Head-249- Department of Treasury Operations

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Treasury Operations Department for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018.The summary report containing my comments and observations on the financial statements of the Treasury Operations Department was issued to the Accounting Officers on 10July 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 18July2019 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Treasury Operations Departmentas at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

1.3 Responsibility of the Accounting Officer for the Accounts and Reconciliation Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5. Report on Other Legal and Regulatory Requirements

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

(a) Since there was no need for the Treasury Operations Department to prepare of financial statements for the preceding year, it could not be stated that the financial statements presented was consistent with the preceding year.

(b) Since there was no requirement for the Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Reconciliation Statement on Advances to Public Officers Account

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
According to the Appropriation Act, the maximum debit balance limit of the Advances to Public Officers "B" Account is Rs.26,000,000. Nevertheless, it had been stated as Rs.10,000,000 in the financial statements.	Accurate details should be included in the financial statements and the reconciliation statements.	Relevant Divisions were informed to take steps to prevent such situations henceforth.

1.6.2 Payment of Deposits and Balances

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
There was a balance of Rs.17,886,591 as at 31 December 2018 in 07 deposit accounts relating to which any transaction had not been carried out during the year under review.	Action should be taken to settle the deposit balances.	In order to utilize the deposit balance of Rs.4,150,000 for the intended purpose during the year 2019, the Ministry of Defence has made request to the Treasury to release imprests and it was noted down to take steps on the other 06 deposits in further consultation with the relevant Ministries.

1.6.3 Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Ten per cent of income earned from the SupiriWasana Lottery is credited to the National Sports Fund and that contribution had been reduced up to 5 per cent from July 2013. The relevant approval had not been furnished to Audit.	The relevant approval should be furnished to Audit.	Since these matters directly relate to the operations of the Lottery Board, it is appropriate to obtain necessary information from that institution.

2. Financial Review

2.1 Revenue Administration

Revenue Code	Original Estimated Revenue	Actual Revenue as at 31 December 2018	Excess/(Shortfall) Compared to the Original Estimate	Excess/(Shortfall) as a Percentage of the Original Estimate
	Rs.Millions	Rs.Millions	Rs.Millions	%
20.02.01.99	120	1,792	1,672	1393
20.02.02.01	4,300	6,213	1,913	44
20.02.02.99	1,300	1,928	628	48
20.03.01.00	117	162	45	38
20.03.02.99	11,500	8,643	(2,857)	(25)
20.03.03.02	2,100	1,582	(518)	(25)
20.03.05.00	1	582	581	58,100
20.03.99.00	15,000	37,456	22,456	150
99.00.20.05	2,000	3,261	1,261	63
20.06.04.00	16,800	25,584	8,784	52
30.01.01.00	10,000	12,486	2,485	24

63,238	99,688	36,450	58

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Although a shortfall of 25 per cent relating to 02 revenue codes and excess from 24 per cent to 58,100 per cent relating to 09 revenue codes were observed in relation to the original revenue estimate, action had not been taken to revise the revenue estimates.	Action should be taken to revise the revenue estimates.	Having prepared the revised revenue estimates, those were referred to the State Fiscal Policy Department which was responsible for the management of total revenue and receipts. Nevertheless, it has been stated that the revised revenue estimate for the year 2018 had not been included in the budget estimate for the year 2019.
(b)	**Revenue Code 20.02.01.99 - Other Lease Rents** The following matters were observed at the audit test check carried out on a revenue of Rs.55,105,910 collected by the Department under 03 lease agreements.		
(i)	Since the lease agreement existed between the Pugoda Textile and Ramona Private Company had been continued from 01 June 2011 up to date by extending the same only through the letters without making amendments, Government had been deprived of the revenue which could have been earned.	Agreements should be properly entered into.	That Department had reported that action would be taken to formulate a lawful new lease agreement so as to be effective from 01.06.2019 after the expiry of the present lease agreement on 31.05.2019.
(ii)	The revenue in arrears under the above revenue code as at 31 December 2018 amounted to Rs.17,928,725.	Action should be taken to recover the revenue in arrears.	The Treasury Operations Department has given necessary instructions to constantly inform to take relevant measures for the recovery of revenue in arrears and to take follow up action thereon.

(c)	**Revenue Code 20.02.02.01 – Granting Loans – Interest** --		
	The balance of the on-lending as at 31 December 2018totalled Rs. 167,529,519,308, but no proper action had been taken to recover the interest thereon. As had been mentioned in the reports of the revenue in arrears, the interest recoverable with respect to loans granted to 07 institutions amounted to Rs. 2,605,800,105 as at 31 December 2018.	Action should be taken to recover the loans and interests.	Even after informing the relevant institutions and the other responsible parties from time to time to settle those balances, relevant institutions had failed to settle such loan balances.
(c)	**Revenue Code 20.02.02.99 – Interest and Other Revenue** --------------------------------------		
(i)	The interest of the Advances to Public Officers that had been deemed impossible to recover and waived by the Public Finance Department during the years 2016,2017 and 2018 amounted to Rs.2,871,491.	Correct instructions and guidance should be given on the recovery of loans in arrears.	Since the guarantors are not necessary for the Distress Loans granted to the permanent and pensionable officers with a service period of more than 10 years, action is being taken to obtain instructions of the Secretary to the Ministry of Public Administration and Disaster Management relating to the recovery of loan and the interest of such officers,in case of they are being interdicted.
(ii)	The loan balances of Rs.296,593,000 remained unrecovered over a number of years from the officers who had retired, died, who had been interdicted or who had vacated the service relating to 62 institutions.	Correct instructions and guidance should be given on the recovery of loans in arrears.	Provisions for the recovery of Distress Loans granted to the permanent and pensionable officers with a service period of more than 10 years have not been made in the Establishments Code. Therefore, steps are being taken to seek instructions from the Secretary to the Ministry of Public Administration and Disaster Management with regard to the other possible options for the recovery of these

			interests.
(e)	**Revenue Code 20.03.02.99 – Sales and Charges-Administrative Charges and Payments – Sundry** **---**		
(i)	In terms of Paragraph 04 (b) of the Fiscal Policy Circular No.01/2015 dated 20 July 2015, prompt actions should be taken to prevent further accumulation of revenue in arrears. Nevertheless, the revenue in arrears as at 31 December 2018 amounted to Rs.1,086,843. Out of the balance of Rs.971,471 continued to exist from the period before 2016 only a sum of Rs.13,297 had been recovered during the year 2018.	Action should be taken in accordance with the circular instructions.	In terms of the circular, it is found practically difficult to the Department to take prompt action to prevent further accumulation of revenue in arrears and relevant Ministries and Departments should take steps regarding the collection of revenue in arrears. However, the relevant Heads of Institutions have been assigned the responsibility in this respect by the Fiscal Policy Circular No.01/2015(V) dated 14.09.2018 and Treasury Operations Circular No.05/2018 dated 14.09.2018.
(ii)	Even though the receipts to the Revenue Account amounted to Rs.8,815 million during the year under review, repayments of Rs.172.5 million had been made comprising Rs.110.4 million as repayments and Rs.62.1 million as corrections. It was observed that the supervision of the responsible officers was not at an adequate level in this respect.	The Revenue Accounting Officer should continuously carry out supervision on correcting errors and minimising the repayments.	By the Paragraph 08 of the Treasury Operation Circular No.05/2018, the Ministries/ Departments and the Heads of the institutions involved in the collection of relevant revenue have been given instructions on correcting errors and minimizing repayments.
(f)	**Revenue Code 20.05.99.00 – Current Transfers – National Lotteries Board and Other Transfers** **---**		
(i)	Sums totalling Rs.3,770,722,361 received from 07 lotteries during the year under review had not been used for the objectives of the	Revenue should be utilized for the relevant objectives.	Provisions have been allocated under the Object 249-01-01-1503-01 in the Annual Estimates in order to provide monies to the Funds. When the

	establishments of relevant lotteries.		relevant institution requests necessary funds as per the expected activity plan from this Department, the General Treasury takes steps to release money taking into consideration the requirement and the liquidity position of the institution.
(ii)	The contribution of the *JathikaSampatha* Lottery income to the Health Development which stood at 10 per cent in the year 1998 had become 15 per cent in the year 2007. Nevertheless, the contribution of the lottery which remained at 15 per cent of the sale up to the year 2007 had been decreased to 10 per cent from the year 2008 subject to the conditions that the lottery would be maintained only for one year after the sales are improved, or until the price of a lottery ticket is increased from Rs. 10 to Rs. 20. However, despite the increase in the price of a lottery ticket in the year 2008 from Rs. 10 to Rs. 20, and the increase in the income from the sales of the lotteries as compared with the year 2012, the contribution of the *JathikaSampatha* Lottery to the Health Development Fund, remained unchanged as being 10 per cent. Accordingly, the contribution that the Health Development Fund had been deprived of throughout the period from 2012 up to December 2018, amounted to Rs. 204,106,804.	Supervision of the revenue codes should be streamlined.	The relevant institution requests necessary funds as per the expected activity plan from this Department and the General Treasury takes steps to release funds taking into consideration the requirement and the liquidity position of the institution.
(iii)	A contribution of 30 per cent from the income of the *Jayaviru* Lottery had been made at the inception of the Ranaviru Service Authority. The name *Jayviru*, had been renamed as	Supervision of the revenue codes should be streamlined.	The National Lotteries Board had informed that only 10 per cent contribution could be made under the prevailing condition and the lottery could not be further maintained, in case the

	*SupiriVasanaSampatha*in the year 2011 and the approval obtained to reduce the said contribution up to 10 per cent from December 2011 had not been made available to Audit. Accordingly, the *RanaviruSeva* Authority had been deprived of an income amounting to Rs. 1,123,436,948 during the period from December 2011 up to December 2018, whereas Department had not taken any step regarding the said less contribution.		percentage is increased.
(g)	**Revenue Code 20.06.04.00 – Recovery of Loans** **---------------------------------------**		
(i)	The Revenue Accounting Officer had presented an original estimate of Rs.16,120 million in July 2017 and a revised estimate of Rs.23,604 million in July 2018 relating to the revenue code, whereas those values had differed from annual estimated value of Rs.16,800 and the reason behind that matter had not been explained to Audit.	Revenue forecasts should be properly carried out.	Even though the audit query had stated that the above values differed from the values of the estimates, details on those values had not been included in the audit query.
(ii)	According to the information made available to Audit, a sum of Rs.181,246,818,277 had been given as on-lending as at 01 January 2018 and a sum of Rs.25,583,642,347 had been recovered during the year. A sum of Rs.11,866,343,377 had been further given as on-lending during the year and the balance together with the other adjustments (changes of exchange rate)as at 31 December 2018 amounted to Rs.167,529,519,308. The balances that could not be recovered out of the funds granted to the institutions as at 31 December 2018 are as follows.		
	• Loan balances of Rs.550,990,000 and	Action should be taken to recover the	Sri Lanka Rubber Production- Necessary steps will be taken to

Rs.222,350,000 granted to the Sri Lanka Rubber Production and Export Corporation in the year 1999 and 2000 respectively.	outstanding loan balances.	write off the relevant loan in accordance with the recommendation of the Ministry.
• On-lending of Rs.116,000,000 granted to the Ceylon Fisheries Corporation in 03 instances.	-Do-	Ceylon Fisheries Corporation- The institute agreed to submit the plan pertaining to the settlement of this loan together with the Ceylon Fisheries Corporation Restructuring Plan to the General Treasury.
• Of the on-lending granted to the National Livestock Development Board relating to 06 agreements, a sum of Rs.2,577,284,323 remained recoverable. It had been stated in the Outstanding Revenue Report that at the meeting held on 03 October 2017 under the patronage of the Deputy Secretary to the Treasury regarding the recovery of the said loan, it had been informed to take necessary steps to settle the loan at least at Rs.10 million per month. Nevertheless, the progress thereon had not been reported.	Action should be taken to recover the outstanding loan balances.	National Livestock Development Board – Taking into consideration the institution’s inability to settle the loan according to its financial position, action will be taken to convert the loan payable to the General Treasury into share capital.
• Of the on lending granted under stage 1 and stage 2 for the renovation of factories of the Milco Private Limited -Part (1), a sum of Rs.4,501,780,602 remained outstanding.	-Do-	Milco Private Limited- Action will be taken to settle a part of the loan by selling a property of that institute and initiate the payment of balance amount after restructuring the institute.
• Of the sum of Rs.11,114,479 granted to the Sanasa Association in the year 1992 to provide for the people with low	-Do-	After conducting discussions with the Department of Legal Affairs regarding the recovery of on-lending granted to the Sanasa Asssociation and

income, any amount had not been recovered during the year under review. Similarly, this loan balance was Rs.11,114,479 according to the file and it was Rs.12,056,479 in the relevant schedule. Accordingly, a difference of Rs.942,000 was observed.		Sarvodaya Economic Enterprises Development (Guarantee) Limited, necessary documents have been submitted to the Department of Legal Affairs in order to send a Letter of Demand through the Attorney General.
• Even though the loan amounting to Rs.1,333,994,396 granted to the Sarvodaya Economic Enterprises Development (Guarantee) Limited for a project should be entirely settled as at 31 March 2018, a sum of Rs.633,395,760 thereof had not been recovered.	Action should be taken to recover the outstanding loan balances.	Not replied.
• Out of the interest free loan amounting to Rs. 50,000,000 granted to the National Paper Company Ltd., no amount whatsoever had been recovered.	-Do-	The National Paper Company Ltd. and the Lanka Ceramic Corporation that remain inoperative at present have been informed to write off those loans and action has been taken to forward a Cabinet paper in order to write off the said loans with the recommendations of the relevant Ministries.
• Of the interest free loan amounting to Rs. 9,400,000 granted to the Lanka Ceramic Corporation in October 2007, a sum of Rs. 8,676,923 remained recoverable.	-Do-	
• The loan amounting to Rs. 276,749,960 obtained from the Asian Development Bank in the year 1993 had been granted to the Urban Development Authority so as to be given	-Do-	At the meeting held on 24.05.2019 regarding the money recoverable from the Urban Development Authority, matters were discussed on accelerating the settlement of outstanding balance.

	on lending in respect of Municipal Council and Urban Council projects and out of the above loan, a sum of Rs.179,746,403 remained outstanding even by 24 May 2019.		
	• On-lending totaling Rs.7,489.9 million granted in the years 2015, 2016 and 2017 to the Ministry of National Policies and Economic Affairs to settle the payments of Golden Key depositors had not been accounted as on-lending or action had not been taken to enter into an on-lending agreements.	Action should be taken to recover the outstanding loan balances.	It has been informed by the Letter of the Director General of Public Enterprises Department dated 16.01.2019 that the Central Bank of Sri Lanka had rejected the act of entering into an on-lending agreement by the letter dated 01.04.2019. Therefore, this amount could not be accounted as on-lending.
(iii)	A favourable balance of Rs.54,516,590 relating to 03 on-lending agreements and unfavourable balance of Rs.363,310 relating to an on-lending agreement was observed between the Treasury books and balance confirmations when comparing direct balance confirmations and Treasury books relating to on-lending as at 31 December 2018.	-Do-	Among the differences related to the accounts stated in the audit query as favourable balances between Treasury books and balance confirmations, the institute has been informed to correct the accounting of a receipt of the year 2019, in the year 2018 and to correct the other differences.
(h)	**Revenue Code 30.01.01.00 – Foreign Grants** **--------------------------------------**		
(i)	All the transactions related to foreign aids should be carried out by the Director-General of the External Resources Department. Nevertheless, 03 institutions had directly obtained foreign grants of Rs.114,879,740 to those institutions during the year under review without knowledge of the	The receipt of foreign aids should be brought to account in terms of Circular No.30/94 dated 20 April 1994 relevant to the accounting of foreign aids.	The Director-General of the External Resources Department who holds the responsibility regarding all foreign transactions including foreign grants has been already informed to issue instructions to the Public institutions that obtain foreign grants directly

	Department. Particulars on these grants had not been included in the Departmental records.		without being complied with provisions in Chapter XI of the Financial Regulations as amended by the Section 2.0 of State Finance Circular No.30/39.
(ii)	Out of the funds received to various Ministries and Departments as foreign grants during the year 2018, budgetary provisions amounting to Rs.4,097,369,970 had been made for the implementation of relevant activities. Nevertheless, only sums totalling Rs.2,182,582,747 or 53.3 per cent of total provisions had been used for the relevant purposes. Accordingly, budgetary provisions of Rs.1,914,787,223 allocated for the projects had been saved. Notwithstanding the above facts, the foreign grants of Rs.1,321,843,434 received as at the end of the year under review had not been brought to account.	Utilization of foreign grants should be streamlined.	Funds received as the foreign grants are initially retained in a special deposit account. The budgetary provisions made for the activities expected to be implemented each year may be saved due to non-implementation of the projects as expected. In order to prevent/minimize the above situation, action will be taken to give instructions to the Secretary to the Ministries to the effect that the acceptable reasons should be furnished together with the financial statements of the relevant Ministry with regard to the underutilization of provisions.
(iii)	The balance of Rs.44,467,698 of 17 foreign grants projects existed at the beginning of the year under review and sums totalling Rs.14,448,912 received for 04 foreign grants projects during the year under review had remained idle even by the end of the year without being used for the relevant purposes.	Foreign grants received should be used for relevant objectives.	Funds received as the foreign grants are initially retained in a special deposit account and action will be taken to provide estimated amount for the activities expected to be implemented each year through the budgetary provisions. Nevertheless, provisions made for the year may be saved due to non-implementation of the projects as expected.
(iv)	Without being used for the relevant objectives, a sum of Rs.3,101,158,763 received for 28 foreign grants projects had been credited to the Government Revenue during the year. This had been a percentage of 247,195 as compared with the foreign grants of	-Do-	In an instance where the expected project is not further implemented due to any acceptable reason, the funds received thereon as foreign grants and retained in the deposit accounts are withdrawn and credited to the Government

	Rs.1,254,540 credited to the Government Revenue in the preceding year.		Revenue. Thereafter, such accounts are closed. However, although short term add long terms benefits which could have been received by the country in the implementation of the relevant project were not received, relevant grants have been credited to the Consolidated Fund as a receipt.
(v)	A sum of Rs.22,919,139 received for 08 foreign grants projects had been returned to the relevant donors during the year under review without being used for any purpose.	-Do-	In case of failure to achieve expected objectives according to the some foreign grants agreements or when the relevant grants are not spent within the prescribed time frame or Sri Lanka Government could not agree with the relevant conditions pertaining to the grants, such grants are returned to the relevant donors.

2.2 Expenditure Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	For the provisions totalling Rs.1,953,750 million allocated by the annual budget estimate, 2018 for 06 Objects, sums totalling Rs.119,949.1 million had been added by the supplementary estimates and the amount thus increased by the supplementary provisions had ranged from 01 per cent to 43 per cent in relation to the budgeted estimate provisions.	Estimates should be prepared in terms of Financial Regulation 50.	Due to the reasons beyond the control of this Department and owing to practical conditions, provisions had to be increased by the supplementary estimates.
(ii)	Since overprovision of Rs.13,329,534,978 had been made under 04 Objects, provisions ranging from 35 per cent to 75 per cent of the provisions made as at 31 December 2018 had been saved.	Overprovision should not be made by the annual estimates.	Observations are correct. Due to the reasons such as not arising expenses on foreign tours as estimated (Trainings and non-workshops), non-receipt of relevant loans within the year,

		since the balance of special dollar account opened in the Bank of Ceylon for the above project completed in 2018 was limited to Rs.113,420,341.72 incurring expenditure up to that limit and subsequent to releasing funs granted by the National Lotteries Board based on the requests made by the relevant institutions, these provisions have been saved.

3. Operating Review

3.1 Failure to Achieve the Expected Level of Output

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Debit balances totalling Rs.2,568,932,653 of 35 imprest accounts pertaining to the Ministries and Departments remained unsettled as at 28 February 2019 and it was observed that balances totalling Rs.498,820,040 of above 04 imprest accounts had continued to exist over a period ranging from the year 1999 to 2014.	Action should be taken to settle the imprest account balances.	Out of 197 unsettled imprest account balances as at 01.01.2019, hundred and eighty one balances have been reconciled and settled at present and 16 imprest accounts further remained unsettled as at 30.04.2019 and these balances are also included therein.
(b) Release of Impress The following observations are made		
(i) Release of imprests for the capital expenditure had stood at 69 per cent during the year under review. Therefore, as compared with the year 2017, release of imprests for capital expenditure had decreased in the year 2018. Accordingly, it was observed that imprests had not been sufficiently released	Release of imprests should be streamlined.	In the release of imprests to the Ministries and the Departments by the Treasury for recurrent expenditure, annual imprest limit, recommendations given by the National Budget Department, daily bank/cash balances available in official bank accounts, financial position under the Consolidated

		for the capital expenditure.		Fund as well as priority areas will be considered.
	(ii)	In taking into consideration the amounts stated as investments in the financial statement of the Government, 88 per cent increase was observed in the total Government investments in the year 2015 compared to the year 2014 while a decrease of 90 was observed in the year 2016. Similarly, it had decreased up to 32 per cent in the year 2018 in relation to the year 2017, thus further confirming the above matter.	Release of imprests should be streamlined	It is observed that the decrease of the imprests granted by the Treasury for the capital expenditure is only one factor contributed to the decrease of the Government investment value in the year 2018 as compared with the year 2017 according to the financial statements of the Republic. In addition, the matters such as requesting imprests by the relevant institutions and the recommendations of the National Budget Department, daily cash balance of the institute, financial position of the Consolidated Fund, consideration of priorities, non-receipt of expected income, non-receipt of the expected income, delays occurred in the implementation of development projects and failure to account the Government investments made from the foreign projects worth Rs.58 billion due to non-receipt of adequate budgetary provisions in the year 2018 as well contribute to the above situation.
(c)	Bank Guarantees and Letters of Comfort --			
	Five Treasury guarantees worth Rs.16,435.63 million, 03 Treasury guarantees worth US$ 1,800 million (Rs.328,463.83 million), 05 letters of comfort valued at Rs.8,591 million and 06 letters of comfort worth US$ 75 million (Rs.13,706.24 million) issued by the Treasury to 03 commercial banks had expired as at		Issuance of guarantees and letters of comfort should be carried out under a proper methodology.	Necessary measures are being taken to extend the dates of the expired treasury guarantees and action will be taken to settle the liabilities of other guarantees and convert the loans obtained under the letters of comforts into timely loans.

31 December 2018 and the Department had not taken an adequate steps in that respect.		

4. Sustainable Development

4.1 Achievement of Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the attention of the department should be drawn on the recognition of sustainable development goals and the indicators while giving priority to the sustainable development goals and the indicators exist thereunder, plans including the Action Plan 2018 had not been prepared accordingly.	The Action Plan should be prepared so as to achieve the sustainable development goals.	Action has been taken to issue an internal paper based on the National Budget Circular No.02/2017 in order to educate all the officers in this Department on the achievement of sustainable development goals and the indicators while giving priority to the sustainable development goals and the indicators exist thereunder and steps have already been taken to amend the Action Plan in the year 2019 based on your audit observations.

5. Human Resource Management

5.1 Approved Cadre and Actual Cadre

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
The total vacancies inclusive of the vacancies in 04 posts of Senior Level as at 31 December 2018 had been 09.	The staff should be managed so as to achieve optimum performance of the Department.	The Ministry of Finance has made request to the Ministry of Public Administration demanding the officers for the above vacant posts and the Ministry of Public Administration has been

informed in this regard through the PACIS software as well. Nevertheless, duties of the vacant posts are being covered by the available staff of the Department without affecting the performance of the Department.