

Head 249 – Department of Treasury Operations

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 249 - Department of Treasury Operations for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended and notes to the financial statements including a summary of 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 Treasury Operations 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 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 provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Treasury Operations as at 31 December 2023 and its financial performance and cash flow 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 Accounting Officer on 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accountig 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.

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

1.4 Auditor's Responsibility on Audit of Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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

As required by Section 6 (1) (d) of the National Audit Act, No. 19 of 2018. I state the followings;

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

2. Financial Review

2.1 Management of Income

2.1.1 Estimation of Income

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The Department had estimated the revenue of Rs.90,070,000,000 for the year 2023 under 12 revenue codes. The initial revenue estimates of all revenue codes had been revised during the year under review. The total revenue estimate of 03 revenue codes was reduced by Rs.23,100,000,000. The total revenue estimate of 09 revenue codes was increased by Rs.44,980,000,000. The revenue of Rs.31,000,000,000 mentioned in the original revenue estimate of 2003.05.00 Treasury Bond Surcharge was reduced by Rs.13,000,000,000 and revised the revenue estimate. As a whole, the Department had revised the estimate expected to be collected according to the original revenue estimate by increasing the revenue Rs.21,880,000,000. However, an income of Rs.391,279,705,499 had been collected from 12 revenue codes by the end of the year under	Agreed with the audit observation. The income forecast related to the year 2023 had been made in the year 2022 based on the economic situation. But considering the actual revenue collection progress in the first 6 months of the relevant financial year, the estimates of those revenue heads were revised. I would like to inform you that it is difficult to prepare estimates more realistic under income heads as the actual collections made under those revenue heads are directly based on the economic situation as well as the policy decisions taken by the Government at the respective times and financial market conditions.	Accurate and realistic income estimate should be prepared by considering the provision of F.R 85.

review. Out of that 11 revenue codes had collected revenue exceeding the original revenue estimates. Accordingly, it was observed that the estimation of income and their revision was not done on a realistic basis.

- (b) It was observed that the revised revenue estimate varied in the range of 59 percent to 510 percent in respect of 7 revenue codes when compared with the actual revenue. Agreed with the audit observation. - Do -

2.1.2 Collection of Arrears of Revenue

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The arrears of revenue related to 08 revenue codes was Rs. 2,434,967,737 as at 31 December 2023 and out of that the arrears revenue remained more than one year was Rs. 2,240,661,755.	Agreed with the audit observation.	Arrease of revenue should be collect efficiently.
(b) Total outstanding revenue as at 31 December 2023 varied from 100 percent decrease to 91 percent increase compared to the outstanding revenue shown in the financial statements as at 31 December 2022.		
(i). There was a sum of Rs.492,006 consists with the cumulative outstanding balance of Rs.259,079 remained before 31 December 2018 and Rs.232,927 related to the year 2020 remained under the revenue code number 20.03.02.99 of the Ministry of Public Administration, Home Affairs and Local Government to be charged for the office	Agreed with the audit observation.	- Do -

equipment provided for the members of parliament. under depreciate basis and the said amount could not be recovered, due to the fact that the concerned members had not been elected to the Parliament and had died. This arrears amount has been remined over 5 years and approval was sought from the Department of Public Finance on 17 January 2024 to write off this amount as per Finance Regulation 113.

- (ii). It was observed that there was no possibility of recovering a sum of outstanding balance of Rs. 305,840 comprising with Rs. 193,904 before 31 December 2020 and Rs. 111,936 remained from 2021 to 31 December 2023 under interest (other) revenue code no 20.02.02.99 under the Public Administration and Home Affairs and Local Government and accordingly requests had been made from the Department of Public Finance on 17 January 2024 to remove that amount in accordance with Financial Regulation 113. Agreed with the audit observation. - Do -
- (iii). A sum of Rs.874,928,729 of arrears income balance consists with Rs.763,814,250 and Rs.111,114,479 respectively of the Sri Lanka Rubber Manufacturing and Export Corporation and Badulla District Sanasa Corporation Limited up to 31 December 2018 remained under debt recovery in relation Agreed with the audit observation. - Do -

to Income Code No. 20.06.04.00- Capital Income and a sum of Rs.912,059,388 arrese of interest comprising with Rs.612,893,552 and Rs.2,814,035 of interest in relation to the above institutions and Rs.296,351,801 in respect of Sarvodaya Economic Enterprise Development Services (Guarantee) Ltd remained under income code number 20.02.02.01- interest were also coming forward before the year 2018 and it was observed that there is uncertainty about the recovery of this income.

2.2 Management of Expenditure

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) Due to over allocation for 07 recurrent expenditure objects, there was a balance of Rs. 1,596,901,410 after the allocation was used in the year and the balance was between 27 percent and 57 percent of the net allocation.	Agreed with the audit observation.	Accurate and realistic estimate should be prepared as per the provision of F.R 50.
(b) When comparing the initial cost estimate with the revised cost estimate, the variance in relation to 8 expenditure objects varied from a decrease of 33 percent to an increase of 568 percent.	Agreed with the audit observation.	- Do -

2.3 Deposits Balances

Audit Observation	Comment of Accounting Officer	Recommendation
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<p>There were 12 deposit accounts with a total of Rs.228,825,376 as at 31 December 2023 which were maintained without any transactions during the year under review. Out of these deposit accounts, 11 accounts were relate to foreign grant receipts and one deposit account was relates to deposits held temporarily for repayment to third parties.</p>	<p>Presently, a sum of Rs. 11,049,841 held in 2 deposit accounts had been recognized as inactive balances and had been credited to the government revenue in the year 2024 on the recommendations of the relevant Ministry and Institution. The releveny Ministry was informed about the deposit amount of Rs. 57,696,383 and accordingly the relevant Institution applied to receive budget allocations from the National Budget Department. After making the relevant provisions, steps will be taken to release the funds from this Department and accordingly, the amount due under this deposit account will be utilized in the future. Further, the relevant Ministries/Departments have been informed to utilize the deposit amount of Rs.39,365,503 in the remaining 08 deposit accounts.</p>	<p>Grants should be arranged to apply to the purpose for which they were provide or, if this is not possible, as per the F.R 570 it should be credited to the relevant account or to the government revenue as the case may be.</p>

2.4 Entering into Liabilities and Commitments

Audit Observation	Comment of Accounting Officer	Recommendation
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<p>The liabilities of Rs.235,957 that should have been paid for the year 2023 were not disclosed in the Annex iii of the statement of liabilities for the year 2023 included in the financial statements submitted for audit for 31 December 2023.</p>	<p>Agreed with the audit observation.</p>	<p>A formal system should be introduced so that all commitments and liabilities can be disclosed in the financial statements.</p>

3. Operational Review

3.1 Non- achievement of Expected Outcome

3.1.1 Accounting for Public Debt

The following observations are made.

Audit Observation	Comment of Accounting Officer	Recommendation
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(a) Comparing the CSDRMS 854-1 report of the computer system used to record foreign public debt and the Government financial statements, the total value of unaccounted foreign debt as at 31 December 2023 was Rs.15,823 million. Further, under the explanatory note no. 24(II) of the financial statements of the Government shows that the total value of unaccounted foreign loans as at 31 December 2023 as Rs.17,103.2 million. The value of foreign debt as at 31 December 2023 was understated by Rs.15,823 million, due to the existence of unaccounted debt disbursed during the year under review and prior years.	The value of unaccounted foreign debt is only 0.05 percent of the total value of foreign debt and noted to make arrangements to account for the unaccounted foreign debt by giving constant instructions to the relevant Ministries and Departments. Also, the audit offices established in the respective Ministries and Departments will also be informed in the future.	Government borrowing and debt service accounting should be streamlined.
(b) The loan value was understated by Rs. 962 million as at 31 December 2023, due to the use of an erroneous exchange rate related to loan number 2016035.	Agreed with the audit observation.	- Do -
(c) According to the CSDRMS 854-1 report, although there is no any disbursement related to loan number 2018003 for the year 2023, it was stated that EUR 727,053 had been disbursed as per Note No. 24(II) of the Government financial statements and note no. 11 under Budget Performance and Deficit Financing. According to the information presented by the Department, In	The disbursed value that indicate as a difference of EUR 391.123 in relation to Loan No. 2018003 was communicated to this Department by the Department of External Resources in June 2023 and was accounted in the accounts summary of August 2023.	- Do -

relation to this loan amount, the loan amount disbursed in the year 2022 or earlier years and accounted in the year 2023 was only EUR 335,930. Accordingly, a difference of EUR 391,123 was observed between the disbursements in the year 2023 in relation to this loan amount.

- (d) According to the CSDRMS 854-1 report, USD 131,000,000 was disbursed during the year under review in relation to loan number 2022011 and according to the information presented by the Department, the loan value disbursed in previous years related to this loan amount and accounted in the year 2023 was USD 434,861. Accordingly, the total borrowings accounted in respect of this loan agreement during the year under review was USD 131,434,861, but it was shown as USD 133,765,136 in the Government financial statements.
- USD 181,000,000 had been reported as disbursement by the Department of External Resources to this Department in January and March of 2023 under the loan number 2022011 and of which USD 133,765,136 including USD 133,330,274.99 and the unaccounted USD of 434,861 of the previous year had been reported in the Government financial statements.
- Do -
- (e) Although there was a negative disbursement of EUR 77,385 in respect of loan number 2017034 as per note no. 24(II) and note no. 11 under budget performance and deficit financing of the government financial statements, no such negative disbursement was reported in the CSDRMS 854-1 report.
- An amount of Euro 468,861.85 equivalent to Rs. 180,665,083 which had been disbursed in the year 2022 was accounted in the account summary of December 2022. The Department of External Resources had informed in February 2023 to this Department that it will be revised as Euro 391,477.35 and Rs.150,846,753.
- According to the amendment, the overstated amount of Euro 77,384.05 i.e. Rs. 29,818,329 had been corrected in the August account summary and it had been shown in the government's financial statements as a negative disbursement.
- Do -

(f) Although the opening loan balance as per the foreign currency included in Note No. 24 (11) of the Government Financial Statements should be equal to the final loan balance after adding up the disbursements during the year under review and after deducting the loan repayments during the year under review, a difference of Rs. 107 million was observed in respect of 06 such non-equal loan agreements.

In the comparison made with the 2009007 loans, the incorrect values recorded on 24.08.2015 have been corrected in February 2023 and it has also been adjusted in the Government's financial statements.

Loan numbers 2010117 and 2010121 are two loan agreements that were taken in US dollars and later converted to XDR. When the loan repayments related to the two loan numbers were completed, the difference in the exchange conversion had been corrected by the External Resources Department in the CSDRMS system and has also been adjusted in the Government's financial statements.

The loan amount of 1983008 obtained in the year 1983 was restructured in the year 2005 and the difference caused by this had been corrected in the CSDRMS system by the Department of External Resources. It had been adjusted in the Government's financial of 2023.

The loan amount of 2002054 was obtained at the French Franc exchange rate and then converted to the Euro exchange rate. At the time of completion of payment of the loan amount, the difference in the relevant conversion and the loan amount of 2002055 have been taken at the French Franc exchange rate and then converted to the Euro exchange rate.

The difference identified in the comparison of the balance with the donor has been adjusted in the CSDRMS system in February 2023 as a difference in exchange conversion and had also been

- Do -

corrected in the Government's financial statements.

- (g) In examination with report CS-DRMS 854-1 relating to Foreign Currency Banking Unit Loan (Project) balances presented in Note No. 24(1) of Government Financial Statements, A difference of USD 227,823 or Rs.82,724,927 was observed between 31 December 2022 and 01 January 2023 in relation to Loan Agreement 2017045. Also, although a difference of USD 227,823 was observed between loan repayments, no difference was observed in its local currency value. Further, it was observed that an unusual foreign exchange rate of Rs.524.6050 per USD 1 was used in converting the refunded amount of USD 332,704 into local currency as per the Government's financial statements.
- Although this loan amount maintained in USD, the loan is repaid in Sri Lanka Rupees. Due to the use of an incorrect exchange rate in converting the amount repaid in Sri Lanka Rupees to USD in the year 2022, the USD value relating to that amount had been recorded incorrectly in the CSDRMS report.. Accordingly, the mistake of using the same exchange rate in the Government's financial statements had been corrected by adjusting the loan repayments in the year 2023.
- Do -

3.1.2 Foreign Grant

The following observations are made.

Audit Observation	Comment of Accounting Officer	Recommendation
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(a) A sum of Rs. 5,333 million had been shown as foreign grant expenditure for the year under Note No. 05 Foreign Grants (Cash Receipts) in the financial statements of the year 2023 and according to the relevant deposit ledger, the total amount of the expenditure was Rs. 5,302 million.	Only the custody and accounting of the money received in the form of foreign grants is related to this Department and the related grant projects are implemented by the Government Ministries/Departments, so it is the responsibility of the relevant Ministries/Departments that the money is not used for the intended purposes.	It is required to strengthen the coordination and monitoring of the application of the foreign grants received for the relevant purposes so as to confirm the trust of the donors.

- (b) the value of foreign grants that had been received as special grants to the Government of Sri Lanka as of 01 January 2023, but remained idle without utilizing for the relevant purpose even as at 31 December 2023 was Rs. 107.6 million.
- the total value of Rs. 11,049,841 remained at 2 deposit accounts have been identified as inactive balances at present and on the recommendations of the relevant Ministry and the Institution, arrangements have been made to credit the government revenue in the year 2024. this Department informed the relevant Ministry regarding the account with a deposit balance of Rs. 57,696,383 and accordingly the relevant Ministry had applied to obtain budget allocation from the National Budget Department in order to release the imprest funds. After making the relevant provisions, steps will be taken to release the funds from this Department and accordingly, the prescribed amount under this deposit account will be utilized in the future.
- Further, this Department has informed the relevant Ministries/Departments to use the deposit amount of Rs. 38,863,894 remaining at balance 07 deposit accounts for the relevant purpose.
- (c) Eventhough contracts were entered into in different currencies aggregate value of Japan Yen 700,000, EUR 132,710,000, US\$ 58,417,841, Korean Won 400,000, Chinese Yuan 2,000,000,000 and Rs.4,545,750 by the Treasury with each of the 13 foreign grantee institutions to obtain foreign grants from 01 January 2019 to 31 December 2023, it was not observed in audit that such foreign grants had been received even on 31 December 2023.
- This Department does not have the details related to the utilization of foreign grants and kindly inform you to get clarification from the Department of External Resources.
- The received foreign grants should be utilized to the maximum extent.

- Do -

3.1.3 Sub Loan

The following observations are made.

Audit Observation	Comment of Accounting Officer	Recommendation
(a) According to the financial statements of the Government, there was an outstanding sub loan balance of Rs.190,789,890,831 as at 31 December 2023. There was an outstanding loan balance of Rs.1,316,324,489 for more than 05 years in relation to 03 Institutions, due to the non-payment of the related Institution as per the loan agreement.	Agreed with the audit observation.	Granting of public sub loan, control and accounting of sub loan should be streamlined.
(b) The amount of interest to be received for the sub loan was Rs.9,439,025,443 as at 31 December 2023 and the total amount of unpaid interest for more than 05 years as per the agreements related to 03 Institutions was Rs.912,059,388.	Agreed with the audit observation.	- Do -
(c) Out of sub loan balances aggregating to Rs.114,487,221 remained under 4 sub-loan agreements related to 2 Institutions as at 01 January 2023, any arrears amount could not be recovered during the year under review.	<ul style="list-style-type: none">• As the loan amount of Rs.11,114,479 of Sanasa Institute is not recovered, legal proceedings are being carried out.• It had been informed that there is no loan balance of Rs.455,065 according to the systems maintained by the Information Technology Department of the Central Bank of Sri Lanka.	- Do -

- While funds are not available for repayment of Rs.4,496 the fund has transferred to the Deputy Secretary of the Treasury as interest income.
- An amount of Rs.102,913,181 has previously been recorded by the Central Bank of Sri Lanka as an amount due to the Government as outstanding loan balance under a sub loan scheme. Also, this loan scheme was financed under the United Nations Development Program and it had been informed that those balances have also been removed from the records of the Central Bank of Sri Lanka.

(d) Variations were observed when comparing the opening and closing balances of the financial statements of the Government as at the beginning and end of the year under review with the balances as per the balance confirmation letters received from the respective sub-lending Institutions. Accordingly, the financial statements of the Government had overstated the sub-loan balance as at 31 December 2023 by Rs.78 million.

The following factors have caused for the variation between the balances.

- Although the loan amount of Rs. 35,287,500 released to the Regional Development Bank was released by the Treasury on 31.12.2023, the amount has been accounted by the bank in the year 2024.
- The amount of Rs.2,828,000 was released from this Department on 29.12.2022 and the amount was received from the project office to the Bank of Ceylon in the year 2023, so that amount has been included in the balance payable by the bank in the year 2023.

- Do -

- The amount of Rs. 7,440,000 was released from this Department on 29.12.2022 and the amount was received to the commercial bank from the project office in the year 2023, so that amount has been included in the balance payable by the bank in the year 2023.
- (e) According to the financial statements of the Government, when comparing the balances of sub loan as at 31 December 2023 and the balances of sub loan payable to the Treasury as per the financial statements of the related institutions, the sub loan balance in the financial statements of the Government as at 31 December 2023 in relation to two institutions was understated by Rs. 229 million.
- The balance confirmation letter sent by the Institution shows that it is the same as the balance of 1,040,795,498 as stated in the Government financial statements related to the Domestic debts and Development Fund.
 - The balance of the sub loan account related to the Colombo Municipal Council was Rs. 2,186,551,094 and requests had been sent to confirm the balance, no reply had been sent so far.
- Do -

3.1.4 Treasury Guarantees and Letters of Comfort

The following observations are made.

Audit Observation	Comment of Accounting Officer	Recommendation
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(a) The validation period had been extended as at 31 December 2023 in relation to 17 Treasury Guarantees valued Rs. 168,541.48 million and USD 59.88 million and Rs. 29,250 million and USD 200 million of 9 letters of comfort that had expired in the year 2023 and before.	Agreed with the audit observation.	The process of issuing bank guarantees and letters of comfort should be kept formal and update mannar.

- (b) As per the financial statements of the Government of the year under review, it was observed that Treasury Guarantees worth of Rs.115,977.35 million issued on 10 occasions to external Institutions and comfort letters worth of Rs.28,838.4 million issued on 10 occasions have expired by 31 December 2023 and action had not been taken to formally terminate or extend the validity period before the expiration of the relevant validity period.
- The current situation regarding the non-extension of the validity period of the relevant Treasury Guarantees and letters of comfort even on the date of audit is as follows.
- The process of issuing bank guarantees and letters of concession should be kept formal and update mannar.
- **Ceylon Fisheries Corporation**
The Department of Public Enterprise which gave the recommendation for the issuance of these Treasury Guarantees has informed the Ceylon Fishery Corporation in the letter dated 30.04.2024 to expedite the settlement of these arrears and report its progress as discussed in the meeting on 08.04.2024.
 - **State Plantation Corporation of Sri Lanka**
The Department of Public Enterprises through its letter dated 29.12.2023 recommended to extend the validity period of the Treasury Guarantee by one year on the request of the Secretary of the Ministry of Plantations. Accordingly, The validity period was extended from 16.10.2023 to 31.12.2028 on 05.01.2024 with the approval of the Secretary of the Treasury.
 - **Northsea Company**
In the meeting held on 08.02.2024, it was decided that the Northsea Company should be given to a suitable investor and that the Public Enterprise Restructuring Unit should take three acceptable scenarios and

study them in order to make it easier to take a suitable decision for the restructuring by considering the balance sheet of the Northsea Company and It has been decided that the approval of the Cabinet should be obtained and the work should be started immediately by deciding a method of restructuring.

- **National Water Supply and Dranaige Board**

According to the announcement made by Government that the provision of services for bilateral external loans has been temporarily suspended due to the unfavorable economic situation in the country, the payment of debt services has been suspended and no payment has been made since April 2022 and the Department of External Resources has notified by a letter dated 19.07.2023 that the related situation will be informed in future.

- **Litro Gas Company**

According to the Treasury Guarantee balance list sent by Bank of Ceylon on 30.09.2023, this Treasury Guarantee has been fully paid by 01.02.2023. Accordingly, according to our request made on 01.04.2024, Bank of Ceylon has sent the original Treasury Guarantee on 18.01.2024 and it has now been removed from the Treasury Guarantee list.

- **SriLankan Air Line Company Limited**

As per the recommendation received from the Public Enterprise Department on 11.01.2024, the validity period of these two guarantees has been extended from 11.11.2023 to 11.11.2024 on 18.01.2024.

- **Ceylon Petroleum Corporation**

As per the Cabinet Decision dated 25.01.2024 for Cabinet Paper No. 24/0045/621/002, the validity period of the Treasury Guarantee of Rs. 100 billion issued on behalf of Ceylon Petroleum Corporation was extended for a period of one year on 12.02.2024 under the recommendation of the Department of Public Enterprise and with the approval of the Secretary to the Treasury.

- **Co-operative Stock Corporation**

The validity period of the letters of comfort has already expired and it has informed by a letter dated 2023.02.06 to the Development Finance Department which has given the recommendation for the issuance of these Treasury Guarantees to take prompt measures to settle the relevant arrears so that not to be burdened to the Treasury with the consultation of the relevant parties in this regard.

The Department of Development Finance has informed by the letter dated 24.02.2023 to Secretary of the Ministry of Trade, Commerce and Food Security in this regard, but no reply has been received so far.

- **Mihin Lanka Company**

As per the recommendation received from the Public Enterprise Department on 21.03.2024, the validity period of these guarantees has been extended to 31.12.2024 on 28.03.2024.

- **SriLankan Airline Company Limited**

The validity period of these concession letters which had expired on 31.12.2023 was extended from 31.12.2023 to 31.12.2024 on 18.01.2024 on the recommendation of the Department of Public Enterprises and with the approval of the Secretary to the Treasury by the letter dated 11.01.2024.

3.1.5 Domestic Debt Restructuring Programme

The domestic debt had been restructured according to the Cabinet Decision No. 23/1221/604/121 dated 28 June 2023. Accordingly, according to the information submitted to the audit, the information related to domestic debt restructuring is as follows.

Audit Observation	Comment of the Accounting Office	Recommendation
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(a) Treasury Bills worth of Rs.2,368,416,351,609 purchased by the Central Bank of Sri Lanka and Rs.344,728,000,400 worth of advances given by the Central Bank	As per the Cabinet Decision No. 23/1221/604/121 dated 28.06.2023 and Cabinet Memorandum, the domestic debt restructuring program was	presentation of information

- of Sri Lanka to the Government had been converted to Rs.220,797,000,000 worth of new Treasury Bills and Rs.2,492,347,352,009 worth of new Treasury Bonds. implemented and accordingly agreed with the audit observation.
- (b) A sum of Rs. 3,204,461,897,219 value of Treasury Bonds was converted into new Treasury Bonds on 14 September 2023. As per the Cabinet Decision No. 23/1221/604/121 dated 28.06.2023 and Cabinet Memorandum, the domestic debt restructuring program was implemented and accordingly agreed with the audit observation. - Do
- (c) Sri Lanka Development Bonds worth of USD 788,237,384 were converted into Treasury Bonds on 15 August 2023. As per the Cabinet Decision No. 23/1221/604/121 dated 28.06.2023 and Cabinet Memorandum, the domestic debt restructuring program was implemented and accordingly agreed with the audit observation. - Do -
- (d) The loan amount of USD 85,943,611 obtained from People's Bank in relation to foreign exchange banks issued under the domestic law of the Government was converted into Treasury Bonds on 11 November 2023. Agreed with the audit observation. - Do -
- (e) Further, the memorandum of understanding had been signed on 02 November 2023 for restructuring of USD 240 million foreign exchange bank unit loan obtained from the Bank of Ceylon under the above law. Agreed with the audit observation. - Do-

4. Human Resources Management

4.1 Employed Staff and Actual Staff

Audit Observation	Comment of the Accounting Office	Recommendation
----- There were 09 posts of senior level Additional Director General, Director, Deputy Director/Assistant Director, 15 secondary level posts and 05 primary level posts vacant in the Department As at 31 December 2023.	----- Ageed with the audit observation.	----- Action should be taken to fill the vacant posts required to fulfill the role of the Department and revised the unnecessary posts if available.