provident Fund has initiated a Civil Case against Entrust Securities PLC in the District Court of Colombo, to recover the Face | The legal proceedings is in progress. Next hearing date of the 4th November 2024. |
|---|--|--|--|---|---|

2009 and it was revealed in the year 2015 that securities relating to the investments are not available under the name of the Fund in the Central Depository System. However, proper action had not been taken in timely manner against the responsible officers who were serving the Fund at that time, for their negligence and they were allowed to retire from Ceylon Electricity Board. Further, CEB had lodged a complaint to the Financial Crimes Investigation Division (FCID) against ESP on 09 December 2015 and the FCID had filed a case against ESP. Further, CEB had filed a civil case in 2018 against ESP to recover the face value and the defaulted coupon interests. The face value and the defaulted coupon

reasonable action had been taken to recover the loss made.

(iii) Action should be taken against the responsible officers for their negligence.

Value and the Defaulted Coupon Interest Payments therein for the said investment. Apart from CEB Legal Division is in the process of making an application to the Colombo District Court to proceed with the two Civil Cases, Case Numbers DMR/1405/2018 and DMR/1029/2018, while making CEB Provident Fund and Pension Fund a party to the liquidation process of the Company.

interests of the  
investments  
matured in the  
years 2018 and  
2019 was Rs.2.8  
billion and both  
cases are being  
heard.

**3.32 Sri Lanka Tourism Development Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	929,895,906	929,895,906	-	-	Qualified
<b>2022</b>	1,719,489,764	1,719,489,764	-	-	Qualified
<b>2023</b>	3,299,624,133	3,299,624,133	-	-	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	As per Section (3) of the Part I of the Finance Act No.35 of 2018, the levy collected at the rate of 0.5 per cent from the institutes which had been obtained for the licenses under the Tourism Act No. 38 of 2005 should be furnished to the consolidated fund within 30 days from the date of collection of the levy. However, the levy collected in month of January & February 2023 amounting to Rs.2,743,629 had been remitted to Treasury with a delay from 119 days to 150 days	2021 2022 2023	Action should be taken to remit the Treasury Portion of Tourism Development Levy on time.	Necessary steps will be taken to expedite the process of remittance to the Treasury.	The levy of Rs.15,774,967 from March to December 2023 had been remitted to the Treasury on 12 July 2024. No action had been taken to remit the levy amounting to Rs.6,508,751 to the Consolidated Fund collected from January 2024 to date.

range of period.  
Also, the levy  
amounting to  
Rs.15,774,967  
from month of  
March to  
December 2023  
had not been  
remitted to the  
treasury even by  
19 March 2024.

- |   |   |                      |   |  |   |
|---|---|----------------------|---|--|---|
| 2 | Even though, a sum of Rs.876,828,957 had been directly remitted to the Bank from the year 2017 to the year 2023 by registered hoteliers and owners of tourism business, it had been continuously brought forward under current liabilities instead of being correctly identified and accounted for. | 2021<br>2022<br>2023 | Action should be taken to recognize the payees and accounted for early. | The Sri Lanka Tourism Development Authority had held several meetings with the management of the Bank of Ceylon to find a permanent solution to the matter, with the support of the ICT Division of the Sri Lanka Tourism Development Authority. | No steps had been taken to solve the problem to the date. |
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**3.33 Rehabilitation of the Visually Handicapped Trust Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	3,080,270	894,000	2,186,270	275,050	Qualified
<b>2022</b>	4,190,516	1,045,675	3,144,841	958,572	Qualified
<b>2023</b>	5,373,550	1,297,245	4,076,305	931,464	Unqualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Although it has lapsed 31 years since the establishment of the Rehabilitation Fund for the Visually Impaired under the Visually Impaired Persons Rehabilitation Fund Act No. 09 of 1992, an information system to identify the number of visually impaired persons nationwide has not been developed.	2021 2022 2023	A system to promptly identify the visually impaired should be developed.	As the Department of Social Services has initiated the process of developing a data system for individuals with disabilities, including visually impaired persons, it is expected that this information will be utilized for the Rehabilitation Fund for the Visually Impaired.	The Department has not develop a system so far.
2	Although the legal provisions had been made as per the Section 07 of the Rehabilitation	2022 2023	Arrangements should be made to raising funds as per the provisions of the Act.	The hand machines weaving section of the Visually handicapped women's welfare	Although activities have been started as per the provisions of the Act, the



of the Visually Handicapped Trust Fund Act No.09 of 1992 to raising funds in addition to the government allocations for the fund; grants, gifts, or donations received locally or abroad, funds realized or collections and income from investments in the fund or dues to the fund or other funds, the fund had no any further plan or focus on other sources of funds apart from government grants for the increase of the fund during the period of 29 years from the inception of the fund to the year under review.

center which was implemented in Seeduwa Vocational Training Institute in order to generate income for fund had been closed in a loss-making situation. A program to install money boxes with the aim of collecting money in the year 2023 is currently being implemented.

opportunities for provision of funds have not been dealt.

**3.34 Samastha Lanka Sasanarakshaka Mandala Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	56,647,222	-	56,647,222.00	(1,192,333.00)	Qualified
<b>2022</b>	60,328,001	-	60,328,001.00	3,907,854.00	Qualified
<b>2023</b>	68,174,163	-	68,174,163.00	8,346,577.00	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Due to the rules applicable to fees to be paid by the members have not been prepared and the membership fees and contributions have not been recovered in accordance with subsections 07(1)(a) of the Samastha Lanka Sasanarakshaka Mandala (Incorporation) Act No. 16 of 2014, there was not specific source of income for the fund.	2023	Action should be taken to prepare rules and collect membership fees.	A decision will be taken regarding the charging of membership fees after informed the Executive Board	The Samastha Lanka Sasanarakshaka Mandala fund does not collect membership fees from its members at now.
2	It was observed that there was negatively impact	2021 2022 2023	Action should be taken to appoint and employ sufficient	The new executive Board will be informed again in	The Auditor General's recommendations

on the implementation of the objectives of the fund due to the necessary activities had not been taken regarding the appointment and also employment of officers and employees as required by the subsection (f) of section 6 of the Samastha Lanka Sasanarakshaka Mandala (Incorporation) Act No. 16 of 2014.

officers and employees required to implement the objectives of the fund.

this regard.

have not been implemented yet now.

- 3 The fixed deposit value of the fund was Rs. 57,183,750 and the interest for the year was Rs. 10,265,513, but the amount spent in the year 2023 was only Rs. 2,600,179 to achieve the objectives related to the fund according to paragraph 03 of the Samastha Lanka Sasanarakshaka Mandala
- 2021 Action should be taken to fulfill the objectives of the fund by using the funds efficiently.
- 2023
- The Executive Board and the General meeting in future will discuss this matter and prepare a suitable work plan for the efficient use of the fund in order to achieve the objectives of the fund and now also activities such as providing medical assistance, Buduputh housing assistance are being carried out based on the requests received in
- The Auditor General's recommendations have not been implemented yet now.

(Incorporation)  
Act No. 16 of 2014. It was observed that the reasons for this were that the funds were being used efficiently and investments were being made without given attention about achieving the objectives of the fund.

accordance with the objectives of the fund.

4	Although the Accounting Officer of an audited entity shall ensure that there is an effective system for the proper execution of internal audit functions according to in terms of sections 38(f) and 40 of the National Audit Act No. 19 of 2018, the Internal Audit Division of the Department of Buddhist Affairs also had not conducted an audit of the affairs of the fund.	2021 2022 2023	Should be followed the provisions of the National Audit Act.	The new Executive Board was informed and discussions are being held with the Commissioner General of Buddhist Affairs to conduct and audit by the Chief Internal Auditor of the Department of Buddhist Affairs.	The Auditor General's recommendations have not been implemented yet now.
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5	As per section 41(1), Audit and Management Committees were not appointed to review the operations of the fund accordingly on going concern basis.	2022	It should be done according to the provisions of the Act.	Discussions are being held with the Commissioner General of Buddhist Affairs to discuss the fund in the Audit and Management Committee meetings of the department.	The Auditor General's recommendations have not been implemented yet now.
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**3.35 Ceylon Electricity Board Employee Pension Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	39,437,870,064	190,354,712	39,247,515,352	1,078,519,057	Unqualified
<b>2022</b>	54,122,758,334	154,377,538	53,968,380,796	2,863,238,444	Unqualified
<b>2023</b>	60,067,701,342	302,106,954	59,765,594,388	3,793,785,591	Qualified

	<b>Audit Observation</b>	<b>Year of report</b>	<b>Auditor General's recommendation</b>	<b>Preventive measures taken by the auditee entity</b>	<b>Implementation status of recommendation at the date of report</b>
1	Contrary to the rule 18 of the Pension Fund Regulations published in Extraordinary Gazette Notification No. 1321/18 dated 31 December 2003, decisions had been taken by the Board of Directors to increase the pension payments. Further, a sum of Rs.866.22 million had been paid from year 2018 to 2023 as medical payments based on the board decision dated 23 <sup>rd</sup> October 2013.	2021-1.5 2022-1.5 2023-1.5	Should be complied with the Pension Fund Regulations.	The requested documents have been furnished to the Ministry of Power and Energy from time to time to be published through the Gazette Notification by letter Nos CEB/ACCT(PEN)C C dated 2022-06-16, 2022-02-03 and 2021-09-30 .	The amended rules of the pension fund had not been published through a gazette notification up to now.

2	<p>A sum of Rs.400.4 million had been invested in Treasury Bonds through Entrust Securities PLC in the 2014 and it was observed that the company has withdrawn the investment without obtaining the approval of the Committee of Management. Further, in an investigation carried out by the Internal Audit Division of the Ceylon Electricity Board in 2015, it was revealed that no Treasury Bonds are in existence under the name of the Pension Fund as per the confirmation (Lanka Secure System) received by the Central Bank of Sri Lanka. However, the Board had taken over 2 years to file a civil case against Entrust Securities PLC to recover the investment with accrued coupon interest at the date</p>	<p>2022-3.1 2023 - 3.1</p>	<p>Should ensure that a proper internal control mechanism is in place to avoid such incidents in future, all reasonable action had been taken to recover the loss made and action should be taken against the responsible officers for their negligence.</p>	<p>CEB had revealed this matter in year 2015 and immediately complain was made to FCID to recover the invested amount in due on 2015-12-09. Subsequently, FCID had filed the Case No. B290/2016 against the Entrust Securities PLC in the Magistrate Court. Furthermore, based on the report of Chief Internal Auditor, the Chairman of the CEB had appointed a committee to study the report on this matter under TOR. The Committee had concluded the report identified that CEB officers were not under charges of malpractice, fraud or corruption due to non-availability of any evidence. CEB has instituted action against the Entrust Securities PLC by filing case no. DMR 1029/2018 which are pending in the District</p>	<p>Board directed measures that replacing two Accountants of Both Provident Fund &amp; Pension Fund and brought to two funds under supervision of one of the Deputy Finance Managers. In addition to that the Board instructed to Management to expedite the process of establishing the Treasury Unit in CEB and to create one additional Finance Manager post to head the Pension Fund, Provident Fund and Treasury Unit at the Board meeting held on 07 November 2016. Further, CEB had been informed by the Counsel that the application would be made to the Commercial High Court (case bearing No. CHC/83/2021/CO) pursue its claim against Entrust</p>
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of maturity in 2018. Further, proper action had not been taken in timely manner to identify the responsible officers who were serving the fund at that time and they were allowed to retire from Ceylon Electricity Board.

Court.

Securities PLC and seeking permission to proceed with the District Court case against the liquidator who is yet to be appointed by Court. However, the respective losses had not been recovered from the responsible parties.



**3.36 Api Wenuwen Api Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,230,833,443	270,837,221	959,996,222	26,231,498	Qualified
<b>2022</b>	1,407,386,443	47,591,258	1,359,795,185	398,875,766	Qualified
<b>2023</b>	1,582,020,984	146,671,865	1,435,349,119	75,144,999	Qualified

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	While paying housing benefits, the fund had released the money to the relevant military accounts instead of a system of direct payment to the relevant beneficiary. Accordingly, the total of Rs.333.9 million has been released to the military account in the year 2023. The need of a system that promptly ensures that the money is received by the intended beneficiary on the specified date	2023	A system should be implemented to ensure that the benefit money is received by the beneficiary on the specified date without delay and that the money gets to the right beneficiaries.	A system has been prepared to bring confirmation reports quickly by the coordinating officers that the benefit money has been received by the intended beneficiary.	Rs.90.55 million benefits have been paid by the end of the third quarter of 2024 but Out of that, 30 percent or Rs.27.8 million substantiations have not been submitted.

without delay has been emphasized since the year 2021, but was not formally implemented until the year under review.

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| 2 | <p>The amount of arrears due from Ranajayapura home owners is Rs.43,503,101 as at 31 December 2023, Out of that, the sum of outstanding balances for a period of 1 to 5 years was Rs.26,220,080 and the total outstanding balance for more than 05 years was Rs.2,792,000. No prompt action was taken to recover these outstanding loan balances.</p> | 2023 | <p>Proper actions should be taken to recover the premiums without delay and arrangements should be made to maintain up-to-date records.</p> | <p>An inquiry panel of tri-forces has been appointed on the long-standing arrears of instalments and its recommendations will be submitted to the management board and actions are being taken to act promptly in this regard.</p> | <p>Implementation of recommendations is not sufficient.</p> |
| 3 | <p>As per Section 09 of the Api Wenuwen Api Fund Act No. 06 of 2008, the Fund should maintain a Fund in the Central Bank of Sri Lanka under the name "Api</p>   | 2023 | <p>Actions should be taken to act in terms of the Section 09 of the Act.</p>  | <p>It is scheduled to be submitted to the board of management for advice in this regard.</p>   | <p>Instructions were not implemented.</p>                   |

Wenuwen Api Fund" and Under Section 7 of the said Act, the amount payable to the Fund should be credited to that account, but the fund did not maintain an account in the Central Bank of Sri Lanka.

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| 4 | <p>Income tax to be paid on the income or profit of the Fund should be exempted from paying to the extent permitted by the Inland Revenue Act in terms of the section 10 of Api Wenuwen Api act. According to the provisions of Inland Revenue Act No. 24 of 2017 as amended by Inland Revenue (Amendment) Act No. 10 of 2021 and Inland Revenue Act No. 45 of 2022, Rs.13,771,820 was charged as withholding tax of 05 percent of the interest income on</p> | 2023 | <p>The income tax exemption should be confirmed from the Commissioner General of Inland Revenue and a request should be made to be released from the requirement of tax withholding by submitting it to the withholding agent (bank).</p> | <p>I would like to inform you that further actions are being done to obtain the approval of the Minister in charge of Finance as stated in section 10 of the Fund Act.</p> | <p>Instructions were not implemented.</p> |
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the fund's fixed deposits. Income tax amount was written off against the surplus of the year as an expenditure of the Fund. But a confirmation from the Commissioner General of Inland Revenue whether there is any tax liability to the Fund or a request from the relevant banks not to deduct the withholding tax were not done by acting in accordance with the section 10 of Api Wenuwen Api fund act.

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| 5 | Source documents such as receipt vouchers, receipts, invoices were not used in identifying the income of the Fund including communication tower income in accordance with paragraph 2.2 of the guidelines 04 and the financial regulations 877(2)(c) revised by the State | 2023 | Should be recorded in the accounts with the source documents to prove the account information as per the referenced State Finance Circular. | Credits of people who directly credit money to this Fund are submitted. Further, while receiving the income of communication towers, arrangements have been made to account for by considering the values mentioned in the invoices and contracts. | It is further observed that certain incomes are recognized based on the value credited to the bank account. |
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Finance Circular  
No. 01/2020 dated  
28 August 2020.  
All revenues were  
recognized based  
on the values  
shown to the credit  
of the bank  
statement.

Therefore, there  
was no system to  
verify the accuracy  
of the income to be  
received to the  
Fund related to the  
year.

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| 6 | It was recorded that 69 members had paid installments for the houses in Ranajayapura housing complex and according to the clause 2 of the agreement reached by the two parties, the ownership of the houses had not been transferred to the members who had finished paying the installments. | 2023 | Actions should be taken to act in terms of the agreements.  | Ipalogama Divisional Secretariat, Land Commissioner General's Department and the Ministry of Lands are in touch with the government institutions to speed up the process of providing title certificates for Ranajayapura housing beneficiaries. | Although actions have been taken for this, the ownership of the houses had not been transferred so far. |
| 7 | According to the action plan of the year 2023, 379 aid money of Rs.423,275,789 have been planned  | 2023 | Actions should be taken in accordance with the action plan. | Due to practical problems with the construction, some beneficiaries' premiums have to be paid further.   | Only 32 percent of the amount has been paid by the end of the third quarter of 2024 from the expected   |

to be paid for partial houses and 29 full houses the by the end of the year 2023. Even though, further Rs.106,613,263 as at 31 December 2023 and Rs.3,034,862 for the year 2021 were remained to be paid.

However, I would like to inform you that we will proceed promptly to pay this outstanding amount. money to be paid in 2024

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| 8 | According to Section 11(6) of Api Wenuwen Api Fund Act No. 06 of 2008, the financial statements of the fund and the reports of the Auditor General should be tabled in the parliament, but the reports, from the beginning of the fund to the year 2022 were not tabled in the parliament. | 2023 | Annual performance reports should be tabled in Parliament in accordance with the provisions of the Act. | The financial statements and Auditor General's reports of this fund have not been tabled since the beginning of the fund and currently the necessary actions are being carried out to be tabled in Parliament in coordination with the relevant institutions. | Recommendation s were not implemented. |
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**3.37 National Defence Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	831,800,894	-	831,800,894	(34,987,345)	Qualified
<b>2022</b>	815,716,008	-	815,716,008	(17,189,698)	Qualified
<b>2023</b>	805,256,204	28,312,535	776,943,669	(40,365,301)	Qualified

  

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	Rs.174 million was planned to be paid in the year 2023 under Metsewana project for 174 war heroes' beneficiaries. Out of this, the total final installment amount of Rs.27,228,619 was failed to pay for 79 housing beneficiaries by 31 December 2023.	2023	Actions should be taken to achieve the desired goals planned for the year.	The coordinating officers were informed to complete the project of the relevant year in the same year and the actions will be taken to complete the projects promptly by following up on this regards.	As well as in the year 2024 Rs.139 million has to be paid to 145 beneficiaries like in the year 2023, but the amount paid up to the third quarter is only Rs.43 million, so there had not been achieved enough performance.
2	In terms of the section 09 of the National Defense Fund Act No. 09 of 1985, Apart from the payment of benefits to the	2023	Plans should be prepared in such a way as to fulfill the basic objectives stated in the fund Act.	In planning future programmes relating to the promotion and assurance of national security, arrangements will	No programmes were planned in the year 2024.

members and families of the armed forces who were injured or dead in the line of duty, there were no programs planned even in the action plan of the year under review to promote and ensure national security as per the objectives of the Act.

be made to present it to the Board of Governors of the fund for awareness.

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| 3 | According to section 13 of the National Defence Fund Act No. 9 of 1985, the financial statements and Auditor General's reports of the fund should be tabled in Parliament, but the actions had not being taken to table the financial statements and Auditor General's reports of the fund in Parliament for the years 2018 to 2021. | 2023 | Actions should be taken to act in accordance with the Section 13 of the National Defense Fund Act No. 9 of 1985. | Since the National Defence Fund was under the Ministry of Finance until the year 2017, after tabling the report related to that year, this ministry will be proceeded to table the reports in the Parliament. | The fund's financial statements and Auditor General's reports have not been tabled in Parliament as on the date of this report. |
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**3.38 Prisoners Welfare Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	4,545,580	-	4,545,580	908,830	Qualified
<b>2022</b>	5,308,408	-	5,308,408	758,638	Qualified
<b>2023</b>	5,708,004	-	5,708,004	403,785	Qualified

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	As per paragraph 877(2)(a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, no separate bank account was maintained for the fund and the transactions of the Welfare Fund were carried out under the official bank account of the Department.	2023 2022 2021	877(2)(a) of the Financial Regulations to be dealt with.	According to Section 2(2) of the Prisons Welfare Fund Act No. 18 of 1973, "A general account of the fund shall be maintained in such manner as may be prescribed by the Secretary of the Ministry in charge of Finance."Accordingly, the Department of Prisons maintains the accounts of the Prisoner Welfare Fund as a public account under the heading 232-6000-0-0-006-0-028-0 deposited in the General Treasury.As per	In order to open the relevant bank accounts of the prisoner welfare fund, the name of the prisoner welfare fund should be amended.In order to amend the name of the fund, the Prisoner Welfare Fund Act No. 18 of 1973 of the National Assembly, which established the Prisoner Welfare Fund, should be amended.Therefore, the audit has been informed that the legal work for that will be done in the

State	Finance	future.
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Circular 01/2020 it is stated that a separate bank account should be maintained for a statutory fund and the audit had also inquired, the relevant forms for opening a separate bank account related to the Prisoner Welfare Fund have also been completed and submitted to the Treasury Operations Department. In the Treasury Operations Department's letter No. TO/BE2/02/BA/23 2/2015 and dated 05 January 2023, it has been informed that accounts will not be opened in the name of funds and if a bank account is opened for the official work of the department, the official name should be revised accordingly and the relevant documents should be submitted.

<p>2 The “LalithaSirisara” project was implemented using the human and physical resources of the prison with the aim of developing the artistic skills of the inmates and creating a good relation ship between the prison officers and them. An income of 8.5 million rupees had been collected in relation to this project. Out of which 1.1 million rupees are spent on entertainment expenses and totaling 4.7 million rupees are spent, and the the balance money amounted to Rs.3.75 million in the bank account of the Welikada prisoner welfare sub-society. If this project was implemented by the Prisoner Welfare Fund, the remaining money would be formally used for prisoner welfare and it will</p>	<p>2023 Steps should be taken to carry out this kind of project through Prisoner Welfare Fund.</p>	<p>With the aim of developing the artistic skills of the inmates and developing the friendship between the prison officers and the inmates,the“Lalitha Sirasara” 02 concert was conducted with the support of the Prisons Department and Prisoner Welfare Sub-Committees with the intervention of Welikada Prison Prisoner Welfare Sub-Committee.The honorable Chairman of the Executive Council of the Prisoners' Welfare Association has requested the chairmen of all the sub-committees to provide sponsorship for this program.According ly, the sub-committees have favored them at their convenience.A three-member committee led by the prison superintendent and</p>	<p>After the concert, the amount given by the sub-committees has been given back to the residential rehabilitation activities of those institutions, and it has been informed that a committee has been appointed and acted according to the recommendations of the committee.That if it is possible to provide sufficient money from the Prisoner Welfare Fund for such programs compared to the amount provided annually by the Prisoner Welfare Fund of the prison institutions for the rehabilitation of the prisoner, this program can be carriedout with the support of the Prisoner Welfare Fund in the future, and It has been reported that there is no need for other</p>
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also subject to government audit. But it was observed that this project which was carried out using government resources, has the potential to do it more transparently.

a member of the Prisoner Welfare Association has been involved in receiving all the sponsored activities in order to carry out the sponsored activities in a transparent manner. Accordingly, after the concert, the money given by the sub-committees has been given back to the residential rehabilitation activities of those institutions, and in the process of giving this money, a committee has been appointed and acted according to the recommendations of that committee. That if it is possible to provide sufficient money from the Prisoner Welfare Fund for such programs compared to the amount provided annually by the Prisoner Welfare Fund of the prison institutions for the rehabilitation of the prisoner, this

sponsors.

				program can be carried out with the support of the Prisoner Welfare Fund in the future and I kindly report that there is no need for other sponsors.	
3	The Prisoner Welfare Fund did not accurately forecast and prepare realistic cost estimates for prisoner welfare programs, resulting in 3 percent of programs activities actually implemented compared to the expected performance of the original estimate.	2023	Fund estimates should be realistic and programs should be implemented within correct time frames.	The Prisoner Welfare Fund Act provides for rehabilitation programs for inmates. Accordingly, those programs have been carried out according to the action plan related to 08 lakhs which has been prepared on how to carry out rehabilitation programs in all prison institutions. I also report that necessary measures will be taken to carry out a large number of successful rehabilitation programs based on the amount of money provided in the coming years. Also, since the annual provision of the Prisoner Welfare Fund is not sufficient for	In every year, an expenditure estimate is prepared according to the expected income and rehabilitation programs are maintained. Accordingly, a cost estimate of 15 lakh rupees will be prepared for the year 2024 and relevant rehabilitation programs will be carried out.

				rehabilitation programs, many programs have been carried out for the rehabilitation of the inmates together with the Prisoner Welfare Association.	
4	According to the original estimate for the year 2023 of Prisoner Welfare Fund, the expected income was Rs.858,500 and the expected expenditure was Rs.1,500,000. While having the ability to spend enough money for prisoner welfare, the fund's original estimate of expenditure was reduced to 53.3 percent or Rs. 800,000, and the actual income in the year 2023 was Rs. 1,172,126, and the actual expenditure was Rs. 768,341. Also, it was observed that the prisoner welfare fund had a balance of Rs.5,299,068 at the beginning of the year under	2023	Based on the welfare of the prisoner, the estimates of the fund should be prepared realistically and expenses should be incurred accordingly.	A provision of 15 lakh rupees had been set aside for rehabilitation programs in the year 2023. Accordingly, despite preparing the action plan against that amount, since the expected income for that year is Rs.858,500, the National Budget Department has given approval to make appropriate adjustments to the expenditure estimate subject to managing the target expenses within the expected income for the year 2023. Accordingly, I kindly report that an action plan has been prepared and residential rehabilitation activities have been carried out in	For the year 2024 as well, the related programs are being implemented according to the expenditure estimate prepared in relation to the provision amount of 15 lakh rupees.

review and  
Rs.5,696,914 at  
the end of the year  
under review, so it  
was observed that  
not enough money  
had been spent on  
the welfare of the  
prisoner.

relation to that  
amount.

**3.39 Insurance Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	113,155,614	296,400	91,409,664	21,449,550	Unqualified
<b>2022</b>	138,622,430	296,400	112,859,215	25,466,815	Unqualified
<b>2023</b>	193,211,590	-	138,326,029	54,885,560	Qualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the audited institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 Registration of Title (Insurance Funds) Order No. 01 of 2009 Although the Title Registrars have to provide the reports related to title revenue to the Head Office once in 02 weeks in terms of Order No. 42 (b) of Registration of Titles (Insurance Funds) No. 01 of 2009, revenue records in 14 Offices of the Registrar of Titles had not been provided and the revenue of the Fund had been	2021 2022 2023	Revenue Reports should be obtained and banked income should be properly verified.	Efforts have been made to obtain revenue reports by informing them both in writing and verbally. It has been planned to obtain from an income reporting computer system.	Records are being collected from email and through a computer system also.



calculated according to the value of money banked by the respective offices. Due to failure to be based on revenue records for that, the accuracy of the total receipts of the Fund could not be ascertained.

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| 2. | Although the amount collected by the Title Registrars at the end of every 14 days should be debited separately to the main cash book by the Registrar General of Titles in terms of Registration of Title (Insurance Funds) Order No. 01 of 2009 No.42 (e), a sum of the daily receipts had been debited to the cash book as daily revenue. | 2021<br>2022<br>2023 | Incomes should be separately recognize and recorded in the main cash book. | It has been planned to implement a computer system to identify revenue as an office. Discussions have been held with the bank to identify the branch office where revenue is banked through bank statement. | A TR number has been given to each Title Office to identify from which office the daily income collections remain in the bank statement, from July 2024. |
| 3. | Although the reports of title revenue sent by certain Title Offices to the Head Office were not in accordance   | 2021<br>2022<br>2023 | Reports that conform to the correct format should be submitted.            | Instructions have been given to branch offices to send reports in the correct format.   | Most branch offices are submitting reports in the correct format.  |

with the  
"R.G.T/I.F03"

Format in terms of  
Order 42 (b) and  
(c) of the  
Registration of  
Titles (Insurance  
Fund) No. 01 of  
2009, the  
Management had  
not taken actions  
to receive the  
reports in the  
correct Format.

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| 4. | A methodology had not been introduced to reconcile the direct debits made to the current account of the Fund based on information obtained from Title Offices to recognize the title income pertaining to the year.                | 2022 | Accurate revenue accounting should be carried out and a proper work arrangement should be introduced in order to identify the offices which credit revenue. | Discussions have been held with the bank to identify the branch office where income is banked through bank statement. | A TR number has been given to each Title Office to identify from which office the daily income collections remain in the bank statement, from July 2024.                     |
| 5. | Although a register should be maintained as per the Format No. "R.G.T/I.F 02", to enter the reports receive from the offices of the Titles Registrars at the Head Office in accordance with the said Order No. 42 (b), actions had | 2021 | A Register should be maintained in accordance with the referred model.  | The register has been maintained with all income classifications sent from the Title Registrar's Offices.             | Actions are being taken to maintain a register through a computer database system according to the relevant formats from the next financial year and to file printed copies. |

not been taken to  
prepare that  
register also as per  
the relevant  
Format.

**3.40 Intellectual Property Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	986,103,982	3,816,701	982,287,281	68,822,100	Qualified
<b>2022</b>	1,162,811,608	3,262,384	1,159,549,224	174,567,112	Qualified
<b>2023</b>	1,473,171,053	5,068,875	1,468,102,178	308,424,933	Qualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the audited institution</b>	<b>Implementation status of recommendation as on date of report</b>
1. Although the cost of Rs. 22.29 million incurred for the construction of an intellectual property sales promotion centre without acquiring the ownership of the land had been indicated as non-current assets, the land, on which the building was located, had been acquired by the Urban Development Authority. The amount spent for the construction of the building could not be settled even during the year under review.	2022 (3.1) 2023 (3.1)	Buildings should not be constructed without transferring ownership of a land, and arrangements should be made to get the amount from the Urban Development Authority.	A letter had been sent to the Director General of the Urban Development Authority inquiring about the current situation regarding the reimbursement of funds.	.Responses had not been received from the Urban Development Authority.

2	During the audit test check carried out in relation to 27 trade mark applications registered in the year under review, the period taken for registration ranged from 2 years to 28 years. According to the Registered Citizens / Clients Charter, the recommended time for each step of registration had been stipulated and a period of 8 months to 221 months had been spent for a work that should be completed in a week, and a period of 8 months to 94 months had been spent for a work that should be completed in a month, and a period of 24 months to 192 months had been spent for a work that should be completed in two months, and a period of 10 months to 96 months had been	2023	Reasons for delay in each step of trademark registration should be looked in to and solutions for those reasons should be provided.	Delays can be minimized once the recruitment of officers is completed.	Delays are still occurring.
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spent for a work that should be completed in three months.

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| 3 | Out of 1,923 rejected trade mark applications as at 31 December of the year under review, only 62 applications had been rejected during a period less than one year and 5 years had exceeded by the time of rejecting 37 applications and 3 to 4 years had exceeded by the time of rejecting 104 applications and 01 to 02 years had exceeded by the time of rejecting 1,720 applications. | 2023 | The time taken to issue rejection or acceptance letters should be minimized by conducting primary and secondary investigations for trademarks.                               | Delays can be minimized once the recruitment of officers is completed. | Delays are still occurring. |
| 4 | If the fees for publication of the application in the Gazette are paid within the prescribed period, it should be completed within a period of 04 weeks in terms of Section 111 (9) (a) of the Intellectual Property Act, No.  | 2023 | If the relevant fees are paid within the prescribed period, arrangements should be made to publish them in the Gazette within a period of 04 weeks according to the statute. | Delays can be minimized once the recruitment of officers is completed. | Delays are still occurring. |

36 of 2003 and the Citizens / Clients Charter. Even though fees had been paid by 31 December 2023, the number of applications that had not been gazetted had been 690.

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| 5 | Activities of registering trade marks of 12,898 applications, out of the applications received in the years of 2021, 2022 and 2023, had not been initiated even by 31 December 2023.   | 2023 | After receiving the applications, the registration activities should be started as per the Act.              | Delays can be minimized once the recruitment of officers is completed. | . Delays are still occurring.                           |
| 6 | According to the 2016 budget proposal, the Madrid project for the international registration of trade and service marks had been implemented and by the year 2018, an expenditure of Rs. 78 million had been incurred by the Appropriation Act. However, it was not possible to complete the tasks | 2023 | The Madrid project should be implemented and international registration of trademarks should be carried out. | The bill has been referred to the Legal Draftsman.                     | The relevant tasks have not been implemented up to now. |

of accession to the  
Madrid  
Convention even  
by the end of the  
year 2023.  
Therefore, the  
international  
registration of  
trademarks could  
not be carried out.



**3.41 Company Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	6,952,059,026	69,679,449	6,882,379,577	418,498,586	Qualified
<b>2022</b>	8,172,805,703	86,382,902	8,086,422,801	581,481,421	Qualified
<b>2023</b>	9,049,012,504	146,783,117	8,902,229,387	849,379,157	Qualified

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	An amount of Rs. 90,275,000 which transferred to the account of the Secretary to the Ministry of Trade, Marketing Development Cooperatives and Consumer Services, to purchase the ordinary shares and preferred shares of that company for the 35 percent government contribution in relation to the establishment of E-Services Lanka Company in 2007 had been mentioned under Investments. However, no	2023 2022 2021	The existence of the company that invested shares and the ownership of the shares should be verified.	Advice had been sought from the Public Finance Department.	Ownership of the shares had not been verified up to now.

return was received from the date of investment till the year under review, and no shareholding in the name of the Secretary to the Ministry had been shown as at 31 December 2016 according to Form 15 submitted under Section 131(1) of the Companies Act.

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| 2 | <p>Although the annual returns should be filed as per the Sections 131 (1) and (2) of the Companies Act, only 16,643 out of 129,229 registered companies had filed the annual returns for the year 2023, and there were 564,872 companies that should compile the annual returns within the period from 2007 to 2022 and 552,344 companies had defaulted the said provision in the year under review also. Accordingly,</p> | <p>2023<br/>2022<br/>2021</p> | <p>The necessary steps should be taken immediately to encourage the filing of annual returns, take legal actions against the companies that have not filed annual returns and collect the arrears of income.</p> | <p>Letters had been sent to the board of directors and secretaries to file annual reports, and emails had been sent to companies registered online.</p> | <p>Recommendation s had not been implemented.</p> |
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the total overdue income of the fund as at 31 December 2023 was Rs.3,058,678,000.

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| 3 | As per the Section 170 of the Companies Act No. 07 of 2007, the financial statements of every company that is not a private company should be registered with the Registrar of Companies.<br>However, the records of the companies that had proceeded in accordance with that provision could not be obtained through the existing e-ROC system in the year under review. | 2023<br>2022 | The necessary measures should be taken to identify the number of unregistered companies through the system. | It had been stated that improvements to be made to the system are being studied and action will be taken to implement them gradually.              | The situation remains the same at present. |
| 4 | 04 units of 10KAV type Online UPS and 60 batteries purchased in the year 2018 for the e-ROC project at a value of Rs.2,088,220 remained idle in the stores for a period of 05 years without being used.   | 2023<br>2022 | Action should be taken to utilise the assets effectively.   | A committee of technically knowledgeable officials will be appointed to obtain a report on the functioning of these items and take further action. | It had been remain idle                    |

**3.42 Co-operative Surplus Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	2,735,391,439	84,191,335	2,651,200,104	105,727,365	Qualified
<b>2022</b>	2,964,779,437	83,509,154	2,881,270,283	230,070,179	Disclaimer
<b>2023</b>	3,407,413,215	84,712,459	3,322,700,756	441,430,472	Disclaimer

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 Action had not been taken to identify and settle the suspend account balance of Rs. 9,475,735, which had been outstanding for 11 years.	2023 2022 2021	The actions should be taken to identify and settle the balance.	A committee including a ministry official has been appointed to settle this balance. Action is being taken to assign the relevant tasks to appropriate officials.	It had not been settled yet.
2 According to the non-performing loan schedule, a sum of Rs. 87,986,525 was to be recovered as at 01 January 2023 out of the loan amounting to Rs. 125,131,173 granted to 69 cooperative societies during the period from 1989 to 2006, and	2023 2022 2021	The arrangements should be made to recover loan Instalments and interests.	The measures taken to recover the debts are continuing and the debts due from 3 various service cooperative societies have been rescheduled and action had been taken to recover those debts in this year. In addition, the requests of the relevant society to recover the money	As at 30.09.2024, Rs. 3,157,512.96 had been collected as loan installments and Rs.216,549 as interest charges.

Rs. 1,024,971 only had been received as the loan instalments of the year under review. Out of the loan interest of Rs. 102,215,361 to be received as at 01 January 2023, a sum of Rs.497,630 only had been received.

due from the cooperative society in Galle had been submitted to the Debt Sub-Committee.

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| 3 | The actions had not been taken to settle the dishonoured cheques worth Rs. 1,721,566 which had been carried forward since the year 1999 under the miscellaneous assets.  | 2023<br>2022<br>2021 | The actions should be taken to settle the dishonoured cheques balance. | A committee including an official of a ministry has been appointed to settle this balance. Action is being taken to delegate the relevant tasks to appropriate officials of an external party. | It has not been settled yet. |
| 4 | An interest-free loan amount of Rs.15,587,000 to be paid off within 20 years had been given in the year 2007 to construct a building for a milk super sales shop and to start a sales shop giving priority to increase the local milk production. Although 16 years had passed since | 2023<br>2022         | The actions should be taken to recover the loan amounts.               | Currently, the registration of this association has been cancelled on 31.01.2023 and the relevant notice has been published in the newspapers. Accordingly, future action will be taken.       | It has not been settled yet. |

the loan was given, amount that had been recovered was Rs. 737,250, and the balance to be levied by 31 December 2023 was Rs. 14,849,750.

5	<p>A sum of Rs.62,091,372 was to be recovered as at 31 December 2023 from the loan amount of Rs.75,000,000 given to the Buildings Materials Corporation in the year 2013, and the interest to be charged thereon was Rs.85,435,460. Even if 11 years had passed by 31 December 2023 since the loan was given, no actions had been taken to recover the amount. Further, a directive had been given at the meeting of the Committee on Public Accounts held on 05 August</p>	<p>2023 2022</p>	<p>The actions should be taken to recover the loan amounts and implement the directives of the Committee on Public Accounts.</p>	<p>A letter with copies has been sent to the Secretary of the relevant ministry on 12.09.2024, requesting an opportunity to hold discussions with the management of the institution to recover this debt. A set of guidelines has been issued on how to proceed when providing loans/assistance in accordance with Section 44(iii) of the Cooperative Societies Rules of 1973.</p>	<p>It has not been settled yet.</p>
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2021 to refer the matter to the Cabinet of Ministers if the recovery of outstanding loan amount and interest cannot be done at Ministry level, and although 2 ½ years have passed, the actions have not been taken accordingly.

6	The balance of Rs. 6,017,551 that remained payable to the surplus fund and stated under the miscellaneous liabilities in the statement of financial position had not been settled from the year 1987.	2023 2022 2021	The actions should be done to settle the balances payable.	A committee including an official of the ministry had been appointed to settle this balance. Action is being taken to delegate the relevant tasks to appropriate officials of an external party.	It has not been settled yet.
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**3.43 Co-operative Development Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,038,964,621	528,781,007	510,183,614	68,573,375	Qualified
<b>2022</b>	1,204,840,127	615,244,199	589,595,928	79,412,313	Qualified
<b>2023</b>	1,573,589,009	724,437,463	849,151,546	259,555,617	Qualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 Only a sum of Rs.14,366 had been recovered as loan instalments in the year under review, out of the balance of the loan arrears totalling to Rs.33,478,262 comprised of Rs.30,461,782 to be received from 45 inactive societies as at 31 December of the year under review and a sum of Rs.3,016,480 to be received from two active societies and the interest amounting to Rs.8,608,138. There had been balances unrecovered for a	2023 3.1 (a) 2022 2021	Action should be taken to recover the loan balances.	Debt collection activities will be conducted continuously.	Only Rs.1,166,656 had been recovered from 5 active societies as of 15 September 2024.



period of 12 to 60 years within the loan and the interest, and any loan instalment had not been recovered from the loan amount of Rs. 8,080,900 provided to 15 inactive societies.

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| 2 | <p>Action had not been taken to recover co-operative school loans amounting to Rs.2,666,000 that had been indicated under other current assets as at 31 December in the year under review and prevailing from the year 1997, and performance advances amounting to Rs.281,379 prevailing even prior to the year 2012 and court compensation receivable amounting to Rs.882,175.</p> | <p>2023<br/>2022<br/>2021</p> | <p>Action should be taken to recover the loan balances.</p> | <p>Facts will be investigated and further action will be taken.</p> | <p>The debt had not been recovered up to now.</p> |
|---|---|-------------------------------|---|---|---|

3	Out of the Rs.3 million loan provided to Kobeigane Multipurpose Cooperative Society Limited in 2012, the outstanding loan balance was Rs.2,983,090 and the related interest was Rs.3,231,662, so the total amount not recovered as at 31 December 2023 was Rs.6,214,752.	2023 2022 2021	Provision of loans should be carried out systematically and arrangements should be made to recover the loans.	Currently, debt relief is being implemented in accordance with the relevant agreements. Legal action is being taken regarding these debts.	The debt had not been recovered up to now.
4	The balance of contributions receivable by 31 December of the year under review had been Rs.216,749,648, and contributions amounting to Rs.159,194,344 should have to be recovered from the Education Employees Cooperative Thrift and Credit Society Limited and contributions amounting to Rs.17,767,353 should have to be recovered from the Public Service Cooperative Credit	2023 2022 2021	Arrangements should be made to recover the balances receivable without delay.	All societies with outstanding balances had been informed to pay the due contributions promptly by letter dated 26.08.2024.	As at 2024.10.07, the total receipts were Rs.42,631,025, while the receipts from the Education Employees Cooperative Thrift and Credit Society Limited were Rs. 7,000,000 and the receipts from the Public Service Cooperative Credit and Thrift Society Ltd were Rs. 4,345,925.

and Thrift Society Ltd. It was as high as 82 percent out of the total contribution.

- |   |  |                      |   |  |  |
|---|--|----------------------|---|--|--|
| 5 | A loan amounting to Rs.306 million had been given to 9 provincial co-operative societies from the revolving Fund from the year 2010 to the year 2023. Any amount, out of the instalments amounting to Rs. 9,626,500, receivable from the South and North Central provinces by 31 December 2023, the date of the report, had not been received. | 2023<br>2022<br>2021 | Arrangements should be made to recover the loan balances. | Requests have been made to the Southern and Western Provinces Cooperative Development Commissioners to intervene in the recovery of the relevant loan. | The debt had not been recovered up to now. |
| 6 | The amount receivable by 31 December 2023 had been Rs.64 million out of the loan amounting to Rs.191 million provided to the cooperative consumer association in the years of 2011 and 2012. Even though the loan  | 2023<br>2022         | Arrangements should be made to recover the loan balances. | Union representatives had been called on 10.07.2024 and informed to take action to pay this debt.  | The debt had not been recovered up to now. |

should be settled within a month or two after taking the loan according to the loan agreements, action had not been taken to recover the loan although 11 years had passed.

7	<p>A loan amounting to Rs.152.5 million had been provided to the Co-operative Wholesale Establishment in the year 2011. Only an amount of Rs. 60 million, out of that amount, had been recovered in the year 2012, and the loan balance to be recovered further as at 31 December 2023 had been Rs. 92.5 million.</p>	<p>2023 2022 2021</p>	<p>Arrangements should be made to recover the loans.</p>	<p>It had been informed to take actions to pay the loan.</p>	<p>The debt had not been recovered up to now.</p>
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### 3.44 Name of the Institution - Lalith Athulathmudali Mahapola Higher Education Scholarship Trust Fund

	Total Assets Rs.	Total Liabilities Rs.	Equity Rs.	Profit/(loss) before tax Rs.	Opinion
2021	15,536,827,871	70,706,982	15,466,120,889	1,292,729,814	Disclaimer
2022	16,103,992,501	532,009,954	15,571,982,547	1,746,616,255	Qualified
2023	20,558,991,405	1,417,429,734	19,141,561,671	2,343,035,448	Qualified

Audit Observation	Year of the report	Auditor general Recommendation	Preventive measures taken by the institution	Implementation status of recommendation as on date of report
1. Cabinet approval had been granted in 2021 to launch an online lottery for the Fund. Although the Procurement Committee approved awarding the contract to the selected investment institution on 07 February 2023, the online lottery had not been implemented even as of the date of this report.	2022 3.2 (VII) 2023	Action should be taken to fulfill the aims of the action plan.	Complaining to the Procurement Commission and the Bribery or Corruption Investigation Commission regarding non-compliance with the recommendations of the Procurement Committee.	The lottery is not yet operational. The Bribery or Corruption Commission is conducting an investigation into this matter.
2. Although a sum of Rs. 340,200,000 had been paid to	2022 3.2 (IV)	The title deed for the purchased land should be obtained	Only an advance payment has been made for the land	Title deed for land had not been obtained up to

the Urban 2023 immediately.  
 Development  
 Authority by the  
 Fund on 29  
 December 2021  
 for the purchase of  
 123 acres, 2 roods,  
 and 29.7 perches  
 of land from the  
 Millawa Watta  
 land in Horana for  
 the construction of  
 proposed  
 International  
 University Village,  
 the Authority has  
 granted possession  
 for only 117 acres,  
 01 rood, and 22.7  
 perches on 24  
 October 2023.  
 Accordingly, the  
 Fund had lost 6  
 acres, 1 rood, and  
 7 perches of land,  
 resulting in an  
 overpayment of  
 Rs. 17,311,224.  
 Furthermore, in  
 terms of Section  
 6(1) of the Land  
 Acquisition Act,  
 the compensation  
 assessment of the  
 land must be  
 completed to issue  
 a free Grant for the  
 property.  
 However, since the  
 assessment had not  
 been finalized, the  
 Urban

and when making now.  
 the final payment,  
 only the amount of  
 land proposed to be  
 acquired will be  
 paid.

#### Development

Authority had been unable to obtain a free Grant for the land. Accordingly, the Fund had been unable to obtain a title deed for the land even as of 22 August 2024.

**3.45 Measurement Units Standards and Services Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,692,768,235	41,573,704	1,651,194,531	66,445,027	Qualified
<b>2022</b>	1,788,132,257	44,089,641	1,744,042,616	75,092,226	Qualified
<b>2023</b>	1,889,407,329	24,292,931	1,865,114,398	165,955,538	Qualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 Sections 20 (1) (a) and 37 of the Measurement Units, Standards and Service Act No. 35 of 1995 Although all measuring instruments used in trade should be verified annually, a proper procedure had not been established within the Fund to ensure that every instrument in use is verified.	2023 1.6 (a) 2022 1.6 (a) 2021 1.6 (a)	Action should be taken in accordance with the provisions of the Act.	It was stated that work has begun to prepare a formal data system by assigning a registration number to all measuring instruments and progress of that will be reported in the next audit.	A verification system had not been established up to now.



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|---|---|-----------------|--|---|---|
| 2 | Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>Financial Regulation 371 (2) (b)<br>Without the approval of the Treasury, a total of Rs. 900,000 in fuel advances had been given to 04 officers exceeding the limit of Rs. 100,000 per officer during the year under review. | 2023<br>1.6 (අ) | Action should be taken in accordance with the Financial Regulations. | Action will be taken to ensure that the limit of Rs. 100,000 is not exceeded in 2024.   | Advances exceeding Rs. 100,000 were given in the year 2024, |
| 3 | Although the National Measurement Laboratory was established in 2015 with 66 laboratory rooms, only 33 rooms are actively operating currently for 12 measurement fields, while the remaining 33 rooms (covering an area of 140,060 square feet) remained idle as of the date of audit.                  | 2023<br>3.4     | Actions should be taken to utilize assets effectively.               | Currently, 20 laboratory rooms are being operated using air conditioners, while other research rooms cannot be operated without an air conditioning system and ventilation. | Remains idle as of the date of the report.                  |

**3.46 Provident Fund of the Coconut Cultivation Board**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	-	-	-	-	-
<b>2022</b>	-	-	-	-	-
<b>2023</b>	-	-	-	-	-

Financial Statements for the years 2021, 2022, and 2023 have not been presented to the Auditor General.

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the audited institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 As per section 6.5.1 of the Public Enterprises Circular No PED/12 dated 02 June 2003 and section 6.6 of Public Enterprises Circular No 01/2021 dated 16 November 2021, although the financial statements should be presented to the Auditor General within 60 days from the date of ending the financial year, financial statements	Transaction report 2021 – 2023	Financial Statements should be presented to the Auditor General as per the circular referred.	A committee was appointed to transfer this Fund to the Central Bank as per a decision taken at the General Annual Meeting held in the year 2021 following the divulgence of a fraud in the Fund for the first time in March 2021. Thereafter, the preparation of the final accounts of the Fund from 2019 to 2021 was carried out in the year 2022 and	Financial statements 2021 to 2023 have not been presented to the Auditor General.

of 2021, 2022, and 2023 had not been presented to the Auditor General even by the date of this report.

the final accounts of the year 2021 are ready to be presented to the Auditor General by now.

- 2 As per Section 27 Transact Action should be taken Following a general Sums amounting to  
(3) of the ion regarding advance as annual meeting held Rs. 2,240,000 and  
Employees report per the provision of in the year 2021, Rs. 14,780,000 had  
provident Fund Act 2021 – the Act and subsection releasing of advance been paid to  
No 15 of 1958 and 2023 referred. amounts had been members in the  
section 6 (II) of the made in 2022 only years 2021, 2022  
Provident Fund respectively and  
Constitution advance payments  
approved on 02 May had not been made  
1973 by the in the year 2023.  
Department of  
Labor, rules and  
regulations  
governing an  
approved provident  
fund shall not be  
altered except with  
the written sanction  
of the Commissioner  
and where it is  
required to obtain  
the covering  
approval of the  
Commissioner  
General of Labour  
and the  
Commissioner  
General of Inland

Revenue to the decision of the majority of the Governing Body regarding all facts related to certain fact or matter in respect of which no directive has been imposed on the governance of the Fund, instead of so doing and without obtaining said approval, advance payments had been made on two occasions one being paid to members at the completion of 55 years of age and second payment being made 2½ years later at the age of 57½ in accordance with a decision taken at the meeting of the Governing body of the Fund held on 19 June 2008. Sums amounting to Rs. 2,240,000 and Rs. 14,780,000 had been paid to members in

the years 2021, 2022 respectively and advance payments had not been paid in the year 2023.

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|---|--|--|--|--|--|
| 3 | <p>As per section (i) 28 of the Constitution of the Provident Fund of the Coconut Cultivation Board approved on 02 may 1973 by the Department of Labor, although accounts of the Fund to be prepared in respect of every calendar year should be audited for every calendar year by an accountant approved by the Commissioner General of Labor and, the approval for the appointment of firms had not been obtained from the Commissioner General of Labor to audit the accounts of the Fund till 2023.</p> | <p>Transac<br/>tion<br/>report<br/>2021 –<br/>2023</p> | <p>Action should be taken against the authorities who did not get the accounts of the Fund related to the relevant period audited by an auditor approved by the Commissioner General of Labor.</p> | <p>Auditing activities are to be done by the Auditor General Department of the Government from 2019 onwards and action will be taken to obtain the approval of the Commissioner General of Labor therefor.</p> | <p>The approval for the appointment of firms to audit accounts of the Fund from 2021 to 2023 had not been obtained from the Commissioner General of Labor.</p> |
|---|--|--|--|--|--|

4	<p>As has been revealed in the year 2021, since the Accountant of the Coconut Cultivation Board who served as the Secretary of the Fund, had given money by cheques in the forms of loans, contributory advances and pension rebates to 13 non-members of the Fund including her family members, the amount of money that had been defrauded in this way from 2012 to 31 December 2021 amounted to Rs. 77,727,691.</p> <p>Although civil cases should have been filed against the relevant persons with the assistance from the Attorney General Department, it was observed that no such cases had been filed till 31 December 2023. No legal action had been</p>	<p>Transact ion report 2021 – 2023</p>	<p>Legal action should be taken against all parties who have been involved with the fraud and action should be taken to recover the defrauded money of the Fund..</p>	<p>In accordance with a complaint lodged by the General Manager with the Financial Crimes Investigation Division on 12.08.2021, the Criminal Investigation Department after having reported facts to the Kaduwela Magistrate Court, who had been took action to arrest and imprison eleven persons and all these suspects have been released on bail by the court by now. Legal cases will be filled by the Attorney General Department against the accused regarding the fraud and cases are being filled at kaduwela District Court and the Small Claims Court.</p>	<p>A sum of Rs. 15,898,523 of the total amount of the fraud that stood at Rs. 77,727,691 had been recovered by 31 December 2023. No legal action had been taken till 31 July 2024 against 7 Chairmen and 7 General Managers appointed on acting and secondary basis, and who had countersigned the cheques for making payments of the Fund within the time period from 2012 to 2021 in which the fraud has taken place.</p>
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taken till 31 July 2024 against 7 Chairmen and 7 General Managers who had been appointed on acting and secondary basis, and who had countersigned the cheques for making payments of the Fund within the time period from 2012 to 2021 in which the fraud has taken place. A sum of Rs. 15,898,523 of the total amount of the fraud had been recovered by 31 December 2023.

**3.47 National Health Development Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,550,518,459	21,383,670	1,529,134,789	188,434,938	Qualified
<b>2022</b>	2,186,557,075	497,215,266	1,689,341,809	164,877,523	Qualified
<b>2023</b>	2,165,759,378	78,567,872	2,087,191,506	371,298,795	Qualified

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	It was observed that the utilization of the general funds of the National Health Development Fund for the improvement of health services in Sri Lanka was in a poor condition and the cumulative income of the general fund as of 31 December 2023 was Rs.729,412,012 and, the amount spent from the general funds during the year under review to fulfill the objectives of the	2021-2.3 (f) 2022-2.3 (h) 2023-2.3 (f)	Relevant institutions should be informed and funds should be used efficiently and effectively.	That the cash of the fund will be utilized to ensure its continued existence in accordance with paragraph 2.2.1 of the National Health Development Fund.	This situation had not been rectified as of 30 September 2024.



Act was only Rs.  
60,614,018.

Accordingly, the  
cash utilization of  
the fund remained  
at a low level of  
8.3 percent.

- |   |   |                                    |  |   |   |
|---|---|------------------------------------|--|---|---|
| 2 | <p>Although Cabinet approval had been given to renovate a building owned by the Ampara General Hospital and establish a paying ward, instead of renovating the building, Rs. 18.20 million had been spent from the Health Development Fund to construct a building consisting of 8 rooms. This paying ward had been established in 2017 and, according to the Cabinet Memorandum, it was decided to credit 60 percent of the paying ward income to the National Health Development Fund and the balance to the Consolidated</p> | <p>2022-2.3(f)<br/>2023-2.3(c)</p> | <p>The requirements for the paying ward should be completed and the prescribed fees should be collected.</p> | <p>That the income was not received as patients were not admitted to the paying ward due to the prevailing situation in the country during the year under review.</p> | <p>This situation had not been rectified as of 30 September 2024.</p> |
|---|---|------------------------------------|--|---|---|

Fund. Although the fund received an amount of Rs. 2,113,932 as income from the paying ward for the period from 2018 to 2021, it remained idle for the last two years without receiving any income.

- |   |   |   |   |   |  |
|---|---|---|---|---|--|
| 3 | From 1998 to the year under review, the donations amounting to Rs. 13,758,807 received to the Fund in relation to 04 different projects had been retained in the donation account without being utilized for the purposed activities. | 2021-2.3 (d)<br>2022-2.2.4(c)<br>2023-2.3 (h) | Action should be taken to utilize donated funds efficiently to accomplish targeted tasks.             | That the Kirigoris Appuhami Fund will be used to repair the toilets at the Tangalle Base Hospital. That the public fund for thalassemia patients will be held for use when needed, and that the money received for Covid control programs will be used only for those programs. | The targeted tasks had not been completed by 30 September 2024.                        |
| 4 | Lottery income of Rs. 674,624,055 was received during the period from 2010 to 31 December 2023 and although it was decided at the beginning of the lottery that these revenues should be used for the purchase of hospital equipment  | 2021-2.3 (h)<br>2022-2.3 (i)<br>2023-2.3(g)   | Lottery income should be used to achieve the desired objectives through the operation of the lottery. | That the lottery revenue had been spent for the purposes of the Fund in accordance with Section 7 of the National Health Development Fund Act No.13 of 1981.  | The accomplishment of the targeted tasks remains at low level as of 30 September 2024. |

and buildings renovation of hospital. Total of Rs. 427,200,196 had only been spent as Rs. 95,053,462 and Rs. 332,146,734 respectively to accomplish those intended tasks from 2010 to 31 December 2023.

- |   |  |                      |  |  |  |
|---|--|----------------------|--|--|--|
| 5 | Although the Sri Lanka National Eye Bank Trust was established as a unit with a separate organizational structure by the Sri Lanka National Eye Bank Trust Act, No. 22 of 2023, dated 17 October 2023, Cadre recruitment procedures had not been established and actions had not been taken to obtain the approval of the Department of Management Services. | 2023-2.3<br>(a)(ii)  | Cadre recruitment procedures should be established and actions should be taken to obtain the approval of the Department of Management Services for that. | According to the Department of Public Enterprises Circular No.12/2003, posts should be created in accordance with the Corporate Plan and employees should be recruited subject to the approval of the Department of Management Services. | This situation had not been rectified as of 30 September 2024. |
| 6 | While the Eye Bank had not been established as a foreign aid project due to the non-fulfillment of the   | 2023-2.3<br>(a)(iii) | Actions should be taken to obtain approval from the Cabinet and the Treasury for these payments.   | Since the circular has been issued with the prior approval of the Cabinet and the Treasury for the   | Approval had not been obtained as of 30 September 2024.        |

provisions of paragraph 1.1 of the Management Services Circular No.33 dated 05 April 2007, payments of Rs. 2,990,400 had been made on behalf of 31 officers during the year under review based on the General Circular No.1822/11 dated 22 December 2022 of the Ministry of Health issued regarding payments related to projects implemented with World Health Organization funds, with the approval of the Secretary to the Ministry. Cabinet approval or Treasury approval had not been obtained regarding the payment of these allowances.

services of professionals working in projects implemented with foreign aid under the control of the Ministry of Health, that the further approval from the Treasury or the Cabinet is not required for the Circular.

- |   |  |                                  |                                       |  |   |
|---|--|----------------------------------|---------------------------------------|--|---|
| 7 | Although the total value of Rs. 624,435,910 of public funds collected under the Little Heart Project by the end of the year under review | 2022-2.2.4 (a)<br>2023-2.2.4 (a) | Donations should be used efficiently. | Reminders have been sent to the Director of Lady Ridgeway Hospital for Children requesting them to submit project proposals. | The achievement of the targeted tasks remains at low level as of 30 September 2024. |
|---|--|----------------------------------|---------------------------------------|--|---|

for the construction of a ten-storey building and purchase of equipment for the Lady Ridgeway Hospital for Children only Rs.81,397,296 of that amount had been spent during the year under review.

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|---|--|---|---|--|--|
| 8 | The remaining funds totaling to Rs. 9,324,047 relating to the 03 projects completed in 2019 and 2020 were further retained in the donation account without taking actions to utilize them effectively. | 2019 - 3.4 (a) 2022- 2.2.4(b) 2023- 3.2 (b) | Actions should be taken to utilize funds effectively. | That the remaining amount of the Fellowship program for Korean Doctors has been notified to be retained by the Additional Secretary, Public Relations. The remaining amount of the PCR machine for the Ratnapura Hospital will be used for the renovation of the kitchen, and the remaining amount of the PCR machine for the Hambantota District will be used to prepare a seating area for people visiting patients and to construct a yard to park motorcycles. | This situation had not been rectified as of 30 September 2024. |
| 9 | According to the Memorandum of Understanding   | 2022 - 2.3 (e) 2023-                        | The money should be recovered immediately and         | That a letter has been sent requesting the   | This situation had not been rectified as of 30                 |

reached between the Ministry of Health, the Provincial Ministry of Health, the National Health Development Fund and a Trust Company which is a supporting institution, for the construction of the Radiation Therapy Unit at the Thelippalae Base Hospital and the provision of medical equipment for the Children's Treatment Unit at the Jaffna Teaching Hospital under the project for cancer patients in the Northern Province as per the Cabinet Decision No. CP/12/0489/509/022 dated 04 May 2012, since the grant money collected by the relevant Trust Company under the name Jaffna Project is property belonging to the Ministry of Health, an amount of Rs. 72,356,055 collected during 2.3 (b) used for activities. targeted Attorney General's intervention to obtain receivables from the relevant trust company as decision of the Board of Trustees of the National Health Development Fund. September 2024.

the period up to 31 March 2023 was not used for the improvement of the Cancer Unit of the Jaffna Teaching Hospital as per the agreement and had been retained in the custody of the company.

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|----|--|----------------------------|--|---|---|
| 10 | There was an amount of Rs.406,243,364 remaining in the donation account for Apeksha Hospital as of 31 December 2023, and these funds had not been used for any productive work in the years 2022 and 2023. | 2022-2.3(d)<br>2023-2.3(d) | Action should be taken to utilize the money efficiently as received donations. | According to Sections 6 and 7 (c) of the National Health Development Fund Act No.13 of 1981, donations received for a special scheme are credited to the Fund and that the function of the Fund is only to make payments for those special projects in accordance with government regulations, and that the heads of the relevant institutions receiving donations are the ones authorized to implement those special projects. | The achievement of the targeted tasks remains at low level as of 30 September 2024. |
|----|--|----------------------------|--|---|---|

**3.48 University Provident Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	64,152,143,490	965,761,735	63,186,381,755	4,225,026,103	Unqualified
<b>2022</b>	73,196,807,111	1,391,544,316	71,805,262,795	6,015,429,579	Unqualified
<b>2023</b>	82,814,579,339	1,462,850,362	81,351,728,977	8,501,528,246	Unqualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
According to the Section 95 of the University Act No. 16 of 1978 and Commission Circular No. 03/2022 dated 07 February 2022, although the credit balance of the provident fund of the contributor should be paid within 03 months after closing the account, in 155 occasions the payment was delayed for a period from 01 to 69 months and an additional interest of Rs.9,021,851 had also been paid.	2021 2022 2023	A mechanism should be established for release of provident funds without delay.	A committee has been appointed to discuss the issues related to the implementation of Section 95 of the University Act and get a recommendation.	Not corrected yet.



**3.49 University Pension Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	17,386,922,134	234,767,606	17,152,154,528	1,222,412,486	Unqualified
<b>2022</b>	21,108,114,322	359,891,283	20,748,223,039	1,957,339,557	Unqualified
<b>2023</b>	25,796,243,374	476,602,477	25,319,640,897	3,182,236,075	Unqualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
According to Commission Circular No. 03/2022 dated February 07, 2022, the balance to the credit of the contributor's pension fund account should be paid within 03 months after closing the account, but due to late payment of 08 months to 39 months on four occasions, From the pension fund for the period of delay Rs. 715,283 had to be paid as interest.	2022 2023	Payments should be made as per the circular.	A new computer system is being created to computerize the weaknesses in the process from the end of service to the payment of pension.	Not corrected yet.

**3.50 National Sports Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	62,147,776	539,503	61,608,273	12,466,552	Unqualified
<b>2022</b>	254,970,589	172,000	254,798,589	193,190,265	Unqualified
<b>2023</b>	291,208,715	381,760	290,826,955	36,028,367	Qualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the audited institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 The Treasury approval for the budget of the National Sports Fund for the year 2023 had not been obtained as per the Paragraph 877 (1) (d) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka as amended by Public Finance Circular No. 01/2020 dated 28 August 2020.	2021 2022 2023	Treasury approval should be obtained for the budget of the Fund.	The approval of the Hon. Minister and the Treasury have been obtained for the year 2024 on the guidance of the Auditor General.	The recommendation had been implemented. (The Treasury approval for the year 2024 had been obtained.)
2 Although 51 years have passed since the establishment of the Fund, Sri	2022 2023	Action should be taken to achieve the objectives of the Sports Fund.	The expenses that can be incurred from the limited funds received by	The recommendation is being implemented.

	Lanka has won only 02 Olympic medals in 20 Olympic Games at the international level, 03 silver medals and 08 bronze medals at the Commonwealth Games, 02 gold medals, 03 silver medals and 02 bronze medals at the Asian Games.			the Sports Fund (New medals had are at a low level. not been won) There is no direct connection between the functions of the Fund and the athletes winning medals in international competitions and no comparison can be made.
3	Although the 2021 Fund had 2022 allocated Rs.5,000,000, 2023 Rs.200,000 and Rs.1,000,000 respectively for athletes' nutritional allowances, coaches' expenses and staff capacity development in the 2023 budget, no expenditure was incurred thereof.		Sufficient attention should be paid to the budget Fund to improve the performance of the athletes.	No request for funds was received under this in the year 2023. The budget has been revised accordingly. The recommendation is being implemented. (it is planned to examine in the year 2024 )
4	An amount of Rs. 104.7 million had been given to various parties for the implementation of 13 sports	2023	Construction projects should be systematically managed and monitored.	Construction of several projects ranging from 0 to 90 percent has been completed. Several confirmations have The recommendation is being implemented. (At present, the project is been implemented.)

infrastructure development projects during the year under review and instead of giving an advance based on the estimates that had been prepared and reimbursing the expenses according to the final stage of the work, the total estimated amount had been released to the project. Further, a specific time frame was not introduced for the works to be carried out in relation to the amount given as above, and no confirmation was obtained that the relevant construction was completed within that period. Furthermore, the physical progress of 07 projects with a value of Rs. 90 million expected to be completed by 31 December 2023 was in the range of 0 to 60 percent,

been received.

and a work completion certificate by an engineer by mentioning that the rest of the projects were successfully completed was not submitted to the audit. Therefore, it was not possible to confirm whether the given money was used for the said projects and whether the benefits were obtained for the money released for the said projects.

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| 5 | <p>The National Sports Fund had given an amount of Rs.9,157,992 to the Matara District Secretariat on 20 July 2020 for the preparation of a building at the Matara, Kamburupitiya Boxing Stadium and the development of the volleyball court. Out of that, only Rs.</p> | <p>2021<br/>2022<br/>2023</p> | <p>It should be Conduct formal follow-up activities related to the financial provisions provided by other government institutions for carrying out development activities.</p> | <p>The Development Division of the Ministry of Sports has informed by its letter No. MOYS/DEV/NSF/04/06/01 dated 2023.12.01 to implement the project and submit the bills.</p> | <p>The recommendation is being implemented. (The development activities had not been completed.)</p> |
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7,265,483 was spent up to 12 January 2022, and the remaining amount of Rs. 1,892,509 was not returned to the fund even after more than two years elapsed from January 2022 to August 2024.

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| 6 | Instead of 2023 preparing and following a formal system for providing financial assistance and sponsorship to athletes and coaches, money was released based on their requests that directly made to the Fund. Accordingly, in the year under review alone, an amount of Rs.11 million was given to them in this way and the Fund did not carried-out follow up action to find out whether the given money was used for specific | It should be prepared a formal system for providing financial assistance and sponsorship to athletes and coaches. | It is practically impossible to provide financial assistance and sponsorship to athletes and coaches through the Sports Fund. A certain amount of allocation is allocated annually to the Department of Sports Development for the events in which Sri Lanka must participate. Accordingly, payments are made from the Sports Fund with the approval of the Minister on the basis of their requests for any athlete or coach who does not receive financial | The recommendation had not been implemented. (A formal system for providing financial assistance and sponsorship had not been prepared.) |
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purposes. Further, instead of providing assistance and financial support for the competitions in which Sri Lanka must be represented, the Fund had acted in this regard in irregularly.

support from the Department of Sports Development or sports associations.

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| 7 | The purchase of 2023<br>air tickets for the<br>sportspersons was<br>not done in a<br>transparent<br>manner and<br>according to the<br>audit test check, it<br>was revealed that<br>the air tickets<br>purchased in 09<br>occasions by<br>using an amount<br>of Rs. 4,484,293<br>released by the<br>Fund had not<br>been done at the<br>lowest cost based<br>on calling a<br>competitive<br>quotations. | Carrying out<br>activities in a<br>transparent manner<br>in purchasing air<br>tickets. | The purchase of air<br>tickets has been<br>sponsored by the<br>Sports Fund, with<br>the approval of the<br>Hon. Minister,<br>based on the prices<br>submitted<br>following the<br>procurement<br>procedure. | The<br>recommendation<br>is being<br>implemented.<br>(The activities<br>with regard to<br>the purchase of<br>air tickets is<br>carried out by the<br>Department and<br>it is planned to<br>examine the<br>procurement<br>activities in the<br>year 2024) |
| 8 | It was not 2023<br>possible to<br>ascertain whether<br>the expected<br>works had been<br>performed and   | Taking steps to<br>obtain sufficient<br>evidence                                       | Bills and other<br>documents related<br>to the funds<br>provided have<br>been requested to<br>be sent to the  | The<br>recommendation<br>is being<br>implemented.  |

completed by  
using the sums of  
Rs. 23,690,647  
given to other  
institutions and  
parties including  
the Department of  
Sports  
Development for  
various tasks in  
38 instances, due  
to not submitted  
sufficient  
evidence to the  
audit.

Ministry, and  
documents related  
to many projects  
have already been  
received.



**3.51 Botanical Garden Trust Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	1,213,210,573	12,930	1,213,197,643	21,546,128	Unqualified
<b>2022</b>	1,156,057,814	-	1,156,057,814	101,335,943	Qualified
<b>2023</b>	1,355,621,757	-	1,355,621,757	200,260,522	Qualified

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	According to the provisions of the State Finance Circular No. 02/2018 dated 18 August 2018, while the Cabinet had made a decision to close this Fund, without doing so, a Cabinet paper was instead drafted and submitted to the Ministry of Tourism and Lands to transform this Trust Fund into a statutory fund.	2021 2022 2023	Action should be taken in accordance with the State Finance circular instructions.	A cabinet paper has been drafted and submitted to the Ministry of Tourism to submit a new cabinet memorandum with the aim of botanical garden trust fund, become to the statutory fund, which is currently operating as a trust fund.	The relevant cabinet paper is being prepared by the Ministry of Tourism.
2	Out of 7,000 plaques and cactus vases purchased for Rs.5,796,360 in 2021 without a	2022 2023	Government funds should be used sparingly.	By the year 2022, 4000 commemorative plaques and 3000 cactus vases were	The remaining stock has been given to all units for sale.

proper assessment of the need, 5,507 plaques and cacti vases valued at Rs.4,591,876 remained unsold and idling by 31 December of the year under review.

purchased to mark the bicentenary of the Royal Botanic Gardens. However, due to the problematic situation in the country at that time, the event could not be held as expected. At present, a price committee has revised the price of the plaques and arranged for sale from 01.04.2024 under the revised prices.

### 3.52 Ambuluwawa Dissanayake Mudiyansele Jayaratne Religious Centre and Bio-diversity Complex Trust Fund

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	306,393,711	18,113,054	288,280,057	4,167,652	Disclaim
<b>2022</b>	313,675,179	13,438,960	300,236,219	11,955,562	Disclaim
<b>2023</b>	363,111,759	18,242,315	344,869,444	44,632,225	-

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the audited institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 The activities under the project to develop the area where the statue of the founder had been located, such as, supplying, polishing and laying of granite at the area of the Ambuluwawa park, supply and installation of water fountains at the ponds of new park, and lighting and landscaping had been assigned to 09 persons without calling for quotations and entering into an agreement, thus paying a sum of	2021	The constructions should be assigned after entering into agreements by calling for quotations. Payments should be made in accordance with reports of the engineer / technical officer.	Prepare and submit for audit an estimate and project report containing plans and cost details for the project to develop the site around the founder's statue.	The construction work had not been carried out as per the contract and the payment had not been made according to the engineering and technical officer reports,

Rs.9,805,074 in the year under review. The estimates on total costs relating to those constructions were not made available, and the bills on payments had not been certified by an engineer or a technical officer.

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| 2 | A sum totaling Rs. 5,831,618 had been spent during the year under review in order to implement 03 projects under direct labor basis. However, estimates on total cost and job sheets in that connection had not been prepared. Furthermore, the materials purchased had not been recorded in the stock books. | 2021 | As for the implementation of construction projects under direct labor basis, estimates on total costs and job sheets should be maintained. The materials purchased should be issued after being recorded in the stock books. | Submission of files related to construction projects done on direct labor basis in the year 2021 for audit. | As of 30 September 2024, in the execution of construction projects there is no need to prepare total cost estimates, maintain work sheets and raw material taking to inventory books. |
| 3 | The management bungalow of the Trust Fund had been repaired incurring a sum of Rs. 121,505, and with a view to using the library  | 2021 | Action should be taken to utilize the assets of the Trust Fund.  | The management bungalow will be fully repaired and to be use from late 2022 onwards.                        | Even as on 30 September 2024, these assets remain underutilized.  |

building as the official quarters of the Chairman, an expenditure of Rs. 1,646,906 had been incurred on repairs during the year under review. However, they had not been made use of even by the date of audit on 31 August 2022.

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| 4 | <p>Environment and bio-diversity of Ambuluwawa had been damaged due to soil mining and quarrying at hilly areas done at an expenditure of Rs. 3,726,540 during the year under review.</p> <p>Recommendations and approval of the Geological Survey and Mines Bureau and Central Environmental Authority had not been obtained thereon.</p> | 2021         | <p>Further action should be taken on the damages caused to the bio-diversity without obtaining recommendations and approval of the Geological Survey and Mines Bureau and Central Environmental Authority.</p> | <p>Arrangements to obtain permission from the Environment Authority for the projects currently being carried out.</p> | <p>Even as of September 2024, various constructions are going on to harm the biodiversity.</p> |
| 5 | <p>The Board of Trustees had not taken adequate measures to achieve 16 of the 20 objectives</p>  | 2021<br>2022 | <p>Action should be taken to achieve the objectives of the establishment of the Trust Fund.</p>  | <p>As a whole, the year 2021 was due to the corona epidemic and the economic and political crisis in</p>              | <p>Adequate actions had not been taken to achieve the objectives mention in the Act.</p>       |

specified in Section 4 of the Trust Fund Act No. 44 of 2009.

the country in 2022, as the whole country was in an inactive state economically and socially, so it had to face that setback. Therefore, the majority of the objectives were not reached.

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| 6 | An action plan, procurement plan and progress reports had not been prepared for the year under review as required by the Public Finance Circular No. 02/2020 dated 28 August 2020. | 2022         | Action plan, procurement plan and progress reports should be prepared in accordance with the circular.          | During the year under review, the activities of the previous year were carried forward and other development activities could not be undertaken. | Action, procurement plans and progress reports had not been prepared for the years 2023 and 2024.    |
| 7 | Although it is stated that there are 400 acres of land belonging to this complex, action had not been taken to survey those lands and obtain relevant survey records to the Trust. | 2022         | Action should be taken to survey the lands owned by the Trust and obtain their records.                         | That the relevant measurement reports will be obtained in the future.  | Till 30 September 2024, the lands belonging to the trust had not been surveyed and reports obtained. |
| 8 | All the money under the General Trustee under the name of Ambuluawa Fund and information   | 2021<br>2022 | Action should be taken to obtain all the information about the assets held by the Public Trustee in relation to | That as much information has been obtained by now.   | Assets and liabilities to the Public Trustee in relation to the Trust Fund had not been              |

about the money in the banks under the name of Ambuluawa Environmental Development and Conservation Trust Fund and documents had not been obtained by the trust.

the Trust Fund.

identified and documented until 30 September 2024.

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| 9  | Information was not submitted to confirm that the Toyota car and the electric motorcycleworth totaling Rs.9,130,000 owned by the Fund were physically present and used for the purposes of the Trust.  | 2021<br>2022 | The assets owned by the Fund should be used for the activities of the Fund.  | The battery of the electric motorcycle has been carried away Colombo for repair.The car is currently used as a reserve vehicle. That the running notes, log book, repair documents will be submitted in future. | That these vehicles are physically present till 30 September 2024 and the documents had not been submitted that to used for the purposes of the fund. |
| 10 | The values of the projects relating to the carpeting of 6 km of the internal road from the main entrance to the Ambuluawa premises with ABC by the Road Development Authority during the last 02 years, and repairing the sluice and bund of the lake in the Ambuluawa | 2022         | The value of the development projects should be accounted for as the assets. | Accept. That the arrangements will be made to taken under assets after obtained information from the Road Development Authority and related institutions.   | The value of development projects was not recognized and accounted.   |

premises and  
laying the both  
sides of the  
walking path with  
paving blocks by  
the Provincial  
Irrigation

Department in the  
year 2021 had not  
been identified and  
accounted for.

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| 11 | Without being<br>prepared and<br>approved a scheme<br>of recruitment in<br>terms of Section 6<br>(2) (f) of the Trust<br>Fund Act, 23<br>employees had<br>been employed in<br>the Biodiversity<br>Complex. | 2022 | Action should be<br>taken to prepare a<br>scheme of<br>recruitment.  | That will be<br>corrected in the<br>future. | Recruitment<br>procedure had not<br>been prepared till<br>30 September<br>2024.                            |
| 12 | There was no<br>formal letter of<br>appointment for<br>the staff employed<br>by the Trust Fund<br>and service<br>agreements had<br>not been signed in<br>respect of<br>employing the<br>staff.             | 2022 | Formal letters of<br>appointment and<br>service agreements<br>should be<br>maintained in<br>respect of the<br>employees. | That will be<br>corrected in the<br>future. | Formal<br>appointment<br>letters and service<br>agreements had<br>not been<br>maintained for the<br>staff. |



**3.53 National Insurance Trust Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	31,795,871,950	14,739,332,181	17,056,539,767	5,127,770,399	Disclaimer
<b>2022</b>	41,487,016,324	22,758,348,642	18,728,667,679	6,049,158,366	Disclaimer
<b>2023</b>	-	-	-	-	-

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1. 1.5.1 Internal Control over the preparation of financial statements. (a) (iv.) A fraud done by an employee in the Agrahara Insurance Scheme had been discovered accidentally in October 2022. This fraud had been committed from the year 2018 and discovered financial loss as per the internal audit report is Rs. 5,136,000. At present, according to the internal investigations of	2022	The management should ensure sound system of internal control to avoid, detection of frauds and minimize the fraud risk.	Loss of the fraud recovered subsequently from the court procedures.	In the year 2023, several frauds were committed in the agrahara division and cases were filed against 07 officers.

the organization, 13 other officers have also been involved in similar frauds in similar nature and revealed that the value of the financial loss is Rs. 6,572,300. This was happened due to lack of design and implementation of the sound system of internal control with proper supervision and monitoring. At present the loss of Rs. 5,746,571 had been recovered from the fraudster and the court proceedings are still on going. However, a penalty had not been imposed to fraudster to recover the loss caused to the board due to loss of investment income.

(b) Integrated system for handling Agrahara Claims from acceptance of the claim applications to settlement of the claims had not been available for the board. Therefore, irregularities in	2022	The management should take necessary actions to introduce sound system of internal control for the Agrahara insurance scheme.	However, Agrahara claim division is functioning with an integrated system except acceptance and identification of claim liability which is done in the very first stage of the claim process. This initial stage of	The internal audit department of the NITF has informed about 22 deficiencies in the Agrahara payment system. Several Deficiencies have not been corrected yet.
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acceptance of claim applications, loss of claim information, delays of rectifying errors and unnecessary delays of claim processing had been occurred. In the recent past the board had taken actions to improve the efficiency and effectiveness of the claim handling process. However, a substantial time will be taken to measure the success of the aforesaid improvements.

claim processing system modifications were considered in the corporate plan 2023- 2027 and are currently progressing. Agraphara claim processing is currently being done by using ORACLE system. However, NITF have already identified gaps and areas that should be immediately developed. In fact, some of the changes have been made recently to the system. Further with the support of the finance ministry, a committee was formed with a specialist to identify internal control issues, IT controls, technical requirements and gaps to expedite claim processing. Steps have already been taken for online submission of spectacles claim as the first step in the said implementation.

<p>(e.) Financial information of reinsurance outstanding claims of Rs. 3,283,936,585 and reinsurance claims paid of Rs. 1,153,035,170 had been maintained manually in excel sheets. Therefore, it was observed that there was no proper system in place to handling transactions and keep records in the reinsurance section. This creates a greater risk of data integrity due to weaknesses in financial information reporting in the reinsurance section. Further, timely actions for collection of reinsurance claims and accuracy of those information are questionable.</p>	<p>2022</p>	<p>The management should ensure that the effective reporting system is in place.</p>	<p>Even though, there is no existing system, there are general controls to assure the accuracy and completeness of data. Accounts payable module of Sage ACCPAC is currently in operation for claim processes. Further, NITF is currently in the process of developing a system for claim handling of the RI division as per corporate plan 2023-2027.</p>	<p>The corporate plan for 2023–2027 does not include provisions for this purpose; therefore, the old system continues to operate. Discrepancies are often noted between account figures and schedules, indicating that deficiencies have not been corrected.</p>
<p>According to the Cabinet Decision No. 1989/107(85) dated 27 September 1989 and the paragraph 3(1) of the Extraordinary</p>	<p>2022</p>	<p>The board shall collect SRCC &amp; Tr premium from the insurance companies in accordance with the applicable legal provisions.</p>	<p>As per the Motor XOL arrangement implemented for motor class from the inception of the SRCC and the Fund was continued to</p>	<p>Between 2008 and 2023, approximately Rs. 9600 million remained unrecovered; However,</p>

Gazette No. 1542/11 dated 25 March 2008, the premium collected by primary insurance companies from issuance of policies for strike, riot, civil commotion and terrorism (SRCC & Tr) shall be credited to the fund. However, the board has collected only 12 per cent of motor insurance and 80 per cent of non-motor insurance from those insurance premiums. Therefore, the Gross Written Premium for the year had been understated by Rs. 12,369,745,744. In 2005, when this fund was handed over to the board, the SRCC & Tr Fund was 10.9 billion rupees. In the year 2022, the fund was 17.8 billion rupees. If all the funds accruing to this fund were received according to the provisions mentioned in the

practice by NITF. recovery is set to Accordingly, time begin in January to time the 2024 as per percentage of Cabinet premium charged decisions. under the motor

class Excess of Loss arrangement (XOL) was determined and as per the board decision no. 53-16 the money obtained as premium is 12% of the total premium collected by insurance companies.

However, before deciding 12%, 15% of the total premium was requested in the same year, but as the industry opposed to that decision, it was finally reduced to 12%.

In 2021 as management of NITF noted the opportunity to discontinue the present practice of XOL arrangement. Therefore, it was decided to change the present practice of the Motor premium collection and accept 100% as

said legal provisions, this fund should have been 68.9 billion rupees.

Accordingly, the loss incurred by the fund during the last 17 years was approximately 51 billion rupees. If all the funds related to the fund were received during the last 17 years, the effective growth of the fund should have been 11.5 per cent. However, it was observed that the current effective growth of the fund is only 3 per cent. According to the management of the board this practice had been continued when the administration of the fund had been transferred to the board by the Ministry of Finance in the year 2006. Further, this matter was discussed at the Committee on Public Enterprises (COPE) on 11 May 2023 and 03 October 2023 and the COPE was of

per the Board Paper No. 172-03 liability in the motor insurance class with 100% premium with effect from 01 April 2022. As the industry opposed the said implementation, it was postponed. As per the board decision number 189-1, 100% premium on motor policies will be implemented with effect from 01 January 2023 and again the industry has written a letter requesting to change the date of implementation with effect from 01 October 2023.

the view that there is a fundamental error caused by disregarding the decision of the Cabinet of Ministers.

However, no effective measures were taken to resolve this matter. Further, the documents in relation to the management of this fund had not been handed over to the board by the Ministry of Finance when transferred of the fund to the board in the year 2006. Therefore, it was difficult to find the period of occurrence of this fundamental error and the persons responsible in this regard.

**3.54 Sri Lanka Deposit Insurance Scheme.**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	74,443,892,000	8,659,519,000	65,784,374,000	16,555,208,000	Unqualified
<b>2022</b>	69,017,617,000	8,841,204,000	60,176,413,000	18,220,595,000	Unqualified
<b>2023</b>	121,356,319,000	8,593,677,000	112,762,643,000	24,126,464,000	Unqualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1. 01.) A sum of Rs.137.18 million had been invested on 01 April 2015 in Reverse Repurchase Agreement matured on 31 March 2016 for a sum of Rs 147.05 million with a particular primary dealer by the Scheme. The primary dealer had withdrawn the underlying securities of the above investment without substituting any security with respect to withdrawn securities. Accordingly, an impairment	2021, 2022, 2023	Need to recover the loss.	Central Bank of Sri Lanka (CBSL) intervened in the Winding Up Case of a particular primary dealer by filing intervention papers with the details of the claim of CBSL as the creditor in March 2023. The Scheme also submitted its claim by way of an affidavit in March 2023.	Action is being taken.



allowance amounting to Rs.144.25 million for the above investment had been made in the financial statements of the Scheme on 31 December 2015. This primary dealer was directed to refrain from participating in government securities primary auctions with effect from 24 July 2017. As per the financial statements and operations of the Central Bank of Sri Lanka for the year 2023, a creditor winding up was filed by one of the unsecured investors of this Company and on 17 June 2022 the winding up order was given by the court. However, the winding up case (CHC 83/2021/CO) is still pending before the courts due to other legal proceedings.

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|----|---|------|--|---------------------------------------|-----------------|------------------------|
| 2. | 02.) According to the Section 7(iii) of the Banking | 2023 | Need to specify the time period within which penalty shall | The Scheme is expected to incorporate | is to be taken. | Action is being taken. |
|----|---|------|--|---------------------------------------|-----------------|------------------------|

(Special Provision)  
Act Direction No.  
01 of 2023 dated 15  
November 2023,  
where any member  
institution makes  
any default in the  
payments of  
premium due, such  
member institution  
shall be liable to  
pay to the Central  
Bank, a penalty for  
the period of such  
default. However,  
a specified time  
period within which  
penalty shall be  
payable, had not  
been stipulated in  
the said Direction.

be payable.

provisions on a  
specific time period  
for settling the due  
penalty on the  
defaulted amount in  
upcoming  
Directions to be  
issued to the  
member  
institutions.

**3.55 Esala Perehara Trust Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	32,505,740	17,616,054	14,889,686	191,079	Qualified
<b>2022</b>	36,446,245	17,530,173	18,916,072	4,034,194	Qualified
<b>2023</b>	41,253,635	14,964,894	26,288,741	5,125,760	Qualified

	<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1	According to the F.R. 877(1)(c) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka Without obtaining the Treasury approval for the budget prepared for the year under review and submitting it to the Director General of National Budget and the Director General of Public Finance, an expenditure of Rs. 5,998,920 was incurred during the year under review.	2021 2022	Action should be taken in accordance with the Financial Regulations.	As a ministry is not specifically mentioned, the annual estimates were approved by the Esala Perahera Trust.	Recommendations were not implemented.

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|---|---|----------------------|---|--|---|
| 2 | According to Section 06 of the Mahanuwara Esala Perahera Trust Act No.34 of 1980, which was the objective of establishing the trust, the production of goods to be used in the annual Mahanuwara Esala Perahera was not carried out during the year under review.   | 2023                 | Actions should be taken to fulfill the objectives of the trust or to revise those objectives as per the need. | That the goods used in the Esala Perahera are produced by Sri Dalada Maligawa, so it is useless for the trust to incur additional costs.                               | The recommendation had not been implemented till 30 September 2024.                               |
| 3 | According to paragraph 4.4 of Public Finance Circular No.PF/423 dated 22 December 2006 and the letter of the Director General of Public Finance dated 16 July 2020, although the Auditor General's report and performance report should be submitted to Parliament within 05 months of the end of the accounting year, the audit reports and performance reports of the previous year had not been submitted to Parliament. | 2021<br>2022<br>2023 | Circular instructions should be followed.   | That the matter will be discussed in the next meeting of the trust and the relevant departments will be informed and the necessary actions will be done in the future. | Audit reports and performance reports were not submitted to Parliament in the years under review. |

**3.56 Inland Revenue Incentive Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	268,362,276.33	-	268,097,776.33	17,670,638.15	Qualified
<b>2022</b>	254,641,926.47	19,800.65	254,357,625.82	9,060,958.34	Qualified
<b>2023</b>	261,621,516.00	-	261,357,016.00	6,999,390.18	Qualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
1 The Housing Loan Fund, established with an initial deposit of Rs. 2,500,000 at the State Mortgage and Investment Bank with the objective of providing housing loans to officers engaged in the Inland Revenue Service, had a balance of Rs. 41,440,057 as of December 31, 2023. As of that date, Rs. 14,100,000 had been disbursed as loans to 15 officers, of which Rs. 4,716,605 remained to be	2023	Necessary steps should be taken to achieve the objective of establishing the loan fund.	The Treasury has provided funds for the Inland Revenue Incentive Fund, which have been deposited at the State Mortgage and Investment Bank to establish a Housing Loan Fund. Loans have been granted to permanent officers of the Inland Revenue Service based on the pledge of property as collateral, with the maximum loan amount being Rs. 1,000,000. However, no loan applications have been received from officers since the	The recommendation has not been implemented.

recovered. The last loan to an officer was granted on December 5, 2011, and no loans have been issued to departmental officers for over 12 years since that date.

year 2011.

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| 2 | According to the agreement between the Department of Inland Revenue and the State Mortgage and Investment Bank, the maximum loan amount of Rs. 1,000,000 is available only when the applicant or their dependents do not own land or a house at the time of applying. Additionally, the attractiveness of other loan schemes, which were available to officers under the government property loan proposal program, led officers to seek loans through more appealing schemes. As a result, no loan applications were received for | 2023 | Necessary actions should be taken to fulfill the purpose of establishing the loan fund. | That the money provided by the Treasury for the Inland Revenue Incentive Fund has been deposited in the State Mortgage and Investment Bank and a housing loan fund has been established, and the permanent officers of the Inland Revenue Service have been given loans on the basis of real estate collateral and the maximum loan amount given was Rs. 1,000,000. Further, No loan applications have been received from officials for that loan amount after the year 2011. | The recommendation has not been implemented. |
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housing loans through this scheme for the past several years. Therefore, the need for a re-evaluation of the terms stated in the agreement signed between the department and the State Mortgage and Investment Bank on April 10, 1989, should have been brought to the attention of the authorities.

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| 3 | <p>As presented in 2023 the financial statements submitted for audit by the Inland Revenue Department for the year ending 31 December 2023, the basic revenue estimate of the Inland Revenue Department for the year 2023 was Rs. 2,090 billion and the actual earned income on 31 December 2023 was Rs. 1,832 billion and therefor it was a decrease of 12 percent as a percentage of the</p> | <p>A systematic procedure should be established to evaluate performance for awarding incentives.</p> | <p>It has been stated that incentives have been awarded to those units based on achieving the given targets, and maximum incentives have been granted to all units except for 8 units.</p> | <p>The recommendation has not been implemented.</p> |
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basic revenue  
estimate.

However, in the  
payment of  
incentives for the  
first half of 2023  
for the department  
officers, out of the  
96 sub-branches  
that were  
evaluated, except  
for 08 branches,  
all the remaining  
branches had been  
achieved full  
bonus marks  
considering that  
the work  
performance  
exceeding 112  
percent.



**3.57 The President's Fund**

	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Profit/(loss) before tax</b>	<b>Opinion</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
<b>2021</b>	6,425,891,215	6,425,891,215	6,153,715,092	-	Unqualified
<b>2022</b>	8,088,895,493	8,088,895,493	7,882,906,732	-	Unqualified
<b>2023</b>	11,294,355,315	11,294,355,315	10,914,177,962	-	Unqualified

<b>Audit Observation</b>	<b>Year of the report</b>	<b>Auditor general Recommendation</b>	<b>Preventive measures taken by the institution</b>	<b>Implementation status of recommendation as on date of report</b>
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**1 Reference to Laws, Rules and Regulations etc.**

Section 03 of the President's Fund Act No. 07 of 1978

There shall be a Board of Governors for the fund, and the Board may regulate the procedure in regard to its meetings and transaction of business at such meetings.

However, during the year under review, only one meeting of the

2023

Action should be taken in terms of the provisions of the Act.

Comments have not been made.

Meetings have not been held in terms of the provisions of the Act even by present.

Board of Governors was held. Even though the Board of Governors of the fund shall consist of seven members in the year 2022 and 2023, it consisted of only 06 members at the end of the year under review.

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| 2 | <p>A sum of Rs.5,000,000 had been paid from the fund during the year under review for one applicant for a surgery performed in a hospital in India. According to Section 06 of the President's Fund Act No. 07 of 1978, the approval of the Board of Governors and the President had not been obtained for this payment. It had been stated the applicant's monthly pension with monthly allowances amounting to Rs.55,596, land with house worth of Rs.15,000,000,</p> | 2023 | <p>Funding must be done in accordance with the existing system.</p> | <p>As stated by you, I declare that the lady is not just a Member of Parliament, but an eminent artist who has contributed to provide great fame to the artistic field of Sri Lanka. Accordingly, the relevant payments have been made to the lady on the ability of His Excellency the President and the Board of Governors of the President's Fund and subject to the approval of the Board of Governors to make grants for those who have served the nation according to Section 6(d) of the President's Fund,</p> | <p>A sum of Rs.5,000,000 had been paid from the fund for one applicant.</p> |
|---|---|------|---|---|---|

car worth of Rs.4,000,000, fixed deposits of Rs.2,000,000 and the current bank account balance amounting to Rs.779,049 and the value of immovable and movable properties. Even though it had been informed to submit salary reports of the patient and family members for 03 months and certificates of all bank accounts and bank statements including bank transactions to confirm those, it was not confirmed that such information was submitted according to the file. Further, a sum of Rs.500,000 had been paid from the fund to this applicant even in the year 2021.

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| 3 | As informed by the office of the Deputy High Commissioner in Chennai through letters dated 27 | 2023 | Action should be taken to adjust the difference in the exchange of currency. | be Instructions were given to carry out the necessary activities in this year. | This has not been corrected even by present. |
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January 2023 and 07 February 2024, action had not been taken to reimburse or write off to the office of the Deputy High Commissioner the amount of Rs.322,051, the difference of the accumulated foreign exchange related to the years of 2020 and 2021. This had been pointed out in the audit report of the previous year.

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| 4 | It was observed that an amount of Rs.6.083 million and Rs.6.955 million which aggregated to Rs.13.038 million had been paid from the fund for medical treatments done by two members of parliament in a foreign hospital, and this was the highest value paid for an individual in the year under review. | 2022 | Attention should be given to provide benefits to a larger number of beneficiaries when paying the benefits of the fund. | According to the Presidential Fund Act, it was informed that such payments can be made at the discretion of the President. | This situation was observed even by present. |
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