

Head 241 – Department of Public Enterprises

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Public Enterprises – Head 241 for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, the statement of financial performance and cash flow statement for the year then ended and notes relevant to the financial statements including the information relevant to the significant Accounting policies was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Public Enterprises was issued to the Accounting Officer on 30 May 2024 in terms of Section 11(1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Department of Public Enterprises was issued to the Accounting Officer on 01 August 2024 in terms of Section 11(2) of the Audit Act. This report will be presented in Parliament in pursuance of the provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Public Enterprises as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

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

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Department.

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

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6(1)(d) and Section 38 of the National Audit Act, No. 19 of 2018.

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

2. Financial Review

2.1 Management of Revenue

2.1.1 Weaknesses in Preparation of Revenue Estimates

Instances where action had not been taken for forecasting and estimation of revenue in terms of paragraph 03 of the Fiscal Policy Circular No.01/2015 dated 22 June 2015 and the Financial Regulation 142, were observed. Details are given below.

	Audit Observation	Comments of Accounting Officer	Recommendation
(a)	Revenue Code 20:02:03:00 – Profit		
(i)	The estimated revenue for the year 2023 was Rs.41,669,457,000 and the actual revenue was Rs.60,496,772,520. That's 145 percent of estimated revenue, or a 45 percent increase.	Agreed with the audit observation.	Revenue estimates should be prepared more accurately by forecasting accurately on institutions from which revenue should be collected.
(ii)	The decrease in the actual revenue as compared with revenue estimates of 10 public institutions ranged between 3 per cent and 88 per cent.	Agreed with the audit observation.	Forecasting of revenue and keeping records on the collection of revenue should be formalized for taking accurate policy decisions, determining the budget gap and for monitoring and analyzing of policies.

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| (iii) | Even though estimates of profit revenue had not been prepared relevant to 08 public enterprises, profit revenue of Rs.6,396 million had been received from those enterprises. | Agreed with the audit observation. | -do- |
| (iv) | 12 public enterprises had made contributions to the profit revenue ranging from 25 per cent to 300 per cent more than the estimated profit revenue. | Agreed with the audit observation. | -do- |
| (v) | Although there are 38 corporations and 46 statutory bodies under the supervision of the Department of Public Enterprises to be contributed under revenue code 20.02.03.00-(Profit), 34 organizations representing only 40 percent of the total quantity had been included in preparing the revenue estimate which will be contributed under profit for the year 2023. Accordingly, estimates had been prepared considering 60 percent of public enterprises as non-contributory entities. | It is informed that when preparing the revenue estimate, the profit-making institutions were taken into consideration, and since there is a possibility of variations based on the actual financial performance of the institutions included in the estimate during the year, it was not possible to get the dividend income as estimated. | -do- |

(b) Revenue Code

20:02:04:00 - Dividend Revenue

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| (i) | The estimated dividend revenue for the year 2023 was Rs.8,733,000,000 and due to the actual revenue being Rs.15,204,348,243, it had collected a sum of Rs.6,471,348,243 over the estimated revenue. Accordingly, it is a 74 percent increase over the estimated revenue. | Agreed with the audit observation. | Forecasting of revenue and keeping relevant records on the collection of revenue should be formalized for taking accurate policy decisions, determining the budget gap, and for monitoring and analyzing of policies. |
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- (ii) Even though out of the profit relevant to the year 2022, dividend revenue of Rs.134 million had been estimated to be received from 03 public enterprises in the year under review, any contribution had not been made to the dividend revenue from those institutions during the year under review.
- The following institutions are other companies which own investments in General Treasury and the financial year ends on 31.03.2024. Those institutions have declared interim dividends and remitted them to the Consolidated Fund. The details are as follows.

Institution	Dividend (Rs.)	Date of remittance
National Development Bank	1,809,329	19.04.2024
Commercial Bank	159,375	08.04.2024
De La Rue Lanka (Pvt) Ltd	1,324,040,000	29.01.2024

- (iii) Compared to the estimated dividend revenue of 04 public enterprises, the decrease in actual income ranged between 47 and 92 percent.
- Bank of Ceylon, National Savings Bank and People's Bank

In accordance with the guidance issued by the Monetary Board of the Central Bank of Sri Lanka dated 02 February 2023 as No. 01, 2023 related to the Banking Act, instructions are issued to refrain from declaring profits or dividends for the year 2023 until the financial statements for the year 2023 are prepared and audited.

The dividend per share declared by Sri Lanka Telecom has decreased due to the decline in the company's earnings per share. Accordingly, the dividend revenue has decreased than the estimated revenue.

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| (iv) | Thirteen public enterprises had contributed dividend revenue in excess of estimated dividend revenue ranging from 33 percent to 2,500 percent. | Agreed with the audit observation. | -do- |
| (v) | Four public enterprises, which were not included in the estimated dividend revenue, had contributed Rs.7,131.2 million to the dividend revenue during the year under review. | Agreed with the audit observation. | -do- |
| (c) | According to the information submitted to the audit, although there are 50 public companies under the supervision of the Department of Public Enterprises, only 16 public companies had been included under strategically important public enterprises and it was observed that the supervision of other public companies is at a low level. | It is informed that only the public enterprises which make a significant contribution to the economic growth of Sri Lanka and are strategically important have been included under the strategically important Public Enterprises. | Proper supervision should be done in relation to all public companies under the purview of the Department of Public Enterprises. |

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comments of Accounting Officer	Recommendation
(a) When comparing the original expenditure estimate with the revised expenditure estimate, the variance in relation to 14 votes varied from a decrease of 40 percent to an increase of 326 percent.	<p>The following are the reasons.</p> <ul style="list-style-type: none"> • Control of expenditure as per Budget Circular No. 02/2023. • According to Public Administration Circular No. 14/2022, taking local and foreign leave without pay by officers of the staff. • Increase in highway access charges, receiving foreign study tours and training opportunities for officers and inadequacy of estimated provision due to increase in 	In terms of Financial Regulations, estimates should be prepared as accurately as possible.

exchange rates at the time of expenditure than the exchange rates prevailed at the time of preparation of estimates.

- Inadequacy of provision due to rise in prices of vehicle and machinery spare parts, rise in seasonal service charges and repair service charges as compared to previous years and increase in the number of officers entitled to transport allowance for official transport facilities in this year than at the time of preparation of estimates.
- Inadequacy of provision due to increase in fees related to postal, telephone and internet facilities.
- Due to non-allocation of provision in the previous year, outstanding assessment tax had to be paid during this year.
- Having to procure vehicles through operating lease method due to lack of sufficient vehicle pool in this department.
- Making statutory payments in legal proceedings against certain public enterprises and for settlement of working capital issues of certain public enterprises.

- (b) Due to over-allocation for 6 recurrent votes and 02 capital votes, there was a balance of Rs.50,125,840,726 after utilization of that allocation in the year, and the balance had taken a percentage ranging from 7 percent to 48 percent of the net allocation.
- The following are the reasons. -do-
- According to the Public Administration Circular No. 14/2022, taking local and foreign leave without pay by officers of the staff.
 - Control of expenditure as per Budget Circular No. 02/2023.
 - Saving six percent of recurring allocations as per Budget Circular No. 01/2023.
 - Although domestic debt and foreign debt restructuring of the National Water Supply and Drainage Board was expected, it did not happen as scheduled.
 - Even though it is expected to provide a capital contribution of Rs.129 billion to restructure the balance sheet of Ceylon Electricity Board, the inability to provide the expected total capital contribution to the Ceylon Electricity Board based on the rupee value of the loan amount of USD 697 million that was supposed to be received by the Ceylon Petroleum Corporation.
 - There was no need to make a capital contribution as the amount of money held by the institution was sufficient to cover the expenses of the Colombo Lotus Tower Management Company.

- Non-finalization of legal proceedings in court for settlement of statutory payments of North Sea Company.
 - Not receiving sufficient imprest to Sri Lanka State Plantation Company.
- (c) According to paragraph 2(c) (iii) of Budget Circular No. 01/2023 dated 27 January 2023, vote 1003 - the provision allocated for other allowances should also be reduced by at least 06 percent, but the balance under that vote in the year under review was Rs.1,106,269 only, which was 4 percent of the net provision. Agreed with the audit observation. Action should be taken in terms of circular provisions.
- (d) It was observed that a total of Rs.114,533,109,879 had been allocated through supplementary allocation for 13 votes that had not been allocated in the initial estimate of the year under review. Agreed with the audit observation. In terms of Financial Regulations, estimates should be prepared as accurately as possible.

2.3 Incurring of Commitments and Liabilities

Audit Observation	Comments of Accounting Officer	Recommendation
In terms of F.R. 94 (1), no expenditure or commitment shall be incurred by any department for work, service or supply, unless financial provision exists therefor in the Annual Estimates. However, although there were savings of Rs.64,590 in the provision as at 31 December 2023, liabilities amounting to Rs.27,857 had been incurred exceeding the savings under the object-241-1-1-1402.	Agreed. In the future, necessary measures will be taken to prevent entering into commitments exceeding the provision limit	Action should be taken in terms of Financial Regulations.

2.4 Non-compliance with Laws, Rules and Regulations

Audit Observation	Comments of Accounting Officer	Recommendation
<p>In terms of paragraph 10 of Public Finance Circular No.02/2022 dated 28 August 2020 and Section 16(2) of the National Audit Act, No. 19 of 2018, the Annual Performance Report along with the annual financial statements should be submitted to the Auditor General. However, the Department of Public Enterprises had not submitted the Annual Report of the year 2023 to the Auditor General by 28 February 2024.</p>	<p>Agreed, action will be taken in the future to submit the annual performance report along with the annual financial statements.</p>	<p>Action should be taken in terms of legal provisions.</p>

3. Operating Review

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Paragraph 07 of the Extraordinary Gazette No. 1550/7 dated 22 May 2008 states that a surcharge of US \$ 60 or equivalent amount should be recovered on every passenger ticket issued or sold outside Sri Lanka for flights originating from Sri Lanka irrespective of how the ticket is issued or sold, and the surcharges so collected should be credited to the Consolidated Fund as directed by the Director General of Civil Aviation as per Paragraph 08 of the said Gazette. Accordingly, a sum of Rs. 22,113 million had been collected as surcharges by the Civil Aviation Authority relating to the period from 01 August 2008 to 31 December 2023, but those surcharges had not been credited to the Consolidated Fund. Furthermore, the Director General of the Department of Public Enterprises had been briefed by the Department of Legal Affairs on 12 June 2017 along with the letter issued by the Attorney General's Department dated 07 April 2017 mentioning that, "It is further</p>	<p>According to the decision at the meeting of the Cabinet of ministers held on 19.12.2023 relevant to the memorandum dated 30.01.2024 submitted by the Minister of Ports, Aviation and Shipping which was the Cabinet Paper No. CP/24/0226/628/015 titled "Arrangement of Funds for the Expenses of Sri Lanka Civil Aviation Authority", action had already been taken to credit an amount of Rs.1,373,269,517 to the consolidated fund on 10.05.2024 after retaining an amount of Rs.393,000,000 from the foreign sales surcharge income of Rs.1,766,269,517 from November 2023 to March 2024. The Chairman of the</p>	<p>Proper plans should be made and implemented relating to collection of revenue, which is a main function of the Department.</p>

possible to recover this surcharge, and that there is a legal obligation to credit such surcharge money to the Consolidated Fund”, which is the opinion of the Attorney General’s Department in this regard. However, the Department of Public Enterprises had not taken action to recover this surcharge money from the Civil Aviation Authority even by the date of audit.

Sri Lanka Civil Aviation Authority has informed that, this income will be collected from the airline companies for two quarters of two weeks, and the money of the second quarter will be received on the 15th day of the next coming month, and accordingly the remittances related to the coming months will be sent before the 20th day of the next coming month after the end of a certain month.

(b) Capital Contribution

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(i) As at 31 December 2023, the government had provided Rs.1,124,665,353,761 as capital contribution to 13 state enterprises and that value as at 31 December 2022 was amounted to Rs.1,047,966,900,772. According to the financial statements of those enterprises, the value of net assets (Total Assets- Total External Liabilities) as at 31 December 2022 had been negative Rs.630,632,144,273. Accordingly, it was observed that these capital contributions have been shown under financial assets in the government's financial statements, but their value has been fully impaired, and the related institutions have reached to a state of being operated under external liabilities. Furthermore, it was further observed that the main reason for this is that the retained profit is negative due to the losses of the respective institutions.</p>	<p>External liabilities, including long-term debt, of state-owned enterprises are about 7 percent of GDP. This is mainly due to the lack of a cost-reflective pricing system in public enterprises and the non-financing of the costs through direct government financial grants when supplying goods at a subsidized price instead of the market price and as a result, state-owned enterprises continuing to record losses and financing of such losses through state-owned banks. Meanwhile, the financing of continuous losses reported by strategically important state enterprises such as Ceylon Petroleum Corporation, Ceylon Electricity Board, Sri Lankan Air Lines through</p>	<p>The financial position of the government-owned institutions should be evaluated in time and the decrease in their values should be properly included in the financial statements of the government.</p>

state banks, has been a notable trend in recent years. In addition to this, the effect of the government's policy decisions also led to the above situations.

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| <p>(ii) The value of net assets of 05 public enterprises comprising government capital value of Rs.1,019,627,985,708 as at 31 December 2023, and Rs.892,034,785,542 at 31 December 2022, had been Rs.371,771,137,033 as at 31 December 2022. Accordingly, it was observed that the capital contribution value invested in these public enterprises is undergoing impairment.</p> | <p>-do-</p> | <p>The financial position of the government-owned institutions should be evaluated in time and required proper action should be taken and the decrease in their values should be properly disclosed in the financial statements of the government.</p> |
| <p>(iii) According to the financial statements of the Government as at 31 December 2022, the value of capital contribution to public enterprises was Rs.2,165,981,657,905, and out of that, Rs.2,121,653,720,125 had been invested in government corporations, statutory boards and state-owned companies. When taken as a whole, the total value of the net assets of these state-owned business entities had been Rs.1,669,676,388,290 by 31 December 2022. Accordingly, it was observed that the government's capital contribution related to the above three types of institutions had been impaired by Rs.451,977,331,835 or 21 percent compared to the net assets of those institutions.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(iv) In the year 2022, even though a net profit of Rs.117,718,706,426 had been earned by 32 statutory boards in which the government being invested, 36 state corporations and 30 state-owned companies have earned net losses of</p> | <p>-do-</p> | <p>-do-</p> |

Rs.804,795,113,607 and
 Rs.133,722,486,417 respectively
 totaling to Rs.938,517,600,024. It was
 observed that a total net loss of
 Rs.820,798,893,548 had been incurred
 in relation to the 98 institutions.
 According to the report of the Central
 Bank of Sri Lanka, the average annual
 population in the year 2022 was
 22,181,000 and accordingly, it was
 further observed that the per capita net
 loss incurred for the year 2022 in
 respect of 98 government-owned
 business institutions was amounted to
 Rs.37,000.

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| (v) | By the end of the year 2022, the current ratio relevant to 17 state-owned enterprises remained in a weak condition. In particular, it was observed that the current ratio of Sri Lankan Airlines is at a very low value of 0.15. Accordingly, it was further observed that these public enterprises have a high risk of facing liquidity difficulties. | The treasury has very limited financial capacity to invest in public enterprises. In such cases, public enterprises had to access banking sources to meet their working capital requirements. Accordingly, due to the increase in loan installments with interest payable to the banks, current liabilities were also taken a higher value compared to current assets. Thus, liquid assets are insufficient to meet the short-term liabilities of the respective public enterprises. However, as it is observed that Sri Lankan Airlines is no longer able to pay its liabilities, its balance sheet had been restructured by taking over liabilities of USD 210 million and USD 100 million to the government to attract potential investors. | -do- |
| (vi) | By the end of the year 2022, it was observed a high debt to equity indicating a levered condition in respect of 16 state-owned enterprises. | These state-owned enterprises are facing a high levered condition due to financing their working capital required | -do- |

In some institutions, the long-term debt to be paid was higher than the government's capital. Further, public enterprises were observed where the government's capital contribution was negative and those institutions were financed entirely by long-term debt. Accordingly, it was further observed that all these institutions are facing a high financial risk as well as a severe risk of going concern.

to carry out operations through long-term loans obtained from banks. Some public enterprises have even had to restructure their loans with the consent of the creditors in the failure to service the bank loans within the stipulated period. Although it is difficult to provide financial relief for the existing capital difficulties of state-owned enterprises in view of the limited financial space of the government, it was possible to bring the levered situation in the enterprises to a good condition through the reforms taken in the year 2023.

(vii) According to the direct confirmations of balances submitted by 8 public enterprises, the government's capital contribution of those institutions was Rs. 10,803 million as at 31 December 2023, and that balance was Rs. 4,323 million according to the financial statements of the government. As a result, the capital contribution had been understated by Rs.6,480 million in the financial statements of the government at 31 December 2023.

These differences between the balance according to the financial statements of the government and the balance according to the direct confirmations were also observed by us and the required actions are currently being taken to identify the reasons of the differences and after properly identifying the relevant differences, it is expected to be recorded in the general ledger accounts with a formal approval.

Action should be taken to obtain timely balance confirmations and evaluate with state-owned institutions and to take appropriate action and ensure the accuracy of accounts.

(viii) According to the direct balance confirmations submitted by 9 public enterprises, the capital contribution of those institutions as at 31 December 2023 was Rs.994,992 million, and according to the financial statements of the government, the balance was Rs. 995,171 million and as a result, the capital contribution in the financial statements of the government had been overstated by Rs. 179 million.

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| (ix) | Differences in the number of shares owned by the government in relation to 09 institutions were observed between the direct balance confirmations submitted as at 31 December 2023 and the financial statements of the government. Accordingly, as at 31 December 2023, the government's capital contribution had been understated by Rs.135 million in the financial statements of the government. | The share certificates related to the issue of shares by the companies mentioned here were not received up to now and action will be taken to make the relevant corrections. | -do- |
| (x) | According to the direct balance confirmations received from Sri Lanka Institute of Biotechnology Pvt Ltd as at 31 December 2023, it was mentioned that 52,472,573 shares with a price of Rs.10 per share, were owned by the treasury. However, it had been stated in the financial statements of the government that there is a capital contribution of 200,000 shares at Rs.100 per share. Accordingly, the capital contribution of that institution had been understated by Rs. 504,725,732 in the financial statements of the government as at 31 December 2023. | This difference has arisen due to the non-recording of the capital contribution given under the capital expenditure vote of the relevant line ministry to Sri Lanka Institute of Biotechnology Private Limited, in the main ledger accounts and the relevant reporting will be done in this year. | -do- |
| (xi) | Although the share value as at 31 December 2023 had been Rs. 5,141 million in the calculation made according to the number of shares owned by 02 state companies and according to their nominal value, it had been indicated as Rs. 14,476 million in the financial statements of the Government. Accordingly, capital contribution had been overstated by Rs.9,335 million in the financial statements of the Government as at 31 December 2023. | It was observed that there has been an omission in the calculation of the share capital of Bogala Graphite Lanka PLC. It is noted to correct the relevant calculations.

Although the capital contributions made to Mihin Lanka (Private) Company in the years 2021 and 2022 are recorded in the relevant main ledger accounts, share certificates have not been issued for it. However, the money given to the relevant institution as equity capital is | -do- |

recorded in the relevant main ledger accounts.

- (xii) According to the financial statements of the government, during the year under review, the increase in capital contribution of state-owned enterprises was Rs.241,651 million, of which Rs.34,090 million, or 14 per cent, was in the form of recurring nature which consisted of money released from the General Treasury to individual institutions for payment of loans, loan interest and payments of salaries and wages.
- All these institutions are fully owned by the General Treasury. Accordingly, the Treasury should provide the necessary financial contribution for the existing working capital problems or other recurring expenses of those institutions.
- As there is no increase in the capital contribution of the institutions through incurring recurring expenses, a proper method should be followed for that.
- (xiii) According to the financial statements of the government, capital contributions of Rs.176 million were made for 05 state-owned enterprises during the year under review, but there was no change in the number of shares held by the General Treasury.
- The previous method for recording the capital contribution made in the public companies in the main ledger account was that accounting takes place immediately after the relevant capital contribution is made and not until the share certificates are issued as it takes considerable time for the process of issuing share certificates by the companies.
- Prompt action should be taken to obtain the share certificates related to the investment in shares made by the government.
- (xiv) The proposal No. (a), (b), and (c) of the Cabinet Memorandum No. MOF/DG/LAD/CO/142/2017 and dated 30 October 2017 regarding the liquidation of Mihin Lanka (Private) Company had been approved by the Cabinet decision No.CP/17/2383/733/026-1 dated 08 November 2017. Accordingly, the Secretary to the Treasury had passed a special resolution for the liquidation of the company and according to the request made from the Commercial High Court, a liquidator had been appointed by the Court on 18 March 2018. In such a situation, a sum of Rs. 272 million and Rs.441 million in total
- The capital contribution given to Mihin Lanka (Private) Company for the year 2021 was not recorded in the relevant main ledger account in those years. As there are cases where share certificates are not issued in the same year of capital contribution, related accounting activities are also delayed. Therefore, in order to avoid such omissions, in consultation with the Department of State Accounts, necessary steps were taken to include the share certificates in the main
- In providing funds, the government should minimize the possible disadvantages and the existing conditions should be formally evaluated.

amounting to Rs.713 million had been given by the Treasury in the year under review for that company to pay installments and interest for the year 2021 and 2022 respectively in relation to the loans taken by the company from the People's Bank.

ledger accounts of the relevant note.

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| <p>(xv) The number of shares invested in Sri Lanka Telecom was not recorded under accounting note 15 in the financial statements of the government of year under review and the value was stated as Rs.1,271,480,516. Furthermore, according to the balance confirmation letter received from Sri Lanka Telecom, although the Sri Lankan government's shareholding in Sri Lanka Telecom is 50.23 percent as at 31 December 2023, it was stated as 49.5 percent in the government's financial statements.</p> | <p>Share certificates have not been received for this equity investment up to now. Due to an omission, the relevant number of shares has not been stated, and will be included that value in the future. This difference in percentage occurred due to a mathematical error in calculating the relevant percentage and is noted it for future correction.</p> | <p>Accuracy of accounts should be ensured by obtaining timely balance confirmations from state-owned entities.</p> |
| <p>(xvi) According to the financial statements of the government, the increase in the capital contribution of public enterprises during the year under review was Rs.269,386 million, of which Rs.228,771 million or 85 percent had been increased due to equity investments made in the Ceylon Electricity Board and Sri Lankan Airlines Limited under restructuring of balance sheets as per the decision of the Cabinet of Ministers No. 23/1812/604/118-1 dated 26 September 2023.</p> | <p>Agreed and noted.</p> | <p>As the government may be affected by a financial problem due to the government taking over the identified liabilities of the state-owned enterprises, a proper system should be established to settle those liabilities.</p> |
- (c) Taking follow up action on tabling of Annual Reports of institutions under the purview of the Department of Public Enterprises, in Parliament on due dates under the mission "To safeguard the public interest" was a function of the Department. The following observations were made in this regard.

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| (i) | Even though there were 305 institutions under the supervision of the Department of Public Enterprises, according to the official website of the Parliament as at 25 May 2024, out of the 52 institutions that the department considered strategically important, only 33 institutions had tabled their annual reports for the year 2022 in Parliament. | At the beginning of this year, the Chief Accounting Officers, Heads of institutions and the Board of Directors of the relevant institutions have been informed about the preparation of financial statements and the tabling of the annual report in Parliament in relation to the year 2023. Awareness has been made from time to time to the relevant institutions to take immediate action in this regard. | Follow up action should be taken on information relating to tabling of annual reports in Parliament of all institutions under supervision. |
| (ii) | For the year 2023, any of the 52 public enterprises had not tabled their annual reports in Parliament by 25 May 2024. | -do- | Follow up action should be taken on information relating to tabling of annual reports in Parliament of all institutions under supervision. |
| (iii) | According to Chapter 3.2 of the Code of Corporate Governance Guidelines for Public Enterprises introduced in the year 2021, annual reports should be presented at the annual performance evaluation meeting, but it was observed that the involvement of the Department of Public Enterprises was also at a very low level even in the year under review. | Relevant awareness in this regard was regularly done by this department. But the Board of Directors of the relevant institution should be responsible for conducting annual performance evaluation meetings. | Action should be taken as per Guidelines on Corporate Governance. |

4. Human Resource Management

4.1 Attached Cadre and Actual Cadre

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Among the 06 vacancies existed in the Department as at 31 December 2023, 04 senior level posts of Additional Director General	Among the 04 vacancies in the Senior Level which existed as at 31 December 2023, two officers are currently assigned for 02 vacancies in Deputy Director/Assistant Director posts of the	Action should be taken to recruit necessary cadre and if non-essential cadre is included in the

and Director, 01 tertiary level post and 01 primary level post remained vacant.

Sri Lanka Accountants' Service and the vacancy in the post of Deputy Director/Assistant Director of the Sri Lanka Administrative Service will be filled in the future. Further, the recruitment of a suitable officer for the post of Departmental Assistant Director as per the prescribed procedure is currently underway.

approved cadre, the number of approved posts should be revised.

Also, the vacant post at the tertiary level is a post of Financial Analyst which is a departmental post, and the relevant post has been vacant on the issuance of orders for leaving the service. The relevant vacancy in the primary level has arisen due to the transfer of primary level officers to the Sri Lanka Customs Department and the absence of successors, and suitable officers will be assigned in the future.

- (b) There were 05 excess posts in the secondary level which consisted of 04 posts of Development Officer and 01 posts of Accounts Assistant.

As at 31.12.2023, 07 officers of the Development Officer's Service have taken local and foreign leave on formal approval and this situation has arisen due to taking action to carry out the work of the department promptly without any disturbance.

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Furthermore, on the abolition of the previous Ministry of Economic Development, an Accounts Assistant Officer who worked there has been assigned to this department. Accordingly, a formal request has already been made to the Department of Management Services to get the relevant position approved.