

Head 176 - Ministry of Ports, Shipping and Aviation - 2024

1. Financial Statements

1.1 Opinion

Head 176 - The audit of the financial statements of the Ministry of Ports, Shipping and Aviation for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Ports, Shipping and Aviation was issued to the Chief Accounting Officer on 26 May 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Ministry was issued to the Chief Accounting Officer on 29 May 2025 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The financial statements prepared give a fair view in all the material aspects of the financial position of the Ministry of Ports, Shipping and Aviation as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

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 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 of the financial statements, which describes the basis of preparation of these financial statements. The financial statements had been prepared for the requirement of the Ministry of Ports, Shipping and Aviation, the Treasury and the Parliament in accordance with Financial Regulations 150 and 151 of the Government and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Ministry of Ports, Shipping and Aviation, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

The Chief Accounting Officer is responsible to prepare financial statements that give a true and fair view in all material aspects and to determine such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error in accordance with Government Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 .

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

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.5 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, 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 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.

The Chief Accounting Officer is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

2. Report on Other Legal Requirements

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

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

3. Financial Review

3.1 Expenditure Management

3.1.1 Utilization of Provisions

3.1.1.1 Recurrent Expenditure

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Due to poor estimation, out of the estimated total of 14 expenditure items under Financial Regulation 66 is Rs. 274,100,000 from the provision, the total provision of Rs. 28,021,473 had been transferred to other expenditure items. It had ranged from 15 per cent to 100 per cent of the allocation made available.	Salaries and allowances of the Minister's Office and the Ministry, overtime, changes in government, savings in costs, and limitations in overtime, limitations in the additional fuel cost under expenditure object No. 176-1-1-0-1202-0/11, and non-registering of certain employees with the Public Employees Provident Fund under expenditure object No. 176-1-1-0-1502-0/11, limitation of expenditure	When preparing annual expenditure estimates, it should be ensured that they are within the capacity to be met during the financial year as per F.R. 50 and actions should be taken to be used allocated provisions for the intended purpose during the year.

under expenditure object No. 176-1-2-1102-0/11 as per the Budget and, Management circulars, not incurring expenditure as expected for 4 expenditure objects namely fuel, food and beverages, uniforms, vehicles and other expenses, not incurring expenditure as expected for the payment of water and electricity bills by Sri Lanka Ports Authority for expenditure object 176-1-2-0-1403-0/11, not-making expenses for object 176-1-2-0-1503-0/11 as expected.

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| <p>(b) Although a total of Rs. 3,100,000 has been provided from the Annual Budget Estimate for 04 expenditure objects, utilization had not been made from that provision even by the end of the year under review.</p> | <p>Not applying the officers for uniform allowance under expenditure object No. 176-1-1-0-1203-0/11, non-submission of the Sri Lanka Ports Authority for water and electricity bills for payment under expenditure object No. 176-1-1-0-1403-0/11, non-incurring the expenses under expenditure object No. 176-1-1-0-1404-0/11 as expected, not registering of certain employees of expenditure object No. 176-1-1-0-1502-0/11 with the Public Employees Provident Fund.</p> | <p>When preparing annual expenditure estimates, it should be ensured that they are within the capacity to be met during the financial year as per F.R. 50 and actions should be taken to be used allocated provisions for the intended purpose during the year.</p> |
| <p>(c) Due to a provision of Rs.85,323,281 out of the total net provision for 14 expenditure items totalling to Rs. 181,248,527 was not utilized, provisions ranging from 32 per cent to 88 per cent of the provision made available, had</p> | <p>Cost savings due to government changes in salaries and wages, overtime payments, foreign travel expenses, limitation of expenses as per Budget, Management circulars, limitation of additional fuel</p> | <p>When preparing annual expenditure estimates, it should be ensured that they are within the capacity to be met during the financial year as per F.R. 50 and actions should be</p> |

been saved .

costs for the fuel and transport expenditure object, obtaining assigned vehicles in lieu of transport allowance, not having to incur expenses as expected for postal and communications, transfers, fuel and vehicles, and not submitting electricity and water bills for the Sri Lanka Ports Authority under expenditure object 176-1-2-0-1403-0/11 for payment.

taken to be used allocated provisions for the intended purpose during the year.

3.1.1.2Capital Expenditure

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Ministry had made provisions of Rs. 1,000,000 for the expenditure object 176-1-2-0-2103 during the year under review and due to poor estimation, an allocation of Rs. 209,345 from that provision had been transferred to other expenditure objects under Financial Regulation 66. It had been 21 per cent of the available provision.	Expenditures not incurred as expected under expenditure objects 176-1-2-0-2103-0/11, 176-1-2-0-1203-0/11 .	When preparing annual expenditure estimates, it should be ensured that they are within the capacity to be met during the financial year as per F.R. 50 and actions should be taken to be used allocated provisions for the intended purpose during the year
(b) Although a total of Rs. 4,745,000,000 had been provided in the Annual Budget Estimate for 05 expenditure objects, no utilization had been made from that provision even by the end of the year under review.	Not incurring expenditures not incurred as expected for expenditure object No. 176-1-1-0-2002-0/11 and the Kankesanthurai Port Jetty and other infrastructure improvement project was initiated in October 2020 under expenditure object No. 176-2-4-21-2104-0/17 and 176-2-4-21-2302-0/12 and initial design work, pre-qualification	When preparing annual expenditure estimates, it should be ensured that they are within the capacity to be met during the financial year as per F.R. 50 and actions should be taken to be used allocated provisions for the intended

document and detailed project purpose during the report have been completed. It is expected that the pre-qualification document and approval from the EXIM Bank of India for the extension of credit to be obtained and the project has remained inactive since that day. As a solution to this, the Indian government has proposed a grant of US\$63.65 million to start construction works. However, this grant has not yet been finalized. The final payment for expenditure object No. 176-2-4-24-2104-0/17 was scheduled to be made in the year 2024. However, this process was delayed due to discussions on the number of variable items. The relevant payment is expected to be made in the year 2025. In addition, the expected billing values have also decreased to some extent due to the significant reduction in the price increase amount compared to our approved price increase estimate. Therefore, the budget allocation was not fully utilized as predicted. As the approval of the Cabinet of Ministers to make the advance payment and partial payment to the consultant for expenditure object No. 176-2-4-28-2105-0/17 was received in January 2025, the provisions were saved due to the inability to award the contract in 2024 .

(c) The Ministry had made a provision of Rs. 400,000,000 through a supplementary estimate for the Workshop Building Complex Construction Project under the Port Access Expressway Project which will be built on towers under the expenditure item 176-2-4-24-2104 in the year under review and an over-estimate allocation of Rs. 117,360,238 has been made from that provision and it was 29 per cent of the supplementary estimate provision that had been made available.	The final payment for the project mentioned in the expenditure object 176-2-4-24-2104, 2104-24-4-2- 176 had been scheduled to be made in the year 2024. However, this process was delayed due to discussions on the amount of variable items. Upon completion, both the final payment and the retained payment are expected to be made in the year 2025. In addition, the price increase amount has been reduced by a significant amount compared to our approved price increase estimate. As a result, the expected billing values have also been reduced to some extent due to the reduction in price increase. Therefore, the allocated budget was not fully utilized as initially forecast.	When preparing annual expenditure estimates, it should be ensured that they are within the capacity to be met during the financial year as per F.R. 50 and actions should be taken to be used allocated provisions for the intended purpose during the year.
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3.2 Entering into Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) It is stated that based on the identified obligations, the amount to be paid for the goods or services related to those obligations and the value of the work guaranteed in relation to the contract entered into should be recorded as a liability as stated in (b) of the State Accounts Circular No. 255/2017 dated 27 April 2017 issued with the objective of optimizing the utilization of the provisions provided by the Annual Appropriation Act and	The audit observations are accurate and it is informed you that, we will take actions in accordance with State Accounts Circular No. 255/2017 dated 2017.04.27 when entering into commitments and liabilities.	Provisions should be utilized optimally as per the circular and the commitments and liabilities should not be entered into exceeding the approved limits of the provisions. Further, the actions should be taken record all liabilities incurred in the financial statements in accordance with the circular .

preventing incurring commitments and liabilities exceeding the approved appropriation limits. Nevertheless, during the examination of vouchers for January, February and March 2024, a sum of Rs. 1,286,857 relating to the liabilities for the year 2024 had been settled in these months and only liabilities valued at Rs. 657,214 had been shown as liabilities in the statement of commitments and liabilities in the set of financial statements as at 31 December 2024, which were presented in the financial statements. Accordingly, the liabilities in the financial statements had been understated by Rs. 629,643 .

- (b) Although it is stated that the amount of liabilities and expenditure should never exceed the provision for the financial year in accordance with State Accounts Circular No. 255/2017 dated 27 April 2017 and Section 94 (1) of the Act, liabilities amounted to Rs. 104,935 had been entered into regarding expenditure object 117-01-28-1408 exceeding the provisions.

The audit observations are accurate and it is kindly that steps will be taken to ensure that the error does not occur.

A commitment should not be made for expenditure unless there is money in the annual appropriations and the amount of liabilities and expenditure should not exceed the provision for the financial year.

3.3 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka	Non-compliance		
(i) Financial Regulation 185 (2)	Although the cash book entries should be numbered sequentially in the order in which the money is received, the same numbers should also be entered in the documents confirming each entry, the receipt number relating to the value of Rs.13,595,380 had not been entered in the cash book.	The audit query is accurate and it is informed that the steps have been taken to correct the error and to enter the receipt number.	Numbering the entries in the cash book sequentially in the order in which the money is received and the same number should also be recorded in the documents confirming each other entries.
(ii) Financial Regulation 392 (c) (III)	Although a suitable note should be made in red ink in front of the original entry on the cancelled cheque in the cash book, and also a cheque valued at Rs. 14,850 was entered in the cash book for payment and later cancelled, no entries whatsoever regarding that had been made in the cash book.	The audit query is accurate and details of the cancelled cheque were entered in the cash book.	Appropriate notes should be made in red ink in front of the original entry on the cancelled cheque in the cash book.

(iii)	Financial Regulation 392 (c) (IV)	Details of the latest cheque issued in place of a cancelled check, a new note with a cross-reference to the original cheque and the date of issue of the new cheque should be noted in red ink in the current cash book and the columns about money should be kept blank. However, it had only been stated that the cheque No.765673 amounting to Rs. 497,612 was cancelled on 25 October 2024 and no note on the new cheque issued (765674) had not been stated in the cash book.	The audit observations is accurate and the details of cheque 765674 issued for cheque 765673 cancelled on 25.10.2024 have been mentioned in the cash book.	The new cheque issued in place of a cancelled cheque should be cross-referenced to the original cheque and the date of issue of the new cheque should be entered in red ink in the current cash book and the columns for money should be kept blank.
(iv)	Financial Regulation 427 (2) (c)	Although the total expenditure for each month under the reconciliation of departmental accounts with treasury books should be continuously reconciled by the said departments with the figures shown in the corresponding Treasury books for the relevant month, it had not been balanced in monthly basis by showing the monthly carried forward balance of the general deposit account.	The audit observations is accurate and it is informed that actions will be taken to balance and maintain the general deposit account monthly.	The total expenditure for each month under the reconciliation of departmental accounts with Treasury Books should be continuously compared by the departments concerned with the figures shown in the corresponding treasury books for the relevant month.

**(b) Public
Administration
Circulars**

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| <p>(i) Paragraph 2 of National Budget Circular No. 07/2022 and the Director General of Treasury's letter BD/TRP/176/012 /2024 dated.07.02.2024</p> | <p>The Director General of the Department of National Budget had approved the acquisition of a double cab vehicle on lease basis for pool duties in the year 2016 and that period had ended on 31.10.2021. Although approval has been given in the letter (2) dated BD/TRP/176/01/2024 and 2024.02.07 to procure a motor vehicle under the lease scheme for pool duties, considering it as an extension, a vehicle had been obtained on a lease basis for an annual amount of Rs. 2,548,800 and that vehicle had been assigned to an officer.</p> | <p>Since the vehicles in the Ministry are old, repairs have been minimized, increasing fuel efficiency and with the abolition of the then existing State Ministries and Ministries, the vehicles used by ministerial staff have been returned to the Ministry. The vehicles are Toyota Land Cruiser V8 jeeps, BMW cars and Mitsubishi double cabs. Taking the above factors into consideration, the most positive and economically beneficial solution has been to continue to keep the vehicle acquired under the lease method.</p> | <p>The vehicle obtained on lease for pool duties should be used for that purpose as per the permission given.</p> |
| <p>(ii) Section 3.1 of Public Administration Circular (30/2016)</p> | <p>The Ministry of Ports, Shipping and Aviation had owned 45 vehicles and fuel tests had not been conducted on 15 of these vehicles.</p> | <p>As per the circular, the fuel efficiency of 10 vehicles deployed for pool duties in the Ports and Civil Aviation Division of this Ministry has been checked and a report has been submitted to the Government Audit Division on 2024.07.23 . A significant number of vehicles that have not been</p> | <p>Fuel tests should be carried out at regular intervals.</p> |

able to complete the fuel inspection are vehicles attached to former Ministers and Staff Officers and due to the fact that some vehicles have been sent for repair works, the fuel efficiency of the temporarily provided vehicles has not been able to be tested as required. It is kindly informed that actions will be taken to submit a report within 45 days by re-running the fuel test for all vehicles that could not undergo fuel inspection, except for the car temporarily given to the Transport Division, the 09 cars proposed to be disposed and the 02 vehicles handed over to the Presidential Secretariat.

4. Operational Review

4.1 Vision and Mission

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A loan of Rs. 11,796,877,071 which should be payable over a period of 15 years had been obtained with the interest of 33.30 per cent per annum (interest rate varies) to the loan amount of Rs. 3,950,858,870 obtained by the Sri Lanka Ports Authority from the People's Bank on 14 December 2017 to settle the debt owed to a contractor for the	The construction of the Suriyawewa Cricket Stadium has been carried out as an additional work to the Hambantota Port construction contract. Since the contractor had gone into debt settlement proceedings due to non-payment of the outstanding amount due to the contractor for that, the Sri Lanka Ports Authority has obtained a loan of Rs. 3,950,858,869.57 from the People's Bank from the	The expenditures of the Ministry should comply with its objectives and activities.

construction of the Suriyawewa Cricket Stadium built in the year 2011. Approval for the payment of that loan had been granted through joint Cabinet Memorandum and Decisions of Cabinet of Ministers and accordingly, the necessary provisions for the payment of loan interest from the year 2018 and for the payment of loan interest and installments from the year 2021 had been made available to this Ministry through the annual budget estimates. An amount of Rs. 682,993,732 had been paid as loan installments and interest during the year under review under expenditure object - 176-2-4 - 23 - 1509 and 176-2-4-26-2509 (Sri Lanka Ports Authority, Suriyawewa, International Cricket Stadium - Government Institutions) as the bank interest and financial expenses of the Ministry for this stadium, which does not belong to the Ministry. This expenditure represented 54.54 per cent of the Ministry's recurrent expenditure, 28.69 per cent of the capital expenditure and 38.03 per cent of the total expenditure. Although the land on which this cricket stadium is built was transferred on 26 April 2011 to the Sri Lanka Cricket in

Corporate Branch of the People's Bank in accordance with the decisions of the Cabinet of Ministers. This loan and interest have been obtained by the Ministry of Finance on the agreement that it will be repaid within 15 years (with a grace period of three years). Although this Suriyawewa Project is not relevant to the scope of this Ministry, as per the Joint Cabinet Memorandum, the Suriyawewa Cricket Stadium loan has been assigned to this Ministry for the purpose of servicing the loan as per the decision of the Cabinet of Ministers. Similarly, it is further informed that the Ministry has provided the necessary funds for this purpose to this Ministry and that the Ministry does not have the ability to challenge the decisions of the Cabinet of Ministers without fulfilling the duties assigned to it, even if they are not relevant to the scope.

terms of Section 23(2) of the Government Lands Ordinance, the Ministry of Ports, Shipping and Aviation has no rights in it. Accordingly, this expenditure incurred under the expenditure head of the Ministry had not in line with the objectives and activities of the Ministry.

4.2 Foreign Aid Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even though a sum of Rs. 53,000,000 had been allocated for the construction and building of the Port Access Expressway Project, which will be built on towers, the entire provision had been saved and the relevant works had not been completed even at the end of the year under review.	The final payment for this project was scheduled to be released in 2024. However, discussions on the variance item amounts delayed this process. After completion, both the final payment and the retention payment are now expected to be released in 2025. In addition, the price escalation amount has been significantly reduced compared to our approved price escalation estimate. As a result, the expected billing values have also been reduced to some extent due to the reduction in price escalation. Therefore, the allocated budget has not been fully utilized as initially forecasted.	When determining the time to pay bills it should consider the variances in items and consideration of price variances when forecasting expenses.

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| <p>(b)</p> | <p>The entire provision of Rs. 560,000,000 and Rs. 100,000,000 allocated for land and land improvements in the detailed project for the extension of the western breakwater for the Western Container Terminal (ii) had been saved and the relevant works had not been completed</p> | <p>The procurement process for the appointment of a consultant for this project was initiated in 2024 under the Asian Development Bank's Transport Project Preparatory Facility (TPPF) TA 3425 SRI. Accordingly, the relevant funds have been allocated for the advance payment and other initial payments related to the project for the year 2024. However, due to the time taken to complete the procurement process and obtain approval of Cabinet of Ministers, this project could not be commenced in 2024. Accordingly, no payment whatsoever has been made for the relevant project in the year 2024 .</p> | <p>Before making plans, prior consideration of the clearances and compliances that may be required when implementing the project and it should consider whether the relevant project can be implemented within the year and provisions should be allocated accordingly.</p> |
| <p>(c)</p> | <p>A USD Loan Agreement had been signed on 10 January 2018 between the Government of Sri Lanka and the Export-Import Bank of India (EXIM) to obtain a loan of USD 45.27 million for the renovation of the Kankesanthurai Port. Even though more than 4 years had elapsed since the loan agreement was signed, as at 31 December 2021, the construction works on the port had not been commenced. According to the information submitted to the audit, although construction works on this project had been planned to begin in September 2021, the renovation works on this project had not been begun even by 31 December 2024 and</p> | <p>The rehabilitation of the KKS Port Project commenced in October 2020 and the preliminary design work, pre-qualification document and detailed project report have been completed and Rs. 196.3 million has been paid to the consultants. After that, the project is currently awaiting approval from the EXIM Bank of India for the pre-qualification document and extension of credit. To address this, the Government of India has proposed a grant of US \$ 63.65 million to start the construction work. However, this grant has not been finalized yet. Therefore, the budget allocation has not</p> | <p>Actions should be taken to allocate provisions after prior consideration of the clearances and compliances that may be required to implement the project before making plans.</p> |

provisions of Rs. 4,591 million had been made available under the Kankesanthurai Port Renovation Project in the Annual Budget Estimate 2024. Those provisions had been made available for the main expenditure of Rs. 765 million and for loans of Rs. 3,826 million. However, according to the annual financial statements, no expenditure whatsoever had been incurred from the above provisions.

been utilized as per the projected disbursement schedule. Therefore, the source of finance (loan, grant or investment proposal) should be finalized to restart the project.

4.3 Projects Implemented with Local Funds

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Out of the Rs. 2,000,000,000 allocated for the buildings and construction of the Hingurakgoda International Airport Development Project, 75 per cent of the allocation had been saved and the relevant works had not been completed.	An amount of Rs. 2,000,000,000 was provided to the Sri Lanka Air Force for the Hingurakgoda Airport Development Project on 03.04.2024. Thereafter, the Ministry of Ports, Shipping and Civil Aviation submitted the project to the Cabinet on 13.06.2024 for the approval of Cabinet of Ministers and the approval of Cabinet of Ministers was received on 02.07.2024. After receiving the approval, the contract agreement between the Sri Lanka Air Force and the Project Consulting Company was signed on 13.08.2024. Although the Sri Lanka Air Force has been continuously carrying out the construction work of this Project since then, only 34 per cent of the	Actions should be taken to complete the project within the relevant time frame as planned.

physical progress of the construction work has been completed even by 31.12.2024 .

4.4 Procurements

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The estimate submitted by the supplier when calling quotations for the repair of a vehicle was Rs. 2,307,578 including VAT and the invoice for Rs. 2,201,247 submitted for payment stated that a discount had been given without including VAT. The Department of Inland Revenue, through its circular No. CGIR/2021/(1)-02 dated 09.01.2021 had stated that since individuals had withheld tax income receivable to the government without remitting VAT to the government, details of payments made by government institutions to suppliers should be submitted to the department in accordance with the format specified therein. However, details of the VAT payments of Rs. 335,860 relating to the above invoice had not been sent to the Inland Revenue Department.	The agency has submitted a total price estimate of Rs. 2,307,579 for the repair of the automatic transmission system of the car bearing No. KX – 2992, indicating the VAT separately. Accordingly, after giving a discount of Rs. 97,394 after the repair, the total bill (with VAT) is Rs. 2,201,747. Accordingly, the advance value has been deducted from that value and only the amount of Rs. 2,201,747 - Rs. 1,153,764 = Rs. 1,047,985 has been paid and no overpayment has been made as stated in the audit query.	After receiving a service from an institution that is liable to pay VAT, details related to the VAT charged by that institution should be sent to the Inland Revenue Department as per the circular.

4.5 Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The individuals who received a total of Rs. 154,600 in respect of 11 vouchers accepted the money using only their signatures without mentioning the amount received and the date of receipt. Accordingly, it was not possible to verify that the officer who received the money had correctly received the relevant amount.	The audit query is correct and it is kindly informed that steps will be taken to ensure the error does not occur again.	The persons who received the money should state the amount received and the date the money was received.
(b) Even though the refunds valued at Rs. 31,050 had been made from the General Deposit Account from 25 October 2024 to 19 December 2024, the date on which the payments were made had not been mentioned.	The audit query is correct and it is kindly informed that steps will be taken to ensure the error does not occur again.	When refunds are made from the general deposit account, the date of payment should be mentioned.
(c) Even though the loan balance of Rs.293,470 to be received to the Ministry from an officer who had been suspended from work had been remaining for more than 20 years, the Ministry had not been able to recover the balance even by the end of the year under review. These outstanding loan balances have been carrying forward in the loan documents.	When the officer Mr. J.A. Ariyasena, who has been mentioned in the paragraph, was asked for information from the Ratmalana Divisional Secretary, they have been informed that they are abroad. Accordingly, the Secretary has inquired from the Ministry of Foreign Affairs regarding the country to which they have gone abroad through a letter dated 2024/11/08, and no reply was received and the first reminder letter dated 2025/01/07 has been sent. His wife's	Actions should be taken to recover outstanding loan balances.

entitlement to pension has been confirmed and accordingly, a letter was sent to the Director General of Pensions on 08.07.2023 requesting him to make necessary arrangements to recover the amount from the pension of Mr. Ariyasena's wife .

5. Good Governance

5.1 Audit and Management Committee

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although the Audit and Management Committee Meetings should be held at least once a quarter as per the instructions of Paragraph 5.3 of the Internal Audit Guidelines Circular No. /01-2019 dated 12 January 2019 of the Department of Management Audit, only 3 meetings were held in the year 2024 .	Although preparations were being made to hold the Audit and Management Committee Meeting for the fourth quarter, the General Election was held on 14 November 2024 and as a result, there was a change in Ministries, Secretaries of the Ministries and the Scope of the Ministry during that period. Similarly, There was a change in the institutions under the Ministry and since there was also a change in the Chairmen of those institutions, Audit and Management Committee Meetings could not be held properly due to difficulties in obtaining the information required for the Audit and Management Committee Meetings.	Audit and Management Committee Meetings should be held at least once a quarter as per the circular.

6. Human Resources Management

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Audit Observation				Comments of the Chief Accounting Officer	Recommendation
The details of approved, actual, and vacant staff as at 31 December 2024 of the Ministry are shown below.				The total number of vacancies in the permanent staff of the institution as at 31 December of the year under review was 17. Request letters have been submitted from the Ministry of Public Administration, Provincial Councils and Local Government to fill these vacancies, and those vacancies have not been filled.	An adequate staff should be maintained to carry out the functions and tasks of the Ministry.
Service Category	No. of posts approved	Actual number as at 31.12.2024	No. of vacancies		
Senior Level	22	20	02		
Tertiary Level	03	01	02		
Secondary Level	61	49	12		
Primary Level	27	26	01		
Total	113	96	17		

The total number of vacancies in the permanent staff of the Ministry as at 31 December of the year under review was 17. Actions had not been taken to fill those vacancies up to the date of the report.