

Head 241 – Department of Public Enterprises - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 241 - Department of Public Enterprises for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, 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 including my comments and observations on the financial statements of the Department of Public Enterprises was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 25 August 2025 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of the Department of Public Enterprises for the year ended 31 December 2024 give a true and fair view of the financial position, financial performance and cash flows, in accordance with the basis of preparation set out in Note 1 to the financial statements, in all material respects.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of this 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

Attention is drawn to Note 1 of the financial statements detailing the basis for preparation of these financial statements. These financial statements have been prepared in accordance with Financial Regulations 150 and 151 of the Government and the State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025, for the requirement of the Department of Public Enterprises, General Treasury, and the Parliament. Therefore, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Department of Public Enterprises, General Treasury, and the Parliament of Sri Lanka. My opinion is not modified on this matter.

1.4 Responsibilities of the Accounting Officer for the Financial Statements

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

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

1.5 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 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 skepticism 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 Department's 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 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 Management of Revenue

3.1.1 Weaknesses in Preparation of Revenue Estimates

Instances where action had not been taken for forecasting and estimation of revenue in terms of paragraph 03 of the Fiscal Policy Circular No.01/2015 dated 22 June 2015 and the Financial Regulation 142, were observed. Details are given below.

	Audit Observation	Comments of Accounting Officer	Recommendation
(a)	Revenue Code		
	20:02:03:00 – Profit		
(i)	The estimated revenue in respect of the Profit Revenue Code- 20:02:03:00, for the year 2024 was Rs. 64,192,000,000 and the actual revenue was Rs. 33,190,901,922 representing only 51 per cent of the estimated revenue.	Agreed.	More accurate revenue estimates should be prepared by forecasting accurately on institutions from which revenue should be collected.

(ii)	During the year under review, revenue amounting to Rs.16,518 million had been estimated to be collected from 18 public enterprises, but no revenue was collected from those institutions during the year under review. Further, although income by way of profit had not been estimated in respect of 11 public enterprises, such income of Rs.2,952.5 million had been received from those enterprises during the year under review.	Agreed.	-Do-
(iii)	In relation to Revenue Code 20.02.03.00 – Profit, the decrease in actual revenue as compared to the estimated revenue of 08 Public Enterprises ranged between 13 per cent and 94 per cent. Further, during the year under review, 10 Public Enterprises had contributed to the revenue by recording income by way of profit in excess of the estimates, ranging from 46 per cent to 1,900 per cent.	Agreed.	Revenue forecasting and the maintenance of reports relating to revenue collection should be formalized for taking accurate policy decisions, determining the extent of the budget deficit and for monitoring and policy analysis.
(b) Revenue Code 20:02:04:00- Dividend Income			
(i)	For the year 2024, the estimated revenue under Revenue Code 20.02.04.00 – Dividend Income amounted to Rs.5,341,000,000, whereas the actual revenue was Rs.7,889,520,000. Accordingly, revenue amounting to Rs.2,548,520,000 had been collected in excess of the estimate, representing an increase of 48 per cent over the estimated revenue.	Agreed.	Revenue forecasting and the maintenance of reports relating to revenue collection should be formalized for taking accurate policy decisions, determining the extent of the budget deficit and for monitoring and policy analysis.

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| <p>(ii) Even though dividend income of Rs.1,140 million had been estimated from 16 Public Enterprises, any contribution had not been made to the dividend income by those institutions during the year under review. Further, 06 Public Enterprises which were not included in the dividend income estimates for the year 2024, contributed Rs.3,368 million to dividend income during the year under review.</p> | <p>Agreed.</p> | <p>-Do-</p> |
| <p>(iii) Compared to the estimated dividend income of 07 public enterprises, the decrease in actual income ranged between 03 and 92 percent. Further, dividend income estimated to be received from 10 Public Enterprises had exceeded the estimated amounts, and contributions to dividend income had ranged from 24 per cent to 900 per cent above the estimates.</p> | <p>Agreed.</p> | <p>-Do-</p> |
| <p>(c) According to Section 5.3 of the Operations Manual for Public Enterprises issued by the Department of Public Enterprises on 16 November 2021, state owned companies incorporated under the Companies Act No. 07 of 2007 are required to distribute at least 30 per cent of profit after tax to the Consolidated Fund, having satisfied the solvency test. However, during the year under review, dividend income amounting to Rs.13,010 million receivable from the dividends of 11 state companies relating to the year 2023 had not been collected.</p> | <p>Agreed.</p> | <p>Action should be taken in compliance with Section 5.3 of the Operations Manual for Public Enterprises.</p> |

3.2 Management of Expenditure

The following observations are made.

Audit Observation	Comments of Accounting Officer	Recommendation
(a) When comparing with the original expenditure estimate with the revised expenditure estimate, the variance in relation to 12 objects varied from a decrease of 83 percent to an increase of 100 percent.	Agreed.	Estimates should be prepared as accurately as possible in accordance with the Financial Regulations.
(b) During the year under review, due to over-allocation for 15 recurrent votes and 02 capital votes, there was a balance of Rs.272,470,396,376 after utilization of that allocation in the year, and that balance had taken a percentage ranging from 6 percent to 79 percent of the net allocation.	Agreed.	-do-
(c) According to the National Budget Circular No. 01/2024 dated 10 January 2024, it had been instructed that it is required to incur government expenditure frugally, to strictly adhere to the regulations and circulars on minimizing expenditure and to adopt expenditure control measures and that commitments should be entered into only within the limits of provisions appropriated. However, although supplementary provisions of Rs.130,000,000,000 had been allocated under Expenditure Head 1508 (Other) by the Supplementary Estimate on 11 December 2024, those supplementary provisions had	Agreed.	Action should be taken in accordance with circulars.

not been fully utilized by the end of the year under review. Accordingly, a sum of Rs.8,081,294,498, representing 6 per cent of the revised estimate, had remained unutilized.

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| (d) As at 31 December 2024, the transfers of provisions made for 02 expenditure heads in terms of Financial Regulation 66 had not been fully utilized by the end of the year under review and remained unutilized. | Agreed. | Estimates should be prepared as accurately as possible in accordance with the Financial Regulations. |
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3.3 Entering in to Commitments and Liabilities

Audit Observation	Comments of Accounting Officer	Recommendation
The total lease amount of Rs.969,291 payable for December 2024 in respect of 03 vehicles acquired under the Operating Lease Method had not been recorded in the Liability Register of the year 2024 and was settled during January 2025.	Agreed. Due to an oversight, this amount had not been recorded in the Liability Register, and instructions were issued to the responsible officer to prevent such oversights in the future.	Action should be taken in accordance with Financial Regulation 94(1).

3.4 General Deposits

Audit Observation	Comments of Accounting Officer	Recommendation
The total receipts recorded in the General Deposits Register for July and September 2024 were Rs.2,600 and Rs.3,782,024, respectively. However, these amounts had been recorded in the respective treasury printed records as Rs.3,200 and Rs.2,519,216, respectively.	Agreed.	It is required to ensure accuracy in accounting entries.

4. Operating Review

Providing guidance to management and supervision to enhance the performance of Public Enterprises in line with the government policy framework, ensuring efficiency and economy in the utilization of their resources, directing them towards achieving objectives, and improving their good governance have been core functions of the Department of Public Enterprises. However, instances were observed where the Department had not intervened effectively to discharge this responsibility.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A total amount of Rs. 218,245 million had been provided as capital contributions to 06 public enterprises as at 31 December 2024 by the General Treasury according to the financial statements of the Government. The total value of those investments as at 31 December 2023 had been Rs. 204,367 million. However, as per the financial statements of the respective institutions, the total net assets (total assets - total external liabilities) of those institutions as at 31 December 2023 had indicated a negative value of Rs. 412,450 million. Accordingly, although the capital contributions had been shown as an asset under financial assets in the financial statements of the Government, it was observed that the value of such investments had been fully impaired and the relevant enterprises had been operating entirely under external liabilities.	The Department of Public Enterprises has issued instructions to prepare and implement business plans for loss-making enterprises in order to reduce losses and bring them into a profit-making position.	The financial position of state-owned institutions should be assessed periodically, and the relevant departments should be informed to communicate any reductions in the value of investments for proper disclosure in the financial statements of the Government.
(b) As at the beginning and the end of the year under review, 05 public enterprises with a total government capital investment of Rs. 1,935,429 million had recorded a total net assets value of only Rs. 550,744 million as at 31 December 2023. Accordingly, it was observed that the investment made in these enterprises is subject to a significant impairment.	The Department of Public Enterprises has issued instructions to prepare and implement business plans for loss-making enterprises in order to reduce losses and bring them into a profit-making position.	-Do-

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| <p>(c) According to the sample audit tests, although 04 government-owned corporations had reported a total profit of Rs. 291 million for the year 2022, it was observed that a total loss of Rs. 3,199 million had been reported for the year 2023.</p> | <p>Although overall losses have been reported due to factors such as the implementation of various government policies, particularly pricing policies, insufficient government funding required to make structural changes required to compete with the private sector, and the high financial costs incurred on borrowings obtained from the financial market, it is expected that through various reform measures carried out with the advisory support provided by the Department of Public Enterprises, many public enterprises will achieve profitability in the future.</p> | <p>In carrying out supervisory activities, special attention should be paid to converting loss-making public enterprises into profit-making entities.</p> |
| <p>(d) According to sample audit tests, the Sri Lanka Rupavahini Corporation, the State Engineering Corporation of Sri Lanka, and the Sri Lanka Broadcasting Corporation, which had reported losses in the year 2022, had also reported losses in the year 2023. Among them, the losses of the Sri Lanka Broadcasting Corporation and the State Engineering Corporation of Sri Lanka had increased by 358 percent and 161 percent respectively.</p> | <p>-Do-</p> | <p>-Do-</p> |
| <p>(e) According to sample audit tests, the National Livestock Development Board, which had reported a net profit of Rs.133 million in the year 2022, had reported a net loss of Rs.168 million in the year 2023. Further, the Janatha Estates Development Board, which had reported a net loss of Rs.5 million in the year 2022, had reported a net loss</p> | <p>-Do-</p> | <p>-Do-</p> |

of Rs.156 million in the year 2023, and compared to the previous year, that loss had increased by 2,799 percent.

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| <p>(f) By the end of the year 2023, the current ratio of 08 public enterprises had been at a weak level. In particular, it was observed that the current ratios of Sri Lankan Airlines and the Sri Lanka State Plantations Corporation had been at very low levels of 0.15 and 0.17 respectively. Accordingly, it was further observed that these public enterprises are at a high risk of facing liquidity difficulties.</p> | <p>The reasons attributable to each of the respective public enterprises for this situation had been disclosed.</p> | <p>Need to provide necessary instructions during the supervision of the respective enterprises to avoid liquidity difficulties.</p> |
| <p>(g) By the end of the year 2023, a highly geared position had been observed in relation to 16 public enterprises. Further, public enterprises with negative net worth had also been observed, and those institutions had been entirely financed through long-term borrowings. Accordingly, it was further observed that all these institutions are exposed to a high financial risk as well as a material risk concerning their going concern.</p> | <p>The reasons attributable to each of the respective public enterprises for this situation had been disclosed.</p> | <p>Providing necessary instructions during the supervision of the respective enterprises to maintain an appropriate gearing level.</p> |
| <p>(h) According to direct balance confirmations submitted to audit in respect of 21 public enterprises, a difference of Rs.25,898 million was observed between the capital contributions and the government capital contributions included in the financial statements of the Government as at 31 December 2024.</p> | <p>Agreed.</p> | <p>Direct balance confirmations should be obtained and evaluated periodically from institutions under government ownership in order to take appropriate action and ensure the accuracy of the accounts.</p> |

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| <p>(i) As at 31 December 2024, differences were observed in the number of government shares in respect of 5 institutions between the direct balance confirmations submitted and the financial statements of the Government, and the government capital contributions had been understated by Rs.476,986 in the financial statements of the Government on that date.</p> | <p>Agreed.</p> | <p>-Do-</p> |
| <p>(j) According to the direct balance confirmations received from the Sri Lanka Institute of Biotechnology (Pvt) Ltd, as at 31 December 2024, 52,472,574 shares with a share price of Rs.10 each were reported as being held by the General Treasury, and the total capital contribution as at that date was Rs.525 million. However, according to the financial statements of the Government as at 31 December 2024, there was an additional capital contribution balance of Rs.772 million over this amount.</p> | <p>Agreed.</p> | <p>-Do-</p> |
| <p>(k) As at 31 December 2024, the capital contributions of 08 public enterprises amounted to Rs.1,150,312 million according to financial statements of the respective institutions, whereas according to the financial statements of the Government, the same balance was Rs.1,167,570 million, resulting in a difference of Rs.17,258 million.</p> | <p>Agreed.</p> | <p>-Do-</p> |
| <p>(l) As at 31 December 2024, the value of shares held in 06 public companies, calculated based on the number of government-owned shares and their issued value, amounted to Rs.6,549 million, whereas it was reported as Rs.15,893 million in the financial statements of the Government. Accordingly, a</p> | <p>The causes contributing to these differences will be further investigated, and necessary corrections will be undertaken in due course.</p> | <p>-Do-</p> |

difference of Rs.9,344 million was observed in the capital contributions in the financial statements of the Government as at 31 December 2024.

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| <p>(m) According to the direct balance confirmations submitted in respect of 09 public enterprises and the financial statements of the Government, differences were observed in the percentages of government-owned shares held by the General Treasury in these public enterprises.</p> | <p>In future, attention will also be drawn to this matter, and action will be taken to include the relevant information in the financial statements of the Government after obtaining the cooperation of the respective institutions and confirming the accuracy of the percentage of shareholding.</p> | <p>Action should be taken to obtain periodic balance confirmations from the institutions under state ownership and thereby ensure the accuracy of the accounts.</p> |
| <p>(n) Taking follow up action on tabling of Annual Reports of institutions under the purview of the Department of Public Enterprises, in Parliament on due dates under the mission “To safeguard the public interest” was a function of the Department. According to the information presented for audit, although 305 institutions were under the supervision of the Department of Public Enterprises, the Department’s website had disclosed only the information relating to tabling of annual reports in Parliament relating to 52 institutions which the Department considered strategically significant. Further observations in this regard are given below.</p> | | |
| <p>(i) According to Paragraph 6.6 of the Operational Manual for State Owned Enterprises introduced in the year 2021, the annual reports relevant to a financial year should be submitted to Parliament together with the audit report within 05 months</p> | <p>At the beginning of the year, the Chief Accounting Officers, Heads of Institutions, and Boards of Directors of the respective institutions had been informed regarding the tabling of annual reports in</p> | <p>Annual reports relating to all institutions under supervision should be tabled in Parliament and such information should be subject to follow-</p> |

after the end of the year. However, as at the date of audit which was 21 May 2025, only the annual reports of 05 institutions out of 52 state-owned enterprises had been uploaded to the official website of the Parliament in respect of the year 2023. Further, up to 30 May 2025, annual report relating to any institution had not been uploaded to the official website of the Parliament in respect of the year 2024.

Parliament. From time to time, the respective institutions had also been informed to take prompt action in this regard.

up review.

- (ii) According to Paragraph 3.2 of the Operational Manual for State Owned Enterprises introduced in the year 2021, the annual reports should be presented at the annual performance review meetings. However, it was observed that during the year under review, the intervention of the Department of Public Enterprises in this regard had remained at a very low level.
- The relevant awareness in this regard had been continuously issued by the Department of Public Enterprises. However, the Board of Directors of the respective institution should assume responsibility for convening the annual performance review meetings.
- Action should be taken in accordance with the Operational Manual.