Sri Lanka Insurance Corporation Limited - 2024

---

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Insurance Corporation Limited (the “Company”) and the Consolidated Financial statements of the Company and its subsidiaries (the “ Group”) for the year ended 31 December 2024 comprising the statement financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, 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 My comments and observations which I consider should be report to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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.

Emphasis of Matter

Company and Group

I draw attention to note 46 to the Financial statements which describes the status of segregation process of the Company to segregate the long-term and general insurance businesses into two separate legal entities as per Section 53 of Regulation of Insurance Industry (amendment) Act No,03 of 2011 and the status of the administrative process in respect of section 30 of Regulation of Insurance Industry Act No, 43 of 2000 as amended, and the employees transfers from Management Services Rakshana (Pvt) Limited to Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited, with the implementation of segregation of Sri Lanka Insurance Corporation Limited and the resultant impact to operations of Management Services Rakshana (Pvt) Limited. My opinion is not modified in respect of this matter.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company and Group's financial reporting process.

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

1.4 Auditor's Responsibilities 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 internal control of the Company and Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company and Group, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company and Group has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company and Group has performed according to its powers, functions and duties; and
- Whether the resources of the Company and Group had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Audit Issue	Management Comment	Recommendation
a. Maintaining a sound system of internal controls to safeguard shareholders' investment and the company's assets is the responsibility of the Board and top management. The Board and top management should establish an appropriate control environment. Reviewing the design and effectiveness of the company's internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines is an essential part of the Board's responsibilities. Therefore, it is a fundamental requirement to maintain an internal control matrix covering significant processes and relevant account balances for the company. However, it was not observed the internal control matrix for significant account balances and processes.	SLIC has a board- approved financial authority to carry out the payments, which was approved at the board meeting held on 15th July 2024. Further company sought directions from the Ministry of Finance regarding the divestiture process and way forward of the SLIC including governance structure and operational framework on our letter dated 05th June & 06th February 2025 addressed to the Director General, Corporate affairs. Currently we are awaiting the response from them.	It is recommended for the Board and top management to develop and maintain a comprehensive internal control matrix covering all significant processes and account balances relevant to the company. This matrix should clearly document key controls, control owners, and the frequency of control activities, and should align with applicable regulatory and governance requirements. Maintaining such a matrix is fundamental to establishing an effective control environment, ensuring the adequacy and operating effectiveness of internal controls, and supporting the Board's oversight responsibilities.

1.5.2 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
a. The Sri Lanka Accounting Standard, Investment in Associates and Joint Ventures (LKAS 28) requires that an investment in an associate be recorded using the equity method. Under the equity method, an	Noted Auditor's recommendation. However, the company measures its investment in the associate at the share of the investee's net asset value (NAV), based on associates' financial	It is recommended that management apply the equity method of accounting for investments in associates in accordance with LKAS 28. Alternative accounting treatments should only be

associate's investment is initially recorded at cost, and the carrying amount is adjusted to reflect the investor's share of the investee's profit or loss after the acquisition date. However, SLIC has failed to record the investee's profit or loss in its profit or loss for the current fiscal year, which is a non-compliance with the provisions of LKAS 28.	statements. Due the immateriality of investment, this has no material impact on the Group's profit after tax or EPS or cash.	used where explicitly permitted by the standard and supported by appropriate justification and documentation. This will help ensure compliance with applicable financial reporting requirements and enhance the reliability of the financial statements.

1.5.3 Unreconciled Control Accounts or Records

Item (Rs.)	Balance as per Ledger Record (Rs)	Balance as per the reconciliation (Rs)	Difference (Rs)	Management Comment	Recommendation
a. Acc No. – 1000760307 Discrepancy in Bank Reconciliation and Ledger Account				This issue happened due to the company segregation and SAP migration. It has now been fixed, and everything is running smoothly from 1st August 2024 after the completion of the SAP migration.	Management should enhance internal controls and related processes to prevent future anomalies and ensure that all transactions are accurately and timely recorded. Strengthening these controls will improve the reliability of financial reporting and support effective operational oversight.
May	2,183,161,209	2,150,474,927	32,686,282		
June	126,633,390	1,818,930,876	-1,692,297,486		
July	129,954,594	1,435,784,078	-1,305,829,484		
As at 31st day of December 2024	9,238,808	9,096,120	142,688		

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Issue	Management Comment	Recommendation
a.	It is observed that there were long outstanding balances amounting to Rs 127,740,664 in the debtor's prepayments under other debtors. Management has not taken appropriate measure to resolve this matter after considering the recoverability of this balances. It was further observed that there is a long outstanding negative balance aggregating to Rs. (9,812,801) recorded in the other debtors. Further, it's required to thoroughly review the reasons behind negative balances in other receivables to ensure the accuracy and integrity of the balances appeared in the financial statements.	The company is currently reviewing these receivables and payables, based on legal advice, the management will take appropriate actions in 2025.	It is recommended to review the recoverability of long outstanding receivables and take appropriate measures on long outstanding balances.
b.	Sri Lanka Insurance Corporation Limited (SLICL) has transferred its investment in Canwill Holdings (Pvt) Ltd. to the General Treasury during the year 2024. However, no formal confirmation or written instructions from the Treasury have been given to support this transfer. Although SLIC has recorded a receivable for the transfer value, there is no evidence that the Treasury has consented to settle this amount. Furthermore, SLIC has not assessed the recoverability of this receivable amount in order to make a provision or a take a decision on write off.	We have written to the Secretary to the Treasury requesting a balance confirmation. And we are currently awaiting their responses	It is recommended that SLIC should obtain formal written confirmation from the Treasury acknowledging the transfer of Canwill Holdings and agreeing to settle the related receivable. In the absence of such confirmation, SLIC should assess the recoverability of the balance receivable and recognize an impairment or write off the amount if it is deemed irrecoverable.

1.7 Related Parties and Related Party Transactions not disclosed

	Audit Issue	Management Comment	Recommendation
a.	The closing balances disclosed by the Company for the related parties, such as Sri Lanka Insurance Corporation Life Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, and The Lanka Hospital Corporation PLC are differed by Rs 4,587,564, as confirmed directly by those related parties through balance confirmations. Furthermore, the Company lacks a systematic reconciliation mechanism for investigating and resolving discrepancies in related party balances validated by counterparties.	SLICLL difference have been reconciled and rectified in March 2025. -Sinolanka & Lanka Hospitals are the long outstanding opening balances & will take necessary actions	It is recommended that the Company performs a thorough reconciliation of all related party balances and investigates the underlying reasons for the discrepancies. Additionally, it is recommended to implement a structured process for periodic reconciliation and obtaining confirmations with proper supporting documentation.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a.	Guidelines on Corporate Governance for Stated Owned Enterprises (SOE)	Under Section 2.2.5 of the Guidelines on Corporate Governance for Stated Owned Enterprises, it is mandatory to have a board-approved subsidiary policy that addresses issues including dividends, changes in equity and shareholding and major transactions. However, it was observed that the company does not have a subsidiary policy.	Certain initiatives were taken in previous years concerning this matter; however, they were not conclusively finalized. We will now pursue the requisite measures to address this matter.	The company can establish a structured and effective framework for reviewing subsidiary entities, enhance governance practices, mitigate risks, and support strategic decision-making processes.

b. Guidelines on Corporate Governance of CA Sri Lanka	Under Section D.5.2 of the Guidelines on Corporate Governance of CA Sri Lanka, “The board should establish a RPT review committee, consisting of three independent non-executive directors, with a chairman appointed by the board and have meetings quarterly". However, it was observed that the company does not have a related party transaction committee.	The recommendation to establish a Related Party Transactions (RPT) Committee has been duly noted. At present the Audit & Compliance Committee reviews the effectiveness of the methodology used to identify related party transactions, as well as the reliability of the associated disclosures. The committee also oversees the procedure to obtain an annual statement of related party interests from each such party. Additionally, it ensures compliance with the disclosure requirements stipulated by the SOE Corporate Governance Guidelines for the entity’s annual reporting.	It is recommended that the company establish a Related Party Transaction Committee to oversee, review, and approve all related party transactions.

1.9 Cash Management.

Audit Issue	Management Comment	Recommendation
a. It was observed that the bank reconciliation statements include unidentified balances under both unidentified debits and credits. These items remain unreconciled and have not been appropriately classified or resolved as of the reporting date. A summary of the unidentified amounts, including cash transactions recorded by the Head Office, is presented in the table below: Location / Unidentified Debits (LKR) / Unidentified Credits (LKR) Head Office / 223,758 / 13,388,759	Only Rs. 3Mn of unidentified credits are pending as at 02nd June 2025. We have reconciled the pending amounts.	It is recommended that management conduct a comprehensive review to identify the sources of all unidentified debits and credits. This review should include detailed investigation and reconciliation procedures to ensure that all transactions are properly classified and accounted for, thereby enhancing the accuracy and integrity of the financial records.

1.10 Non -compliance with Tax Regulations

Audit Issue	Management Comment	Recommendation
It was observed that the Company has proceeded with the transfer of assets and liabilities from Sri Lanka Insurance Corporation (SLICL) to its segregated entities, Sri Lanka Insurance Corporation General Limited (SLICGL) and Sri Lanka Insurance Corporation Life Limited (SLICLL), in accordance with the segregation requirements mandated by the Insurance Regulatory Commission of Sri Lanka (IRCSL). However, it was observed that the Company has not yet obtained the required	Consequently, the accounting reclassification of PPE to IP, whether buildings or lands held for rental purposes, does not result in a taxable event under Section 39 of the Inland Revenue Act. As an alternative course of action, we have sought to rely on item (gg) of the Third Schedule of the IRA. Accordingly, we wrote to the Secretary to the Treasury requesting written approval of Minister to Exempt Gains arising from Assets-Liability transfer as per Segregation	It is recommending that the Company need to take immediate steps to formally obtain the required written approval from the Minister of Finance in accordance with the provisions of the Inland Revenue Act. This will ensure eligibility for the exemption under the Third Schedule to the Inland Revenue Act, No. 24 of 2017 and mitigate the risk of unforeseen tax liabilities.

written approval from the Minister of Finance, which is a prerequisite to apply the exemption under the Third Schedule to the Inland Revenue Act, No. 24 of 2017. The absence of this approval may result in the Company being ineligible for the intended tax exemption, potentially exposing it to tax liabilities and resulting in non-compliance with applicable legislative requirements.	Model. Further on our letter dated 20th March 2025 again we wrote to His excellency President of Sri Lanka asking exemption as his capacity as Finance Minister and copying same to the Secretary to the Treasury. On 21st March 2025 Mr. Athula Kumara Director General Department of Public Enterprises has seek the guidance from Director General of Department of Fiscal Policy and we are awaiting their response.	

2. Financial Review

2.1 Financial Result

Company

The operating result of the year under review amounted to a profit of Rs. 3,635,639,000 and the corresponding profit in the preceding year amounted to Rs. 7,778,571,000. Therefore, a deterioration amounting to Rs. 4,142,932,000 of the financial result was observed. The reasons for the deterioration was the decrease of gross written premium by Rs 40,635,092,000 due to transfer of main businesses of the company to two separate entities namely Sri Lanka Insurance Corporation Life Limited and Sri Lanka Insurance Corporation General Limited.

Group

The operating result of the year under review amounted to a profit of Rs. 9,087,379,000 and the corresponding profit in the preceding year amounted to Rs. 13,755,175,000. Therefore, a deterioration amounting to Rs. 4,667,796,000 of the financial result was observed. The main reasons for the deterioration was the increase in other operating and administrative expenses by Rs 3,425,743,000.

2.2 Trend Analysis of major Income and Expenditure items

Line Item	2024 Rs. Million	2023 Rs. Million
Group		
Revenue	182,086	170,785
Variance	11,301	14,180
Increase/(Decrease)	6.62%	9.05%
Gross Written Premium	51,264	43,321
Variance	7,943	2,267
Increase/(Decrease)	18.34%	5.52%
Net Earned Premium	42975	35,958
Variance	7,017	-848
Increase/(Decrease)	19.51%	-2.30%
Investment income	36,365	29,490
Variance	6,875	14,120
Increase/(Decrease)	23.31%	91.87%
Net realized (loss)/gains	-26	-829
Variance	803	-11,006
Increase/(Decrease)	-96.86%	-108.15%
Other income	-1,704	2,893
Variance	-4,597	-671
Increase/(Decrease)	-158.90%	-18.83%
Total Income	182,086	170,785
Variance	11,301	14180
Increase/(Decrease)	6.62%	9%
Net benefits and claims	-23,499	-21,778
Variance	-1,721	353
Increase/(Decrease)	7.90%	-1.60%
Underwriting and net acquisition costs (including reinsurance)	-3,822	-3,502
Variance	-320	-200
Increase/(Decrease)	9.14%	6.06%
Change in contract liabilities - life fund	-26,409	-18,290
Variance	-8,119	-7,272
Increase/(Decrease)	44.39%	66%
Other operating and administrative expenses	-23,876	-20,450
Variance	-3,426	6,417
Increase/(Decrease)	16.75%	-23.88%
Income tax expense	4,965	6,203
Variance	-1,238	2624
Increase/(Decrease)	-19.96%	73.32%
Net Profit for the year	9,087	13,755
Variance	-4,668	1,171
Increase/(Decrease)	-33.94%	9.31%

2.3 Ratio Analysis

According to the information made available, certain important ratios of the group for the year under review and the previous year are given below

Specific Ratios -Group	2024	2023
Retention Ratio	84%	83%
Profitability Ratio	5%	8%
ROA	3%	5%
ROE	6%	10%
Investment Yield	11%	11%
Financial Assets to Total Assets	80%	71%
Revenue Growth	6.62%	9%
Asset Turnover	0.42	0.44
EPS	15.15	22.94
Net Assets Per Share	258.12	226.70
Liquidity Ratio	2.21	1.22

3. Operational Review

3.1 Uneconomic Transactions

Audit Issue	Management Comment	Recommendation
a. **Relocation of Metro Branch** Metro branch covers Colombo 4 region and consist of 7 branches with 7 sales Managers, regional sales Manager and 50 field officers. Before relocating the Metro branch, it was located on 10^{th} and 13^{th} floor of the head office building and occupied approximately 2071 square feet. As per the minutes of Executive Committee Meeting held on 21 June 2018, initial idea was raised by the chairman of Sri Lanka Insurance Corporation, to remove the branch offices in the head office building and relocate those outside the head office. The justification of relocation by way of cost benefit analysis,	The decision to procure a separate premise for the Metro Branch was made in line with SLIC's branch strategy and was necessitated to rectify the error of locating the Metro Branch within the Head Office premises. The procurement has been considered and effected as an activity in the ordinary course of business of SLIC; i.e. not a unique or an unprecedented procurement. The procurement has been effected through a public tender, in accordance with the principles and policies outlined in the 2006 GOSL Procurement Guidelines. Tenders had to be called twice	It is recommended that future high-value procurement decisions be supported by comprehensive feasibility studies and cost-benefit analyses to ensure alignment with strategic objectives and operational efficiency. Decisions should always aim to optimize the three E's (effectiveness, efficiency, and economy). Further, Prior to engaging in external rent agreements, a comprehensive assessment of available internal space should be conducted to optimize the use of existing resources and minimize unnecessary costs.

feasibility study, concept paper or analysis of as to how relocation will improve the business in terms of profitability were not made available for audit.

Moreover, from 3 December 2020 Ministry of Tourism has vacated 6th floor and from 6 may 2021 Department of Commerce has vacated the 4th floor of SLIC.

Therefore, approximately 13,000 square feet of space was available within the head office building at the time of procurement process was underway.

It was not available an acceptable document to prove the preparation of the total cost estimate for this procurement activity. As a result of that SLIC was not able to identify the necessity of having a ministry representative to the procurement committee /technical evaluation committee. Even though the chairman had given instruction through letter numbered ALL/40/05/2016 dated 10 May 2016 to invite representative of Ministry for the procurement committee meetings which exceed the value of procurement over 10Mn, no representative from said Ministry had been involved in this procurement.

According to the Bid documents forwarded by the lowest and substantially responsive bidder, on 26 July 2021, a building plan

as there was no response from the market.

The evaluation was conducted considering the procurement requirements arising from the ordinary course of business of SLIC, utilizing the existing processes and systems with the approval and/or knowledge of the Board of Directors which includes representatives from the Ministry.

As a part of the process, the necessary technical and financial evaluations have been effected, and the relevant and necessary information has been duly recorded.

The steps followed by SLIC are in line with the 2006 GOSL Procurement Guidelines and the financial aspects of the procurement as articulated by SLIC and are in conformity with the relevant authority limits as applicable at that time.

SLIC has accepted the bid that was considered the lowest evaluated and substantially responsive bid, and through post-award negotiations, managed to procure the premises at an amount less than the Bid amount and the valuation, thereby ensuring a further financial benefit.

No payment has been made, in whatsoever manner, over and above the amount as contracted for and approved.

All relevant and necessary documentation pertaining to had been submitted which was approved by Colombo Municipal Council as at 28 September 2016. This approved plan is for two stair house with 5 bed rooms, and not for the Commercial building of 5 storied. It was observed that the Property owner of the building had not provided an approved building plan for entire building or certificate of conformity on this stage of the procurement.

As per the Section 6 of the Rental Assessment Report, approved building plan which was available for rent valuation is for two storied residential building. According to that building plan total available square feet was 3531sqft. As per the Section 7.2 of the report, it was clearly mentioned as approved building plan for two storied building. However, actual building was extended with another 3 floors and approved building plan for total 5 floors had not been submitted to the valuer.

According to this assessment report, monthly rental amount (based on approved building plan which was available for 3,531 Sqft) was Rs. 500,000 only. As per the Building owner's agreement on obtaining approved building plan and COC for entire physical area of 9,627 Sqft, rental amount has increased up to Rs 1,000,000. This estimated rent is subject to obtaining approved building

the building being occupied has been duly recorded, and the building can be deemed fit for purpose. It continues to be used by SLIC.

The procurement has been formally endorsed and consented to by the Board of Directors who authorized the execution of a legally binding and enforceable Lease Agreement with a 5-year non-termination clause, incorporating all major and residual risks of SLIC. The premises continue to be legally possessed by SLIC and is being effectively and efficiently used for the purpose for which they were procured.

11. Business performance to date aligns with the Chairman's initial strategic direction, indicating that original intentions have been met.

plan and the Certificate of Conformity for all 5 floors. However, as per the letter dated 17 December 2021 of Chairman, it was not observed an acceptable documentary evidences to confirm that the Certificate of Conformity had been forwarded to the SLIC before signing the agreement.		

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
a. In accordance with Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011, the insurance business previously carried out by the Company has been segregated and transferred to the following entities: • Sri Lanka Insurance Corporation Life Limited (SLICLL) – for life insurance operations • Sri Lanka Insurance Corporation General Limited (SLICGL) – for general insurance operations As a result, the Company is no longer engaged in insurance-related activities. However, it has been observed that the Company has not clearly defined and articulated the following: • The current nature and scope of its business operations; • Its key revenue streams; • Its strategic direction and commercial objectives post-segregation.	Currently, SLIC team is in the process of developing a possible business model which can be executed by the Holding company. Further, we have sought directions from the Ministry of Finance regarding the divestiture process and way forward of the SLIC on our letter dated 6th February 2025 addressed to Director General Corporate Affairs. Currently we are awaiting a response from them. Currently, the main revenue streams are investment income & rent income.	The failure to confirm the nature of the business leads to potential revenue recognition errors, income misclassification, and financial reporting problems. This raises the risk of regulatory noncompliance, inappropriate application of accounting rules, and potential tax consequences. The company should have a clear view of its key revenue streams and business nature in order to ensure financial reporting accuracy and reliability.

3.3 Resources Released to Other Organizations

Audit Issue	Management Comment	Recommendation
a. It was observed that certain motor vehicles legally owned by the Company continued to be utilized by both Sri Lanka Insurance Corporation Life Limited (SLICLL) and Sri Lanka Insurance Corporation General Limited (SLICGL) following the formal segregation of life and general insurance operations, effective 1 February 2024. This continued shared usage of assets suggests that, despite the legal and operational separation of the two entities, there remains a degree of operational interdependence in terms of asset utilization. Such practices may give rise to the following concerns: • Inaccurate cost allocation between SLICLL and SLICGL; • Inconsistencies in ownership and asset records; • Non-compliance with regulatory requirements relating to the segregation of operations and assets under the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011.	The company is in the process of transferring vehicle ownership to SLICLL & SLICGL. The company has submitted transfer forms of vehicle belonging to SLICLL to the Registrar of Motor Vehicles. As of 09th September 2025, the company has transferred ownership of 80 out of 247 motor vehicles to SLICGL and 25 out of 42 motor vehicles to SLICLL, respectively.	It is recommended to properly allocate vehicle ownership and usage costs to SLICLL and SLICGL based on actual utilization. This can be achieved by transferring ownership to the respective entities or implementing a cost-sharing agreement to ensure accurate financial reporting and compliance with segregation requirements.