

2022 ඌල 25  
2022 ುலை 25  
25<sup>th</sup> July 2022



2018 අංක 19 දරණ ජාතික විගණන පනතේ  
14 වන වගන්තිය ප්‍රකාරව පාර්ලිමේන්තුව වෙත  
ඉදිරිපත් කරනු ලබන විගණකාධිපති ත්‍රෛවාර්ෂික වාර්තාව

2018 இன் 19 ஆம் இலக்க தேசிய கணக்காய்வு அதிகாரச்சட்டத்தின்  
14 ஆவது பிரிவின் பிரகாரம் பாராளுமன்றத்திற்கு சமர்ப்பிக்கப்படுகின்ற  
கணக்காய்வாளர் தலைமை அதிபதியின் மூன்றாண்டு அறிக்கை

**Triennial Report of the Auditor General presented in  
parliament in terms of Section 14 of  
the National Audit Act, No. 19 of 2018**

එකලොස් වන කාණ්ඩය - 03  
பதினோராவது தொகுதி - 03  
Eleventh Volume - 03

රාජ්‍ය අරමුදල්  
அரசாங்க நிதியங்கள்  
Government Funds

ජාතික විගණන කාර්යාලය  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



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## SUMMARY

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Sixty two Statutory and Non-statutory Funds have been established with a view to achieving a specific goal and all those Funds are operated under the purview of a Ministry, Department or Public Corporation. Only 55 of these Funds have been established under an Act, Cabinet Approval and Ordinances and 07 other Funds had been established under a Deed of Trust.

In terms of Financial Regulation 876(3) included by paragraph 15 of Circular No.01/2020 of 28 August 2020, it has been indicated that Non-statutory Funds should be abolished with immediate effect and the cash balances thereof should be credited to the Consolidated Fund. However, action had been taken to wind up only the Judicial Infrastructure Maintenance Trust Fund in the year 2020. Further, in terms of the said paragraph, if there are fair reasons for operating a Non-statutory Fund, action should be taken to incorporate such Funds by a Parliamentary Act. However, action had not been taken accordingly on 06 remaining Trusts during the year 2020.

Financial statements of 08 of these Funds had not been submitted relating to the years 2018, 2019 and 2020 and adequate audit observations were not submitted relating to 4 of these 54 submitted Funds and 02 other Funds had been initiated in the year 2020. Further, one of those Funds is operated by consolidating with the final financial statements of the Ceylon Electricity Board. My opinion on the annual financial statements of Funds for which audit reports were issued, are summarized below.

	Unqualified Opinion (Clear Opinion)	Qualified Opinion	Disclaimer Opinion	of	Adverse Opinion
2018	14	31	04		02
2019	12	32	04		03
2020	13	36	04		00

The Fuel Price Stabilization Fund and the Covid - 19 Healthcare and Social Security Fund were initiated in the year 2020.

The balance of assets relating to 52 of 54 Funds of which financial statements as at 31.12.2020 were submitted, totalled Rs.361,871.668.905. Action had been taken to liquidate the Judicial Infrastructure Maintenance Trust Fund and to settle the cash balance to the General Treasury. Further, the pension fund of the Ceylon Electricity Board had been consolidated with the accounts of the Board.

Cash balances remained in 37 of the Funds of which financial statements were submitted and balances of 14 Funds had been collected in a General Deposit Account maintained in the Treasury. Further, action had been taken to account contributions collected relating to 03 funds established in the Department of Pensions to the General Deposit Account in the Department of Pensions and the payment of contributions are made by the General Account.

**1. Name of the Auditee Entity - Universities Provident Fund**

Opinion of the Auditor General on the Financial Statements	2018	- Unqualified Opinion
	2019	- Unqualified Opinion
	2020	- Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of Section 5 of the University Grants Commission Circular No. 155 of 02 February 1982, action had not been taken to recover the interest paid for the period delayed relating to the releasing of the balance of the Provident Fund of the employees whose service had been ended after serving in the higher educational institutions and the total interest value paid for the delayed period could not be identified.	In terms of the relevant Circular and in terms of Section 95 of the Act, action should be taken to identify the officers who were responsible for the delay and action should be taken to surcharge the interest for delay to the officers who are responsible for the delay.	It is not possible to determine that the reason for the delay on the errors of the officers, but, the delay might be due the time consumed for the administrative procedure (collection of past data). Accordingly, action is being taken to discuss this matter further and to provide a methodical solution. .	Continuous delays have not been avoided so far and issuance of a new circular has been recommended at the Commission held on 29 December 2021 by omitting the Section, “Action should be taken to recover from responsible officers.” mentioned in the Commission Circular No.155.
(b) If interest has to be paid to the contributor due to a delay of more than 02 months due to an error on the part of the institution in submitting the application by the	Action should be taken to avoid delays due to inefficiency of officers.	University Vice Chancellors are of the view that the delay is not due to the fault of the officials but the time taken to provide and collect information. Accordingly, steps are being taken to amend the	Continuous delays have not been avoided so far and issuance of a new circular has been recommended at the Commission held on 29 December 2021 by omitting the Section, “Action should be taken to

higher education institution to the Secretary of the Commission, the interest should be surcharged to the relevant responsible officer. Although the interest has been calculated and paid up to one month before the date of payment to the contributor upon submission of the application, no action had been taken to identify the officials responsible for the delays and impose surcharges.

relevant circular.

recover from responsible officers.” mentioned in the Commission Circular No.155.

- (c) Although, a sum of Rs.48,891,896 relating to 473 cheques, issued for the period from year 2001 to 2020 but cancelled due to non-claim, was shown under the current liabilities in the Statement of Financial Position as at 31 December 2020, Management had not taken adequate steps to settle those amounts.
- Steps should be taken to inform the relevant parties about the unclaimed balances and settle them.
- The reason for the invalid cheques was that the member had not provided the bank account details properly. In this regard, as per the recommendations of the Universities Provident Fund Monitoring Committee, the relevant list of names has been published on the website of the University Grants Commission.
- These funds have not been settled even up to 01 February 2022.

**2. Name of the Auditee Entity - Measurement Units, Standards and Services Fund**

Opinion of the Auditor General on Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a) In terms of Sections 20 (1) (a) and 37 of the Measurement Units Standards and Services Act No. 35 of 1995, all the measuring instruments used in trade should be verified annually. However, a proper mechanism had not been established in the Fund in order to ensure that all the instruments are verified.	That a proper mechanism should be established within the Fund in terms of provisions of the Act.	That the purpose of creating a trade database has been commenced with effect from the year 2020.	A trade database is maintained in the District Office, Kegalle as a pilot project. The project for controlling the information database of District Offices with the Head Office has been forwarded for approval to the Department of National Planning. Accordingly, establishment of a mechanism for ensuring that all measuring instruments used in trade are verified, has been commenced.
(b) The activities of the Fund had not been reviewed on a continuous basis as the Audit and Management Committee meetings had not been held for the year 2020 as scheduled.	Audit and Management Committee meetings should be held as scheduled.	That the extension of the service has been applied again for the post of Internal Auditor, recruited on contract basis.	Only one Audit and Management Committee meeting had been held even in the year 2021.



- (c) A balance in a range from Rs.219 million to Rs.426 million had been maintained in the current account of the Fund from January to December in the year 2020 and it was observed that this balance was a surplus over 80 per cent compared to the monthly requirement of the Fund. Although the Fund could have invested this surplus and earned interest income for the Fund, the management had not paid attention in that connection.
- The excess balance of the current account should be invested and earned interest income for the Fund.
- Financial management is done by transferring the cash balance of the current account of the Fund to a normal savings account.
- Accordingly, a balance of Rs.255 million is currently available in the normal savings account as at 31 December 2021, opened on 29 June 2020 and Rs.7,149,705 has been received as the interest. However, attention has not been drawn so far towards other effective investments.



action had not been taken in compliance with the instructions of the Circulars even by the date of the audit.

- (c) Performance indicators were not introduced to measure the progress of the fund and the financial and physical performance of the objectives of the fund could not be assessed due to the nature of the programmes to be held in prisons, the number of prisoners/suspects to be involved, the cost to be incurred and the lack of pre planning and not reporting the progress according to that plans.

A pre plan for the programmes of the fund and performance indicators to evaluate performance according to that plan should be introduced, evaluated and reported the progress.

It was noted that the Commissioner General of Prisons (Rehabilitation) has been instructed to introduce performance indicators.

Pre-planning and introduction of performance indicators and measuring of progress are not carried out even at present.
- (d) After releasing the prisoners, provision had not been made by the Fund for after care services to assist in their rehabilitation.

An appropriate programme should be implemented for after care services.

Adequate action has not been taken.

Action has not been taken to rectify the shortcoming.
- (e) The Prisons’ Welfare Fund Act No. 18 of 1973 of the Department of Prisons was established by the National State Assembly to provide for the establishment of a prisoners’ welfare fund, the expenditure for the general welfare of prisoners and all matters related thereto. However, any expenditure had not been incurred from the Fund for the prisoners’ welfare programmes in the year 2020.

Action should be taken in compliance with the provisions of the Act.

Explanations have been submitted.

Expenditure has not been incurred from the Fund for prisoners’ welfare programmes even in the year 2021.
- (f) Although a performance report of the Fund should be submitted to the Auditor General with certified copies of the financial statements within 02 months

Action should be taken in compliance with the instructions of the Circulars.

I have noted down to duly prepare performance reports for the year 2021 and to submit the reports

Action has not been taken to rectify the shortcoming.

after end of the financial year with copies to the Public Finance Department in accordance with Financial Regulation 877 (2) (d) contained in the Public Finance Circular No. 01/2020 dated 28 August 2020, an annual performance report with the financial statements of the Fund for the year 2020 had not been submitted.

along with the copies of the financial statements to the Department of Public Finance and to the Auditor General.

- |     |  |  |  |   |
|-----|--|--|--|---|
| (g) | The Annual Budget of the Fund for the years 2018, 2019 and 2020 had not been prepared and submitted to the Director General of National Budget and the Director General of Public Finance before 30 September with the relevant approvals as per paragraph 4.1 of Public Finance Circular No. PF / 423 dated 26 December 2006. | An annual budget should be prepared and submitted in accordance with the Circular. | Adequate balance is currently available in the Fund for the year 2022 and arrangements are being made to prepare the budget. | Action has not been taken to rectify the shortcoming. |
|-----|--|--|--|---|

**04. Name of the Auditee Entity - Judicial Infrastructure Maintenance Trust**

Opinion of the Auditor General on the Financial Statements 2018 - Unqualified Opinion  
 2019 - Unqualified Opinion  
 2020 - Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of paragraph 3.2 (b) of PF/423 of 22 December 2006, steps should be immediately taken to transfer surplus monies of Trusts of which maintenance is no longer necessary, to the Consolidated Fund. However, contrary to that, a balance of Rs.3,786,197 had been retained in the bank current account of the Trust as at 31 December 2019.	Action should be taken in terms of the Circular.	The sum of Rs.3,373,977.53 which was the balance of the cash book as at 31.12.2020 after paying all liabilities, has been credited on 09 March 2021 to the account of the Deputy Secretary to the General Treasury.	The Trust has been wound up as at 31.12.2020.
(b) The approval of Cabinet of Ministers was granted at the	The winding up of the Trust should be disclosed in the financial statements and	The Trust has been wound up as at 31.12.2020.	The Trust has been wound up as at 31.12.2020.

Cabinet meeting held on 09 August 2017 to wind up this Trust in accordance with paragraph 03 of the Public Finance Circular No. 02/2018 dated 18 August 2018. However, no disclosures thereon had been made in the financial statements.

Moreover, even though the Trust should be wound up immediately in terms of paragraph 04 of the circular, action had not been taken even by 23 June 2020 to wind up the Trust.

- |  |   |  |  |
|--|---|--|--|
| <p>(c) In terms of Section 1(A) of the Deed of Trust of 07 July 2007, its main functions were improvement and maintenance of judiciary</p> | <p>In terms of Section 1 (A) of the Deed of the Trust, action should be taken to achieve the main objectives.</p> | <p>According to requests made by judicial zones, goods and equipment will be supplied on approval of the Board of Directors.</p> | <p>The Trust has been wound up as at 31.12.2020.</p> |
|--|---|--|--|

quarters, record  
rooms,  
production  
rooms, judges'  
rooms,  
Registrar's  
Office  
libraries of the  
judges and  
provision of  
funds for  
information  
technology  
facilities and  
furniture  
However,  
without paying  
attention  
thereon, a sum  
of Rs.3,582,550  
had been spent  
in the year 2018  
for purchase of  
office equipment  
for the judicial  
zone of  
Colombo.  
Moreover,  
despite granting  
approval of the  
Cabinet for  
winding up the  
Trust, a sum of  
Rs.5,453,741  
had been spent  
in the year 2019  
as well to  
purchase office  
equipment for  
08 judicial  
zones.

**05. Name of the Auditee Entity- Zoological Gardens Development and Welfare Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

Audit Observation	Recommendation of the Auditor General	Preventive Measures taken by the Entity	Current Position
(a) Four (04) motor vehicles worth Rs.9,584,223 had remained idle without being used from the year 2014 up to the end of the year 2020.	Action should be taken to repair or dispose of the vehicles.	i. Repairing the vehicles which can be repaired out of these vehicles. ii. Forwarding the vehicles which should be disposed of, to the recommendation of the vehicle disposal committee.	Four motor vehicles had remained idle without being made use of even by January 2022.
(b) Constructions of 06 rural sales centres at a cost of Rs.7.2 million had been completed by 22 March 2018 at the Ridiyagama Safari Park. However, they had remained idle up to June 2020 without being used.	Action should be taken in terms of the agreement.	Action is being taken to hand over these sales centres to the Department of Agrarian Development.	These buildings remain idle even by January 2022.
(c) According to the financial statements of	Reasons for the difference should be	Action will be taken to submit a	A difference still remains between the



year 2020 of the Fund, looked into and reconciliation Treasury General  
in comparing the corrected. statement through the Deposit Account and  
opening and closing annual financial the balance of the  
balances of the statements relating to Fund.  
Treasury Notes with the difference in each  
the balance of the year.  
Treasury Deposit  
Account, differences  
of Rs.33,801,932 and  
Rs.33,230,026 were  
observed respectively.

(d) It had been notified by Action should be The third reminder in Arrears had not been  
the letter of the taken for recovery. this regard as well recovered even by  
Director General of the has been made. February 2022.  
Department of Zoology  
dated 09 September  
2019 that a decision  
will be made to charge  
a fee for the period  
from April to June  
2019, when sales  
outlets of zoos were  
closed due to the Easter  
attack. However, such  
a decision had not been  
made even by the end  
of the year 2020. As a  
result, the arrears of  
rent amounting to  
Rs.4,782,701 relating  
to those 03 months  
had not been recovered  
even by the end of the  
year 2020.

(e) In terms of Guideline Action should be Has not commented. Cages had not been  
(a) (ii) of the taken in terms of built even by February  
Procurement Procurement 2022 in the

Guidelines, it is the role of the Technical Evaluation Committee to review the specifications to ensure that competitiveness can be promoted. However, when planning the procurement of purchase of exotic birds, the technical evaluation committee had not considered the possibility of limited local competition due to factors such as all birds are exotic birds and the limited number of suppliers who can complete the relevant supply within Sri Lanka.

Hambantota Safari Park to exhibit these birds.

- |     |   |  |                    |  |
|-----|---|--|--------------------|--|
| (f) | In the procurement for the purchase of exotic birds, two of the three bidders had submitted bids for only a few birds, due to the narrowing of the specification condition to stipulating that "one supplier must supply 32 species of birds". As such, they had been rejected. Fifty three birds had been purchased from the | Action should be taken in terms of Procurement Guidelines. | Has not commented. | Cages had not been built even by February 2022 in the Hambantota Safari Park to exhibit these birds. |
|-----|---|--|--------------------|--|

selected supplier at prices higher than those offered by the rejected suppliers. Due to this the Government had incurred a loss of Rs.17,860,085.

**06. Name of the Auditee Entity - Wildlife Conservation Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of Section 37 of the Measurement Units Standards and Services Act, No. 35 of 1995, even though the accuracy of the weighing or measuring equipment had to be certified by an inspector within a period of twelve months, the accuracy of the bridge scale at the Udawalawe Elephant Holding Ground had not been checked in the year 2019.	Action should be taken in terms of the Measurement Units Standards and Services Act, No. 35 of 1995 .	Has not commented.	The bridge scale has been inoperative from 13 October 2019 up to February 2022.
(b) In terms of Financial Regulations 132(2), (4),(5) of the Democratic Socialist Republic of Sri Lanka, when approving expenditure in respect of supplies, the approving officer should ensure that the relevant supply	Action should be taken in terms of Financial Regulations.	Action is being taken to repair the bridge scale.	- do -

is in the prescribed quantity and that they have been inspected and accepted correctly. On the contrary, according to the informal method of purchasing leafy branches for the Udawalawe Elephant Detention Center, a sum of Rs.8,896,827 had been paid in the year 2020 based on the estimated weight.

- (c) In terms of Paragraph 03 of the Public Finance Circular No. 01/2018 (i) of 13 June 2019, the current tariffs for various services provided by all Government agencies should be increased by 15 per cent. However, the license fee of Rs.250 charged for fishing vessels used for fishing in a reservoir in a national reserve or sanctuary has not been amended even by the end of the year 2020 according to the Gazette Extraordinary No. 1433/4 of 20 February 2006.
- Action should be taken in terms of the circular.
- Relevant activities will be carried out for obtaining approval of the Cabinet of Ministers to amend the Gazette Notification.
- The Cabinet approval had not been obtained even by February 2022.

- (d) In terms of paragraphs 1.1 and 1.2 of the Departmental Circular No.16/2002 dated 11 February 2002, in the distribution of Service Fees charged from ticket revenue in National Parks, 10 per cent from those who had taken no pay leave for 1 to 10 days and 50 per cent from those who have taken no pay leave for more than 11 days should have been credited back to the Wildlife Conservation Fund. However, the amount of Rs.1,829,200 deducted from 14 officers in the year 2020 had not been credited.
- Action should be taken in terms of the circular.
- Has not commented.
- The relevant monies had not been credited to the Fund even by February 2022.
- (e) Even though it was required to introduce a new legal system appropriate for Sri Lanka in order to streamline the trade and breeding process of fauna and flora based on the recommendations made at the 17 Session of the Convention on International Trade in Endangered Species of Wild Fauna and Flora
- A new legal system appropriate for Sri Lanka should be introduced.
- Legal drafts required for introducing a new legal system have been prepared and submitted to the Attorney General's Department.
- A new legal system had not been introduced even by February 2022.

(CITES) by the year 2018, a legal system had not been introduced even by 30 April 2019.

- (f) Even though a small pond had been constructed in the year 2019 at a cost of Rs. 628,383 to meet the water needs of the 13 elephants detained on court orders at the Udawalawe Elephant Holding Ground, those had not been repaired. The remaining food had been piled up in the pond.
- A formal study should be conducted based on the requirements before planning the projects.
- Necessary activities are being carried out relating to repairs of the leakage in the pond.
- The pond had not been repaired even by February 2022.
- (g) Although 51 violent elephants had been detained from 04 September 2015 to 25 June 2019 in the Horowpathana Elephants Holding Ground which was built to detain violent elephants, 12 of them had died of various reasons. It had been stated that there were 9 elephants as per the elephant census report conducted in June 2019. No evidence was furnished to Audit regarding 30 elephants.
- Frequent monitoring should be carried out on animals.
- Has not commented.
- No evidence was furnished to Audit regarding 30 elephants. even by February 2022.

- (h) According to the Action Plan of the year 2020, Rs.367,357,000 had been allocated for 28 targeted activities but they had not been implemented. Action should be taken to implement the targeted tasks according to the Action Plan. Has not commented. Had not been completed even by February 2022.
- (i) The implementation of the (Biodiversity Survey and Declaration of Ship Wrecks) Project – (2019) planned in the year 2018, had been estimated at Rs.2,956,000. Meanwhile, all the swimming equipment planned by the project had been purchased by 31 March 2019. However, the project had not been implemented even by the end of the year 2020. Action should be taken to expedite the implementation of the project. Has not commented. The said project had not been commenced even by February 2022.
- (j) The Kollankanatta (Weewala) circuit bungalow situated in the Wilpattu National Park, constructed by incurring a sum of Rs. 11,730,808 in the year 2012 had remained idle without being used since the year 2012 due to the issues in water supply. The issues in water supply should be solved and opened for tourists. Provision has been released in the year 2021 for laying of water pipes. Had remained idle even by February 2022.



## 07. Name of the Auditee Entity - Tourism Development Fund

Opinion of the Auditor General on Financial Statements	2018	- Qualified Opinion
	2019	- Qualified Opinion
	2020	- Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a) Contrary to Sri Lanka Public Sector Accounting Standard 2, the value of Rs.962,402,030 received in cash as Tourism Development Levy, Embarkation Levy and other receipts and the value of Rs.6,150,647 paid in cash as other payments had been shown as Rs.1,111,441,038 and Rs.155,189,670 in the cash flow statement due to reflecting money transferred between two bank accounts as cash inflows and cash outflows.	Cash inflows and cash outflows between two accounts of the same Fund should not be included in the cash flow statement.	In terms of Sri Lanka Accounting Standard 2, the Tourism Development Authority has rectified this error relating to the accounting year 2021.	As final accounts of the year 2021 had not been submitted as at 31 January 2022, the accuracy of the cash flow could not be confirmed.
(b) In the reconciliation of balances receivable and payable according to the financial statements of the Fund and the Sri Lanka Tourism Development Authority, differences of Rs.232,723 and Rs.699,908 were observed	Action should be taken to rectify.	Action has been taken to rectify.	Rectifications had not been made.

- respectively.
- (c) According to Section 23 (2) (a) of Chapter III of Tourism Act, No. 38 of 2005, provisions had not been made in respect of the deduction of Rs.12,551,372 or 2.5 per cent as service charges in the year 2020 relating to 1/3 of the Embarkation Levy collected by the Civil Aviation Authority of Sri Lanka and remitted to the Fund.
- Action should be taken in terms of provisions of the Act.
- The General Provisions had not been made in the Act.
- The Treasury had agreed therefor by the Letter No. PF/R/4/019 dated 29 January 2009.
- (d) The Rules for the management and administration of the Tourism Development Levy had not been formulated in accordance with Section 24(3) of the Tourism Act, No.38 of 2005. However, a sum of Rs.3,315,209 had been paid as administrative expenses on a decision of the Board of Directors.
- Sections of the Act should be amended.
- Further action will be taken after making amendments to the Act.
- The Act had not been amended.
- (e) The sum of Rs.51,933,332 remitted to the bank directly from the year 2017 to the year 2020 had been brought forward under current liabilities instead of accounting by identifying correctly.
- It should be brought to account by identifying correctly.
- In paying Tourism Development Levy online, the registration number of SLTDA had not been mentioned, thus arising this problem.
- Direct remittance had not been identified.

08. Name of the Auditee Entity - **Coastal Protection Reward Fund**

Opinion of the Auditor General on Financial Statements      2018 - Unqualified Opinion  
 2019 - Unqualified Opinion  
 2020 - Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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<p>(a) The penalty of Rs.702,500 recovered by the Magistrate Court but not sent to the Department from the year 2012 to the year 2017 could not be obtained even by 05 July 2021.</p>	<p>A system for the recovery of outstanding penalties expeditiously should be prepared.</p>	<p>The relevant Magistrate Courts have been briefed by letters to send relevant penalties.</p>	<p>Even though letters have been sent to Magistrate Courts to send penalties, those penalties have not been received even by 31 December 2021.</p>
<p>(b) Guidelines and criteria for payment of rewards from the Coastal Protection Reward Fund had been specified in the Gazette Extraordinary No.2018/11 of 09 May 2017 of the Democratic Socialist Republic of Sri Lanka. Even though the payment of rewards had been commenced from the year 2017, the total receipts of the Fund payable during the period from the year 2014 to 31 December 2020 amounted to Rs.9,197,542.</p>	<p>Appropriate action should be taken on the balance brought forward continuously.</p>	<p>Even though moneys have been received, rewards could not be paid due to delay in sending registers by Police Officers.</p>	<p>A sum totalling Rs.4,471,500 had been paid as rewards during the period of 05 years from the year 2017 to 31 December 2021 and a sum of Rs.4,726,042 had remained as at that date for paying rewards.</p>

09. Name of the Auditee Entity - **Hindu Cultural Fund**

Opinion of the Auditor General on Financial Statements    2018- Unqualified Opinion  
 2019- Unqualified Opinion  
 2020- Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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<p>(a) In terms of Paragraph 79 of Public Sector Accounting Standard 1, the current assets include assets that are either realized, consumed or sold, as a part of the normal operating cycle even when they are not expected to be realized within the year, should be disclosed as current assets.</p> <p>Nevertheless, disclosures had not been made in the financial statements in respect of the value of Rs.3,622,006 of 4,678 books remained as at 31 December 2020 out</p>	<p>Disclosures on remaining stocks should be made in terms of Accounting Standards.</p>	<p>Action will be taken to disclose it in the financial statements from the ensuing year.</p>	<p>It has been agreed to disclose in the financial statements since the year 2021.</p>

of the books printed  
for the period from  
2017 to 2021.

- (b) In terms of Financial Regulation 133 (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Paragraph 03 of Management Audit Circular No. DMA/2009 (1) dated 09 June 2009, an internal audit should have been conducted as per the Financial Regulations and circular provisions. However, no action had been taken accordingly in respect of the Fund.
- An internal audit should be conducted as per the Financial Regulations and circulars.
- Action will be taken to conduct an internal audit.
- Action has been taken to conduct an internal audit from the 2022 year.

**10. Name of the Auditee Entity - Police Reward Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In the reconciliation of values confirming the income furnished to Audit by 42 courts with the revenue from court fines receivable at the end of the year indicated in Schedule 03 presented along with the financial statements, the total relating to court fines of 41 courts were	Non-reconciliations should be checked and reasons therefor identified.	Explanations had been given. Measures for prevention have not been submitted.	Non-reconciliations between direct information made available by courts and balances of court fines receivable indicated in the financial statements are continuously reported.

overstated by Rs.72,933,099 while the court fine of 01 court was understated by Rs.5,760,955, thus resulting in non-reconciliation.

- (b) Court proceedings relating to each incident should have been concluded in order to pay the balance amounts of the rewards under 400 special rewards files under which 50 per cent of the rewards had been paid in respect of commendable acts of the police officers during the period from 2001-2019; and, the value of special rewards payable totalled Rs. 91,011,211. Action had not been taken to verify as to whether the court proceedings had been concluded by forwarding the information relating to the special rewards payable, to the
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| Follow-up action should be taken on the files pertaining to special rewards payable of which the court proceedings have been concluded. | As pointed out by the Audit, action will be taken to reexamine the information relating to the special rewards to be paid. | No confirmation has been made whether court proceedings relating to special rewards payable are in progress. |
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relevant divisions,  
,thus failing to make  
the payments in the  
year 2020.

- (c) A revenue totalling Rs.5,922 million comprising sums of Rs. 433 million, 386 million, 326 million, 469 million, 820 million, 1,015 million, 1,275 million and 1,198 million relating to the period from 2013 to 2020 respectively had been earned through interest on fixed deposits. Nevertheless, attention had not been drawn as to how that revenue should be utilized to accomplish the objectives of establishing the Fund.
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| Revenue through Investments should be utilized for accomplishing the objectives of the Fund. | Explanations had been given. Measures for prevention have not been submitted. | An annual revenue from interest exceeding Rs.1 billion is earned presently and 100 per cent of this is continuously re-invested without spending even a portion thereof for payment of rewards to officers or for welfare. |
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**11. Name of the Auditee Entity - Inland Revenue Incentive Fund**

Opinion of the Auditor General on the Financial Statements     2018 - Adverse Opinion  
 2019 - Adverse Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) A housing loan fund had been established by depositing the funds given by the Treasury to the Inland Revenue Incentive Fund. The cumulative balance in the housing loan fund totalled Rs.37,851,984 as at 31 December 2020. However, from November 2008 until the end of the year under	A policy decision should be taken regarding the continuation of the Housing Loan Fund after conducting a formal study.	No further loans have been granted until the current loans are fully repaid.	A recoverable loan balance remains even by 31 December 2021 and a policy decision has not been taken regarding the continuation of the Fund.

review no loan had been granted to the officers from this housing fund hence, the objectives of establishing this loan fund had not been achieved.

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| (b) | The procedure for the administration of the Fund had not been updated in terms of Section 99 (4) of the Inland Revenue Act, No. 24 of 2017. | Provisions of the Act should be adhered to. | Action had not been taken in terms of the Act up to now. | In terms of provisions in the Inland Revenue Act, No.24 of 2017, procedures had not been updated even at present. |
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**12. Name of the Auditee Entity - National Defence Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of Section 09 of the National Defence Fund Act, No.9 of 1985, no programs were planned during the year 2020 as well for the role of promoting and ensuring national security in accordance with the provisions of the Act, in addition to providing benefits to members and families of the Armed	Action should be taken as per the provision of the Section 09 of the Defence Fund Act, No. 9 of 1985.	Attention of the Governing Body will be drawn towards the role of the Governing Body in this regard at the forthcoming Governing Body meeting.	A Board of Governors paper has been prepared for submitting to the Governing Body.

Forces who were injured or killed while performing their duties.

- (b) As per the provisions of Section 13 of the National Defence Fund Act, No. 9 of 1985, the financial statements and Auditor General's Report of the Fund for the years 2018 and 2019 had not been tabled in Parliament.
- Action should be taken as per the provision of Section 13 of the Defence Fund Act, No. 9 of 1985.
- Action is being taken to present audit reports for the years 2018 and 2019 to Parliament through the Ministry of Defence.
- Translations are in progress for presenting the Auditor General's summary reports of the years 2018 and 2019, in Parliament.
- (c) Under the "Wirusisu Pradeepa Scholarship" programme, even though it was planned to complete in the 2<sup>nd</sup> quarter of 2020 to award Rs.25,000 each for 150 children of dead & disabled war heroes of three armed forces & police, who passed the Grade 5 scholarship examination in 2019, the Scholarships had not been awarded to students even by the end of the year 2020. Scholarship results for year 2019 were released in September 2019 and even though more than 1 year and 3 months have
- Action should be taken according to approved Action Plan.
- Due to the Covid-19 epidemic in the country, no benefits were provided in the year 2020. Steps will be taken to provide scholarships very soon.
- Children's savings accounts have been already opened in the DFCC Bank for 136 selected children who had passed the Grade 5 scholarship examination in the year 2019 and distribution of those pass books are in progress.

elapsed since the results were released, the opportunity to avail the benefits of the Scholarship Grant has been lost in a timely manner.

- (d) According to the Sri Lanka Sustainable Development Act, No. 19 of 2017 and Circular No. PS/SP/SB/3/201 of the Secretary to the President of 16 March 2018, indicators had not been identified sustainable development goals and targets relating to the Fund and indicators for measuring those targets.
- Action should be taken in terms of the Act and the circular.
- It is expected to achieve sustainable development goals in line with objectives of the Fund.
- The living conditions of war heroes have been already improved by implementing “Meth Sevana” semi-completed houses to suit the objective of poverty alleviation under sustainable development.

**13. Name of the Auditee Entity - Api Wenuwen Api Fund**

Opinion of the Auditor General on Financial Statements	2018	- Unqualified Opinion
	2019	- Unqualified Opinion
	2020	- Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) Arrears of installments recoverable as at 31 December 2020 from householders of the Ranajayapura Housing Project was Rs.29,070,660 and out of that, the arrears of installments remained over a period of one year was Rs.17,326,401.	Action should be taken in terms of agreements for the recovery of the arrears.	Action will be taken to expedite the recovery of arrears of installments.	The Tri Forces have been briefed by letters to make the relevant householders who had obtained Ranajayapura Ipalogama Houses, aware of the recovery of arrears of installments remained over a period of one year, and instructions have been given to re-vest the houses which are still in

Recovery of these arrears of installments and the follow up action thereon were not in a satisfactory level.

arrears.

- (b) In terms of Sri Lanka Sustainable Development Act, No. 19 of 2017, the Fund had decided the sustainable development goals. However, targets required for achieving those goals had not been determined and indicators to measure the progress of achieving those targets had not been prepared.
- Action should be taken according to the Sri Lanka Sustainable Development Act, No. 19 of 2017.
- Action will be taken to prepare future plans of the Project in compliance with the Sustainable Development Act.
- Neither determination of goals nor preparation of indicators had been done.
- (c) According to Section 11 (6) of the Api Wenuwen Api Fund Act, No. 06 of 2008, the Financial Statements and Auditor General's Report of the Fund had not been tabled in Parliament from the inception of the Fund up to the year 2019.
- Action should be taken in terms of Section 11(6) of the Act.
- Necessary action is due to be taken for tabling in Parliament during the ensuing period.
- Action had not been taken to table so far.
- (d) As per Section 4 of the Api Wenuwen Api Fund Act, No.06 of 2008, objectives such
- Action should be taken to achieve the goals and objectives of the
- More than 25,000 applicants have been identified. It could not be
- The current financial position of the Fund has dropped and after improving the financial

as obtaining loans from Fund, as per fulfilled, due to position of the Fund, financial institution by Section 4 of the financial crisis action will be taken to the members of the Act. arising with pay loans and make armed forces, making housing projects provisions for granting provisions to grant aid which were being aid. for settlement of such loan, preparation of implemented until then. scheme to give assurance for the settlement of loans in death of the members of Army or permanently disabled or injured in war or other way, had not been achieved during the year under review.

**14. Name of the Auditee Entity - Construction Guarantee Fund**

Opinion of the Auditor General on Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

	<b>Audit Observation</b> -----	<b>Recommendation of the Auditor General</b> -----	<b>Preventive Measures taken by the Entity</b> -----	<b>Current Position</b> -----
(a)	Credit balances of income receivable as at 31 December 2020 from bonds and guarantees of Rs.6,956,286 had not been offset against the debit balances of that account in 51 instances contrary to paragraph 48 of Sri Lanka Public Sector Accounting Standard 1, thus understating the current	Action should be taken to account them in accordance with provisions of the Standard.	Explanations have been given.	Identification is being carried out.

assets and current liabilities by the same amount.

- (b) The fully depreciated assets such as office equipment and other, computers, accessories and IT equipment and furniture, equipment and fittings costing Rs.7,088,288 as at 31 December 2020 are being continuously used by the Fund without reassessing the useful economic life of those assets as per provisions in paragraph 65 of SLPSAS 7 - Property, Plant and Equipment and provisions for rectifying the estimated error and showing accurate carrying amount in the financial statements as per the SLPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors.
- Action should be taken to reassess the useful economic life of fully depreciated assets and to account them in accordance with provisions of the Standard.
- Action will be taken to reassess them during the year 2022.
- Reassessing process is in progress.
- (c) An amount of Rs.448,842 has been shown as a disposable and destroyable item under investing activities in the cash flow statement prepared for the year ended 31
- Cash Flow Statement should be prepared accurately and all supporting documents should be made available to Audit.
- It is a human error, occurred at the time of preparing the cash flow. Therefore, supporting documents are not available and we
- It is due to be rectified through the financial statements of the year 2021.



December 2020. However, the supporting documents and details on notes to accounts, made to the books of accounts with regard to this item had not been made available to Audit in order to vouch or verify the accuracy and the reliability of this transaction.

will rectify it through the next Financial Statements.

- (d) An unidentified credit balance of Rs.7,790,561 has been shown in five (05) Bank Reconciliation Statements prepared as at 31 December 2020. Out of that, only a sum of Rs.354,100 had been identified up to 30 September 2021 and the remaining balance of Rs.7,436,461 belongs to the period from 2018 to 2020 and it had not been identified and eliminated from the books of accounts even up to 30 September 2021. As such, the accuracy of bank balances of Rs.133,736,801 shown in the Financial Statement as at 31 December 2020 could not be relied upon in audit.
- Action should be taken to identify the unidentified credit balances in bank statements and to make proper adjustments in the books of accounts accordingly.
- The Fund also agrees that there is a huge amount under unidentified credit balances resulted in due to direct payments made to accounts of the Fund by contractors without any supporting documents and any notification to the Fund. This situation arose during the period from early March 2020 to 31 December 2021, where all suffered without direct contacts and without proper communication. However, we ensure to reconcile
- Identification is already in progress.

it during the ensuing period.

- (e) Out of the income receivable from bonds and guarantees amounting to Rs.50,182,648 as at 31 December 2020, sums of Rs.4,460,022 and Rs.833,520 had remained in the accounts without being recovered for over a period of 01 year and 02 years respectively. Action should be taken to recover the remaining balance of income receivable from bonds and guarantees without any delay. Out of Rs.833,520, more than 58 per cent had been collected and the other balances may be included in the unidentified credit balances. Out of Rs.4,460,022, a substantial amount more than 54 per cent is being recovered and the other balance is included in unidentified credit balances. Action is being taken to recover and clear a sum of Rs.4,460,022 as soon as possible.
- (f) The outstanding bills discount balance as at 31 December 2020 was Rs.10,296,098. Out of which, Rs.9,631,752 or 93 per cent had remained unrecovered from a contractor for more than one year even up to the date of this report. Further, no legal action had been taken against this contractor and responsible parties to recover the loss incurred to the Fund while the steps to blacklist this contractor by informing relevant authorities had been taken. Appropriate measures should be taken to recover the outstanding amounts from the contractor. The balance is remained unrecovered due to the delay in completing projects and the expectation to settle in the year 2022. Legal action cannot be taken as the projects are incomplete. It will be settled in the year 2022.



between values of items in the statement of financial position for the years of 2019 and 2020. Further, the value of provision for doubtful debt had not been disclosed as a non-cash generating activity under operating activities in accordance with paragraphs 54 and 55 of the Standard.

- (b) When accounting for Treasury bills and resale bills in accordance with paragraphs 08 and 56 of the Sri Lanka Public Sector Accounting Standard No. 2, the investments which are having a period of 03 months or less to be matured as at 31 December 2020, should be shown as cash and cash equivalent liquidity assets in the statement of financial position and cash flow statement. However, the total value of Rs.66,797,498 of 18 Treasury bills and total value of 02 Treasury resale bills (Repo) amounting to Rs.6,013,502 due to be matured as at 31 December 2020 within a
- Action should be taken in accordance with the Accounting Standard.
- Action will be taken to rectify in the year 2021.
- It has been informed that action will be taken to rectify in the year 2021.

period of 03 months, had not been indicated under cash and cash equivalent liquidity assets.

(c) The Film Corporation Order No. 01 of 1994, published in the Gazette Extraordinary No. 946/9 of 24 October 1996

(i) In terms of Section 02 (4) (I) (e), action had not been taken to provide equipment for production and showing of films to ensure the high standards of films.

Action should be taken according to Orders of the Gazette notification.

Attention will be drawn towards the implementation of these Orders in the year 2022.

Action had not been taken to provide necessary equipment.

(ii) In terms of Section 2 (4) (I) (f), the Fund had not taken action to offer scholarships or conduct training programmes for artists and technicians in the film industry.

Action should be taken according to Orders of the Gazette notification.

It is expected to draw attention towards the implementation of these Orders in the year 2022.

Measures had not been taken to rectify.

(iii) In terms of Section 02 (4) (I) (g), no action had been taken to promote the film production by lending money to directors to hire specialized equipment from a source available for the production of

Action should be taken according to Orders of the Gazette notification.

It is expected to draw attention towards the implementation of these Orders in the year 2022.

Measures had not been taken to rectify.

such films or screenplays approved by the Screenplay Evaluation Committee for the production of high quality art films.

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| <p>(iv) In terms of Section 02 (4) (I) (h), action had not been taken to grant loans to professional technicians who had been in the local film industry for a period of 05 or above consecutive years and who had completed not less than ten films, to enhance and develop their skills.</p>        | <p>Action should be taken according to Orders of the Gazette notification.</p> | <p>It is expected to draw attention towards the implementation of these Orders in the year 2022.</p> | <p>Action had not been taken for rectifications.</p> |
| <p>(v) In terms of Section 6 (c), If the repayment of loans is delayed, the surcharge therefor should be determined and recovered by the Governing Board. However, action had not been taken accordingly regarding the loan totalling Rs.73,548,176 granted to cinema owners up to the year 2020.</p> | <p>Action should be taken according to Orders of the Gazette notification.</p> | <p>It is expected to draw attention towards the implementation of these Orders in the year 2022.</p> | <p>Measures had not been taken to rectify.</p>       |

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| (d) | Action had not been taken in terms of Financial Regulation 756 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka to conduct an verification on assets of the Fund of the year 2020 and to submit reports of the board of survey to the Auditor General.  | Action should be taken in terms of the Regulation.   | The Board will also conduct an annual survey on assets of the Fund when surveying the assets of the Corporation annually. | Measures had not been taken to rectify.               |
| (e) | In terms of Financial Regulation 872(2) (d) included by Public Finance Circular No. 01/2020 dated 28 August 2020, the certified financial statements should be submitted for Audit within 2 months after closure of the accounting year. However, financial statements of the year 2020 had been furnished to Audit only on 02 November 2021 with a delay of 08 months. | Action should be taken in terms of the Circular.     | Explanations had been given.  | Action will be taken to submit them on due date.      |
| (f) | In terms of the National Film Policy issued by the Ministry of Finance and  | Action should be taken in terms of the National Film | Agreements of the Board of Investment thereon   | Action had not been taken to recover the said moneys. |

Planning on 17 June 1999 and Section 6.5 of the Guideline thereon, either a sum of Rs.2.25 from an entrance ticket or 2.25 per cent of the income of total entrance tickets, whichever is more, should be available to the National Film Development Fund from each imported film shown in the Cinema complexes constructed under the Regulations of the Board of Investment. Nevertheless, action had not been taken to compute and to recover the sum so recoverable from the Cine City Cinema Complex Maradana constructed in the year 2001.

Policy and Section 6.5 of the Guideline.

and instructions of the Attorney General regarding distributions will be referred to the Governing Board and action will be taken upon the decisions thereof.

- (g) The loans granted for production of films and cinema halls included the loans totalling Rs.66,958,372 estimated by the Fund as unrecoverable loans, brought forward for a period from 05 years to 26 years. It represented 91 per cent out of the total amount of loans granted as at 31 December 2020. The said
- Action should be taken to recover those loans by following various measures.
- As loans granted by the Fund are examined by a loan committee, action will be taken on recommendations of the said Committee.
- Action is being taken for the recovery of these loans.



loan balances had been brought forward continuously as outstanding loan balances due to failure in taking action properly and timely in granting loans and recovering them.

- (h) The loan amount of Rs.8.5 million granted in the years 2001 and 2002 to the Film Lanka company for constructions of the Maradana Cine City Cinema Complex and for the purchase equipment, could not be recovered as per the agreement. Moreover, a sum of Rs.890,665 had to be recovered further by 31 December 2019. The interest receivable for this loan up to the year 2006 had been computed as Rs.4,064,958, and action had not been taken to identify the amount of interest receivable for the subsequent years.
- Action should be taken to recover interest up to the year 2019 in terms of the loan agreement relating to the constructions of the Cine City Cinema Complex.
- As the Cine City Cinema Complex makes payment of loans from time to time, the matter on recovery of the interest up to the year 2019 will be referred to the loan committee and action will be taken on recommendations thereof.
- Action had not been taken to recover these outstanding moneys.

**16. Name of the Auditee Entity - Company Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) A sum of Rs.90,275,000 transferred to the Account of the Secretary to the Ministry of Trade, Marketing Development, Cooperative and Consumer Affairs for the purchase of ordinary shares and preference shares of the E-services Lanka (Pvt) Ltd. for the Government	Reasons for failure to indicate the share entitlement as per the Form 15 submitted as at 31 December 2016, should be examined.	Observations have been made by the Cabinet Memorandum submitted on 13.01.2013 to the Ministry of Finance and Planning to liquidate E-Services Lanka	A request has been made to the Commission to Investigate Bribery or Corruption to conduct an investigation on this investment of shares.

contribution of 35 per cent relating to the establishment of the said Company in the year 2007, had been indicated under investments. However, no benefits whatsoever had been received from the date of investment up to the year 2020. A share entitlement had not been shown as at 31 December 2016 in favour of the Secretary to the Ministry as per the Form 15 submitted according to Section 131(1) of the Companies Act.

(Pvt) Ltd., as further operation of this Company is no longer profitable.

- (b) The contract had been awarded for an estimate of Rs.88,812,228 to a private company in the year 2014 for computerizing the registration of companies. Accordingly, a sum of Rs.13,268,450 out of the estimated amount had been paid as first and second parts of 10 per cent in two instances. Nevertheless, the contract agreement had been cancelled due to failure in achieving the said purpose within the due period. The Deliverables
- Proper measures should be taken relating to recovery of the said sum.
- Action has not been taken to obtain approval of the Ministry of Finance for writing off expenditure accounted as Work-In-Progress.
- Action had not been taken either to recover or to write off the amount paid.

provided by the said project had not been used as an input for the project currently being implemented and no proper measures had been taken as well regarding the recovery of the said sum. However, this expenditure had been accounted as Work-in-Progress by 31 December 2020.

- (c) In making inquiries from the consulting firm, even though advice had been given by the Information Communication Technology Agency (ICTA) to conduct a System Audit to ensure that the software runs exactly as planned and to perform a Regression Test after each Iteration before its release, it had been emphasized that the actions were not taken accordingly. Further, the facts were revealed by the consulting firm regarding the security of the data of the system and the insecurity occur in making payment through credit cards.
- It should ascertain the staff of the contractor as indicated and agreed upon in the agreement will be present at each development stage.
- A system audit has been carried out by forwarding to the CERT Institute.
- It is proposed to implement the recommendations of the system audit report.

- (d) Registered companies should file their annual returns in terms of Sections 131 (1) and (2) of the Companies Act, No. 07 of 2007. However, according to the performance report, the number of companies which should file annual returns in the year 2020 stood at 111,377 and the said returns had been filed only by 17,173 companies out of them. As such, 94,204 companies representing 85 per cent had neglected filing annual returns.
- Action should be taken to avoid the increase of companies which do not file annual returns.
- Sending three reminders by the system itself and a Cabinet Memorandum has been submitted for recovery of fees relating to the respective years in filing annual returns relating to preceding years.
- There is an increase in filing annual returns.
- (e) All non-private companies are required to register their financial statements with the Registrar of Companies as per Section 170 of the Companies Act, No.07 of 2007. Accordingly, the number of companies which should take action so, relating to the year 2020 stood at 7,175. Even though only 1,001 companies out of those had taken action in terms of Sections of the Act, 6,174 companies representing 86 per cent had not taken action in
- Action should be taken to obtain financial reports by notifying the companies to take action in terms of provisions of the Act.
- Action has been taken by the system to send 3 reminders through the system notifying to file financial reports as due.
- There is an increase in filing financial reports.



activities, the approval for the recovery of a sum of Rs.22,298,751 incurred therefor, from the Urban Development Authority, had been received on 23 April 2015 for the Cabinet Paper No. ୧୭୧/15/0272/625/007 of 13 March 2015. However, the foresaid amount could not be able to recover even by the end of the year 2018.

completed building is located, owned by the Urban Development Authority.

- (b) Although plans had been drawn to prepare a project report on accessing to the Hague System which provides facilities for international registration of industrial plans, only the initial activities had been carried out. Action should be taken to achieve planned targets. It has been planned to obtain a study report from groups to be benefitted by the Hague agreement and legal experts. Necessary action had not been taken to access to the Hague System.
- (c) Out of the 5,932 instances of trademark registration in the year 2020, seven hundred and sixty (760) instances were in relation to the applications received before 2010 and the Director General had commented that the In terms of Sections 118 (1) and (2) of the Intellectual Property Act, as the validity period of a trade mark is limited to 10 years from the date of registration and as the registration had The Trade Mark Registrations have increased as compared with the preceding year. Division has made an arrangement to expedite registrations carried out with delays due to matters arisen beyond the control of the institute.

above delay was due to the nature and complexity of the trademark registration process. However, according to Sections 118 (1) and (2) of the Intellectual Property Act, as the validity period of a trade mark is limited to 10 years from the date of registration and as the registration had been issued so as to be valid from the date of applying for the registration, those trademarks had become expired even as at the time of the registration.

- been issued so as to be valid from the date of applying for the registration, action should be taken to avoid such delays.
- (d) Although work on 6,294 Applications out of 9,593 applications received for the registration of trademarks during the year 2020 had been commenced, it had not reached up to the level of registration of trademarks during the year. Three projects have been identified separately for digitalization of files, physical removal of files, remained inoperative and for updating activities not performed. The three identified projects have been included in the Action Plan for the year 2022.
- (e) Although arrangements should be made to issue Patents during the year in which the applications are made for the Patent, out of 273 Patents issued in the year 2020, a It should be done for the Patent. Attempt will be made to avoid the delay by appointing groups and holding weeks for issuance of certificates. More certificates have been issued by now as compared with the preceding year.





balance of the General Fund as at 01 January 2020 was Rs.411,069,837 and a sum of Rs.144,191,754 had been credited to the Fund during the year. As such, the funds which could have been utilized was Rs.555,261,591. However, only a sum of Rs.49,280,114 of that had been utilized during the year 2020. Accordingly, the utilization of general funds belonging to the Fund had been at a level as low as 9 per cent.

National Budget.

- (b) Requirement of medical equipment of hospitals in the Central Government and in Provincial and District hospitals, not fulfilled by the Ministry of Health, had been Rs.9,845 million and Rs.2,131 million in the years 2018 and 2019 respectively. In addition to that, there were requirements of 130 essential medical equipment and 13 works and activities in general hospitals and 11 basic hospitals. However, a procedure was not
- A procedure for utilizing general funds owned by the Fund should be prepared and implemented to meet requirements of the Health Sector.
- Many medical equipment indicated here have been provided by using provision made from the Treasury.
- Action had not been taken to rectify this position even by 31 January 2022.

available with the Fund to meet at least a part of those requirements using general funds on priority basis by finding out those shortages.

- (c) Donations of Rs.8.09 million received for 11 specific purposes to the Fund from the year 1996 up to the year 2018 had not been utilized during a period ranging from 3 to 17 years for achieving the said purposes. Action should be taken to achieve intended purposes by utilizing monies received to the Fund as donations. Action has been taken to brief the relevant institutions to achieve intended purposes by utilizing these donations. This position had not been rectified even by 31 January 2022.
- (d) The Health Development Lottery had been introduced in September 1998 with a view to raising necessary funds for purchase of essential equipment for Government hospitals and for repairs of those hospitals. The purpose achieved from the funds from each draw should be identified, publicized and executed before every draw takes place. However, action had not been taken accordingly. Out of the lottery income amounting to Rs.399,767,068 received during the period from The said funds should be utilized for achieving intended purposes through the Health Development Lottery. Attention has been paid towards taking action thereon in the ensuing years. This position had not been rectified even by 31 January 2022.

the year 2014 up to 31 December 2020, only sums of Rs.20,578,392 and Rs.86,344,001 had been spent respectively for purposes such as purchase of equipment for hospitals and repairs of hospitals and it represented only 21 per cent of the total lottery income.

- (e) The Cabinet approval had been received to carry out activities of the Sri Lanka National Eye Bank continuously as a project until it will be established as a Trust, to recruit the staff and pay salaries to them according to Management Services Circular No.33 of 05 April 2007. However, action could not be taken as per the Cabinet Decision, as Conditions required for considering the National Eye Bank of Sri Lanka as a project, were not fulfilled in terms of paragraph 1.1 of Management Services Circular No.33.
- The Cabinet should be made aware of that according to Management Services Circular No.33 of 05 April 2007, the National Eye Bank cannot be considered as a project and the staff as well cannot be recruited accordingly. Moreover, action should be taken by looking into alternative measures to be taken thereon.
- According to the Cabinet Decision, approval has been received to carry out activities of the National Eye Bank of Sri Lanka continuously as a project until the Statutes are imposed by a Parliamentary Act to establish the National Eye Bank of Sri Lanka.
- The National Eye Bank had not been established as a Trust even by 31 January 2022. The Cabinet had not been made aware of that as the Bank cannot be considered as a project, the staff therefor cannot be recruited.
- (f) In a ground of the requirement for Payment of allowances contrary to Payment of project allowances and Action had not been taken to obtain the

<p>considering the National Eye Bank of Sri Lanka as a project not being fulfilled, a sum of Rs.3,355,168 had been paid to 29 officers during the year 2018 as honour allowances and project allowances based on the Management Services Circular No. 33 dated 05 April 2007.</p>	<p>to the provisions of Circulars should be avoided. Action should be taken to obtain the approval of the Director Establishment to the payments made or to be recovered.</p>	<p>honour allowances has been suspended from January 2021 and August 2021 respectively.</p>	<p>approval for payments made or to be recovered.</p>
<p>(g) The Ministry of Health Nutrition and Indigenous Medicine had entered into an agreement with the Sight Life (SL), Seattle WA of United State of America for a period of 5 years in order to develop the National Eye Bank and to create a skilled eye staff. However, a sum of US\$ 14,000 could not be obtained due to the fact that, based on the year 2016, plans had not been prepared for the target of establishing branches of the Eye Bank in the main hospitals of the island and supplying of corneas requirement and sufficient performance not being maintained.</p>	<p>Actions should be taken as per the agreements entered into regarding the foreign aid providing for the development of the National Eye Bank.</p>	<p>Has not commented.</p>	<p>No steps whatsoever had been taken even by 31 January 2022 regarding the loss of US\$ 14,000 due to failure in taking action in terms of agreements.</p>

- (h) A basis and a specific policy for granting financial aid for external parties as to be complied with the objectives and the functions of the Fund, had not been identified. Financial aid of Rs.21,044,400 had been granted to 14 number of various associations and institutions only during the year 2018 for the activities which were not included in the scope of functions set out in Section 7 of the Act of the Fund.
- Financial aid should not be granted for the purposes which were not included into the scope of the functions of the Act of the Fund.
- Has not commented.
- Financial aid had been granted to various associations in the year 2020.
- (i) Although provisions had not been made in the Act of the Fund to grant aid to patients in personal level, financial aid of Rs.11,029,810 had been granted to 12 patients during the year 2018.
- Financial aid should not be granted for the purposes which were not included into the scope of the functions set out in the Act of the Fund.
- Has not commented.
- Financial aid had been granted to patients in personal level even in the year 2020.
- (j) An undated Letter of Intent had been signed by the Secretary to the Ministry of Health, Nutrition and Indigenous Medicine and the Director General of Health Services on behalf of
- Attention should be paid towards the legal position of relevant external institutions before entering into agreements and memoranda. In accordance with
- That the Acting Secretary of Health had signed the Letter of Intent on 01 April 2019, the Director General of Health Services had signed on behalf of the Fund and as all
- Action had not been taken to rectify this position even by 31 January 2022.

the Fund together with the Fight Cancer Trust (Guarantee) Ltd. with the intention of collecting public donations for the bank account in favour of Apeksha Hospital under the Fund for purchase of a Tomotherapy linear Accelerator for the Apeksha Hospital, Maharagama.

However, the Fight Cancer Trust (Guarantee) Ltd. was not an institution authorized by the Department of Social Services as an institution related to charitable purposes for providing social services and public facilities. The date of signing the Letter of Intent and the effective date thereof had not been verified and in terms of the first matter of the said Letter, a Memorandum of Understanding had not been entered into by the three relevant parties even by 31 August 2020. In terms of the third matter of

matters agreed, action should be taken to enter into a Memorandum of Understanding. The donors should be encouraged for direct deposits. Public Officers should take action to avoid responsibility on matters carried out contrary to the above.

people of the area cannot directly deposit monies to the bank, the Gintota Development Foundation has collected monies and handed over to the Minister directly and that the said monies have been deposited directly in the bank.

the Letter, the donors should be encouraged to make direct deposits in bank accounts. Nevertheless, contrary to that, public donations had been collected by going from house to house under the guidance of the Fight Cancer Guarantee Trust and a sum of Rs.255,500 said to be so collected, had been credited to the bank account.

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| (k) | <p>Procurement requirements should be fulfilled by following Guidelines of the Government Procurement Guidelines. However, contrary to that, action had been taken to purchase 480 units of Cornea Storage Media Sterile (Vial) for the National Eye Bank by spending a sum of Rs.9.20 million in the year under review and to get the blood samples of eye donors tested by spending Rs.2.18 million for a private laboratory during the</p> | <p>Action should be taken in terms of the Government Procurement Guidelines.</p> | <p>That action will be taken from the year 2020 by the Procurement Committee of the National Eye Hospital for selecting suppliers for purchase of Cornea Storage Media Sterile (Vial) for the Eye Bank and for testing of blood samples.</p> | <p>Action had not been taken to rectify this position even by 31 January 2022.</p> |
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period from January to October 2019 without following any procurement procedure whatsoever. Even though open bids had been invited for selection of a laboratory for laboratory tests for November and December 2019, Guidelines 2.8.5 (b), 5.3.1, 5.3.11, 5.3.13, 5.3.19, 6.3.3, 6.3.6, 7.9.11 and 7.11.1 in the Procurement Guidelines had not been followed and a sum of Rs.862,750 had been paid for laboratory tests within the said two months to the laboratory so selected.

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| (l) | Recovery of debtors balances totalling Rs.1,382,346 receivable during a period from 4 to 8 years by the year 2020 had failed even by the date of this report. | Action should be taken to recover the said sum which could not be recovered from a long period, or to recover from parties who are responsible for non-recovery if any, or to write off from books. | Letters have been forwarded to relevant parties for recovery of the value of Rs.1,372,346 relating to the performance security issued by Ceylinco Insurance PLC. | Action had not been taken to recover the performance security or to recover from parties who are responsible for non-recovery of them. |
| (m) | According to information made available to Audit in the   | Action should be taken in terms of Memoranda of   | Action is being taken to credit donations remaining  | It had not been rectified even by 31 January 2022.   |

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| <p>year 2020, action had not been taken to return to the donor institutions or to transfer to the General Fund, a sum of Rs.2.3 million relating to 13 projects of which project activities were completed.</p>  | <p>Understanding or as agreed relating to projects. If not, the remaining monies should be credited to the General Fund of the National Health Development Fund.</p> | <p>relating to projects of which activities were completed, to the General Fund on the approval of the Board of Directors.</p>           |
| <p>(n) A sum of Rs.15 million had been granted to the Ayurvedic Drugs Corporation on 26 May 2015 for the project on introducing and publicizing 10 new Ayurvedic products to the open market and the Corporation had agreed to credit 10 per cent of the profit of each production unit monthly for the said purpose, as a policy. Only a sum of Rs.1,260,427 had been credited to the Fund by the Corporation during the period from June 2015 up to 31 December 2019 and the recovery of any monies whatsoever from the Corporation relating to the year 2020, had failed.</p> | <p>Action should be taken to recover monies receivable to the Fund as per the agreement entered into with the Ayurvedic Drugs Corporation</p>                        | <p>Reminders have been sent to pay monies relating to the year 2020. Remaining money had not been recovered even by 31 January 2022.</p> |

**19. Name of the Auditee Entity - Customs Overtime, Cargo Examination Fees and Customs Information and Communication Technology Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) The balance of Rs.13,872,683 which is the total investment including the interest income earned from external investments of Rs.253,314 deposited in Sri Lanka Customs by 75 institutions during the period from 1967 to 2007, was being carried forward in the accounts under liabilities and investments without conducting any investigation into the existence of these institutions as well as the present position of rendering of services.	Investigate the current service supply and the existence of the institutions and make proper accounts or take any other necessary action.	National Savings Bank had been consulted on the possibility of crediting the deposit balances to Government revenue and further action will be taken based on that answer.	Steps have not been taken to check the existence of balances and make necessary arrangements.
(b) In terms of Public Administration Circular No. 3/2017 of 19 April 2017, even though all the Public servants should use the Finger Scanner for marking their arrival and departure, none of the Public Servants employed in the Sri Lanka Customs had satisfied the requirement and the amount paid as overtime for	The Staff of the Sri Lanka Customs should function in accordance with the general Circulars that are applicable to all the Officers in the Public Sector.	According to inquiries made by the Parliamentary Committee on Public Accounts, a sub-committee has been appointed in making necessary proposals and procedures and obtained a report	Action has not been taken in accordance with directives of the Committee on Public Accounts.

the year 2020 had been Rs. 850,149,598.

thereon.

- (c) In terms of Financial Regulation 876(2) (d) included by paragraph 15.1 of the Public Finance Circular No.1/2020 of 28 August 2020, even though a sum of Rs. 2,133,975,331 has been accumulating in the overtime fund as a Treasury fund for a long time, the surplus had not been credited to the Consolidated Fund after negotiations with the Treasury in accordance with the provisions.
- That the accumulated surplus money should be credited to the Consolidated Fund by discussing with the Treasury according to the relevant circular.
- According to the prevailing system, it had already been transferred to the bank account of the Deputy Secretary to the Treasury. However, it had not been credited to the Consolidated Fund.
- Proper measures have not been taken as the General Deposit Account of the Deputy Secretary to the Treasury is not the Consolidated Account.
- (d) The portion recoverable to the Government from interest income earned by investing deposits of Rs.100,000 obtained from ship agencies in an appropriate method of investment should be identified and the remaining amount should be repaid to the Depositor. However, action had not been so taken.
- Special attention should be paid to internal circulars.
- It is not practical to invest all security deposits collected.
- Steps have not been taken for rectification.
- (e) The deficit of the Overtime Fund during the year 2020 was Rs.141,774,896. Accumulated balances in the Fund had been utilized during the preceding year to cover that deficit. This deficit was due to a 50 per cent increase in
- Payments should be made under proper supervision.
- Explanations had been given.
- Approval has not been obtained for revision of overtime rates relating to payments made from the Overtime Fund.

overtime pay per hour from 01 October 2018 and although a decision has been taken by an internal committee only to pay this overtime, specific approval had not been obtained for this.

- (f) Even though employing Supervising Officers continuously for 24 hours daily is a highly unusual situation, it could be observed that there were occasions where overtime had been paid to certain officers of the Department of Customs by reporting that they had been employed in the service for 24 hours per day continuously during the year.
- Supervising Officers should closely supervise the payment of overtime.
- Revision of the system of paying overtime is being studied and action is being taken to install finger scanners to mark arrival and departure.
- Action has not been taken to install finger scanners.



the inception of the Fund up to the end of the year 2020.

Department.

(d) A performance report of the Fund should be presented along with annual financial statements of the Excise Rewards Fund. However, action had not been taken accordingly for the year 2020.

Action should be taken in terms of circular provisions.

Action will be taken to submit a performance report along with annual financial statements of the Excise Rewards Fund from the year 2021.

Progress reports have not been prepared and submitted quarterly from the year 2021 up to now.

(e) According to the information presented to the Audit by the Law Enforcement Division of the Excise Department relating to the raids on technical crimes in the year 2020 and 04 preceding years, an annual decrease was observed in the number of raids carried out during 2016-2020. Particulars were as follows.

Continuous and proper inspections should be carried out on the licensed locations.

Circulars have been issued to officers in regional offices. Progress reports have been monthly summoned.

There are excise centres by which no progress whatsoever has been acquired further and no follow up action as well has been taken thereon.

Year	No. of Raids	Decrease Against the Preceding Year	Percentage of Decrease
2016	4593	339	–
2017	4315	278	6
2018	3684	631	14
2019	3623	61	1.6
2020	2747	876	24

(f) Even though 26 years had elapsed by the year 2020 after the Excise Notification No. 818 dated 04 March 1994 came into effect, action had not yet been taken to revise the Excise Notification No. 818 by considering matters such

The Excise Notification should be revised properly.

A Cabinet Memorandum had been prepared for revising the Excise Notification and

The Cabinet Approval has not been received so far.

as irregularities in paying rewards, expansion of the role of the Department.

forwarded to the Ministry of Finance for seeking the approval therefor.

- (g) Payment of Excise Rewards Provisions in -do- The Cabinet approval has not yet been received. As a result, the Excise Notification No. 818 has not been revised so far. Payment of excise rewards is being carried out as usual on decisions of the Committee meetings of Governing Board subject to revisions of the relevant Excise Notification.
- (g) Legal provisions had been made in terms of the Excise Notification No. 818 for the payment of rewards. However, by disregarding the facts that official works becoming idle following the spread of Covid 19 in the country from 16 March 2020; reporting for duties in the months of May and June had been restricted to 1/3 of the staff; and, receipt of arbitration fees to the Fund became low, the working committee on administration had approved payment of rewards for the first half of the year 2020 considering that the arrival and performance of the staff remained 100 per cent.
- (h) An amount equivalent to the value of annual depreciation on fixed assets, is credited to the depreciation reserve fund of the Treasury, and even though there was a balance of Rs. 56,284,583 in that fund as at 31 December 2020, no action had been taken to utilize those funds effectively.
- The depreciation reserve fund should be made use of effectively.
- A sum of Rs.50 million from the General Deposit Account has been allocated in the year 2021 on the approval of the Ministry and it has been planned and placed orders for the purchase
- Even though computer accessories have been ordered, those have not been received so far.



- (i) A sum of Rs. 39.7 million had been allocated by the budget of the year 2020 in respect of training and study programs of the officers, commendable works, bravery, special duties, special raids, and purchase of furniture, office equipment and machinery relating to fulfilling the objectives of the Excise Rewards Fund. However, no expenditure whatsoever had been incurred therefor.
- The provision allocated through the budget should be used to fulfil the objectives of the Fund.
- of computer accessories.
- Rewards funds of Rs.400,000.00 have been paid in the year 2021 to officers of the STF Intelligence Unit for raids carried out in September 2019. Further, A sum of Rs.15.25 million from the budget of the year 2021 has been allocated and included in the Action Plan for training programmes and for the purchase of office equipment.
- Quarterly progress reports for the years 2021 and 2022 have not been presented to Audit so far and meetings of the Governing Board have not been held for the review of activities of the Fund.

**21. Name of the Auditee Entity - Samastha Lanka Sasanarakshaka Mandala Fund**

Opinion of the Auditor General on the Financial Statements 2018 – Disclaimer of Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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<p>(a) Daham Sisusaviya Scholarship Programme was launched in the year 2018 with the objective of selecting one student from each Shasanarakshaka Mandala of the island and awarding Rs.12,000 for 24 months at a rate of Rs.500 per month. Out of 288 Shasanarakshaka Mandala, 262 students had qualified for the programme, but only 139 students were selected and only Rs.100,000 was paid as a 10 month scholarship grant to 20 students in the year 2019. Furthermore, no action had been taken to select students for this scholarship from 35 Shasanarakshaka Mandala in the Badulla, Puttalam, Mullaitivu and Vavuniya districts.</p>	<p>Scholarships need to be awarded in a regularized manner so that all eligible students can benefit by resolving issues related to selection.</p>	<p>Explanations had been given.</p>	<p>Action is being taken at present to implement the programme so as to cover all Districts.</p>

- (b) As per paragraph 79 of Sri Lanka Public Sector Accounting Standard 1, current assets that are either realized, consumed or sold, as part of the normal operating cycle even when they are not expected to be realized within twelve months, should be revealed as current assets. That the relevant values should be disclosed in financial statements. The values Rs.179,500, Rs.34,750 and Rs.741,300 respectively of remaining flags, stickers and printed flags made of cloths, were noted to be included in the books. Action is being taken at present to rectify the error.
- However, Rs.179,500 and Rs.34,750, the value of flags and stickers respectively, and which have been mentioned in inventory and Rs.741,300, the value of flags made of cloths which has not been mentioned in inventory, had not been revealed in financial statements as per the Standard.
- (c) In terms of Internal Circular No. බෞ/කො/ව්‍ය/04/01/2019 dated 03 April 2019 of the Commissioner General of Buddhist Affairs, even though summary reports on collection of money and depositing in banks relating to sale of flags should have been prepared, such reports Relevant summary reports should be prepared. It was noted to take action in the manner pointed out in the sale of remaining flags. Action has not been taken in terms of the circular.

had not been prepared and presented.

- (d) Seven hundred and forty eight applications had been sent by the year 2017, to the Ministry of Buddhasasana for obtaining Buduputh Mapiya Suraksha benefits and although they were referred to the Ministry of Housing and Construction with the recommendation of Commissioner General of Buddhist Affairs, no follow up action had been initiated regarding their current situation. Further, although 50 applications had been received from the beginning of the year 2018 to the end of 2020, no action had been initiated regarding them.
- That follow up action should be initiated regarding obtaining of Buduputh Suraksha Benefits.
- Explanations had been given relating to failure in implementing this programme.
- A sum of Rs.100,000 had been paid in the year 2021 as the first stage in constructing houses for parents of 18 priests in the Kalutara District.
- (e) Even though the Buduputh Suraksha Upahara Trust which was initiated with an initial capital of Rs. 5,000,000, in the year 2012 kept increasing year by year, no action had been taken to utilize funds to achieve the objectives
- Action should be taken to achieve the objectives of the Fund.
- It was not possible to achieve the objectives of the Fund due to the pandemic prevailed in the country and it will be noted to take action regarding that in future.
- The interest relating to that year has been credited to the current account.

of the Fund.

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| (f) | Although an internal audit should have been conducted as per the Financial Regulation 133 (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and paragraph 03 of the Department of Management Audit Circular No. DMA/2009 (1), of 09 June 2009, no internal audit had been conducted by the Ministry up to now. | Action should be taken to carry out an internal audit. | Has commented. | not | An audit has not been implemented. |
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**22. Name of the Auditee Entity - Title Insurance Fund**

Opinion of the Auditor General on the Financial Statements 2018 – Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of Orders 11 and 12 of the Title Registration (Insurance Funds) No.01 of 2009 published by the Gazette Extraordinary Notification No.1616/23 of 24 August 2009 of the Democratic Socialist Republic of Sri Lanka, the Audit Report should be published along with the Annual Administration Report. However, the Administration Report had not been prepared from its initialization.	The Audit Report, along with the Annual Administration Report should be published in terms of the Orders 11 and 12 of the Title Registration (Insurance Funds).	In terms of Orders 11 and 12 of the Title Registration (Insurance Funds), necessary action is being taken from the year 2021 to include the Audit Report and the Administration Report in the Performance Report of the Department as due.	The Audit Report and the Administration Report have not been included in the Performance Report of the Department and published up to now.
(b) The unidentified income included in the bank statements had increased from Rs.3,355,634 to Rs.22,748,177 as compared with the preceding year and the number of Title	Income records should be obtained and the income deposited in the bank should be verified correctly.	This situation has existed even in the years 2018, 2019 and 2020. A computer system is currently being introduced.	Activities of obtaining reports, which is the final stage of the system, have been commenced.

Registrar's Offices which failed to obtain the income records had increased from 09 to 19. As a result, the accuracy of the title income of Rs.19,168,081 transferred as 40 per cent to the Title Insurance Fund was not ascertained.

- (c) Even though this Fund had been established under the Title Registration Act No. 21 of 1998 to cover the amount of compensation to be paid by the Government to the parties for the loss incurred due to a wrong decision in the matter of land ownership registration, any targeted function to accomplish that task had not been included in the Action Plan 2020 of the Fund. Moreover, although more than 10 years had elapsed after the establishment of the Title Insurance Fund by the end of the year 2020 under review, no compensation
- The functions of the Fund should be carried out efficiently and effectively.
- The officers of this department as well participate in the programmes at regional level carried out relating to Title Registration Offices through the Department of Land Title Settlement under the Bimsaviya Programme and during those programmes the public is made aware of the Title Insurance Fund. According to Section 9 of the Gazette Extraordinary No.1616/23 dated 24.08.2009, it has been stated that a
- The Land Settlement Department also make the public aware of the Insurance Fund.

whatsoever had been paid during this period and only investing of the total revenue after the operating expenses up to the end of 2020 had been carried out.

maximum percentage of monies of the Title Insurance Fund should be invested in Government securities.



23 **Name of the Auditee Entity - - Mahanuwara Esala Perahera Trust**

Opinion of the Auditor General on Financial Statements 2018-Qualified Opinion  
 2019-Qualified Opinion  
 2020- Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) The interest income on the fixed deposit of the Esala Perahera Trust worth Rs. 20 million being maintained in the custody of the Public Trustee Department, amounted to Rs. 1,704,139 for the year 2020. However, the same had been shown as Rs. 1,000,000, thus understating the interest income by Rs.704,139 in the financial statements.	The interest should be calculated in accordance with the rate of interest.	Although requests had been made to the Public Trustee Department that the interest be given in full, only Rs. 1,000,000 had been given for each of the several preceding years. As the Trust has been made aware of the procedure followed by the Public Trustee Department thereon, attention will be paid to the said matter in preparing accounts of the year 2021.	It has been informed that the Trust will take action to pay attention regarding this matter in preparing accounts of the year 2021. It has not been rectified so far.
(b) The Public Trustee Department had given money to the Trust over many years as the security guardian of the Esala Perahera Trust to conduct the Perahera.	Since the custodian of the Esala Perahera Trust is the Public Trustee Department, it is necessary to confirm whether	After been pointed out by the Audit, the Trust has been made aware of, in enquiring the said matter from the Public Trustee Department.	At present, the Trust has been made aware of that matter and it has been informed that action will be taken to pay attention thereon in preparing accounts

Even though there is any amount payable. Accordingly, of the year 2021. Rs. 17,287,452 had been included in the accounts of the Public Trustee Department as a balance due from the Perahera Trust as at 31 December of the year 2019, the Esala Perahera Trust had not indicated the said amount as a balance payable in the financial statements. rectifications will be made in the preparation of financial statements of the year 2021. However, it has not been rectified so far.

**24. Name of the Auditee Entity - Custom Officers' Reward Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of paragraph 54 of Sri Lanka Public Sector Accounting Standard 3, in case of correction of prior period errors, matters such as nature of the said error should be disclosed in the financial statements. However, disclosures relating to the note of correction of error amounting to Rs.8,687,637 indicated in the statement of changes in equity, had not been made in the financial statements of the year under review in terms of the Standard.	Should be in compliance with Sri Lanka Public Sector Accounting Standards.	Preventive measures had not been taken.	The error had not been corrected.
(b) Even though the income over expenditure in the statement of comprehensive income of the year 2019 had been shown as Rs.105,045,877, it is observed that this is not	All monies received during the year should be properly accounted and the net balance of the Fund should be correctly indicated after making payments	Measures had not been taken for correction.	The financial statements of the year 2020 as well had been presented as before.

- an income over expenditure but a balance arisen due to the failure in paying for sub-funds of the Reward Fund. to the officers who are entitled to cash rewards and payments incurred by sub-funds.
- (c) Section 153 (2) (b) of the Custom Ordinance No.17 of 1968 - Even though a suitable methodology should be prepared for the distribution of rewards from the Reward Fund by obtaining the approval of the Minister of Finance, a sum of Rs.16,520,215,868 for officers as cash rewards and a sum of Rs.1,997,381,541 for the informants had been distributed during the period of 22 years from the year 1999 to the year 2020 without evidence for obtaining the approval of the Minister of Finance for the Departmental Order No.PL 118 of 28 January 1988. An appropriate method should be prepared for distribution of funds. Measures had not been taken for correction. The payment of rewards is further being made without obtaining proper approval.
- (d) Penalty revenue in arrears amounting to Rs.2,051,340,784 not accounted as at 31 December of the year under review, comprised of a sum of Action should be taken to properly identify and account penalty revenue in arrears. Measures had not been taken for correction. Steps have not been taken for correction.

Rs.561,540,349 between 1 year and 5 years and a sum of Rs.182,762,354 over 05 years.

File relating to Custom Investigation No.CINT/HQB018/2013 had been misplaced with a balance of Rs.2,212,586 after paying Rs.1,955,942. Moreover, a balance of Rs.350,000 remained as arrears in penalties relating to Custom Investigation No.ENSP/CASE/2009/09 as at the date of audit. However, this file had also been misplaced. Action had not been taken in terms of Financial Regulations 103(1) and 104 (1) relating to the said files.

Action should be taken in terms of Financial Regulations.

Measures taken for prevention of misplacement had not been reported to Audit. Steps have not been taken so far for correction.

- (e) In the investigations conducted on customs offences, recovery of minimum tax revenue receivable to the Government on imports under general condition had been disregarded and penalties on customs offences had been imposed including the revenue so deprived of while it had been
- The Custom Ordinance is 151 years old by now and even though it had been formulated based on the position of imports and exports prevailed at that time, the Act should be amended in compliance with the current position
- Measures taken for prevention, had not been reported.
- Steps had not been taken for preparation of a proper method for distribution of rewards and for amendment of the Customs Ordinance.

proposed to pay 50 per cent of the penalties imposed for the payment of rewards to officers. Consequently, a decrease in the revenue receivable to the Government and an increase in the cash rewards distributed among the officers were observed.



conducted.

- (d) The cumulative balance of the Fund continuously grows by the money collected annually due to improper enhancement of management efficiency of custom officers and planning the precise criteria and the expected targeted expenditure for payment of compensation to officers. Accordingly, it was observed that 90 per cent of the income of the year 2020 had been accumulated in the Fund.
- The Customs Ordinance is about 151 years old by now and it should be amended to suit the current situation.
- Measures taken for preventing it, had not been made available.
- Necessary measures have not been taken to amend the Act.
- (e) Even though the amount of rewards paid to officers and in the amount allocated to this Fund have been increased due to the Government tax revenue lost in the imposition of penalties for customs offences also being treated as part of that penalty and the reward of officers is decided based on that penalty, it was observed that the Government tax revenue was not
- A review should be carried out in connection with that 70% of the proceeds from the fines obtained by the customs officers after an investigation and the amount received from the sale of confiscated goods are not collecting to the Consolidated Fund, due to non-detection of
- Measures taken for preventing it, had not been made available.
- Action had not been taken to carry out a review thereon.



collected as scheduled. customs offences  
in the first  
instance.

- (f) A necessity is observed to review the past activities of the Fund and to draw the attention of the responsible parties to formulate an appropriate mechanism for obtaining the balances accumulated in the Fund to the Consolidated Fund. Inquire from the Treasury about excess money and formulate an appropriate methodology. Measures taken for preventing it, had not been made available. An appropriate mechanism had not been formulated.
- (g) Even though compensation for disasters to custom officers while performing their duties had been identified as one of the preliminary objectives of this Fund, no such payment of compensation had been reported during the period of 07 preceding years, thus observing an abnormal collection of funds to this Fund. The Act should be amended and compensation for custom officers be paid and a mechanism for enhancing the welfare of employees should be introduced so as to suit the current position. Measures taken for preventing it, had not been made available. Steps have not been taken to prepare a mechanism so as to suit the current position of welfare of employees.

**26. Name of the Auditee Entity - Agrarian Development Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Adverse Opinion  
 2019 - Adverse Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) Even though the balance in the deposit account was Rs.259,321,334 as per the books of the Fund as at 31 December 2020, the balance in the deposit account was Rs.259,973,482 as per the Treasury books. Accordingly, the difference of Rs.652,148 had not been identified and settled.	The difference must be identified and resolved.	Adjustments could not be made through financial statements due to difficulty in finding the documents related thereto and as those documents are very old.	The difference had not been identified and resolved.
(b) In terms of Sub-section 56(1) of Agrarian Development Act, No. 46 of 2000 as amended by the Agrarian Development (Amendment) Act, No. 46 of 2011, even though the Acreage Tax collection activities of a particular year should be carried out before	Acreage Tax should be charged as per the provisions of the Act.	Even though a programme had been implemented to make Acreage tax collection more efficient, Acreage tax collection activities were interrupted by the Covid-19 pandemic which prevailed in the country. Action is	The Acreage tax recoverable as at 31 December 2021 was Rs.10,071,460.

31 March of the same year, action had not been so taken during the preceding years and in the year under review. An Acreage tax of Rs.20,990,383 remained recoverable as at 31 December 2020 by Agrarian Service Centres.

being taken to introduce a set of Guidelines for regularization of recovery of Acreage tax for the year 2023.

- (c) No agricultural research activities which are duties and functions of the Fund, had been carried out during the year 2020 and preceding years. Action should be taken to carry out duties and functions specified in the Act. Arrangements for taking appropriate measures are in progress from the year 2022. Monies have been allocated for research activities by the budget of the year 2022.

**27. Name of the Auditee Entity- Mahapola Higher Education Scholarship Trust Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) In terms of Section 11(1) (b) of the Development Lotteries Board Act, the Mahapola Trust Fund shall remit the excess of the rate at which it was invested in the establishment of the Development Lotteries Board. Even though the share of the Trust Fund out of the excess in the year 2018 was Rs.1,093,798,978, only a sum of Rs.904,600,387 had been indicated in the financial statements, understating by Rs.189,198,591.	A definite agreement must be reached.	The Development Lotteries Act has not specified relating to the remittance of 50 per cent of the income of the Development Lotteries Board to the Mahapola Trust Fund. Fifty per cent has been remitted to the Mahapola Trust Fund by reducing the scholarship value. This state of affairs has been discussed with the President's Fund and action has been taken to obtain 50 per cent of the total profit and the said 50 per cent is remitted to the Mahapola Trust Fund and the share of prizes not accepted is not	Out of the understatement of Rs.904,600,387 in the financial statements of the year 2018, only a sum of Rs.100,700,127 had been received in cash in the year 2019.

remitted to the Mahapola Trust Fund.

- (b) Action had not been taken to account a sum of Rs.835,766,892 which has not been remitted by the President's Fund, receivable to the Trust Fund from the surplus of the Development Lotteries Board during the period from the year 2012 to 31 December 2018.
- Necessary adjustments should be made to the Financial Statements in a definite agreement.
- It is difficult to credit the sum of Rs. 835.7 million so indicated to the Mahapola Trust Fund due to incurring amounts from the share of the profit for medical assistance by the President's Fund as well from the year 2012 – up to the year 2018.
- The sum of Rs.835.7 million incurred by the President's Fund as medical assistance had not been received so far to the Mahapola Trust Fund.
- (c) In terms of Section 6.2 (a) (c) (d) of the Trust Fund Act, the Trust Fund entrusted with the mandate to accept grants, gifts or donations in cash or kind whether from local or foreign sources and to conduct lottery draws subject to the approval of the Government for the purpose of collecting money. However, funds had not been raised through such resources.
- Action should be taken to raise funds.
- Action has been taken to receive gifts and donations frequently for raising funds in terms of Sections 6.2 (a), (c) and (d) of the Mahapola Trust Fund Act and the following measures had been taken therefor in the year 2021.
- (i) A newspaper advertisement had been published for obtaining a land or a building as a donation from Colombo and it has been No donor had come forward to donate and accordingly, the Foreign Language University College to be established in a future, has been proposed to be constructed in Colombo and it has been

a donor to further proposed to obtain establish a space facilities thereby to Head Office the Mahapola Trust Fund. for the Mahapola Fund.

- (ii) There are about 3 lakhs (300,000) of scholars from the year 1982 up to date and necessary arrangements have been made by holding discussions with the People's Bank to create a data base including all details for obtaining donations from them. Action was taken at the meeting of the Trustees held in December 2021 to appoint a qualified officer for creating a data base and initial steps relevant to the said recruitment are in progress.
- (iii) The Mahapola Trust Fund is able to conduct lotteries with Cabinet approval and even though it has been initiated in the year 2013, it has been suspended until legal proceedings The Cabinet approval had been received for launching a new online lottery under the Mahapola Trust Fund and procurement activities thereon have been commenced by December 2021.

are finalized. However, necessary steps have been taken so as to launch an electronic lottery named Mahapola under the Development Lotteries Board and to remit the income thereof directly to the Mahapola Fund.

- (d) According to the agreement entered into on 14 November 2005, a new lease agreement has been entered into with the Sri Lanka Institute of Information Technology on 12th May 2015 despite the lease in arrears of Rs. 98,642,356 as at 12th May 2015 and as per the initial agreement, the lease amounting to Rs.45,358,379 which could have been obtained by the Trust Fund in the year 2015 had reduced up to Rs. 20,000,000. Such agreements disadvantageous to the Necessary measures should be taken speedily.
- The Cabinet has been briefed by a Cabinet Paper relating to further measures to be taken in this connection.
- A Cabinet Decision dated 10 February 2022 had been received stating that the ownership and the management structure of the Sri Lanka Institute of Information Technology should be maintained in the manner in which it was maintained before 12 May 2015. In taking action accordingly, the agreement entered into in the year 2015 should be cancelled and the agreement of the year 2005 should come into effect.

Trust Fund relating to the Sri Lanka Institute of Information Technology, which has been established on a Cabinet Decision, should be entered into with Cabinet approval. Nevertheless, action had not been taken accordingly.

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| (e) | The land of 25 Acres in extent owned by the Trust Fund and located in Malabe which had been entered in the accounts to the value of Rs. 12,460,179 in the year 2005 had not been assessed to the present value and entered in the books. Further, the value of the building had been stated as Rs.1,064,520,695 in the financial statements by the Trust Fund. | Land should be valued and taken into books. | The Special Audit Report on the Administrative Inefficiencies and Shortcomings in Agreements existing in the Sri Lanka Institute of Information Technology and Misuse of Assets has been presented at the Parliamentary COPE Committee on 08 January 2021 and the said COPE Committee report has been tabled in Parliament on 06 April 2021. Moreover, the report of the Presidential Commission appointed in the year 2018 to inquire into corruption and frauds of Government | The Cabinet Decision dated 10 February 2022 had been received stating that the ownership and the management structure of the Sri Lanka Institute of Information Technology should be maintained in the manner in which it was maintained before 12 May 2015. |
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institutions as well has been presented in Parliament. It is due to be debated in Parliament. The Hon. Minister in charge of the Subject has presented the observations relating to further activities of the Sri Lanka Institute of Information Technology in Parliament on 17 August 2021.

- (f) Expenditure totalling Rs.3,832,875 payable from the School Development Fund on behalf of the constructions carried out in several schools are being carried forward in the financial statements since the year 2013 and no action whatsoever had been taken relating thereto even by the year 2020. Necessary measures should be taken speedily. Payments could not be made as there were deficiencies in the Procurement Process and as creditors' bills have not been submitted. Measures had not been taken relating to confirmation of creditors even by December 2021.



(b)	A written confirmation on objectives and functions to be accomplished by using a sum totalling Rs. 1,462,778 in 02 fund accounts included in the financial statements of the year 2020, had not been made available to Audit.	Action should be taken to inquire into objectives relating to the establishment of funds and to take measures accordingly.	Further action will be taken to forward a Board of Trustees' Paper to the Board of Trustees in this connection.	Action had not been taken for rectification.
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(c) National Film Corporation Trust for Film Artists and Film Technicians Act, No. 03 of 1986

(i)	In terms of Section 5(1), welfare funds, savings funds, savings or thrift societies and other similar schemes designed to assist film artists and film technicians had not been established.	Action should be taken in terms of Sections of the Act.	Further action will be taken according to decisions taken by the Board of Trustees.	Action had not been taken in terms of the Section of the Act.
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(ii)	In terms of Section 5(2) (a), no attention had been drawn towards the providing loans, grants, housing facilities or other similar benefits to	Action should be taken in terms of Sections of the Act.	-do-	-do-
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qualified film artists or film technicians.

- (iii) In terms of Section 5(2) (b), action had not been taken to award any financial assistance to qualified film artists or film technicians who were unable to pursue their careers due to physical or mental disabilities. Action should be taken in terms of Sections of the Act. -do- -do-
- (iv) In terms of Section 6(2) (a), no action had been taken during the year under review to implement appropriate programmes or procedures to raise funds. Action should be taken in terms of Sections of the Act. Further action will be taken according to decisions taken by the Board of Trustees. Action had not been taken in terms of Section of the Act.
- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka included by paragraph 15.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020
- (i) In terms of Financial Regulation 877(1)(c), no action had been taken to Action should be taken in terms of circular provisions. It will be prepared since the year 2022. It had been informed that it will be rectified in the year 2022.

- prepare a budget for the year 2020 by the Trust and obtain approval therefor.
- (ii) In terms of Financial Regulation 877(2)(c), the certified financial statements should be submitted to the Auditor General for audit within two months after closure of the accounting year. The financial statements of the Trust for the year had been submitted for Audit on 27 January 2022.
- Action should be taken in terms of circular provisions
- Further action will be taken accordingly.
- It had been informed that it will be rectified in due course.
- (e) In terms of Financial Regulations 245 and 257 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, expenses totalling Rs. 1,644,200 was paid without being certified using 10 pay-in-vouchers during the year 2020.
- Action should be taken in terms of circular provisions.
- Action had not been taken accordingly in respect of 8 vouchers relating to bank charges recovered directly. The two remaining vouchers had been certified and it has been forgotten to approve the minute and sign the voucher during the period of closing down the Corporation due to Covid pandemic. It
- It had been informed that it will be rectified in due course.

will be done  
correctly in future.

- (f) Attention had not been drawn on the means of financing the main objectives of the Trust such as establishment of Contributory pension schemes for film artists and film technicians, savings or thrift societies and other similar schemes and granting a housing facility or other similar benefit to them. Attention had not been drawn on the means of financing the main objectives of the Trust. Funds should be raised and attention of the Board of Trustees will be drawn therefor. Attention of the Board of Trustees will be drawn therefor.
- (g) Even though a sum totalling Rs. 5,643,000 had been granted in the year under review as pension for film artists and film technicians, a Board of Trustees had not been appointed for activities of the Trust even by 31 December 2018. As such, attention had not been drawn on activities such as, establishment of saving funds, thrift societies, granting loans, and providing housing facilities on behalf of beneficiaries. Attention should be drawn towards the establishment of savings funds, thrift societies, providing loans and housing facilities for beneficiaries. -do- -do-
- (h) In terms of Rule, No. 3.3.5 of the Trust, a Beneficiaries who Action will be taken accordingly, Action will be taken in accordance with Rules of

retiree is not entitled to qualified to in selecting new the Trust.  
receive pension benefits receive benefits pensioners.  
in case he receives a should be  
pension benefit, identified. .  
provident fund, or  
assistance in a different  
manner. However, action  
had not been taken in  
terms of that Rule to  
collect information or  
examine the artists to  
whom pension benefits  
had been paid by the  
Trust.

**29. Name of the Auditee Entity - Rewards and Incentive Fund (Department of Motor Traffic )**

Opinion of the Auditor General on Financial Statements      2018- Qualified Opinion  
 2019- Qualified Opinion  
 2020- Disclaimer of opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
<p>(a) A total sum of Rs.38,335,003 had been invested in the Treasury on 31 December 2019. Moreover, a monthly surplus ranging from Rs.22 million to Rs.58 million had remained in the Savings Account and measures had not been taken to credit the said balance to the Consolidated Fund in an appropriate manner. In terms of Regulation 03 (1) of the Motor Traffic Regulations (Rewards and Incentive Fund) No.04 of 2011, four activities which qualify for rewards and incentive are indicated. However, no payments had been made for 03 out of those activities, for rewards since the inception of the Fund and the income received by the Fund had been distributed among the staff as incentive. However,</p>	<p>In case of a surplus, action should be taken by looking for the possibility of crediting such surplus to the Consolidated Fund as per the Public Finance Circular No. PF/423 dated 22 December 2006. Action should be taken by paying more attention towards the main objectives of the Fund.</p>	<p>No preventive measures had been taken other than reporting that a surplus money equal to 05 per cent of the of the annual income of the Fund had been retained in the Fund as per Regulation 03(2) of the Motor Traffic Regulations Rewards and Incentive Fund No.04 of 2011 Cap. 203. A Special Evaluation Committee comprising Commissioners and the Assistant Commissioner (Technical) and Legal Officers of the Department of Motor Traffic, has been appointed on 26.10.2021 for taking action in this connection in consultation with the Commissioner of Motor Traffic.</p>	<p>Action had not been taken to credit to the Consolidated Fund. Action had been taken to appoint a committee.</p>



there was a possibility of minimizing fabrications and changes etc. made unlawfully to motor vehicles, if a procedure for awarding rewards for those activities, is implemented.

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| (c) | The Department of Legal Draftsman had drafted and sent the motor vehicle regulations (surcharges) on rewards and special appreciations on 02 May 2017. However, formulating regulations and imposing surcharges as per the Motor vehicles Act in such a manner is contradictory to certain other Sections of the same Act. As such, formulating regulations and imposing surcharges could not be implemented. | Action should be taken by paying more attention towards the main objectives of the Fund. | -do- | Action had not been taken to impose surcharges by formulating regulations. |
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therefrom instead of utilizing those funds adequately for achieving aforesaid objectives.

- (c) A sum of Rs.1,000,000 had been released in the years 2015 and 2016 to a farmer at Moragollagama for carbonic Read Lady Papaw cultivation without obtaining a guarantee and despite being reported in the field inspection report that there was no progress of the project. The Fund had failed to recover the loan installments even by December 2019 and only the deposit of Rs.150,000 retained by the Farmers' Bank had been recalled to the Fund.
- Action should be taken to recover loan installments or initiate legal action.
- The Agrarian Bank has been briefed on recovery of loans.
- Only the sum of Rs. 150 000 retained by the Agrarian Bank has been returned in the year 2020.
- (d) A sum of Rs.1,000,000 had been approved in the year 2017 on the agreement of settlement within 24 months for the project of potato cultivation at Walapane in the District of Nuwara Eliya and out of that, a sum of Rs.500,000 had been approved and released to the owner of
- Action should be taken to recover loan installments or to take legal action thereon.
- No action has been taken.
- The Fund had not taken action up to the year 2020 to recover the loan and the installment.

the relevant project. The performance report of the Assistant Commissioner of Agrarian Development revealed that the said project has not been successfully implemented. As such, the remaining sum had not been released. However, the Fund had not taken action to recover the loan of Rs.500,000 granted, and the interest thereon.

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| (e) | In terms of paragraph 150 of Public Sector Accounting Standard 01, the legal form of the entity, a description of the nature of the entity's operations and principal activities thereof and the relevant Deed of Trust governing the entity's operations had not been revealed. | Action should be taken in terms of the Standard.                                     | No action has been taken. | No disclosures had been made in the financial statements.   |
| (f) | Interest income on investments amounting to Rs.7,794,456 for the year 2018 relating to three fixed deposits in the State Mortgage and Investment Bank, had been shown in the financial statements as the income of the year  | Transactions relating to the year should be identified and accurately accounted for. | No action has been taken. | The investment interest income had not been accurately disclosed in the financial statements since the year 2018. |

- 2020.
- (g) The opening balance of Transactions relating The Management Rectifications had not the loan amount granted to the financial year has agreed for been made. from the Fund to should be identified rectification. commence farmers accurately. banks had been Rs.190,313,579. However, in calculating the interest in the year 2020, it had been calculated as Rs.181,200,000, thus, the interest on loan had been understated by Rs.91,125 .
- (h) Income of the Govisetha Lottery was Rs.4,710,479,333 according to notes to accounts of the financial statements of the year 2020 and it was Rs.4,688,745,587 according to Treasury books, thus observing an unexplained difference of Rs.21,733,746. It should be rectified by identifying reasons for the difference. No action has been taken. Adjustments had not been made in the balances of Treasury books and books of the Fund since the year 2018.
- (i) Letters of Confirmation and the Debtors' Age Analysis on the balance of the Debtors' Control Accounts of Rs.7,923,175 indicated in the financial statements of the year 2020 had not been made available to Audit. Action should be taken to settle those balances. Audit evidence has not been made available. Documentary evidence has not been made available since the year 2018.

- (j) Letters of Confirmation -do- Audit evidence -do-  
of Balances of the has not been made  
Debtors' balance of available.  
Rs.1,467,176 indicated  
in the financial  
statements of the year  
2020, recoverable from  
the Deputy  
Commissioner of  
Agrarian Services (Uva)  
had not been made  
available to Audit.
- (k) Detailed Deposit -do- No action has been -do-  
Register on the farmers' taken.  
deposits of Rs.697,644  
indicated in the financial  
statements of the year  
2020, had not been  
made available to Audit.
- (l) The Register of -do- -do- -do-  
Shareholders relating to  
the shares account of  
Rs.591,965 indicated in  
the financial statements  
of the year 2020 had not  
been made available to  
Audit.
- (m) Documentary evidence The balance should -do- -do-  
had not been made be confirmed.  
available to Audit for  
confirming the balance  
of Rs.159,399,408 of the  
Govisetha Fund  
indicated in the financial  
statements of the year  
2020.
- (n) Effective measures had Action should be No action has been Rectifications had not  
not been taken to taken for settlement. taken. been made.  
recover the debtors

balance amounting to Rs.27,502,498 which had lapsed for a period ranging from 03 years to 20 years as at 31 December 2020 of short term loan balances granted to District Offices and Farmers Associations.

- (o) Farmers Trust Fund had released an interest free loan amounting to Rs.5.9 million on the basis of payment within a period of one year to the Ran Geviliya Social Entrepreneur Public Company established with the intention of cultivating paddy lands of 3,000 acres in extent located in the Polonnaruwa District according to the Global Good Agriculture Practice GAP in the 2018/2019 and achieving economic benefits by making farmers aware on international standardization practices and adopting Good Agriculture Practice. According to the project time frame, the GAP Certificate had been
- GAP certificates should be issued to female farmers while taking action to recover the loan amount.
- No action has been taken.
- Neither the GAP certificate has been granted nor has the loan been recovered.

expected to be obtained on behalf of female farmers by March 2019. However, not a single female farmer had achieved the expected level even by June 2020 or settled the loan amount granted therefor.

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| (p) | A sum of Rs.860,000 was further recoverable out of the loan amounting to Rs.3,500,000 granted in the year 2003 to the private company “Prime Herb Lanka”. The Fund had been notified that this company had ceased business operations and that the person who obtained the loan had deceased. As such, no steps whatsoever had been taken up to 31 December 2020 by the Fund relating to holding a reasonable examination on the ability of further payment of loans and to recover same or to proceed with legal action. | Action should be taken to recover loans. | The Fund has been notified on the discontinuation of business activities of this company and the death of the person who obtained this loan. | No steps whatsoever had been taken so far relating to recovery or initiating further legal action. |
| (q) | In the establishment of the Farmers’ Trust Fund in the year 2002 by amalgamating the Revolving Fund and the   | Action should be taken to recover loans. | A committee comprising retired officers has been appointed in the year 2014 by   | Rectifications had not been made.  |



Agricultural Trust Fund, the debit and credit loan balances which remained in the said two Funds, were remitted to the Farmers' Trust Fund. Even though 10 retired officers had been appointed in the year 2014 by paying allowances of Rs.1,490,000 for recovery of short term loan balance of Rs.44,255,850 of the Revolving Fund remitted to the Fund, short term loans further unrecovered amounted to Rs.39,967,891 even by the end of the year 2020.

paying allowances.

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| (r) | In terms of Paragraph 3(b) of Public Finance Circular No.01/2014 of 17 February 2014, no Annual Action Plan had been prepared for the year 2020.   | An Annual Action Plan should be prepared in terms of the Circular. | No action has been taken.   | Rectifications had not been made.  |
| (s) | In terms of Financial Regulation 877(2)(a) included by paragraph 15.1 of Public Finance Circular No.01/2020 of 28 August 2020, approval should have been obtained within one year after issuing the circular for statutory | Action should be taken in terms of the Circular.                   | It has been re-submitted to the Cabinet with the opinion of the Minister of Finance on the Draft. | Even though it had been re-submitted to the Cabinet for consideration, it had not been taken up for discussion of the Cabinet. |

and Trust Funds for which an Act is not available. However, it had been decided by the Cabinet Decision No.CP/16/1866/728/041 of 19 October 2016 to re-submit to the Cabinet the draft bill which was prepared and submitted, together with the opinion of the Minister of Finance. Nevertheless, it had not been re-submitted to the Cabinet to consider matters even up to 31 December 2020.

- (t) A sum of Rs.916,322,319 had been allocated for the year 2020 for 44 capital projects such as exhibitions, seedling production and manufacture of apiaries. However, 14 projects of them had not been implemented.
- Action should be taken in terms of plans.
- No action has been taken.
- Action could not be taken in terms of plans from the year 2018 up to year 2020.
- (u) The income from the Govisetha Lottery had not been received to the Fund from the year 2008 up to the 2020 under review. As such the expectation of implementing the main objective of establishing the Fund, could not be
- The income from the Govisetha Lottery should be utilized for the objective of the Fund.
- The Treasury has requested for the lottery income in the year 2020.
- A sum of Rs.10,000,000 had been obtained from the lottery income in the year 2021.

- met.
- (v) In terms of Section 14 of the Deed of Trust of 09 March 1994 by which the Farmers' Trust Fund was established, a staff could have been recruited for the Trust Fund. However, since action was not taken accordingly, management of financial and administrative affairs of the Fund was at an unsatisfactory level in the year 2020 due to weaknesses such as the low level of progress in recovery of loans, unsettled advances, writing off unrecoverable loans and failure in supervision and follow up action of projects implemented by the Fund.
- Financial and administrative affairs should be properly managed.
- No action has been taken.
- The management of loans and various projects is at a weak level due to failure in recruitment of a staff.

### 31. Name of the Auditee Entity - Corporative Surplus Fund

Opinion of the Auditor General on the Financial Statements 2018 – Disclaimer of Opinion  
 2019 - Disclaimer of Opinion  
 2020 - Disclaimer of Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) A sum of Rs.143,919,037 had been granted as loans from the year 1992 to the year 2014 to the Consumer Cooperative Societies Federation of Sri Lanka Ltd., and only a sum of Rs.24,891,113 had been recovered by 31 December 2019. A further sum of Rs.119,027,924 remains recoverable and this old balance was being brought forward for a period ranging from 05 to 27 years.	Steps should be taken for recovery of loans.	Explanations had been given.	The loan had not been recovered so far.
(b) Action had not been taken to identify and settle the balance of Rs.9,475,735 in the Suspense Account brought forward for a period of 21 years as at 31 December 2020.	Action should be taken to identify and settle the balance of the Suspense Account.	Explanations had been given.	Action had not been taken so far to identify and settle.
(c) It could not be satisfactorily vouched or accepted in Audit as confirmation of balances relating to co-operative society loans of	Action should be taken to obtain confirmation of balances, detailed schedules, loan files and a copy of the	Explanations had been given.	The issue had not been resolved so far.

Rs.583,184,797,                      Liquidated  
Rs.5,029,486 receivable            Account.  
as at 31 December 2020  
from the Co-operative  
Fund, Treasury Loans of  
Rs.81,871,370 receivable,  
payable Treasury Fund of  
Rs.150,000 and payable  
National Trustee Fund  
of Rs.3,871,256, detailed  
schedules relating to  
Rs.10,779,292 in the  
General Deposit Account,  
loan files and  
confirmation of balances  
relating to Fixed Deposit  
Guarantee Creditors of  
Rs.58,918,112 and a copy  
of the Liquidated  
Account (debit balance)  
prepared for  
Rs.2,620,473 were not  
made available to Audit.

- (d) Only a sum of Rs.22,611,959 out of the loan balance of active Co-operative Societies amounting to Rs.543,726,149 receivable as at 31 December 2019, had been recovered in the year 2020. Moreover, only a sum of Rs.2,089,268 of the receivable loan interest of Rs.164,595,101, had been received during the year 2020.
- Action should be taken to recover monies.
- Action has been taken to reschedule loans for strengthening the method of recovery of loans.
- Sums of Rs.9,120,436 and Rs.5,854,846 of the said loan and interest thereon had been received respectively in the year 2021.

- (e) Even though a loan of Rs.100 million, included in the said loan balances receivable, had been granted from the Fund in the year 2012 for the construction of a new building complex to the Co-operative Hospital Society Ltd Kurunegala, only a sum of Rs.1,898,184 had been recovered from the said loan at the end of the year 2020.
- Action should be taken to recover loans.
- Explanations have been given.
- The issue had not been resolved so far.
- (f) Action had not been taken even by the end of the year 2020 to recover any amount from the loan of Rs.210,802,293 and the interest thereon amounting to Rs.87,119,041 granted to various Co-operative Societies and Associations, from the year 2011 up to the year 2014.
- Action should be taken to recover loans.
- Explanations have been given.
- had Sums of Rs.1,233,237 and Rs.5,000,000 of the loan installments and interest thereon had been received respectively in the year 2021.



- (c) An outstanding loan balance totalling Rs.34,303,931 comprising Rs.31,287,451 and Rs.3,016,480 relating to 54 inactive Societies and 2 active Societies respectively and an interest of Rs.7,704,272 was recoverable as at 01 January 2020. However, no monies whatsoever had been recovered in the year 2020. The said loan and interest were balances unrecovered during a period ranging from 8 years to 56 years by 31 December 2020 and out of the loan amounting to Rs.8,450,900 granted to 20 Societies, no loan installment whatsoever had been recovered. Moreover, the loan of Rs.3,000,000 granted to the Kobeigane Multi-purpose Co-operative Society in the year 2012 should have been settled in 54 installments. However, only one installment had been paid out of the said loan in the year 2013.
- Action should be taken to recover loan balances.
- Discussions had been held with officers of the Kobeigane Multi-purpose Co-operative Society and recommendations of the Provincial Commissioners pertaining to the situation of other societies, have been obtained.
- It has not been settled even up to now.
- (d) Action had not been taken to recover Co-operative School Loan amounting
- Action should be taken to recover loan balances.
- Explanations had been given.
- Only performance advances are being recovered monthly



to Rs.2,666,000 indicated under current assets, brought forward from the year 1997, performance advances amounting to Rs.1,999,600 brought forward since before the year 2012 and receivable court compensation of Rs.1,184,000 as at 31 December of the year 2020.

at present.

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| <p>(e) A balance of contributions amounting to Rs.219,649,334 remained receivable as at 31 December 2020 and a sum of Rs.161,338,906 out of that representing a high percentage of 73 per cent was recoverable from the Education Employees' Cooperative Society Limited. The loan balances comprised balances older than 05 years totalling Rs.28,794,753 and a balance of Rs.190,854,581 receivable during a period from 01 year to 05 years.</p> | <p>Action should be taken to recover loan balances.</p> | <p>Had not replied.</p>             | <p>A sum of Rs.121,353,638 had been recovered as contributions in the year 2021.</p> |
| <p>(f) The Fund had granted Rs.152.5 million and Rs.25 million in the year 2011 respectively to the Co-operative Wholesale</p>  | <p>Action should be taken to recover loan balances.</p> | <p>Explanations had been given.</p> | <p>The balance recoverable from the Sri Lanka Co-operative Marketing</p>             |

Establishment and the Sri Lanka Co-operative Marketing Association Limited. Only a sum of Rs.60 million had been recovered in the year 2012 from the Co-operative Wholesale Establishment and the loan balance further recoverable as at 31 December 2020 was Rs.92.5 million.

Association Limited amounted to Rs.200,000 by now .



could not be implemented due to the nature of the aforesaid programmes and the weaknesses in the scope in the preceding year and the year 2019, they had been continuously included in the Annual Action Plan by the Management without taking it into consideration.

the Board of pandemic. Directors.

- (c) According to the Annual Action Plan, the number of programmes on providing medical assistance, distribution of artificial limbs and increasing lottery sales planned to be implemented during the year 2019, was 85 and the estimated amount therefor was Rs.3.3.million. However, only 15 of those programmes had been conducted by the end of the year under review and a sum of Rs.1.3 million had been spent therefor. As such, it was observed that even though the physical performance stood at 17 per cent, the financial performance was 39 per cent.
- The Fund should make every attempt to implement the programmes planned, at optimum level while taking action to achieve targets included in the Action Plan as well.
- A Committee has been appointed to review those programmes which indicate a less performance according to the Action Plan and a report thereof has been forwarded to the Board of Directors.
- As per instructions given by the Board of Directors, the five year Corporate Plan had been prepared. However, several programmes could not be practically implemented due to health reasons as a result of Covid-19 pandemic.

- (d) In terms of the Shrama Vasana Fund Act, No. 12 of 1998 and Section 13 (1) of the Principal Enactment of the Shrama Vasana Fund (Amendment) Act, No. 15 of 2019 and Sub-sections 5 (1) and (2) of the Amended Act, the Fund and the Lotteries Board may agree on a number of possible lotteries, the types of lotteries and the prizes awarded at such lotteries, the manner in which the prizes are not claimed in those lotteries, and the amount of money to be allocated to the Fund from the lottery proceeds. However, there is no such agreement reached between the Fund and the National Lotteries Board.
- Action should be taken to maintain the lottery by entering into an agreement with the Lotteries Board in accordance with the provisions of the Act.
- It has been discussed with officers of the Department of Public Enterprises in this connection.
- An agreement has not been reached.
- (e) In terms of the Shrama Vasana Fund Act, No. 12 of 1998 and Section 14 of the Principal Enactment of the Shrama Vasana Fund (Amendment) Act, No. 15 of 2019 and Sub-section 6 (2) of the Amended Act, the Board has prepared and submitted to the Ministry of Finance, rules
- Management should take action to formulate and enforce the relevant rules in accordance with the provisions of the Act.
- In terms of Sections, the Ministry of Finance has taken necessary action to formulate rules and forward to the Legal Draftsman's Department.
- Formulation of rules has not been concluded.

governing the powers, functions and duties of the Board, or matters relating thereto or its ancillary matters, or having been authorized by the Act to be governed by this Act. However, those Rules were not published in the Gazette until 08 April 2021.

- (f) An estimate of Rs. 6,250,000 has been prepared to provide school bags and kits to 2,500 children of employees who lost their jobs due to COVID-19. The Commissioner General of Labour had called for the necessary information and applications covering 11 labour areas. Accordingly, as at 31 December 2020, more than 330 applications had been received. Fulfilling those social responsibilities is a matter of urgency as well. Although it was a program most suitable for the purposes of Sub-section 6 (e) of the Act, it had not been implemented until March 15, 2021.
- Action should be taken to conduct programmes in a proper and timely manner with the approval of the Director General of Health Services.
- Action has been taken to conduct all programmes implemented by the Fund according to a proper plan after the recovery of Covid -19 pandemic.
- This programme has not been implemented even up to February 2022.



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| <p>Ministry in terms of carrying out the future. Section 25(1) of the Sports administrative activities off the Action Plan had not been Fund. prepared relating to the year 2018.</p>   | <p>National Sports Fund.</p>   |  |   |
| <p>(c) Even though a sum of Rs.2,500,000 had been paid in the year 2019 for the repair and the development of the Uva Sports Club Building and the Stadium, an explanation has not been made on the selection of the Sports Club and the manner of which the requirement of the Sports Club being identified. In addition, reviewing and follow- up action had not been carried out on the contribution and performance towards the field of sports by that payment and, action had not been taken to prepare and implement a procedure relating to each payment, by that Fund.</p> | <p>A proper procedure should be implemented relating thereto in providing money for stadium development activities by the National Sports Fund and that follow- up action should be taken.</p> | <p>A sum of Rs.2.5 million of the total cost incurred relating thereto had been spent and a successful procedure to carry out follow- up action practically has not been formulated on the total amount not being provided. It has been noted to implement a proper procedure for carrying out follow- up action, in the future.</p> | <p>Currently, a procedure for carrying out follow- up action relating to the payments of this nature is not operative.</p>  |
| <p>(d) A sum of Rs.2,000,000 that was required to be provided to Sri Lanka Table Tennis Federation to participate for the World Table Tennis Championships to be held in South Korea in the year 2021, this expense being included into other income</p>  | <p>Financial Statements should be prepared accurately.</p>   | <p>I accept that, even though the expenditure of Rs.2 million should be credited to the relevant Expenditure Object by dishonouring the cheque, it has</p>   | <p>It has been informed that action would be taken to rectify the adjustments from the Final Accounts of the year 2021.</p> |



as sponsors' income on dishonouring cheques without writing-off from the International Tournament Expenses in the Financial Statements in taking action to credit that amount again to the National Sports Fund due to that Tournament being postponed without further notice on the covid- 19 situation. The International Tournament Expense had been overstated by a sum of Rs.2,000,000 due to not accounting this transaction accurately and, other income also had been overstated by a sum of Rs.2,000,000.

been noted as a sponsors' receipt by mistake. It has been instructed to take action in a manner that such deficiencies would not be occurred, in the future.

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| (e) | Action had not been taken relating to 12 Lapsed Deposits valued at Rs.120,000, a sum of Rs.10,000 each of which titles were not applied for, within 2 years from the date of the deposit in terms of the Financial Regulation 570 of the Democratic Socialist Republic of Sri Lanka. | Action should be taken in terms of the Financial Regulation 570.                               | Further action remains to be taken in terms of the provisions of the Financial Regulation 571 on the Deposits that had lapsed for over a period of two years as at 19.11.2019. | Further action is being taken in terms of the provisions of the Financial Regulations. |
| (f) | The uplifting of sports at the regional level is essential on the development of sports at the ground level should be  | A proper procedure should be formulated for the examination of the intended performance of the | Action is being taken to formulate a procedure, in the future.   | A procedure had not been formulated, up to date.                                       |

initiated for encouraging National Sports sports in Sri Lanka, for the Fund. improvement and the development of sports and as such, even though it had been the objective of the Federation to sponsor the organizations, parties and persons who contribute towards taking the sports forward at regional level, a proper procedure had not been followed relating thereto up to date and as such, it was observed that a specific examination has not been carried out on the fact that sufficient contribution is being made by the funds being provided, for the development of sports.

- (g) The estimated total amount of Rs.9,157,993 relating to the preparation of a building for the Mataru Kamburupitiya Boxing Stadium and for the development of the Kamburupitiya Volleyball Stadium had been provided to the District Secretariat, Mataru. The Feasibility Reports, Field Examination Reports, the information on the number of members remaining in the sports club had not been obtained prior
- It should be satisfied with the effectiveness of the investment by obtaining the required Feasibility Reports, Field Examination Reports in deploying funds for the sports development activities and payments should be made after determining the
- A Field Examination has been carried out in this connection and the report has not been received up to date.
- The remaining money has been deposited to the General Deposit Account by the District Secretariat and, it has been informed by the District Secretariat that action would be taken to deploy the money for certain parts of essential work. An identification of the certain deficiencies remaining in the

to the provision of money accurate amount of  
and, action had not been funds that should be  
taken to refund the spent on  
remaining sum of development  
Rs.2,538,933 to the functions and action  
National Sports Fund after should be taken to  
the completion of the work, obtain the remaining  
by 31 December 2021. money to the Fund  
without a delay.

construction activities  
and the remaining  
work to be completed  
had not been carried  
out. As such, those  
activities are  
scheduled to be  
carried out under the  
supervision of the  
Ministry.

**36. Name of the Auditee Entity - Fisheries Reward Fund**

Opinion of the Auditor General on the Financial Statements      2018 - Qualified Opinion  
 2019 - Disclaimer of Opinion  
 2020- Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures Taken by the Auditee Entity</b>	<b>Current Position</b>
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(a)	No policies had been identified to evaluate and account for machinery and equipment at District Fisheries Offices in the custody of the Judiciary and the Navy relevant to the cases of which proceedings that have been legally concluded.	The necessary accounting policy should be formulated to identify all the assets of the Fisheries Reward Fund.	No action has been taken.	Not corrected.
(b)	In terms of Sub-section 59(4) of Fisheries and Aquatic Resources Act No.2 of 1996, From time to time there was no system in place to reward for any cash flow that the Director deems appropriate.	Arrangements should be made for the rewarding of adequate money.	Noted to formulate a methodology.	No action has been taken.
(c)	(i)Rewards money payments to the officers participated for the raids should be made without a delay ,but no reward	The rewards money should be paid without any delay for the officers participated for raids.	It has been reported that it was not possible to pay for the cases filed in the	No specific methodology has been created for awarding cash rewards.

money whatsoever had been paid for the years 2014, 2017 and 2018 even though the law suits had been instituted as 271, 348, 488, 427 and 327 in the years 2014,2015,2016, 2017 and 2018 respectively. As specific methodology had not been made for providing reward money for the officers it was observed that no motivation had been made for the officers to carry out raids of unauthorized fisheries activities.

same year due to the fact that it took many years for the proceedings to be completed.

(ii) It has been reported by the Navy even though that they arrested fishermen and vessels engaged in illegal fishing using prohibited nets and informed the District Fisheries Offices, the fishing vessels are released as a result of their non-arrival or late arrival. The audit is of the opinion that this is an incitement to illegal activities as well as a loss of government revenue.

Arrests and informants should be encouraged and acted upon in a transparent manner.

As the Investigation Division of the Department has been newly established, action should be taken to conduct inquiries into such allegations whenever possible by the said division.

No investigation has been reported.

such has

(d) In terms of Section 59(3) and the Sub-section 51(4) According to the Instructions were These functions have and the Sub-section 51(4) Section 59(3) and the given to the not been identified

of Fisheries and Aquatic Resources Act No.2 of 1996, the Director is responsible in respect of the administration of the Reward Fund. Nevertheless, the Department had not prepared the plans to identify and to execute effectively the functions of Reward Fund in the action plans prepared for the years 2017 and 2018.

- Sub-section 51(4) of the Fisheries and Aquatic Resources Act the functions of the Reward Fund should be identified, and the plans should be prepared to execute it effectively.
- relevant officers and included in formulation of the action plan for the years 2020,2021. Plan of the year 2019.
- (e) i. Although the amount received from sale of confiscated goods in the year 2019 was Rs.9,607,333, according to the performance report the amount received in the year 2019 was Rs.6,148,395. But required evidences were not submitted on the difference of Rs.3,458,938 and the receivable balance of Rs.1,973,908 as at 31 December in the year under review. Thus the accuracy of the balances was not confirmed.
- Actions should be taken to correctly identify the income by obtaining confirmations of receivables from the courts in respect of completed cases
- This is due to the fact that it took a long time for the courts to repay the money.
- No written evidence was received.
- ii Rs.5,870,700 had been paid to the reward winners and to the consolidated fund from the sale of confiscated goods in 2019. Due to
- List of persons involved in raids and lawsuits should be maintained.
- A separate register is not maintained as only a small number of vouchers are submitted in about
- A register containing information about persons involved in raids had not been maintained .

	failure to maintain proper information regarding the officers who participated in the raid, it was not possible to ascertain whether payment had been made for the claimant and whether the loss of government revenue due.		10 cases a year.	
iii	Although Rs.425,683 had been paid to the Director General to pay for the information providers, whether those payment were made to the relevant parties was not confirmed in audit.	That information should be maintained in a transparent manner.	That the money was given to the Director General to provide to an informant.	No confirmation was submitted.
(f)	Although the Director General was responsible for the administration of the Reward Fund in terms of the Section 59(2) of the Fisheries and Aquatic Resources Act, plans had not been prepared being identifying the activities of the Reward Fund and being implemented them effectively in the action plans prepared by the Fisheries and Aquatic Resources Department in the years of 2017, 2018, 2019.	Identify the functions of the Reward Fund and plan and execute them as needed to perform them effectively.	Noted for inclusion in the current action plan.	It is also not included in the 2020 Action Plan.
(g)	The cases filed by the Mullaitivu District	Adequate methods should be developed	During the year, awareness	Although awareness workshops have

- Fisheries Office in the year 2018 were 70 and the number of pending cases at the end of the year 2018 was 8. The use of prohibited nets and dynamite had led to these lawsuits and despite the fact that management had been made aware of the threat to fish stocks posed by these fishermen. The number of illegal activities has not decreased.
- (h) Although the expected target of the raids was 655, only 200 raids or 31 percent had been done. Hence, the relevant target of the investigation division and other district fisheries offices other than the Jaffna and Puttalam district fisheries offices had not been reached.
- (i) Recovery of arrears was in poor condition since any amount out of the outstanding due of Rs. 1,973,908 as at 01 January 2020 had not been recovered during the year under review.
- (j) i) Out of the cash balance of Rs. 8,612,255 held at the end of the year 2020 represents the payable amount to the
- to conserve fish resources.
- fish programmes were conducted for fishermen in all districts regarding illegal fishing activities.
- been conducted for fishing is continued in 2021 using prohibited methods.
- Must work to achieve targets in accordance with the plans.
- Account accurately as there seems to have been an over estimation in determining this target.
- The targets for year 2021 have not been reached.
- Action should be taken to get brought the revenue due expeditiously.
- A chronological analysis of the receivables for the period 2013-2020 has been presented.
- Recovery of arrears is at a weak level.
- Action should be taken to identify the recipients of the claimed rewards and the relevant
- This situation has arisen due to the delay in preparing the reward lists due to the Covid
- Prize winners did not appear.



rewards recipients and the Government contribution, only Rs. 1,244,460 was shown in the financial statements as payable allowances. Accordingly, no action had been taken to identify the recipients of the remaining amount of Rs. 7,367,795 and the relevant government revenue.

government revenue.

situation and after completing the cases in 2021, the allowances related to the raids will be paid and the balance will be credited to the government revenue.

ii) During the year 2020, 536 cases were filed through the Investigation Division and 15 District Fisheries Offices, but the cash from the sale of confiscated goods from only 3 District Fisheries Offices were credited to the Reward Fund. The management had not paid attention to the fact that any revenue had not received to the Reward Fund from the Investigation Division and any of the other District Fisheries Offices.

That action should be taken to maintain proper records of cases and to raise funds.

It was stated that the reason was that the proceedings were not concluded and the Department of Justice was not responsible for the delays as it was out of its control.

Remains unchanged.

**36. Name of the Auditee Entity - Peliyagoda Central Fish Market Complex Management Trust**

Opinion of the Auditor General on Financial Statements      2018- Disclaimer of Opinion  
 2019 - Disclaimer of Opinion  
 2020 - Disclaimer of Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a)	Without being complied with Guidelines 2.4.1, 2.11.1, 3.4, 6.3.3, 7.7 and 8.9.1 of the Government Procurement Guidelines, the contract worth Rs.2,450,000 relating to the repair of ceiling of the Building No.01 of the Fish Market Complex, the contract worth Rs.2,366,000 for the repair of floor of the wholesale complex, and the contract for the purchase of 44 fish cutting boards at Rs.1,320,000 had been awarded to the private sector in the year 2018.	Guidelines 2.4.1, 2.11.1, 3.4, 6.3.3, 7.7 and 8.9.1 of the Government Procurement Guidelines should be complied with.	A higher price had been quoted later due to notifying the registered contractors through letters, taking a decision by the Ministry Procurement Committee that the award of the contract is suitable and a large number of technical defects in bidding documents.	Has not been rectified.
(b)	The approval of the Board of Trustees to obtain 40 per cent of the monthly net profit for the Ceylon Fisheries Corporation and the remaining 60 per cent for the	The agreement should be amended so that the Trust can derive income from the assets of the Trust.	The new lease agreement will be prepared on the advice of the Management Trust as the existing lease agreement had	The monthly average income derived from the vehicle yard leased out for a period of 10 years since the year 2011 amounted to Rs. 325,000 and a monthly average of Rs. 1,300,000 had been

	<p>Company had not been obtained as per the agreement entered into by the Ceylon Fisheries Corporation with a private company for a period of 10 years in the year 2011 for the administration of the vehicle yard of the Trust established on 26 May 2010 and neither the approval of the Board had been obtained nor the procurement process had been followed and the agreement had not been amended to date even by 31 December 2019.</p>	expired.	lost due to a monthly rental income of Rs. 1,625,000 derived from the Tender by calling for bids in the year 2021.	
(c)	<p>The Guidelines of 2.3, 2.4, 2.5, 2.6, 4.2.1 (a), 4.2. 2 (a), 4.3 and 5.4.8 (a) of the Government Procurement Guidelines 2006 had not been followed in awarding the contract for the repair and maintenance of 3 cold storages and flakes ice plant and for the construction and maintenance of a new cubes ice plant.</p>	<p>The Guidelines of the Government Procurement Guidelines 2006 should be followed to reap economic benefits to the Trust.</p>	<p>Bids have been invited for the repair and maintenance of the cold storage and flakes ice plant and the contract for the construction of the new cubes ice plant has failed due to non-settlement of the land.</p>	Has not been rectified.
(d)	<p>Although an agreement was to be entered on 31 January 2019 as per Guideline 8.9.1 of the</p>	<p>Action should be taken as per Guidelines of the Government</p>	<p>The bidder has informed that it is difficult to pay the contract amount</p>	Has not been recovered.

Government Procurement Guidelines 2006, the agreement was entered into on 19 November 2019. According to the bidding documents, an initial deposit of the 3 months' rental of Rs.900,000 had not been withdrawn in cash at once within a week after entering into the agreement. Further, action had not been taken to recover the amount of Rs.5,430,000 out of the amount of Rs.5,980,000 due during the 11 months from February 2019 to December 2020 and to recover penalty for delays relating to the payment of the monthly rent in terms of Conditions specified in the bidding document and the cancellation of the agreement was also not considered.	Procurement Guidelines 2006 and taken to recover the penalty for delays for arrears of the rental or to cancel the lease agreement.	agreed by himself due to various reasons and moreover, it is unable to recover penalty for delays from the bidder.
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| (e) | Necessary steps in terms of the Financial Regulation 133(i) (a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka had not been taken even by the end of the year 2020 to establish an internal audit unit under the Management Trust and to strengthen the system and control. | Action should be taken in terms of Financial Regulations to establish an internal audit unit under the Management Trust and to strengthen the systems and control. | Action has not been taken.   | No Internal Audit Unit has been established so far. |
| (f) | The value of Rs. 105,450,026 spent for the construction of the internal road system in the year 2020 had been added to the value of lands and development and indicated in the financial statements contrary to paragraph 50 of Sri Lanka Public Sector Accounting Standard 7.                              | In terms of the Standard, assets of a similar nature should be brought to account according to its classes.  | No measures have been taken. | Has not been rectified.                             |
| (g) | Contrary to Paragraph 57 of Sri Lanka Public Sector Accounting Standard 7, the machines and the buildings of the Purification Plant totalling Rs.38,598,438 had been depreciated at 5 per cent without identifying them   | In terms of the Standard, buildings and machines should be separately identified and depreciated accordingly.  | No measures have been taken. | Has not been rectified.                             |

- separately.
- (h) The total of 4 Ledger Accounts should be maintained by No measures have been taken. Has not been rectified. Accounts had been overstated by Rs. 95,809,210 and 3 Ledger Accounts had been understated by Rs.1,210,685,143 in the financial statements in the year 2020. Further, Ledger Accounts had not been operated for 18 debit balances totalling Rs.346,406,831 and for 24 credit balances totalling Rs.2,289,828,473. However, those balances had been included in the financial statements. Moreover, the said non-reconciliation had been shown even in the years 2018 and 2019.
- (i) Adequate documents had not been made available for confirming the accuracy of balances such as repaid deposits of Rs. 5,550,000 which was temporarily ceased, brought forward from the year 2014, net value of buildings as at 31 December 2020 amounting to Submission of relevant evidence in confirming payments and balances is the responsibility of the Management and action should be taken against defaulters. Action has not been taken. Has not been rectified.

Rs.1,688,741,540, petty cash payments for interest income of Rs. 347,273 receivable for fixed deposits valued at Rs. 22,484,737 relating to the year under review.

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| (j) | A prior written approval of the Secretary to the Ministry in charge of the Subject and the Treasury should be obtained to invest excess funds of the Trust in other way. Nevertheless, a sum of Rs.208,108,367 had been invested in 4 fixed deposits by 31 December 2020, contrary to provisions of Section 6 (a)(1) of the Deed of Trust dated 10 August 2010. | Steps should be taken according to Section 6 (a)(1) of the agreement entered into in the establishment of Management Trust. | Steps have been taken in accordance with the decisions of the Management Trust. | Has not been rectified. |
| (k) | Contrary to provisions of Section 8 (f) of the Deed of Trust dated 10 August 2010, a sum of Rs. 315,000 had been obtained in the year 2020 for 09 months at a rate of Rs. 35,000 per month by the Secretary to the Ministry as the Chairman of the Trust.   | Action in terms of Financial Regulation 156(1) should be taken to recover moneys obtained illegally.                        | Action has not been taken.  | Has not been rectified. |

- (l) Cash and vouchers had not been prepared in terms of the Financial Regulation 261 (1) of the Democratic Socialist Republic of Sri Lanka and in terms of the F.R. 446(2), accuracy of entries and balances of the Cash Book had not been verified. Action should be taken in terms of Financial Regulations. . Action has not been taken. Has not been rectified.
- (m) If there are reasonable grounds for maintaining any non-statutory fund in accordance with the Financial Regulation 876 (3) included in paragraph 15.1 of Part I of the Public Finance Circular No. 01/2020 dated 28 August 2020, such funds should have been reported to the Department of Public Finance stating the relevant reasons so that such funds can be legislated by an Act of Parliament. However, the Management Trust had not been transformed into a statutory body by an Act of Parliament as at 31 December 2020. Action in terms of Financial Regulations should be taken to convert it into a statutory body by an Act of Parliament. Action has not been taken. Has not been rectified.
- (n) The land of 3.1776 hectares on which the Market Complex is located, should be The land where the shopping complex is located, should be Relevant taking over activities have not been Current position is the same.



- located, has not been taken over as per the completed.  
 taken over even up to decision of the  
 the year 2020 from the Cabinet of Ministers  
 date of establishment  
 and the value of  
 constructions carried  
 out on that land without  
 taking over was  
 Rs.1,688,741,540.
- (o) The arrears of lease income due as at 31 December 2020 was Rs.74,943,439 and the said balance comprised of Rs.17,402,781 receivable from the Fisheries Corporation from a period of 05 years and Rs.8,075,000 receivable from the cold room for a period of 03 years.
- (p) Although it has been nearly 5 years since the staff was approved, recruitments for the posts of Manager, Accountant and Internal Auditor of the Trust had not been made as at 31 December 2020 by approving the Schemes of Recruitment.
- (q) Although applications for the Environmental Protection License
- Action should be taken to recover the arrears.
- Recruitment should be made to the vacant posts required to maintain the Trust in a proper manner.
- The Environmental Protection License should be obtained as
- It has been informed that the monthly rent has been revised so that it can be paid before the end of next month and in case of nonpayment of rent, reminders will be sent and action will be taken to recover the arrears and fines.
- As it is a governing body under the Ministry of Fisheries, the two officers have been appointed with the approval of the Management Trust as a more financial advantage.
- Steps are being taken to obtain the Environmental
- Current position is the same. Has not been recovered.
- Current position is the same. Has not been rectified.
- Current position is the same. Quantity of 98,190 litres of waste water are

- were submitted to the Central Environmental Authority on 18 March 2014 regarding the environmental issues that have arisen in relation to the Peliyagoda Central Fish Market Management Trust, 6 years had elapsed since then. However, the Environmental Protection License could not be obtained due to failure in taking proper steps relating to the treatment plant and drainage system as per the instructions given by the Authority.
- soon as possible in compliance with instructions given.
- Protection License.
- released to water sources per year. New treatment plant is being constructed and even though it should be completed within a year, the progress of 9 months is about 20 per cent.
- (r) In addition to the 154-store wholesale complex, a 128-store retail complex was also built. Of these, 64 outlets had been converted into wholesale outlets at a cost of Rs. 9,625,540. However, no outlets whatsoever had been used for sales by 31 December 2020.
- Strategies should be put in place to improve the retail fish market by using outlets for marketing purposes.
- The majority of wholesale and retail stalls in the retail sector have been leased out, and when the monthly rent is not paid continuously, the stalls deposit is taken over and released to other parties.
- Current position is the same. Has not been rectified.
- (s) According to paragraph 04.3 of Public Finance Circular No. PF / 423 dated 22 December 2006, a performance
- As the financial statements for the previous year have not been submitted on the due date, a
- It has been informed that it could not be submitted on due date due to the
- The financial statements for the preceding year as well had not been submitted duly. Reports on accounts for the year

report along with the performance report corona pandemic. 2021 as well have not  
financial statements of along with the been received so far.  
the Fund should be financial statements  
submitted to the should be submitted  
Auditor General with a to the Auditor  
copy to the Director General as per the  
General of Public circular.  
Finance within 02  
months after closure of  
the accounting year.  
However, the financial  
statements for the year  
2020 had been  
submitted to the  
Auditor General on 21  
July 2021, within 05  
months after closure of  
the accounting year.

37. Name of the Auditee Entity - **Employees' Provident Fund**

Opinion of the Auditor General on Financial Statements 2018 - Qualified Opinion  
 2019 - Qualified Opinion  
 2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) Even though the useful life of non-current assets should be reviewed annually according to paragraph 51 of Sri Lanka Accounting Standard 16, the Fund had not functioned accordingly. As per the schedule for computing the depreciation for the financial statements as at 31 December of the year 2020, the value of assets, which had been fully depreciated was Rs.456.31 million. Action had not been taken to identify the assets that are still in use among those assets and to correct the estimated error, occurred due to failure in reviewing the useful life of non-current assets accurately in accordance with	Action should be taken in respect of non-current assets in terms of the Standard.	Action will be taken to revalue the non-current assets.	A revaluation had not been made for non-current assets.

paragraph 51 of Sri Lanka Accounting Standard 16, as per Sri Lanka Accounting Standard 08 and to properly dispose of the assets that were no longer in use.

- (b) Although there had been unsettled balances totalling Rs.11,838 million, comprising a total sum of Rs.11,241 million as dishonored cheques, transactions not recorded in the bank statement, transactions not recorded in the cash book, direct debit / credit and other unidentified balances within a period from 01 year to 19 years according to the bank reconciliation statements prepared as at 31 December 2020 in relation to 08 bank accounts maintained by the Fund and a total of Rs.456 million as money orders deposited but not realized, unrealized cheques and cheques issued but not presented and a sum of Rs.141 million that has Identification of unsettled balances included in Bank Reconciliation Statements and taking appropriate action in that regard. A special project relating thereto has been commenced in January 2020. A delay in the project of settlement of balances was observed due to the Covid – 19 pandemic.

been brought forward since 2006 as a defect in the computer accounting system that was being used, action had not been taken to identify these items and to make necessary adjustments.

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| (c) | Even though the value of property, plant and equipment relating to the Department of Labour as at 31 December 2020 according to the financial statements was Rs.996.2 million, the value as per the corresponding reports was Rs.571.28 million thus observing a difference of Rs.424.92 million. | Accurate numerical data should be entered so as to ensure the correct value of fixed assets in accordance with all the relevant schedules. | Action will be taken to rectify the fixed assets by revaluation. | Revaluation of fixed assets has not been made.         |
| (d) | As a Fixed Assets Register containing basic information on fixed assets valued at Rs.996.2 million had not been maintained, documentary evidence for code number, date of purchase, cost, and location of establishing assets etc. was not made available.  | Making arrangements to systematically maintain a fixed assets register and to conduct verification of Goods annually.                      | A fixed assets register will be maintained.                      | A formal fixed asset register has not been maintained. |
| (e) | In terms of Section 2 Circular No. 2011/06 dated 29 April 2011 of   | Providing optimal service to the members by taking action in   | Action will be taken to expedite the inquiries by                | Further delays are observed.                           |

the Department of Labour, action should be taken to inquire a complaint within 14 days after receiving it to the Office. However, action had not been taken to inquire in to and finalize 112 and 394 complaints out of the complaints received in the years 2019 and 2020 respectively to the Colombo South District Labour Office even by March 2021, the date of the audit.

terms of the Circular in relation to complaints.

forwarding complaints of areas of authority where the highest number of complaints are received, to Labour Officers in charges of other arrears of authority and to expedite the official activities relating to complaints by deploying Development Officers who were attached for trainings.

- (f) Contributions and surcharges amounting to Rs.146.78 million and Rs.256.12 million in relation to the issuance of 190 and 224 final notices respectively to employers for the recovery of arrears of contributions and surcharges in the years 2019 and 2020, had not been recovered by the Colombo South and Colombo West District Labour Offices even by 31 March 2021 contrary to the Circular

Action should be taken to collect arrears of contributions and surcharges efficiently.

As subject clerks have been assigned with a heavy work load per day, a work cycle comprising three subject clerks has been implemented to meet requirements of all areas of authority per day.

Further delays in recovery of arrears of contributions and surcharges are observed.

No. 01/99 dated 11 February 1999 of the Department of Labour and the period of delay was in between 3 months to 2 years.

- (g) According to the Circular No. 08/2002 dated 20 May 2002 of the Department of Labour, an institutional register containing the registration number, name of the institution, address, nature of the business, number of employees and the date of last inspection, should be maintained. However, action had not been taken by the District Labour Offices in Colombo Central, Colombo West and Colombo South to maintain such institutional registers.
- It is required to estimate the time periods of inspections and measure the efficiency of the officers by maintaining an institutional inspection register as per the provisions of the Circular.
- Action will be taken to maintain an institutional register.
- An institutional register has not been maintained.
- (h) Contrary to the Circular No. 01/99 dated 11 February 1999 of the Department of Labour, 51 instances of spending 20 to 455 days to issue the first notice for the recovery of surcharges and contributions after
- Action should be taken to recover contributions and surcharges by issuing notices in terms of the provisions of the Circulars.
- As subject clerks have been assigned with a heavy work load per day, a work cycle comprising three subject clerks has been implemented to meet requirements of
- Further delay is observed. .



conducting institutional inspections in the years 2019 and 2020 and 79 instances of spending 20 to 563 days to issue the final notice were observed during the audit test checks carried out in relation to the Colombo South and Colombo West District Labour Offices. Furthermore, final notices had not been issued in relation to 39 instances and no notices had been issued in relation to 68 occasions.

all areas of authority per day.

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| (i) | Five (05) machines purchased by incurring Rs.2.75 million in the year 2008 under the first phase of the project of issuing identity cards to the members of the Fund and installing machines for examining balances of the account, were underutilized from the date of purchase and 2 machines out of them were disposed of on 17 September 2020. A decision had not been taken in relation to the | It is the responsibility of the Management, which holds the custody of the Fund to function efficiently, effectively and economically according to well-designed plans in incurring expenses from the income of the members' funds. | It has been decided to utilize the usable parts after carrying these machines back to the Head Office. | Action has not been taken to dispose relevant machines. Moreover, cards printed for issuing identity cards to members, remain idle further. |
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remaining machines even by the date of audit. Fifteen thousand (15,000) cards prepared by incurring an amount of Rs. 12.61 million in the year 2008 for issuing identity cards for the members had been idling in the computer section. Although a period of about 12 years had elapsed since the cards had been stored, they had not been used and that expense was a loss to the Fund. Moreover, 30 machines had been purchased in 2015 by incurring Rs. 14.92 million to check the balance using the fingerprint of the member instead of using the identity card. The fingerprint of the member had to be computerized under the reregistration programme to check the balance using that machine. It had been decided to remove the machines from usage due to the reasons such as the number of members thus

registered was only 1,053,342 as at 31 December 2020 and that project too had not been successfully implemented and 13 machines were out of order by 01 March 2019. Although it was decided to dispose of 30 machines, the relevant machines had not been brought to the Head Office even by the date of audit in April 2021. Accordingly, the total cost of the project had been a loss to the Fund owing to the failure in completing the project successfully.

- (j) Even though Rs. 5,000 million or 56 per cent out of the investment of shares of unlisted companies, had been invested for the construction of the Canwill Holdings Hotel Complex in 2013, it had not commenced its business activities even by the end of the year 2020 and shares of that company had not been listed in the share market. The Deputy Governor of the
- When investments are done, action should be taken to make optimal investments to minimize the risk and thereby, to provide higher returns to the members.
- The Cabinet approval has been received for recommencing the construction activities of the project.
- Business activities of the relevant hotel complex have not been commenced.

Central Bank of Sri Lanka had informed that the Government has decided to discontinue the constructions of the company and therefore, any return had not been received for those investments. The Fund had also lost an amount of Rs.205 million during the year under review due to the revocation of the license of the “The Finance Company”.

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| (k) | Sixty four instances had been identified in which benefits had been claimed by bogus persons appearing as members. A sum of Rs.52,316,484 relating to 61 of those instances had been paid from 04 November 2004 to 20 February 2020 so as to be charged on the Fund, and a sum of Rs.3,393,727 had been further payable relating to 3 instances. The Fund had failed to hold a formal internal inquiry on the said instances and to take legal action against | Action should be taken to hold formal internal inquiries relating to fraudulent payments and to reveal acts of misconduct of internal officers, if any. | Steps such as taking action to discontinue the issuance of duplicates, making awareness among officers in the division of payment of benefits, improving the facilities in the information system, and accordingly, obtaining a photograph and the finger print of an every member who arrives to | A proper arrangement has not been made and implemented in this connection and activities taken for the improvement of facilities in the information system is not adequate. |
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internal officers if matters were revealed on their misconduct.

obtain benefits at the instance itself and taking action to create the online connection between the Department of Registration of Persons and the Registrar General's Department and legal action has been taken on fraudulent payment of benefits.

- (l) The rate of benefits on contributions of the members which was paid at 11 per cent in the year 2013 had decreased up to 10.5 per cent in the year 2014. Although that rate had been maintained continuously from 2014 to 2017, it had gradually declined since 2018 and it had decreased up to 9 per cent in the year 2020.
- (m) A total expenditure of Rs.247,153,011 had been incurred by making financial provision on the
- Action should be taken to provide higher benefits to the members.
- In incurring expenses from the Members' Fund, attention should be paid in achieving the relevant progress
- The interest rate is determined by considering matters such as the income, expenses, balance of members and the behavior of the average interest rate in the market of the relevant year.
- Provision for the Project on Re-registration of Members had not been made since
- Benefits for members have been paid at a rate of 9 per cent in the year 2021.
- The number of member re-registered for the year 2021 stood at 9,880 and 1,070,218 members had been re-registered as at 31

annual estimate of the Department of Labour from 2008 to 31 December 2018 under the Project on Re-registration of Members of which the first and second phases and the third phase were implemented in the years 2007/2008, 2010/2011 and the years 2016/2017 respectively. However, the number of members from whom finger prints were taken, as a percentage of estimated number of members had been 38 per cent, 25 per cent and 14 per cent under first, second and third phases respectively. As such, the progress achieved had been at a weak level.

- (n) Out of benefit applications submitted during the period from 01 January 2016 to 31 December 2018 to 18 District Labour Offices by members for gaining benefits, 112 applications for which a sum of Rs.17,923,106 had been applied, had been
- by taking action the year 2019 December 2021. efficiently and in preparing Accordingly, expected productively and project plans in targets of the Project on economically. due course, Re-registration of Members action will be have not been reached. taken to incur funds of members efficiently, effectively and economically and to achieve maximum benefits accordingly.
- Every possible step should be taken to provide benefits to members without delay. According to the progress of the pilot programme commenced relating to correction of data in regard to the registration of estate workers of the public sector, steps such as taking action to Plans have been made to implement the pilot programme and to brief the employers through Labour Officers. Nevertheless, the plans could not be carried out as expected due to the Covid – 19 pandemic which broke out from the beginning of the year 2020.

referred to the Central Bank of Sri Lanka for payments and afterwards had been rejected for various reasons. Out of those applications, the period lapsed relating to 90 applications (80 per cent) from the date of submitting them up to 01 March 2019 had increased from 06 months to 03 years. However, action had not been taken to settle them.

expand the said programme among other sectors, taking action to settle benefit files of which memberships are difficult to be identified and outdated files by submitting to a committee, conducting training programmes at provincial level and briefing the employers to submit correct information in the registration of members and in forwarding members' contributions.

- (o) According to the Annual Report of the Central Bank of Sri Lanka, the number of active members who had obtained membership of the Employees' Provident Fund out of 3,727,217 reported as the total employment of the private sector and the semi Government An arrangement should be made by the Fund by paying attention towards formulating a system to provide membership of the Fund to a maximum number of employees of the private sector and the semi Government sector. Action will be taken to brief the employees through media and mobile services and the employers through Labour Officers relating to registration in the Fund. Moreover, an amendment has The briefings made by the aforesaid mobile services and field inspections of Labour Officers due to the prevailing break out of Covid -19 pandemic are at a minimum level.

sector by the end of the year 2018, was 2,559,319 representing 68.7 per cent. The percentage of employees who are members of other approved Provident Funds was only 9.7 per cent and as such, the remaining number of 21.6 per cent had not contributed to any Fund. It was observed that more attention should be paid towards providing these persons with membership of the Fund.

been made in the Employees' Provident Fund Act that every employer should make arrangements to register an employee in the Fund within 30 days from the date of recruitment.

- (p) The number of employers registered only in the Employees' Trust Fund Board without registering in the Employees' Provident Fund as at 31 December 2018 stood at 14,156 and the contributions received to the Employees' Trust Fund Board from the said employers as at that date totalled Rs.148,366,135. Accordingly, a suitable arrangement had not been made with the Trust Fund Board for An arrangement should be made to provide membership of the Employees' Provident Fund for members who are registered only in the Employees' Trust Fund Board (who are not engaged in self-employment) Action is being taken to brief and supervise employers at office level for making arrangements to register members who have already obtained membership in the Employees' Trust Fund Board, in the Employees' Provident Fund by identifying members who are covered by A proper arrangement has not been made and implemented in this regard.



- registering the said employers in the Fund.
- (q) Action had not been taken to credit the amount of Rs. 10,486 million recovered by the Department by filing a case against the employers of the account maintained in favor of the Labour Commissioner within the members' fund of the Fund as at 31 December 2020 and the amount of Rs.453 million retained in the General deposit account until settling after recovering the amount by filing a case in that manner to each member's account. Further, action had not been taken to identify the relevant members and to settle the balance of Rs.65,865 million existed as at 31 December 2020 in the "Current Year Contribution- No. 01 Account maintained separately in favor of the employers. Although retained benefits and unclaimed benefits amounting to Rs.925 million as at
- the Employees' Provident Fund.
- An efficient Measures have been taken to obtain information of cases filed in the court by District Labour Offices from June 2020, to the 02 Recovery Division, attention has been paid towards accepting of a letter of request from the beneficiary after certifying nominees of deceased members by the Embassy Office as a solution for the increase in the balances of the Retained Benefits Account and legal advice has been sought on legal provisions required for settling these monies.
- Balances of Rs.11,456 million and Rs.302 million remained in the account maintained in favour of the Commissioner of Labour and in the General Deposit Account respectively as at 31 December 2021. Moreover, unsettled balances of Rs.70,833 million, Rs.956 million, Rs.2,117 million and Rs.353 million further remained respectively in the "Current Year Contributions 01" Account, Retained Benefits and Unclaimed Benefits Account and the UP/OP contributions and UP/OP refunds payments.

31 December of the year under review and UP/OP contributions amounting to Rs.1,984 million and UP/OP refunds payments amounting to Rs.682 million had been stated under the member's Fund, action had not been taken to identify those balances and to settle them. The Committee on Public Accounts had also directed in 2013,2016 and 2017 to expedite the settlement of accounts, which had not been credited to the aforesaid members' accounts.

- (r) Twelve Quick Cam cameras purchased in the year 2017, 50 Quick Cam cameras purchased in the year 2019 by spending a sum of Rs.1,725,375 and 24 Laptop computers purchased in the year 2018 by spending a sum of Rs.3,261,600 for the Photograph and Finger Print Project implemented by the Department of Labour for verifying the Assets should be purchased after identifying proper requirements and action should be taken to utilize them effectively. Action has been taken to complete 15 sets of accessories using the stock of accessories purchased in the year 2017 and to distribute them to Zonal Offices. Forty one out of 62 Logitech Quick Cam Cameras purchased in the years 2017 and 2019 and 2 out of 24 Laptop computers purchased in the year 2017 had further remained idle.

identity of members had remained idle by the end of the year 2019 without being distributed.

- (s) The total cost estimate amounting to Rs. 135.3 million obtained from the Department of Buildings without following the Government Procurement Guidelines for the preparation of the Interior Partitions of the Mehewara Piyasa office premises had been approved and the entire amount had been paid to the Department of Buildings on 31 December 2020. Furthermore, the approval of the Chief Accounting Officer had not been obtained for the total cost estimate as per Guidelines 4.3.1 and 4.3.2 of the Government Procurement Guidelines and for the recommendations of the relevant departmental procurement
- Procurement should be carried out by following the Procurement Guidelines and utilizing the funds efficiently and effectively.
- Action will be taken in accordance with Procurement Guidelines.
- Activities of preparing interior partitions of the Mehewara Piyasa office premises have not been completed as yet.

committees as per Guideline 2.1.4.1 and a formal contract had not been entered into in terms of Guideline. 8.9.3. Moreover, the full contract value had been paid prior to the commencement of the activities in contrary to Guideline 5.4.4 (i) and retention amount had not been retained in accordance with Guideline 5.4.6 (b). Furthermore, the interior partition work had not been commenced even by 31 March 2021.

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| (t) | Action Plan of the year 2018 of the Employees' Provident Fund Division of the Department of Labour, activities such as changing the National Identity Card Number into the Employees' Provident Fund Number under the strategy of strengthening social security and formulation of laws and rules planned to be carried out under the project on obtaining finger prints, | Action should be taken to establish efficient and effective methodologies in performing functions indicated in the Action Plan. | In addition to formulation of laws and regulations, the technical capacity required for District offices as well should be improved. As such, studies relating thereto are being carried out at present. | The process of making the National Identity Card Number which is the prime data of identifying the members of the Employees' Provident Fund, has not been carried out. |
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improvement of technical capacity of District Labour Offices, launching of a Pilot Project and registration of the National Identity Card Number as the employees' Provident Fund Number had not been performed in the year 2018.

- (u) According to Recommendation No. 09 of 26 February 2016 given by the Committee on Public Accounts, it had been instructed to submit a report to the Committee before 23 March 2016 on the possibility of preparing a single computer programme by the Department of Labour joining with the Central Bank of Sri Lanka for improving the information technology process of the Fund. The Superintendent reported to Audit that concurrence had been given to provide technical assistance for carrying out a business process review under Action should be taken to implement the recommendations of the Committee on Public Accounts and to submit the progress thereon and other necessary information to Audit.
- The review process of the project processes expected to be completed by the Asian Development Bank under the Capital Market Development Programme has been completed under two stages and the report containing observations thereof has been handed over to the Employees' Provident Fund.
- The Department of Labour with the Central Bank of Sri Lanka have not implemented an integrated information technology system.

the capital market development programme functioning under provisions of loans granted to the Government by the Asian Development Bank and that basic activities for implementation of an integrated new information technology system is in process. However, as the information on the loan agreement relating to the said project, project report and project plan had not been made available to Audit, the progress in implementing the said recommendation could not be examined.

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| (v) | An independent Internal Audit Unit has not been established for the Employees' Provident Fund and the internal audit activities of the Employees' Provident Fund Division of the Central Bank of Sri Lanka had been carried out by the Internal Audit Unit of the Central Bank of Sri Lanka. The approved | Action should be taken to strengthen the Internal Audit by attaching an adequate staff to the Internal Audit Unit. | Steps have been taken to review the audit activities of the Employees' Provident Fund Division of the Central Bank of Sri Lanka by the Advisory Audit Committee in which a member of the Monetary Board | Vacancies in the Internal Audit Division of the Department of Labour have not been filled and internal audit reports relating to the Employees' Provident Fund have not been made available to Audit. |
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cadre and the actual cadre of the Internal Audit Unit of the Department of Labour by which the administration of the Fund is being carried out, had been limited to 14 and 09 respectively. As members'

contributions of Rs.2.8 trillion are managed by the Fund, it is observed that Internal Audit Division should be strengthened. It was observed that adequate attention could not be paid for the audit activities of the Employees' Provident Fund due to the existence of 57 regional offices owned by the Department and lack of actual cadre according to the number of transactions carried out. Even though it had been continuously directed at the Committees of Public Accounts since the year 2013 that the internal audit of the Department should be strengthened, action had not been taken to

participates.

carry out an Audit by attaching an adequate staff. Moreover, the approved internal audit plan of the Fund prepared for the year under review and the internal audit reports issued relating to the year under review were not made available to Audit.



**38 Name of the Auditee Entity - Local Government Service Pension Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Audit Opinion  
 2019 - Qualified Audit Opinion  
 2020 - Qualified Audit Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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<p>(a) This Fund has been established with the objective of making the payment of pensions and gratuities to the pensionable members of the Local Government Service in terms of Section 15 of the Local Government Service Act, No.16 of 1974. However, new members had not been included into this Fund since 03 September 1993 on the Provincial Public Officers recruited after the establishment of the Provincial Public Service in the year 1993 being entitled to the pensions benefits, entitled to Public Officers. The expenditure of the Fund had been incurred by making</p>	<p>Necessary action should be taken by the Management by taking appropriate decisions after carrying out a proper study on the going concern of the Fund.</p>	<p>As the payment of pension benefits are made under the Pensions Expenditure Head, the objective of payment of pension to members entitled to pension, is achieved.</p>	<p>The Management had not taken a decision on the going concern of the Fund.</p>

available the Provisions of Annual Budgetary Estimates under the Head of Expenditure of the Department of Pensions due to insufficiency of money for the payment of pensions to the Pensioners of the Local Government Service and inability of collecting contributions of new members.

Accordingly, the expenditure incurred in the year 2019 had been a sum of Rs.1,085,161,850. As such, the main objective of the establishment of the Fund, had not been achieved.

- (b) According to the financial statements, the number of Local Government Institutes, from which contributions are paid to the Fund as at 31 December 2020, was 302 and the arrears of contributions due from those Institutes was Rs.1,143,420,252. However, according to the financial
- Steps should be taken to recover the due contributions and action should be taken to identify and rectify the reasons for the difference.
- The amount of cheques sent monthly by each Local Government Institutes is deducted and a monthly bill is sent to the Local Government Institutes notifying them the amount due. It is informed that action will be taken to inquire from those Institutes regarding the differences pointed out by you and take action to rectify if any difference is available.
- Differences between Local balances still remain.

statements submitted to Audit by 256 Local Government Institutes as at 31 December 2020, the contributions receivable to the Fund from 97 Local Government Institutes was Rs.760,406,356, but that amount was not mentioned as contributions to be paid by the Local Government Institutes. Even though the contributions receivable to the Fund from another 103 Local Government Institutes amounted to Rs.278,494,348, the amount of contributions that should be paid as per the financial statements of those Local Government Institutes was Rs.184,054,767, which is an overstatement of Rs.94,439,581, while the contribution receivable to the Fund from 22 Local Government Institutes was Rs.14,868,309 but

according to the financial statements, the contributions to be paid was Rs.19,567,394 ,which is an understatement of Rs.4,699,085.

- (c) According to the financial statements as at 31 December 2020, the contributions receivable from 302 Local Government Institutes were Rs.1,143,420,252. According to the schedules submitted with the financial statements regarding the balance, any amount relating to the contributions of Rs.459,007,662 had not been received from 88 local government institutes during the year under review.
- Should monitor whether monthly contributions are recovered and immediate action should be taken to recover arrears of pension contributions.
- Action has already been taken to recover the contributions receivable from the Local Government Institutes. Accordingly, a request has been made to the Secretary of the Finance Commission to inform the Heads of Local Government Services Local Government Institutes. Moreover, the Institutes have been informed regarding the amount to be paid by monthly bills sent to all Local Government Institutes and action has been taken to inform the Institutes by telephone calls and get down the money. Moreover, action has been taken to inform to Institutes which have not paid any contributions whatsoever in the year 2020 by my letter No. විච/ප/පා/ශි/ලි/02 of 03.11.2021.
- Action is being taken to recover contributions payable by Local Government Institutes.
- (d) In terms of Paragraph 5 of the Public Finance Circular No. 2/2018 dated 28 August 2018
- Action should be taken in terms of circulars.
- According to the report of the special committee, appointed by the General Treasury, issued on 31 March 2017, it has been recommended that
- No authorization has been given to take and implement a policy decision for closing the Fund.

and Paragraph 15 (2) (b) of the Public Finance Circular No. 1/2020 dated 28 August 2020, it was stated that if there are any funds which have not been activated in the last two years, the activities thereof should be terminated or if the desired objectives of the Fund can be achieved under the Government Budget, those funds should be terminated. Accordingly, even though it has been revealed by notes to the Account No. 4 that the Fund is inactive, the activities of this Fund are being carried out with budgetary allocations under the Expenditure Head of the Department of Pensions, the necessary steps have not been taken to close the Fund under the provisions of the existing Circular.

the funds including the Local Government Service Pension Fund should be closed by an Act of Parliament. However, it had not been reported yet regarding authorization for implementation of any policy decision regarding the said report.

**39. Name of the Auditee Entity- Teachers’ Widows and Orphans Pensions Fund**

Opinion of the Auditor General relating to Financial Statements 2018- Qualified Opinion

2019- Qualified Opinion

2020- Qualified Opinion

<b>Audit Observation</b>	<b>AG’s Recommendation</b>	<b>Preventive measures taken by the Institution</b>	<b>Present Position</b>
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<p>(a) The Widows’ and Orphans’ contribution from the Teachers of the Piriven Establishments and from Private/ Aided Schools and the contribution money, 6 per cent each from the monthly salary to the pension should be submitted to the Department of Pensions on them, not being fully accepted as Public Officers. However, a sum of Rs.137,818,157 credited to 3 provinces in the year 2019 and a sum of Rs.66,918,348 credited for 3 provinces in the year 2018 by the Accounts Summaries by the Ministry of Education could not be identified as to which contribution from which Officers.</p>	<p>The money credited by Monthly Accounts Summaries should be specifically identified as to which contribution that it had been credited and, should be accounted.</p>	<p>The awareness of all the Provincial Directors of Education has been raised in this connection, along with a copy to the Fund, by the Ministry of Education after referring the Letter No. විචල්/ශිආමු/ටී.ඩබ්.පී/13/2019 Dated 27.06.2019 of mine, in order to obtain a Classification of the Contribution Money. The full support of the Ministry of Education, Provincial Departments of Education and of the Zonal Education Offices as well should be extended to the Department to make the function a success.</p>	<p>The Letters have been submitted in order to obtain a Classification of the Contribution Money.</p>

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| (b) | Even though the Account of the Deputy Secretary to the Treasury had been maintained in the Final Accounts for the collection of the Contribution Money and other income and for the returning payments of the contribution money, it was observed that the balance of the Deputy Secretary to the Treasury amounting to Rs.1,039,177,078 that had been represented as at 31 December 2019 had been a nominal balance. | It should be disclosed by the Notes to the Accounts that the balance of the Deputy Secretary to the Treasury is a nominal balance. | Agreed.   | Action for rectification had not been taken.   |
| (c) | Registers including the persons who have been qualified to be rewarded with assistance only once and including the information had not been maintained in terms of the Order No.9(a) of the School Teachers' Pensions Act, No.44 of 1953.   | It is the responsibility of the Management to maintain a proper information system on the contributors.                            | A Widows and Orphans Pensions File including their details separately, in the name of the school is being maintained for the Teachers who work in Piriven Establishments registered under the Teachers' Widows and Orphans Pensions Scheme and for the Teachers who work in Private Schools assisted by the Government. | It was indicated that it is not practical in maintaining an Individual Accounts Scheme for the each payment of the Contribution Money. |
| (d) | The payment of the Teachers' Widows and Orphans Pensions should be made by way of creating a Fund from  | Action should be taken in terms of the Orders of the Act.  | Even though it had been essential to ensure the existence of such a Fund by the year 1953, this Fund is not essential in terms of the present Public and Financial  | A Fund had not been created from the Teachers' Widows and  |

the Teachers' Widows and Orphans Contribution Money in terms of the Order No.04. However, a separate Bank Account had not been maintained for the collection of the Contribution Money and for making payments and, the collection of the Contribution Money to the Bank Account of the Director General of Pensions and making payments of the above Expenditure under the Head of Expenditure of the Department of Pensions.

Policy Provisions. A separate Orphans Bank Account is being Contribution maintained for this Fund on the Money in terms of the Order No.04. payment of pensions for the Teachers who work in the Piriven Establishments and in Private Schools being carried out by the Appropriation Head No.253 of the Consolidated Fund, provisioned by the Annual Appropriation Head No.253 of the Consolidated Fund, provisioned by the Annual Appropriation Act and, a Cash Book is maintained to note the Receipts and the Payments.

- (e) Even though A suitable The Contribution Money Rectifications Contribution Money procedure should Division does not act relating to had not been provided to be formulated on the provision of the Widows and made. the Widows and the receipt of the Orphans Contribution Orphans Pensions Membership Membership Number and it is the responsibility of the relevant Officer and of the Institution of which he is serving for. A new Circular has been issued in this connection. Fund, on a spot test Numbers to the Members of the Fund. Fund. School, the Contributors Membership Numbers had not been provided for those members.



- (f) Even though action had been taken to pay the amount of money recovered from the Contributor by way of the examination of the Behavior Chart due to the Fund not being equipped with a Database System including the Membership Numbers on the membership of the Fund, including the details of the Contribution Money Receipts, it had not been able to confirm whether the same amount of money had been accurately received to the Fund.
- A procedure should be formulated in order to ensure whether the Contribution Money had been specifically received to the Fund, from the Department of Pensions.
- The Public Administration Circular No.03/2020 of 31/12/2020 relating to the inclusion of the details on the recovery of the Widows/ Widowers and Orphans Contribution Money to the Personal File and the Public Administration Circular No.26/2017(V) of 10/02/2021 relating to the re- registration of the old Members through the online method, had been issued, at this moment. Moreover, the awareness of all the Heads of Institutions have been raised relating to the inclusion of the details on the recovery of the Widows/ Widowers and Orphans Contribution Money to the Personal File by the Letter No.DMS/SYS.AUD/Checklist/01 of 07.09.2020 by the Department of Management Audit. As such, it would be confirmed whether the Contribution Money had been specifically and continuously received in making the entitlements of the benefits such as the repayment of the Contribution Money.
- Action is being taken in terms of the new Circulars.

**40. Name of the Auditee Entity - Public Service Provident Fund**

Opinion of the Auditor General on Financial Statements    2018 - Disclaimer of Opinion  
 2019 - Disclaimer of Opinion  
 2020 - Disclaimer of Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) The membership register had not been made available to Audit to confirm the numbers of opening and closing membership of the year 2020 due to the failure in maintaining the individual accounts of the contributors to the Employees’ Provident Fund. As a result, the balance of the Compulsory Contribution Account, amounting to Rs. 28,972,771,536 as at 31 December 2020, balance of the Voluntary Contribution Account, amounting to Rs.44,799,765 and the balance of the Government Contribution Account, amounting to Rs. 44,820,450,342 could not be identified separately as per the entitlement of the contributors.	The accuracy of the balances should be confirmed by maintaining a systematic database of individual accounts of the contributors.	It has been emphasized that information should be provided to the relevant institutions through the system. About 80-90 institutions are currently working to send contributions through the system as per the notifications and reminders made. Necessary steps are being taken to further increase this number in the future and arrangements are being made to classify the receipts of 8% and 12% according to Contribution Accounts through the online system and to submit individual balances.	Necessary action is being taken to separate balances as per the entitlement of the contributors.

- (b) Unidentified balances were recorded in an adjustment account until the unidentified balances relating to debits and credits made to the account of the Fund by various Government institutions through monthly account summaries, were settled. Accordingly, the unidentified balance in the adjustment account as at 31 December 2020 outstanding for number of years amounted to Rs.29,811,314. It was not possible to vouch the balance satisfactorily during the audit due to non-submission of a detailed schedule
- The balance of the annual adjustment account should be reconciled with the relevant institutions separately and action should be taken to account them in correct accounts.
- The opening balance was indicated as Rs.29,807,95 prior to a number of years according to the schedules and it could not be matched with the balance of our adjustment account. Inquiries were made continuously from the institutions as to whether these balances had been settled and it is anticipated to take appropriate steps in future through the Management Committee to eliminate the wrongly debited amounts.
- Necessary measures have been initiated for rectifications.
- (c) Out of the total of 5,188 applications submitted by the members of the Fund for obtaining benefits during the year, payments had not been made for 987 applications even by 31 December 2020
- Action should be taken to make payments relating to the applications without delay.
- It was not possible to get officers attend the Department of Pensions after the closure of the Department in March 2020 and at the end of October 2020 with the spread of the COVID 19 virus and as a result, the number of applications, for which payments could not be made
- There is a delay in making payments for applications.

even by the end of the year, was 987.

- (d) Even though an Online Database System had been introduced for maintaining information of the contributors of the Fund, it had not been operated in a proper manner. As such, Individual Accounts had not been maintained relating to balances in Contribution Money Account of Rs.68,246,168,683 indicated in the Balance Sheet as at the end of the year 2019.
- The accuracy of the balances should be confirmed by maintaining a proper Database System on Individual Accounts of the Contributors who have contributed under the Fund.
- Explanations on the manner of preparation of accounts have not been given.
- Individual Accounts are not maintained.
- (e) In terms of Section 25 of the Public Service Provident Fund Ordinance 1942 (Cap.621), the Director General of Pensions shall inform contributors of the balances in their Accounts as at 31 December after the close of each financial year. However, action had not been taken accordingly.
- Action should be taken in terms of the Section of the Ordinance.
- Formulation of a methodology to inform the account balances of new members as at 31 December, has been delayed due to various practical issues.
- A methodology to inform the account balances of new members as at 31 December, had not been formulated.

**41. Name of the Auditee Entity- Sri Lanka Deposit Insurance and Liquidity Support Scheme**

Opinion of the Auditor General on Financial Statements      2018 - Unqualified Opinion  
 2019 - Unqualified Opinion  
 2020 - Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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<p>(a) A sum of Rs.137.18 million had been invested on 01 April 2015 in Reverse Repurchase Agreement matured on 31 March 2016 for a sum of Rs 147.05 million with a primary dealer by the Scheme. The primary dealer had withdrawn the underlying securities of the above investment without substituting any security with respect to withdrawn securities. Accordingly, an impairment allowance amounting to Rs.144.25 million for the above investment had been made in the financial statements of the Scheme as at 31 December 2015. As per the decision taken by the Monetary Board of the Central Bank on 19 August 2020, it had been decided to discontinue the rolling over of above</p>	<p>Necessary action should be taken to mitigate such risks and to recover the loss in future.</p>	<p>Action has not been taken.</p>	<p>Action has not been taken to recover the money invested.</p>

investments since 2015. Interest income generated since 2015 through the rollover of the investment amounting to Rs.61.83 million had not been identified until September 2020.

**42. Name of the Auditee Entity- Rehabilitation of the Visually Handicapped Trust Fund**

Opinion of the Auditor General on the Financial Statements      2018 - Unqualified Opinion  
 2019 - Unqualified Opinion  
 2020 - Unqualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) Even though the Federation of the Blind had planned to train 15 visually impaired persons under the rehabilitation program, only 4 visually impaired persons had been trained. However, allowances to a staff of six including the training officers had been paid out of the Fund relating to the above training. Further, this situation had remained unchanged for the last 04 years and action had not been taken to increase the number of trainees.	Action should be taken to design and maintain this training effectively, in a manner that is beneficial to the majority of the people.	The number of clients cannot be increased due to the difficulty in obtaining such facilities for clients who reside in remote areas out of Colombo.	Action had not been taken to increase the number of trainees as planned.
(b) Activities of the Women’s Welfare and Training Division of the Seeduwa Vocational Training Institute have come to a standstill. As such, stocks of raw material and finished	Action should be taken to commence activities of the Training Division without delay.	The Production Supervisor had left and action had been taken to recruit a new Supervisor. Nevertheless, no applicants have presented	A Production Supervisor had not been recruited to commence the activities of the Training Division.

handloom products valued at Rs.57,867 had remained unused.

themselves.

- (c) Attention had not been drawn for providing housing facilities for the implementation of the two objectives such as enabling the visually impaired persons to follow academic courses or vocational training and to provide marketing facilities for goods manufactured by them.
- As these two objectives are very important for the visually impaired, action should be taken to implement those objectives.
- Due to the limited funds received to the Rehabilitation of the Visually Handicapped Trust Fund, the provision of housing facilities has been limited and arrangements have been made to sell the products manufactured by the visually impaired persons through the Diriya Pola conducted at the Seeduwa Vocational Training Centre.
- Necessary attention had not been drawn for providing housing facilities and providing marketing facilities for manufactured goods was not in an adequate level.





- (c) In terms of provisions of Public Finance Circular No.02/2018 dated 18 August 2018, action should be taken to close down this Fund. An expenditure of Rs.64,689,090 had been incurred in the year 2020 as well without taking action to establish this Trust Fund as a Statutory Fund even by 23 April 2021.
- Action should be taken to convert this Fund into a Statutory Fund or to liquidate it in accordance with the circular.
- It is kindly informed that action will be taken to convert the Fund into a Statutory Fund and to operate it.
- Action has not been taken so far.



subject to the rate of interest paid by the Central Bank of Sri Lanka and the Treasury for midterm investments. However, investments had been made in short term deposits in a state bank for a period of 06 months since the year 2017 and the amount invested as at 31 December 2020 was Rs.9,201,093.

- (c) The number of Inoperative societies A special programme Even though it was Thurusaviya societies should be identified. on reorganization of stated that the registered in 14 societies, is being majority of societies districts as at 31 implemented. have been converted December 2020 with into operative the motive of uplifting condition, those the socio-economic societies and the standards of rubber number thereof could smallholders, stood at 815 and of these societies, the societies which were inoperative, had not been identified so far.
- (d) In view of ensuring The process of In terms of the Fifty three forums productive vesting should not Thurusaviya Fund Act, have been registered functionality, the be further delayed. a special programme is by now and 26 group Ministry of Plantation being implemented for processing centers Industries had given an registration of those have been converted order to take action for forums under the into operative vesting 130 rural rubber Thurusaviya Fund. condition. processing centers established in the

Monaragala District, in the Thurusaviya Fund during 2011 – 2016 under the Smallholder Plantations

Entrepreneurship Development

Programme. However, action had not been taken to vest them even up to the end of the year 2020.

- |     |  |  |   |  |
|-----|--|--|---|--|
| (e) | Construction of 02 group processing centres had been commenced in Ganepalla and Erapola in the years 2005 and 2008 respectively and a sum of Rs. 1,000,184 had been spent therefor. However, even though a period over 15 years had elapsed by the year 2020 after commencing constructions of those 02 centers, constructions had not been completed. | 02 Constructions should be completed speedily. | The Chairman of the Fund has informed to continue remaining works with the contribution of the society. | The shortcomings pointed out remain unchanged. |
| (f) | A motor vehicle worth Rs.2,000,000 received to the Fund from the Precedential Secretariat in the year 2020, had been parked in a bad condition in the premises.  | Vehicle should be repaired.                    | It could not be repaired due to failure in making adequate provision.                                   | The shortcomings pointed out remain unchanged. |

**45. Name of the Auditee Entity - Vehicular Emission Test Trust Fund**

Opinion of the Auditor General on the Financial Statements 2018 - Qualified Audit Opinion  
 2019 - Qualified Audit Opinion  
 2020 - Qualified Audit Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) Even though the relevant agreement which was entered into in July 2013 had come to an end in July 2018, action had not been taken even up to 31 December 2019 to acquire the mobile vehicle to the Emission Test Trust Fund or to extend the period of agreement or to enter into a new agreement.	Action should be taken in accordance with the generally accepted legal framework.	It has been informed by the letter of the Central Environmental Authority dated 08.09.2016 that the mobile emission testing unit has become inoperative and entering into a new agreement has been delayed until the said inoperative unit is repaired.	A new Technical Evaluation Committee has been appointed presently by the Central Environmental Authority for the repairs of the mobile emission testing unit.
(b) In order to commence the tests at 9 depots, 10 Opacity Meters have been given to the Sri Lanka Transport Board in the year 2018 at a cost of Rs.21,937,500. Nevertheless, due to failure in constructing the necessary places to install such equipment, abandonment of constructions and not commencing tests at the	Public finance should be used so as to achieve maximum performance.	Procurement activities of purchasing emission testing equipment for relevant centres have been commenced on 09.08.2017 and the said equipment have been received to the Emission Testing Office on 15.01.2018 and the supplying company has provided training to	A third party cannot be permitted to issue emission certificates due to legal proceedings against awarding new contracts for issuing vehicular emission certificates are in progress. As such, the Commissioner General of Motor Traffic has granted approval on

- 02 constructed centres, those equipment remained unused for more than one year from the date of purchase.
- Technicians of the Sri Lanka Transport Board on using the said equipment.
- 07.01.2021 only for vehicles of the Sri Lanka Transport Board to obtain revenue licences by issuing emission certificates using the said testing equipment.
- (c) Seven inactive gas analyzers had not yet been repaired and retained in the Head Office and 03 analyzers had been misplaced. Moreover, 04 opacity meters remained inactive and unprotected and 01 had been misplaced.
- Steps should be taken to carry out methodologies to ensure the protection of the assets.
- Equipment has not been misplaced. Necessary steps have been taken to properly store the available equipment.
- The inactive gas analyzers have been presently handed over to Prime Engineering (Pvt) Limited for repairs and 7 of them have been repaired and returned.
- (d) Even though Emission Test Certificates had been issued for 5,200,407 motor vehicles in the year 2019, the Fund had carried out mobile tests only for 9,317 out of the said motor vehicles. It had been a value as low as 0.18 per cent as compared to the number of Emission Certificates issued.
- There should be a high level of performance in the functions discharged.
- Only vehicles emitting excessive smoke and vehicles not complied with emission standards are tested.
- Action is being taken currently to carry out maximum testing possible within the existing staff.
- (e) In accordance with Condition 4.1 of the agreement entered into with 02 private companies in the year 2007 for issuance of
- Conditions of the agreement should be legally interpreted and relevant fines should be properly
- It has not been clearly mentioned whether public holidays or weekends are included in the relevant agreement,
- A Board Paper has been forwarded to the Trust in this regard and the approval that the test fee of 10 per cent should be

Emission Test recovered. Certificates, 10 per cent of the income earned by those companies should be remitted to the Fund within 07 days and a fine of 3 per cent should be paid for each day exceeding the above 07 days. Nevertheless, the Fund had considered the relevant 07 days as 07 working days. Accordingly, a sum of Rs.41,137,584 should have been recovered as fines relating to the late payments only for the year 2018.

(f) Although the information System (ICTA) used for the examination of charges recovered by the companies carrying out emission tests had become dysfunctional, no methodology had been introduced to examine the accuracy of the information provided by those companies and to check whether the revenue due to the Government was properly received.

The strategies devised for proper maintenance of the affairs of the Fund should be continuously adopted.

details on reports of revenue collected by companies are submitted weekly to this office and accordingly, the relevant institutions have remitted monies as at the due date up to now.

remitted to the Fund within 7 days of collection, has been received. Moreover, the Accounting Officer has indicated that the relevant companies have been informed of the said matter to be effective from 20.02.2020.

This data is currently transmitted by ERL of the ICTA Institute and a reporting module has been prepared for confirming the accuracy of 10 per cent received to the Fund from the said system and further data necessary for the office by this module for examining whether the revenue receivable to the Government after checking the accuracy of information received from the said companies, could not

According to the specifications currently provided by the Fund, this function can be performed using a software designed by both relevant contractors and new proposals have been submitted to ICTA for re-establishment of the data system by avoiding the deficiencies in the ERL 02 Programme due to be implemented by the ICTA Institute.



be obtained.

Moreover, the ICTA Institute has been briefed thereon in several instances.

- (g) In terms of Public Finance Circular No.02/2018 dated 18 August 2018 of the Secretary to the Treasury, it was confirmed that it had been decided to close down the Vehicular Emission Test Trust Fund on Cabinet approval received. However, action had not been taken according to the Circular even by 15 March 2021 to appoint a Liquidator and to settle liabilities from assets and to credit the remaining to the Consolidated Fund. The balance of the savings account of the Fund as at the end of the year 2020 had been Rs.686 million alone and the Secretary to the Treasury was one of the two parties of this Fund established under a Deed of Trust. In terms of paragraph 11 (a) of the Deed of Trust, this Fund is abolished on the declaration of the
- Taking necessary action within the legal frame work concerned.
- A Cabinet Memorandum has been submitted by indicating the necessity of further operating this Fund and it has been decided to re-submit a Note to the Cabinet relating to matters agreed, after holding a discussion between the Minister of Transport and the Minister of Finance by the Cabinet Decision No. ୧୭୧/19/0519/123/027 dated 06 March 2019.
- The Board of Trustees met on 25.04.2019 presided over by the Deputy Secretary to the Treasury to discuss on the operation of the Fund and a request has been made to operate the Fund until the Cabinet Decision is made and to submit a Cabinet Memorandum.

Secretary to the Treasury. Accordingly, one party has already withdrawn from the relevant agreement on the issuance of the said circular issued by the Secretary to the Treasury. As such, the legality of going concern of the Fund was problematic. Therefore, it had been decided at a meeting of the Governing Body presided over by the Deputy Secretary to the Treasury to operate the Fund until a Cabinet Decision is made on the relevant Fund.

- (h) The Performance Reports should be prepared within 02 months after closure of the year of accounts and presented to the Auditor General with copies to the Director General of Public Finance. Nevertheless, such a Performance Report had not been prepared.
- Action should be taken in terms of the circular.
- Only a paragraph relating to the performance of this Fund has been included presently in the Performance Report of the Department of Motor Traffic and action will be taken to submit the relevant performance report in terms of the relevant circular.
- Action had not been taken to prepare and submit the Annual Performance Report for the year 2021.

- (i) Two stationary Public finance The only three According to a equipment for measuring should be used so as equipment in decision of the circulating air quality to achieve existence for Governing Board, the and 02 digital LED maximum performance. obtaining real time Central Environmental Authority has been display boards purchased had been given to the Central Environmental Authority whereas the other mobile air circulation unit had been given to the National Buildings Research Organization. The data collected by those institutions, had been transmitted to the Fund since the year 2019 though, it was not verified as to whether such data had effectively been used in the management of emission testing. Furthermore, the Fund had not taken action to enter into agreement with respect to safety, use, maintenance, obtaining measurements, and transmission of data relating to those equipment purchased at a cost totalling Rs. 130 million.
- Public finance The only three According to a equipment in decision of the circulating air quality to achieve existence for Governing Board, the maximum performance. obtaining real time Central Environmental Authority has been display boards purchased had been given to the Central Environmental Authority whereas the other mobile air circulation unit had been given to the National Buildings Research Organization. The data collected by those institutions, had been transmitted to the Fund since the year 2019 though, it was not verified as to whether such data had effectively been used in the management of emission testing. Furthermore, the Fund had not taken action to enter into agreement with respect to safety, use, maintenance, obtaining measurements, and transmission of data relating to those equipment purchased at a cost totalling Rs. 130 million.
- The only three According to a equipment in decision of the circulating air quality to achieve existence for Governing Board, the maximum performance. obtaining real time Central Environmental Authority has been display boards purchased had been given to the Central Environmental Authority whereas the other mobile air circulation unit had been given to the National Buildings Research Organization. The data collected by those institutions, had been transmitted to the Fund since the year 2019 though, it was not verified as to whether such data had effectively been used in the management of emission testing. Furthermore, the Fund had not taken action to enter into agreement with respect to safety, use, maintenance, obtaining measurements, and transmission of data relating to those equipment purchased at a cost totalling Rs. 130 million.
- According to a decision of the Governing Board, the Central Environmental Authority has been notified to publish the analyzed data obtained by these equipment on printed and electronic media for the interest of the public and stakeholders.
- The approval of the Governing Body of the Fund had been obtained (on 16.01.2020 and 03.11.2020) and it had been decided to transfer the complete ownership of those equipment to the Central Environmental Authority and the National Buildings Research Organization to enable carrying out maintenance, calibration and repairs of the said equipment by those institutions themselves.

- (j) A sum of Public finance These monies could It has been indicated  
 Rs.1,270,934,392 should be used in an not be re-invested on that a sum of Rs.300  
 invested in the fixed the inability of million was invested  
 deposits at a high interest advantageous manner. obtaining approval of in March 2022 in a  
 rate had been withdrawn the Governing Body fixed deposit for a  
 and deposited in a in October 2020 due period of 06 months.  
 savings account during to the global However, the balance  
 the year under review. pandemic. of the accumulated  
 Accordingly, the Fund fund of the Fund  
 had lost the favourable amounting to  
 opportunity to earn a Rs.624,524,028 and  
 high interest income. balances of the  
 savings account and  
 the current account  
 totaled  
 Rs.259,514,441 as at  
 31 December 2021.

**46. Name of the Auditee Entity - COVID-19 Healthcare and Social Security Fund**

Opinion of the Auditor General on Financial Statements 2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a)	Even though the collection of revenue and incurring expenditure outside the budget approved by the Appropriation Act, is not approved according to Article 149 of the Constitution, this Fund had been initiated on 16 April 2020 without approval of the Parliament and the said approval, which should be obtained within one year from that date, was not obtained by 08 October 2021, the date of audit.	Action should be taken to obtain Parliamentary approval	Since the Parliament was dissolved at the time of the establishment of the Fund, Parliamentary approval could not be obtained at that time in terms of Public Finance Circular No. 01/2020 dated 29 August 2020. Action will be taken to obtain the relevant approval in due course.	Approval of parliament had not been obtained even by 23 March 2022.
(b)	Even though all amounts received by a cashier should be duly recorded in the cash book and other relevant books, there were instances where only the total amount of deposits received	Action should be taken in accordance with the Financial Regulations.	A large number of donors made direct deposits to the Fund's Official Bank Account in a single day, and they had been recorded as receipts by issuing a receipt in	A methodology for identification of direct deposits had not been formulated even by 23 march 2022.

per day as direct deposits had been recorded in the cash book.

favour of Chief Accounting Officer as a collection of daily receipts for such direct donations and donors who do not wish to reveal their identities since the identities of those donors could not be identified.

It is mentioned that the details of the total receipts is confirmed with the entries in the Bank Account Statement of the Fund.

- (c) Even though it had been decided to get tax exemptions for the donations to the Fund according to the decision of the Management Committee dated 15 May 2020, action had not been taken to get tax exemptions for the donations to the Fund even by 30 November 2021.
- Decisions of the Management Committee should be implemented.
- Tax exemptions will be able to get for donations in parallel with submission to the approval of the Parliament.
- Action had not been taken to obtain the approval of Parliament even by 23 March 2022.
- (d) The following objectives should have been achieved by the COVID 19 Healthcare and Social Security Fund:
- Measures should be taken to utilize the money in the Fund at the maximum level.
- Funds are released considering the proposals received by the Management Committee on projects that could
- Funds owned by the Fund had not been utilized for achieving objectives of the Fund and those funds had been invested in

- Provide emergency financial needs for healthcare facilities including pharmaceuticals, drug testing equipment, and capacity building to combat the COVID 19 epidemic.
- Expenditure on healthcare services, healthcare security of healthcare officers and essential public service providers.
- Providing basic needs for children, women, low income people, the elderly, the disabled and vulnerable persons
- Strengthen the public health sector by providing financial assistance to rural and remote

funded under the fixed deposits. objectives of the Covid 19 Healthcare and Social Security Fund, and most of the projects were implemented with local and foreign assistance due to the Covid pandemic and therefore, management committee has not received project proposals sufficient to utilize the funds. Accordingly, arrangements have been made to deposit in fixed deposits of 07 days, 31 days, 03 months, 06 months and 01 year as it was observed that immediate utilization as well as passive keeping of financial assets of the Fund is not appropriate according to the behavior of the epidemic situation. This has enabled the fund to increase its financial assets.

dispensaries.

- Assist Indigenous Medical Units to manufacture and distribute hygiene products using local raw materials, resources, knowledge and skills.
- Promote innovation and testing to supply high quality protective clothing and hygiene products to the global market.

The total balance of the Fund amounting to Rs. 1,641.73 million as at 31 December 2020 had not been utilized for the aforesaid purposes and Rs.6.25 million and Rs. 111.06 million had been withhold as in the current account and the savings account of the bank respectively, while Rs. 1,524.42 million had been invested in fixed deposits.



**47. Name of the Auditee Entity - Fuel Price Stabilization Fund**

Opinion of the Auditor General on Financial Statements

2020 - Qualified Opinion

<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
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(a) As a result of the decision taken by the Management as this Fund does not have a going concern, although the value of Rs. 48,000,000,000 invested by the Fund for the capital contribution of the Ceylon Electricity Board had been classified as current assets, it was a questionable matter in audit that in practice, how can it be realized within twelve months after the reporting period.	Further action should be taken in respect of the assets consisted in the financial statements with a proper approval.	It is proposed to submit a proposal to the Cabinet in the near future to abolish this Fund and after obtaining the approval therefor, Parliamentary approval is to be obtained for the establishment of the Fund, settlement of its transactions and liabilities, and liquidation, etc. through the Budget 2022. Based on that, all liabilities have been classified as current liabilities in the financial statements.	Parliamentary approval had not be obtained for the establishment and liquidation of the Fund even by 23 March 2022.
(b) Out of Rs.47,472,450,000 provided to this Fund by issuing Treasury Bills by the Department of Treasury Operations and classified as current liabilities, the cash balance remained in the Fund to pay a sum of Rs.26,673,196,758 furthermore	Further actions should be taken in respect of the liabilities included in the financial statements with a proper approval.	There were no receipts of surcharges after 09 January 2021. The bank balance has been updated until then and that balance is	The cash balance remained in the Fund had not been adequate for the settlement of financial

- as at 31 December 2020 was only Rs.379,108,419. Accordingly, due to the fact that the lack of going concern of the Fund and unavailability of sufficient money by the Fund to settle the financial commitment, a material uncertainty had arisen on the solvency of the Fund.
- Rs.1,107,728,128.74 commitments even by 31 December 2022.
- (c) Preparation of financial statements was to be done by the Secretary of the Fund who was the Director General of the Department of Public Enterprises in terms of Decision of Cabinet of Ministers No. 20/0684/204/060 dated 02 April 2020 and Paragraph 03 of the Cabinet Paper even number and dated 31 March 2020 relating thereto. Even though the Chairman and one other member of the Management Committee should certify and submit the financial statements for Audit, the financial statements had been submitted to Audit only with the signature of the aforesaid Secretary.
- The submission of financial statements should be made formal.
- Action had not been for rectifications.
- The financial statements submitted to Audit for the year 2021 had not been signed by the Chairman of the Management Committee.
- (d) The revenues that are receive from all the taxes, imports, rates and duties and all other revenues and receipts of the Republic not allocated to specific purposes should be paid to the Consolidated Fund in terms of Article 149 of the Constitution.
- Arrangements should be made to establish the Fund formally through a Parliamentary Act.
- The Fuel Price Stabilization Fund is a fund that had been established outside the Consolidated Fund. The surcharge which is
- As the approval of Parliament had not been received for the Fund even by 23 March 2022,

Nevertheless, the revenue from surcharge levied on fuel prices from 14 March 2020 had not been credited accordingly.

automatically calculated by the IT system of the Sri Lanka Customs is remitted to the bank account of the Fuel Price Stabilization Fund as per the Gazette Notifications published. revenue collected had not been credited to the Consolidated Fund.

- (e) The collection of revenue and incurring expenditure outside the budget approved by the Appropriation Act had not been approved in terms of Article 149 of the Constitution. Nevertheless, the said Fund had been initiated from 18 March 2020 and the approval of Parliament which should be obtained in terms of Public Finance Circular No. 01/2020 dated 29 August 2020, had not been received even by 06 September 2021, the date of audit.
- Action should be taken in accordance with the provisions of the relevant Constitution.
- It is Agreed. However, it is proposed to submit a proposal to the Cabinet promptly in future and after getting approval therefor, it is due to be obtained the parliamentary approval with respect to all activities of the Fund, including the establishment of the Fund and settlement of transactions and liabilities and liquidation through the Budget 2022 as per P.F. Circular 01/2020 .
- The approval of Parliament had not been received for the Fund even by 23 March 2022.
- (f) The expected objective for the establishment of the Fund is controlling the price fluctuations during price increases and
- The expected objectives for the establishment of the Fund should be
- Has not replied.
- Even though the fuel price has rapidly increased even

decreases and maintaining a price in stable. Despite the falling of fuel prices in the world market, the Fuel Price Stabilization Fund had earned a net surplus of Rs.21,705,911,662 within the period from March to December 2020 by selling of fuel at the existing price after levying surcharges on fuel imports. The maintaining of this surplus as a liquid asset to keep domestic prices stable was not mentioned even in the approval of the Cabinet Memorandum and the amount of Rs. 48 Billion of the Fund was provided as a capital contribution to the Electricity Board as per its approval and it had been shown under short term investment in the statement of financial position.

by 23 March 2022, objectives expected by this Fund had not been achieved.

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| <p>(g) Neither appointing a Committee nor issuing of orders had been done for the management of the said Fund in accordance with the Cabinet Decision No. 20/0684/204/060 dated 02 April 2020 and Paragraph 02 of the Cabinet Memorandum even number and dated 31 March 2020, relating thereto.</p> | <p>Action should be taken in accordance with the Cabinet decision.</p> | <p>It is agreed.</p>   | <p>Appointing the Committee and issuing of orders had not been carried out even by 23 March 2022.</p> |
| <p>(h) Even though the Department of Treasury Operations had provided a sum of Rs.47,472,450,000 to the Fuel</p>  | <p>Provision should be properly made.</p>                              | <p>The initial capital required for the Fuel Price Stabilization Fund has been</p> | <p>Provision from the Consolidated Fund had not</p>   |

Price Stabilization Fund by raising funds to the Consolidated Fund issuing Treasury Bills, it was observed that there was no proper provision made available by Parliament for this purpose in the year 2020.

obtained as an advance of Rs.47.472 billion by Treasury Bills through the mechanism of Department of Treasury Operations. Moreover, issue and release of Treasury Bills is carried out through main Ledger Accounts.

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| <p>(i) As per the Note submitted by the Director General of the Department of Trade and Investment Policy on 11 March 2020 to the Minister of Finance, Economic and Policy Development for approval through the Secretary to the Treasury, it had been informed that the price of crude oil in the international market had dropped by 42.5 per cent by 09 March 2020 and a barrel was about US\$ 34.63 at that time and it was US\$ 59.73 by September 2019 .</p> | <p>The objectives expected from the Fund relating to fuel price variation should be achieved.</p> | <p>It is agreed.</p> | <p>The objectives expected to be achieved from the Fund relating to fuel price variation had not been achieved even by 23 March 2022.</p> |
|--|---|----------------------|---|

- As per the calculations submitted to Audit in this regard , the price of a litre of fuel was expected to fall as follows due to the decline in crude oil prices

	Petrol 92 Octane	Petrol 95 Octane	Auto Diesel-	Super Diesel
	-----	-----	-----	-----
	Rs	Rs	Rs	Rs
Price	12	15	14	20
Adjustment (Approximately per liter)				

- The evaluations had been carried out under 04 alternatives as providing the entire provision of the advantage of this price reduction to the public after recovering the tax concessions granted, increasing of the tax collection and get the total benefit to the Government revenue, reducing the retail price of fuel and recovering of losses incurred by fuel suppliers during the last 05 months without changing the fuel prices.
- However, the approval of the Minister of Finance, Economic and Policy Development had been expected to impose surcharges under the Customs Ordinance or reduce market prices for the savings of price decrease as Rs.11 for auto diesel, Rs.15 for 95 octane petrol and Rs.20 for super diesel as per Paragraph (b) of the Note of the Director

It is agreed.

It is agreed.

General of the Department of Trade and Investment.

- Accordingly, surcharge to be levied with fuel and related duty as follows had been prescribed with effect for a period of 02 months from 14 March 2020 by Extraordinary Gazette Notification No. 2166/35 published on 13 March 2020.

It is agreed.

	Petrol 92 Octane ----- Rs	Petrol 95 Octane ----- Rs	Auto Diesel- ----- Rs.	Super Diesel ----- Rs.
Surcharge (Per Litre)	0	15	11	20

Subsequently, the value of surcharge had been amended by the Extraordinary Gazette Notification as follows at the instances of the price of crude oil in the international market fluctuated.

However, there were no surcharges after 09 January 2021. The bank balance has been updated and it was Rs.1,107,728,128.74.

Gazette No	Date	Effective Time Period	Petrol 92 Octane  Rs.	Petrol 95 Octane  Rs..	Auto Diesel Rs.	Super Diesel Rs.
2172/6	22.04.2020	02 Months	26	49	24	40
2181/13	24.06.2020	02 Months	0	20	12	30
2189/57	23.08.2020	03 Months	0	20	12	30
2203/1	23.11.2020	03 Months	0	20	12	30
2213/7	01.02.2021	From 02.02.2021 to 23.02.2021	0	0	0	0

Even though the Order issued by the Extraordinary Gazette Notification No. 2203/1 dated 23 November 2020 had been canceled by the Extraordinary Gazette Notification No. 2213/7 dated 01 February 2021 with effect from 02 February 2021, the current position on the implementation of the relevant surcharge (after 23 February 2021) had not been made available to Audit.

Has not replied.

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| (j) | <p>Actions had been taken to release the relevant Treasury Bills totalling Rs. 20,799,254,200 comprising Rs.12,000,001,400, Rs.6,054,992,400 and Rs.2,744,260,400 in the months of August, October and December of the current year respectively, through the External Liability Account maintains for the Department of Treasury Operations.</p> | <p>Action should be taken release Treasury Bills.</p>  | <p>After obtaining the Decisions of the Cabinet of Ministers, the relevant liabilities are the responsibility of the General Treasury and after that the actions will be taken to settle the 100% of the relevant liabilities.</p> | <p>Action had not been taken even by 23 March 2022 to release the Treasury Bills.</p> |
| (k) | <p>Although the amount to be paid to the Department of Treasury Operations by the Fuel Price Stabilization Fund as at 31 December 2020 was</p>  | <p>A methodology for the settlement of the difference between the amount to be paid and the face value of Treasury Bills, should</p> | <p>-do-</p>  | <p>-do-</p>   |



Rs. 26,673,196,758, the face value of Treasury Bills corresponding to that value had been Rs. 29,200,746,758, thus observing a difference of Rs. 2,527,550,000. Accordingly, an obvious methodology had not been introduced so far for the settlement of the said difference.

- (1) Even though the Secretary of the Treasury was ordered to take necessary steps to release the funds of Rs. 48 Billion from the Treasury to strengthen the Fuel Price Stabilization Fund as per a decision taken at the Meeting of Cabinet of Ministers held on 18 January 2021, the order had not been executed even by the date of the audit.
- Necessary further steps should be taken as per the decision of the Cabinet of Ministers.
- So far, the relevant Rs. 48 billion was not released as the Covid epidemic situation in the country and its priority functions as well as the funding status of the Treasury. As necessary actions will be taken in future to abolish this Fund, it will be considered in future whether this release of funds should be made or not.
- The said order had not been executed by the Secretary to the Treasury even by 23 March 2022.

**48. Name of the Auditee Entity - President's Fund**

Opinion of the Auditor General on Financial Statements

2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

Audit Observation	Recommendation of the Auditor General	Preventive Measures taken by the Entity	Current Position
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(a) The Fund had not accounted for, a total of Rs.24,948,809 pertaining to confiscated motor vehicles and other items after 06 months elapsed from the date of determination of the prize winners from the year 2015 to 2018 and a total of Rs.16,033,489 pertaining to the year 2019 so far according to the information submitted to Audit by the Development Lotteries Board.	Action should be taken in accordance with provisions of the relevant Act.	The cash value of confiscated motor vehicles and other items are not remitted by the Development Lotteries Board to the President's Fund. The Development Lotteries Board has informed in writing that the confiscated motor vehicles and other items are used for other promotions of draws.	Contrary to provisions of the Development Lotteries Board, the confiscated motor vehicles and items are used for other promotions of draws'
(b) When paying for each disease, a total of Rs.57,899,147 had been paid in the year 2019 to 136 patients exceeding the limits approved by the Governing Council of the Fund for those diseases . Exceeding of the payment limits for these diseases was 243 per cent as compared to approved limit.	Considering the ability to formulate a system that provides equal opportunities.	Payments have been made with the special approval of His Excellency the President.	A system that provides equal opportunities, had not been prepared even by 28 February 2022.

- (c) The welfare expenditure of Rs. 26,752,867 incurred in the year 2019 had consisted of a collection of gracious grants made on 66 occasions with a special approval.
- Consider the possibility of formulating methods that provide equal opportunities focusing on the objectives stated in the Act
- The payments made for the welfare activities mentioned have been done with the special approval in relation to the objectives and functions of the President's Fund with the approval of His Excellency the President.
- A system that provides equal opportunities, had not been prepared even by 28 February 2022.
- (d) Assets to be recovered should have been disclosed as being current and noncurrent in terms of Paragraph 71 of Sri Lanka Public Sector Accounting Standard 1. The sum of Rs.12 million to be recovered within the ensuing 12 months out of Rs.129 million recoverable to the Fund from the National Housing Development Authority, had not been shown as current assets with the balance of Rs.117 million not being shown as non-current assets separately; instead, the total of the recoverable sum had been shown as current assets.
- Action should be taken in terms of Sri Lanka Public Sector Accounting Standards.
- Action will be taken to indicate correctly from the ensuing year.
- The financial statements for the year 2021 had not been submitted even by 28 February 2022. As such, it could not be confirmed whether the relevant rectifications have been made.
- (e) Investments valued at Rs.2,200,000 made in the Development Lotteries Board had been shown under non-
- The relevant disclosures should be made in the accounting
- Explanations had not been given.
- The financial statements for the year 2021 had not been submitted even by 28

current assets in the statement of financial position of the Fund as at 31 December 2020. The basis of valuing those investments had not been disclosed in the accounting policies.

February 2022. As such, it could not be confirmed whether the relevant rectifications have been made.

- (f) A fixed deposit account worth Rs.300,000 had been opened by the Fund for a student who had passed in the Scholarship Examination, and the bank had been instructed that the interest thereon be paid to the student for her education subject to a maximum of Rs.1,500 per month until she reaches the age of 18. An interest of Rs.26,908 had been yielded by the said fixed deposit for the year 2020, and that interest had been paid to the student by the bank in full. As per the instructions given to the bank, a sum of Rs.18,000 should have been paid to the student for the year 2020, but a sum of Rs.26,908 had been paid exceeding the limit by Rs.8,908. Furthermore, the said fixed deposit maintained under the Fund had not been mentioned in the financial statements of the year 2020 as an asset of the Fund whilst the interest thereon amounting to Rs.26,908 had
- The financial statements should be corrected.
- It was omitted to mention the said fixed deposit in the financial statements, and action will be taken to rectify it in the year 2021. As the interest on this deposit is directly credited to the bank account of the beneficiary, it is not identified as an interest income of the President's Fund as well as an expenditure on financial assistance provided for the student.
- The financial statements for the year 2021 had not been submitted even by 28 February 2022. As such, it could not be confirmed whether the relevant rectifications have been made.

not been shown as an income and the payment made therefrom had not also been shown as an expenditure in the financial statements.

- (g) The cheque valued at Rs.6,083,244 issued after being brought to accounts as an expenditure of the Fund incurred for the settlement of expenses on medical treatments provided by a foreign hospital in the year 2020, had not been issued to the Secretary to the Office of Foreign Relations even up to 15 December 2021. As such, expenses on medical assistance had been overstated by that amount in the year 2020.
- The financial statements should be corrected.
- Once the file relating to the said cheque is completed, action will be taken to issue the cheque.
- This cheque had been sent to the Secretary to the Office of Foreign Relations on 16.01.2022.
- (h) In terms of the President's Fund Act, No. 07 of 1978, the funds of the President's Fund, after being determined by the Board, should be paid following the order of the President. However, even by 15 December 2021, the Board had not determined the sums totalling Rs.659,287,255 and Rs.1,899,195,017 that had been spent from October to 31 December 2019 and from 01 January 2020 to 31 December 2020 respectively.
- Action should be taken in terms of provisions of the Act.
- All the payments made from the President's Fund during 01 October 2019, and 01 January -31 December 2020 had been done under approval of the His Excellency the President. A meeting of the Board of Governance of the President's Fund had not been held
- As the Board of Governance had not met even by 28 February 2022, the said expenditure had not been determined by the Board.

after 18.10.2019, and scheduling a date for a meeting could not be done owing to the Covid-19 pandemic. It is kindly informed that, once approval is obtained relating to the said durations at the meeting of the Board of Governance to be held in due course, you will be informed in that connection

- (i) According to the bank reconciliation statement prepared for October 2021, there were 12 cheques valued at Rs.11,507,044 which had been issued but not submitted to the bank during the period from 12 March to 11 November 2020. Action had not been taken in terms of Financial Regulations on those cheques even up to 31 October 2021.
- Action should be taken in terms of Financial Regulations.
- Action will be taken in terms of Financial Regulation 396 on those cheques in the year 2021.
- The said un-cleared cheques had been credited to the income of the President's Fund on 31 December 2021.
- (j) In terms of Treasury Operations Circular, No. 03/2018 dated 26 July 2018, the Bank Account, No. 51204 (46078) being maintained by the Fund at the Central Bank of Sri Lanka, remained
- Action should be taken in terms of circulars.
- The Account, No. 51204 is maintained to be used in special circumstances such as raising funds and making
- As the Account, No. 51204 is maintained to be used in special circumstances, action had not been taken as per provisions in circulars.

dormant in the years 2020 and 2021. However, the Fund had not taken action in that connection as per the Circular.

payments with respect to special projects as required by the President.

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| (k) | <p>Medical assistance had been sought by 5,407 patients in the year 2020 relating to heart surgeries, cancers, diseases in brain, knees and groin, kidney disease and other treatments. However, payments on medical assistance had been made only to 1,914 patients whereas such payments had been made to 6,386 patients in the year 2019. As such, the number of patients to whom payments on medical assistance had been made in the year 2020, had decreased by 4,472 representing 70 per cent as compared with year 2019.</p> | <p>Attention should be drawn towards the granting of financial aid required to obtain medical assistance for patients as per provisions of the Fund Act.</p> | <p>Making payments on medical assistance had decreased in the year 2020 as compared with the year 2019 due to close down of the Office several times and maintenance of official works with a minimum staff owing to the Covid-19 pandemic</p> | <p>As the financial statements for the year 2021 had not been submitted to Audit even by 28 February 2022, the progress thereon could not be ascertained.</p> |
| (l) | <p>Even though bills had been presented by the patients after being approved for making payments on medical assistance, payments totalling Rs.3,364,482 had been made to 23 patients in the year 2020 after a delay from 01 year to 2 years and 03 months due to the spread of Covid-19 pandemic and failure or delay of the patients in furnishing</p>   | <p>Making payments on medical assistance should be expedited.</p>  | <p>Making payments had been delayed due to failure or delay of the applicants in providing information such as, salary particulars and bank account details required for taking further action on files.</p>                                   | <p><i>As above</i></p>  |

information required to take further action on the files.

This situation was also attributed by the Office being closed several times and official works being done with a minimum staff owing to the Covid-19 pandemic spreading from March 2020.

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| (m) | Even though an Action Plan had been prepared including 09 activities expected to be executed for the year 2020 at an expenditure totalling Rs.21.25 million, the annual performance report stating the progress achieved, had not been prepared even by 15 December 2021.  | The annual performance report should be prepared by mentioning the progress. | Included in the annual performance report of the Presidential Secretariat.   | The Annual Performance Report of the Presidential Secretariat for the year 2021 had not been tabled in Parliament even by 28 February 2022. |
| (n) | As the Fund had completed 40 years in operation by November 2018, the Board of Governance had approved special projects on 11 October 2019 to provide equipment worth Rs.437.81 million for 12 Government hospitals selected from areas with poor facilities. The Fund had settled the bills in the year 2020 relating to medical equipment worth Rs.90.71 million purchased by the Ministry of Health. Although the 42nd anniversary of the | Implementation of special projects should be expedited.                      | The progress on the payment of Rs.90,706,000 made in the first stage of the project, will be presented at the meeting of the Board of Governance scheduled to be held in due course; thus expecting to obtain approval from the Board of Governance to | The Board of Governance had not met even by 28 February 2022.   |



Fund had taken place, action had not been taken even by 15 December 2021 to purchase medical equipment utilizing the balance of the said special project amounting to Rs.347.1 million.

proceed with the project.

**49. Name of the Auditee Entity- Ceylon Electricity Board Provident Fund**

Opinion of the Auditor General relating to Financial Statements 2018-2019-2020- Qualified Opinion  
 2019- Qualified Opinion  
 2020- Unqualified Opinion

Audit Observation	AG's Recommendation	Preventive measures taken by the Institution	Present Position
(a) In terms of the conceptual framework of Sri Lanka Accounting Standards, all expenditure and assets relating to the reporting entity should be identified and should be stated in the Financial Statements of the reporting entity. However, operating expenditure amounting to Rs.42,040,162 that is directly relating to the Provident Fund, relating to the year 2019 had neither being identified nor being disclosed in the Financial Statements.	All the administrative expenditure of the Fund excluding the expenditure relating to the examination of the housing loans are being incurred by the Ceylon Electricity Board in terms of the Regulation No.20(i) of the Ceylon Electricity Board Provident Fund Act, gazetted on 31 December 2003 and, this policy remained since the initiation of the Fund.(since 1 November 1969) Moreover, it had been decided to carry out the currently remaining competency of all the management and	These expenses could not be identified in the Financial Statements of the Fund in terms of the conceptual framework of Sri Lanka Accounting Standards. At least, the cost incurred by the Ceylon Electricity Board should be disclosed in the Financial Statements.	Even though it had been decided by the Audit Committee of the Ministry to revise the Gazette Notification for the rectification of the problem, any action whatsoever had not been taken by the Ceylon Electricity Board.

administrative expenditure of the Fund being incurred by the Ceylon Electricity Board, in the Committee Meeting held on 11 February 2021 after furnishing the above matter to the Ceylon Electricity Board Provident Fund. (being the Administrative Institution established by the Gazette Notification)

- (b) The use of passwords had not been established for the Accounting System as security procedures and, backups of the Accounting information had not been maintained since the initiation of the Fund. As such, it was observed that the security of the data of the Accounting System had faced a risk.
- The procurement process had been initiated on 15 January 2021 for the establishment of a Management Information System (MIS) with proper security and backup facilities for the operations of the Fund and the Projects and the projects had been awarded to the Ms. Management System (Pvt.) Ltd on 8 July 2021. It remains being implemented and it had been planned to
- Sufficient security procedures should be deployed for the remaining system and for the new system and the backups of the information should be maintained.
- A new Information Management System remains being implemented in parallel with the remaining system. However, security measures had not been formulated within the remaining system.

implement it from three months (03) from January 2022.

- (c) Neither an adjustment nor a provision for the decrease of the value had been stated in the Financial Statement for the amount of money that remains doubtful in being recovered on a sum of Rs.2,157,483,000, receivable from the investment as at 31.12.2017 on the non-existence of those financial instruments and on not receiving confirmations from the Entrust Securities PLC.
- A lawsuit had been initiated against Entrust Securities PLC by the Ceylon Electricity Board under the case No. DMR/1405/2018, in the Colombo District Court. It was scheduled for the pre-trial hearing to recover the face value for this investment and the defaulted coupon interests. The next hearing of the lawsuit would be held on 10 March 2022. Moreover, an Investment Reserve had been formulated against a certain impairment being carried out on these investment provisions by the Statement of Annual income of the Fund. That reserve had been a sum of Rs.1,865,333,129 by 31 December 2021.
- A provision should be made in this connection. It had been scheduled to hold the pre-trial hearing on 22 March 2022 and on 01 August 2022, of the lawsuit initiated in this connection and adjustments had not been made in the Financial Statements.

(d) **Provident Fund Regulations- Regulation 4- Earnings** The highest allowance has been considered (out of the Departure Allowance, Postgraduate Allowance, Professional Allowance/Semi-professional Allowance to the Earnings had been considered, in calculating the employee contribution to the Fund by the Ceylon Electricity Board, contrary to that provision.

The highest allowance has been considered (out of the Departure Allowance, Postgraduate Allowance, Professional Allowance and the Semi-professional Allowance) in addition to the Consolidated Salary in terms of the Personnel Circular No. DGM/Policy/Policy and the Circular dated 23 October 2007 in calculating the Provident Fund Contribution.

The Earnings considered under the Regulation No.04 of the gazette Notification only, should be deployed for the calculation of the Earnings. The Contribution had been calculated by including the allowances that could not be included in terms of the Regulation No.04.

**Provident Fund Regulations- Regulation No.22- Members' Dividends**

The Dividends had been paid based on the loan balance of the Members remained as at the end of the year after the calculation of the Dividends instead of the loan balance of the members that remained in the preceding year, in making payments of the Dividends, contrary to the

The Dividends had not been added for the contribution of the preceding year of which the Member had retired, as such, it is in compliance with the instructions provided by the No.22 Rule.

Membership Dividends should be paid in terms of the Regulation No.22 of the Employee Provident Fund. The Dividends had not been decided in terms of the Regulation No.22.

## Payment Directions.

Moreover, Dividends had been calculated based on the income prior to the allocation of provisions for certain expenditure and reserves, contrary to these provisions.

The calculation of the Dividends would be carried out properly after the allocation of the reserves and the provisions and by decreasing the expenses that could be recovered by the Fund.

The Dividends should be calculated based on the income after the allocation of the provisions for certain expenses and for the reserves.

The Dividends are being decided on the income, prior to the allocation of the provisions for the reserves.