

Head 102 – Ministry of Finance, Planning and Economic Development - 2024

1. Financial Statements

1.1 Opinion

Head 102-The audit of the financial statements of the Ministry of Finance, Planning and Economic Development for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summery report containing my comments and observations on the financial statements of Ministry of Finance, Planning and Economic Development was issued to the Chief Accounting Officer on 12 June 2025 in terms of Section 11(1) of the National Audit Act, No 19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 04 August 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of Ministry of Finance, Planning and Economic Development for the year ended 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and all the materialities in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

1.2 Basis for Opinion

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

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

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

1.4 Responsibility of the Chief Accounting Officer for the Financial Statements

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

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists of the Ministry 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.

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

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on other Legal Requirements

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

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

3. Financial Review

3.1 Expenditure Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The total estimated provision of Rs. 101 million allocated in year 2024 for 06 objects remained saved without unutilized.	As the expected expenditure under these objects did not occurred therefore the entire estimated provision for those objects remained saved.	In terms of Financial Regulation 50, accurate estimates should be prepared.
(b) Out of the total net provision of Rs. 140 million allocated under 19 objects for the implementation of planned activities during the year under review, a significant amount of Rs. 112 million remained saved without unutilized. This represented a range of 50 percent to 99 percent of the total net provisions allocated for those objects.	The savings under these objects had occurred due to the non-incurrence of expenditure as expected and the effective management of expenditure.	-Do-

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| (c) | A provision of Rs. 17 million had been obtained through F.R 66 for objects No. 102-1-1-1408, for which no provisions had been made in the annual estimate. | Since expenses relating to vehicles obtained under the operational lease method for the Ministry Office were required to be borne under this project, necessary provisions for object. 102-01-02-1408 had been made through F.R 66. | -Do- |
| (d) | For 02 capital expenditure objects, in addition to the total annual estimated provision of Rs. 200,000, the provisions had been increased through supplementary estimates amounting to Rs. 3 million in total, which represented 1,500 percent and 1,610 percent of the estimated provisions for those objects. However, 29 percent of the net provision from one object and including Rs. 1.5 million were allocated through another object by supplementary, the entire net provision remained saved 100 percent. | Requests were submitted for the provision of equipment, including a conference table, photocopy machine, air condition machine, and camera equipments, For the use of the Minister of Finance and the offices of the State Minister of Finance in the Ministry of Finance, Economic Stabilization, and National Policies. Consequently, additional provisions were requested. However, due to the change of government after the presidential election, hence some of the equipment purchases were not carried out, resulting in saved provisions. | -Do- |

3.2 Progress of utilization of provisions allocated under the expenditure head of ministry for programs and for incurring capital expenditures to other government institutions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Under the expenditure head of ministry, a total provision of Rs. 48 million had been allocated through the annual budget for 09 objects relating to the Sustainable Development Council, the	These provisions remained saved due to the contribution of financial and non-financial contributions from other sources, the inability to carry out planned recruitments during the year, the non-occurrence of expected	Action should be taken to plan Provisions properly and utilized efficiently.

National Agency for Public Private Partnership, the State Owned Enterprise Restructuring Unit, and the Tax Appeals Commission, as well as for programmes implemented under the Ministry. However, out of the total net provision, a sum of Rs. 47 million remained saved without unutilized. This represented a significant range of 58 percent to 100 percent of the net provisions for those expenditure items, with the entire net provisions 100 percent remaining saved for 07 objects expenditures, and the application of appropriate expenditure control mechanisms to minimize spending in accordance with the National Budget Circular No. 01/2024.

- (b) Provision of total Rs. 956 million was allocated through supplementary estimates for 04 objects under the projects and programs of the State-Owned Restructuring Unit, the Social Security Project, and the Financial Sector Stability and Reform Program (ADB), for which provisions had not been provided in the annual estimate. For one object under the Social Security Project, a provision of Rs. 430 million was made through supplementary estimates, of which Rs. 375 million remained saved. This saving represented 87 percent of the net provision. For 04 objects under projects, programs, and units for which provisions were not made in the annual estimate, a total provision of Rs. 956 million was provided through supplementary estimates. Additionally, the World Bank allocated USD 1.4 million for the Social Security Project for the year 2024, while the Department of National Budget allocated Rs. 430 million. During the year 2024, due to the announcement of two elections, procurements could not be completed within the year, and as a result, payments were not made, leading to the occurrence of this saving. Estimates should be prepared properly in accordance with Financial Regulation 50.

3.3 Non- Compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

	Observation		Comments of the Chief Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Value Rs. Non- Compliance		
(a)	Financial Regulation 1647(e) of the Democratic Socialist Republic of Sri Lanka and Asset Management Circular No. 05/2024 dated 18 December 2024.	The Ministry has not maintained a proper vehicle register containing details of all vehicles owned by it.	A proper register including the registration number, type, and model is currently being prepared.	Actions should be carried out in accordance with the Financial Regulations and the Assets Management Circular.
(b)	Section 6.6 of the Operational Manual introduced by the Public Enterprises Circular No. 01/2021 dated 16 November 2021	(i) Although annual reports should be prepared in three languages and submitted to Parliament for tabling within 05 months after the end of the relevant year, for the years 2021 to 2023, the annual reports of 18 Public enterprises under the Ministry were submitted to the Ministry for tabling in Parliament with delays ranging from 1 to 26	For the year 2021, it was presented with a delay in accordance with the Public Enterprises Circular No. 01/2021 dated 16.11.2021. Regarding this matter, the Ministry periodically informed the Public Enterprises through letters; however, the annual reports were submitted late to the Ministry. Nonetheless, due to the COVID-19 pandemic situation in the country, it was not possible to submit the 2021 and 2022 annual	Issuing instructions to act in accordance with the Circular.

months. reports to the Ministry by the prescribed dates. The relevant institutions have been informed through letters to submit the 2022 and 2023 annual reports to the Ministry by the prescribed dates.

ii)The annual reports of 12 Public enterprises under the Ministry for the years 2021 to 2023 had not been submitted to the Ministry for tabling Parliament as at 31 December 2024.

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(c) The revised State Accounts Guideline No. 06/2024 dated 16 December 2024, issued on 21 February 2025.	7,750 million	(i)According to Treasury Printouts SA-11, although other institutions had incurred expenditures amounting to Rs. 69,784 million on behalf of the institution (Ministry of Finance), that expenditure was shown as Rs. 62,034	Under object No. 102-1-2-40-1501-33, expenditures amounting to Rs. 7,748 million for May 2024, and expenditures value of Rs. 1.5 million under several objects of the Tax Appeal Commission for March 2024, were not recorded in the Treasury printouts for those months through the CIGAS account statements. Accordingly, it	Action should be taken in accordance with the State Accounts Guidelines No. 06/2024.
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million in was entered into statement of the Treasury imprest Printouts by the adjustment, Department of observed a state Accounts difference of through the Rs. 7,750 submission of million. journal entries. Since the expenditure incurred under the imprest by this Ministry was entered into the Treasury Printouts by the Department of State Accounts, it has been included in SA-11.

Although that expenditure was recorded in SA-11 as an expense incurred by another department on behalf of this Ministry, it was in fact expenditure made by this Ministry through the imprest account it received; therefore, it has been excluded from the Account of imprest adjustment,.

7,750 million	(ii)According to the Treasury printouts SA-11, the expenditure incurred by other institutions on behalf of the reporting institution (the Ministry of Finance) should correspond to the expenditure recorded under F.R. 208 in the Statement of Expenditure ACA-2(ii) submitted together with the financial statements. However, when those balances were respectively shown as Rs. 69,784 million and Rs. 62,034 million, a difference of Rs. 7,750 million was observed.	This discrepancy has occurred as indicated in the above mentioned notes . -Do-
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Rs. 246,896	(iii) According to the Treasury Printouts SA-51, the debits made by other heads to the Advance“B” account amounted to Rs. 1.8 million; however, as per the statement of imprest adjustment, it was shown as Rs. 1.5 million, therefore it was observed a difference of Rs. 246,896.	The advance payment of Rs. 246,896 due to government officers for March 2024 under the Tax Appeals Commission was not recorded in the Treasury Print outs through the CIGAS account statement. Accordingly, it was included in the Treasury printouts by the Department of State Accounts. Since the expenditure borne by the imprest of this Ministry had been entered into the Treasury printouts by the Department of State Accounts, it has been included under SA-51. However, as it is an expenditure actually incurred through the imprest account received by this Ministry, it has been excluded from the imprest adjustment account.
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3.4 Deposit Balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although, in terms of Financial Regulation 571(2) and (3), all lapsed deposits should be credited to Government revenue, as at 31 December, deposits amounting to Rs. 36 million lapsed deposits for 2–5 years and Rs. 22 million lapsed deposits for more than 5 years had not been dealt with by the Ministry in accordance with the Financial Regulations.	These deposits represent retention money belonging to contractors who carried out duties of the Ministry. Since these retention money have not yet been applied, they continue to remain in the general deposit account. However, the relevant contractors have been informed to take necessary action in this regard without delay.	Action should be taken in accordance with the provisions of paragraph F.R. 571(2) and (3).

4. Operational Review

4.1 Non- achievement of expected Output Level

(a) State Owned Enterprises Restructure

A State Owned Enterprises Restructuring Unit had been established under the Ministry of Finance, Economic Stabilization, and National Policies for the restructure the public enterprises, and it had been in operation since 01 December 2022. Following observations are made on that matter.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) According to Principle No. 02 of the Government Policy on Public Enterprise Reforms, in accordance with the establishment of a holding company and the Cabinet approval granted on 15 May 2023 under reference No. MF/036/CM/2023/107 and paragraphs 4.2 and 4.3 and Annexes 02 and 03 of the Cabinet Memorandum dated 08 May 2023, Although a decision had	The establishment of the holding company could have been carried out only after the introduction of the new act on public enterprises management, in accordance with the provisions that were required to be included in that act. However, during the preceding period of government, there was no opportunity to enact that Act, and therefore, the establishment of the holding company could not be carried out.	It is necessary to act in accordance with the Public Enterprises restructuring policy or to formally introduce appropriate amendments thereto and act accordingly.

been taken to assign 72 listed institutions as affiliated companies under the holding company for restructuring , By 31 December 2024, the holding company established for restructuring had not yet been established.

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| (ii) | <p>The 08 institutions listed in Annexure 01 of the memorandum , which had been proposed for restructuring and without transferred to the holding company For the divesting process under the restructuring, transaction consultants were appointed, and under their guidance, the process of calling bids for these institutions was undertaken. Accordingly, for 07 out of the 08 selected institutions, Cabinet approval was obtained in 2023 for the appointment of transaction consultants. During the review year, a sum of Rs. 193 million was paid from the Ministry's General Deposit Account No. 18/62P for two foreign institutions contracted as transaction consultants.</p> | <p>The State Owned Enterprises Restructuring Unit primarily undertook the restructuring activities of the 08 identified institutions out of that most of had reached the final stage by August 2024. However, the new government is reconsidering regarding these projects, and among the previous projects, approval has now been granted to proceed with the restructuring of the “Grand Hyatt” hotel.</p> | <p>-Do-</p> |
| (iii) | <p>Although the main objective was to operate unprofitable and inefficient institutions efficiently and productively, it was observed during the audit that, out of the 08</p> | <p>According to the existing government economic policies, 08 institutions had been identified for restructuring, and I wish to emphasize that whether these institutions are profitable or not is not a determining factor for deciding</p> | <p>As stated in the Cabinet Memorandum, the main objective is to operate unprofitable and inefficient enterprises efficiently and productively. Therefore, this factor</p> |

institutions selected for the divestment process in the first phase, 04 institutions had generated Profit Before Tax in 2022 and 2023. Additionally, no financial support was provided from the Treasury to these institutions, and in accordance with paragraph 4(i) of Cabinet Memorandum No. MF/052/CM/2022/177 dated 31 August 2022, the information contained in the feasibility studies conducted regarding the restructuring of these institutions was not submitted for audit.

whether they should undergo restructuring.

should be taken into account during the restructuring process, and if it is not, the other factors affecting the restructuring decisions should be clearly disclosed.

- (iv) For the years 2023 and 2024, a total of Rs. 121 million was spent for the operation of the State Owned Enterprises Restructuring Unit, of which Rs. 58 million, or 48 percent of the total administrative expenditure, was spent on payment of salaries within the unit. However, according to the information submitted for audit, the activities of the State Owned Enterprise Restructuring Unit (SOE) were temporarily suspended in February 2025. Accordingly, it was observed that as at 31 December 2024, the objectives intended to be achieved through the establishment of this unit had not been

No comments provided.

Immediate action should be taken to ensure the effective functioning of this unit, which was established to the main objective and function of Unprofitable and inefficient institutions, so that its objectives can be achieved.

accomplished, and the expenditure incurred for payments to consultant advisors and for maintaining the unit could become an idle expenditure.

(b) National Agency for Public Private Partnership

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
National Agency for Public Private Partnership was established with the objective of introducing a mechanism under a public-private partnership model to ensure efficient delivery of public services and to promote investment, as set out in paragraph 03 of the Cabinet Memorandum No. MF/051/CM/2022/176 approved on 13 September 2022. As at 31 October 2024, the Agency had commenced implementation of 14 projects under this framework, including 12 projects initiated in 2023, and as at 30 September 2024, a further 72 projects had been listed for implementation under the same framework. However, by the end of the review year, although two years had elapsed since the establishment of the Agency, it was observed that, due to the relevant Public-Private Partnership program not being formally established in accordance with the act, the projects identified and initiated under this framework, as well as the proposed projects yet to commence, could not be completed as expected within the	Until the legal framework of the Public Private Partnership Programme is approved, the ‘Guidelines on Government Tender Procedure – Part II’ and Circular No. 02/2019 of the Department of State Accounts will be applied to Public Private Partnership projects. A copy of the letter received from the Legal Draftsman’s Department, in which guidance was sought on whether the newly appointed Cabinet intends to continue the policy approved by the previous Cabinet in relation to the Public Private Partnership Act, was received by National Agency for Public Private Partnership. A discussion was held between representatives of the International Monetary Fund and officers of the Ministry of Finance to review the progress of the Public-Private Partnership Act. During this discussion, International Monetary Fund officers emphasized the need to incorporate provisions into the Public Private Partnership Act in line with the Financial Management Act. Furthermore, a draft of the Public Private Partnership Act was requested to	Prompt action should be taken to approved the draft or to implement the appropriate formal measures.

stipulated timeframes. However, according to the information received by the audit, the operations of this unit had been temporarily suspended as at 25 February 2025. Accordingly, it was observed that the expenditure of Rs. 31 million incurred for maintaining this unit for the years 2023 and 2024 could be considered unproductive expenditure.

4.2 Implementation of Projects under Domestic Funds

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In the review year, regarding the Integrated Treasury Management and Information System Establishment Project implemented utilizing domestic funds, the total net provisions for 02 objects amounted to Rs. 588 million, of which Rs. 541 million remained saved without unutilized. This represented a significant range of 47 percent to 94 percent of the net provisions of those objects.	For the year 2024, an amount of Rs. 420 million was budgeted for the purchase of additional user licenses necessary to complete the system project. However, as a result of discussions held by the Ministry with the relevant contractor, it was possible to obtain these user licenses without any additional payment. As the expansion activities of the system were carried out by the staff of the Department of State Accounts without significant involvement of the contractor, it was not necessary to spend the estimated amount.	It is necessary to formally study the prevailing environment circumstances prior to the preparation of estimates and to reach a formal agreement with the relevant parties.

4.3 Procurements

- (a) Procurement for cleaning service for the period of one year from 20 February 2024, to 19 February 2025.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A contract valued at Rs. 35 million (exclusive of taxes) had been entered into with the same private company that previously provided cleaning service to the Ministry, for the provision of cleaning service for a period of one year from 20 February 2024, to 19 February 2025. As the agreed number of personnel had not been deployed for the daily cleaning service as stipulated in the contract, the Ministry had terminated the said agreement and released in full the performance security amounting to Rs. 1.7 million, stating that no payments were due. The second private company selected had also failed to provide the required number of employees as stipulated in the agreement. The private company selected for the second time also failed to provide the required number of employees as per the contract. It was observed that such situations arise because, in accordance with 3:12:2 (11) of the Procurement Guidelines (2006), the Technical Evaluation Committees did not reach a correct conclusion after examining the pre-qualification and confirming that the required qualifications have been met. In both of the	At the time of calling for bids for cleaning service, 04 institutions had submitted bid documents. All 04 institutions that submitted bids provided bid documents stating that, in accordance with the Wages Boards Ordinance, a worker would be paid Rs. 600 per day and an inspector would be paid Rs. 700 per day. It was observed that, based on this wage, it would be difficult to engage healthy individuals under the age of 60 for this service. For the above reasons, after discussions between the parties and understanding the prevailing situation, it was observed that no damage had occurred to the movable and immovable assets of the Ministry's premises during the contract period. Taking into account the nature of the industry, the performance security was therefore released. Moreover, on several occasions, it has been observed that the attendance of the personnel is at a minimal level. The private company currently providing the cleaning service has been informed of this, and in writing, it has been directed to ensure proper attendance and management of the cleaning staff in accordance with the	In accordance with the procedures set out in the Procurement Guidelines, actions must be taken to ensure compliance, and the relevant company must be instructed to deploy the minimum required number of personnel daily to maintain the quality of the service.

above instances, the Ministry had incurred an expenditure of Rs. 341,897 during the year under review for publishing newspaper advertisements calling for bids for cleaning services.

(b) Maintenance of the Electronic Access Control System and its associated devices installed at the two General Treasury buildings.

The Electronic Access Control System installed at the two General Treasury buildings, at a cost of Rs. 17 million, was implemented by a private company and was handed over to the Ministry on 19 December 2017. The three-year warranty period expired on 18 December 2020. The following observations were made in this regard.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) According to 3.5(c) of the Government Procurement Guidelines, the supply of goods, services, or works through direct contract should be carried out only under exceptional circumstances. However, subsequent to the expiry of the warranty period, payments amounting to Rs. 4.3 million (exclusive of taxes) had been made over a period of 04 years to the above institution for the maintenance of the said Control System and its related accessories. Accordingly, without any proper justification or price quotations being obtained, the said institution had been continuously obtained services for a period of 04 consecutive years.	The Electronic Access Control System installed in the two General Treasury buildings had been maintained by the same private institution that carried out the installation, during the 03 year warranty period commencing from 19.12.2017. Thereafter, from the year 2021 onwards, maintenance services had been obtained from the relevant private institution based on procurement decisions made under the direct contract method in terms of 3.5 (d) of the Government Procurement Guidelines. The reason for continuing to obtain the said services from the same institution was that the electronic access control system, software, passwords, and data systems were maintained by that institution, and to prevent any potential adverse situations that could arise from exposing this data to another party.	It is required to act in accordance with the provisions of the Government Procurement Guidelines.

- (ii) Confirmed information regarding the total number of access cards issued by the Electronic Access Control System from its inception up to the end of the year under review was not submitted for audit. However, based on the information available, In March 2024, a total of 50 cards, and on two occasions during the year 2023, a total payment of Rs. 1.3 million (inclusive of VAT and service tax) has been paid for 300 cards in two instances. Accordingly, the Ministry incurred a cost of approximately Rs. 3,334 to Rs. 4,462 per card. However, it was not confirmed whether a comparison had been conducted with the card printing costs of other government institutions utilizing similar systems to confirm that the expenditure was reasonable.
- It is informed that in future purchasing of cards, the Ministry will comparing the prices with those of other government institutions, as indicated in this audit paragraph.
- It is essential that all possible efforts be made at all times to justify the expenditure or to ensure that such expenditure is reasonable.

4.4 Management Inefficiencies

Tax Appeal Commission

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Under Project 5 of Program I of the Head 102 - Ministry of Finance, Planning and Economic Development, the total annual allocation for the Tax Appeals Commission for the year under review amounted to Rs. 105 million. of this, a total expenditure of Rs. 98 million was incurred from the total net provision. As at 31 January 2025, there were 506 appeals registered	The Tax Appeals Commission was established in May 2011, and the appeal examination process commenced in March 2012. Under the appeal process that existed prior to the establishment of the Commission, 71 appeals that had been handled by the Board of Review of the Department of Inland Revenue were transferred to the Commission for examination. Pursuant to the 2011 Tax Appeals	Action should be expedited regarding tax appeals to ensure that deficit tax amounts are recovered in accordance with the decisions rendered.

with the Tax Appeals Commission that had not been resolved. The total tax value related to these pending appeals amounted to Rs. 110,395 million. Of these, 29 appeals involved a total tax value exceeding Rs. 1 billion, amounting to Rs. 70,494 million, while 107 appeals involved a total tax value between Rs. 100 million and Rs. 1000 million, amounting to Rs. 33,096 million. Of these, 27 appeals, registered from 2011 up to the end of the audit year, had a total tax value of Rs. 3,408 million but no examination had been initiated, while 483 appeals had examinations initiated but no determinations had been issued, involving a total tax value of Rs. 106,990 million. Furthermore, as at 28 January 2025, 233 'Reserved Cases' existed for which the appeal examinations had been completed since 2022, but final determinations had not been issued, involving a total tax value of Rs. 36,514 million. It was observed that due to non completion for long period the final stages of the tax appeal resolution process, the Commission's decisions could not be effectively converted into revenue for the Government in a timely manner. Consequently, this situation may have caused the Government to incur unnecessary direct and indirect costs.

Commission Act No. 23, a single adjudication panel comprising three members was maintained. According to the 2013 amendments to the Tax Appeals Commission Act No. 23 of 2011, provisions were made to operate three separate adjudication panels. However, up to 2019, the Commission functioned as a single adjudication panel comprising three members. During this period, from 2019 to 2022, the appeals adjudication process was not conducted continuously, as the appointment of new members at the end of the three year term was not properly carried out.

5. Human Resources Management

Approved cadre and actual cadre

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As at 31 December 2024, the Ministry of Finance, Planning and Economic Development had 403 approved posts, of which 104 posts, or 26 percent of the approved cadre were vacant. Among these vacancies, 20 were at the senior level, 01 at the tertiary level, and 48 at the secondary level, posts that directly impact the Department's performance.	The vacancies are filled from the attachments under annual transfers and non-annual transfers, officers attached under new recruitments made by Ministry of Public Administration, provincial Councils and Local Government and attachments made by the cabinet of ministers on exigency of service and the relevant appointing officers had been made aware on existing vacancies. By the letters of approval for the staff issued by the Director General of Management Services dated 08.01.2025 and 13.02.2025, the number of approved posts was reduced to 359.	Action should be taken to fill the vacancies properly.