

Head 297 - Department of the Registrar of Companies - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 297 - The audit of the financial statements of the Department of the Registrar of Companies 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 Summary Report containing my comments and observations on the financial statements of the Department of the Registrar of Companies 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 pertaining to the Department was issued to the Accounting Officer on 15 August 2025 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a fair view in all the material aspects of the financial position of the Department of the Registrar of Companies as at 31 December 2024 and its financial performance and cash flow in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 of the financial statements, which describes the basis of preparation of these financial statements. The financial statements had been prepared for the requirement of the Department of the Registrar of Companies, the Treasury and the Parliament in accordance with Financial Regulations 150 and 151 of the Government 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 Department of the Registrar of Companies, the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

1.4 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

The Accounting Officer is responsible to prepare financial statements that give a true and fair view in all material aspects and to determine 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 in accordance with Government Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 .

As per 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.5 Auditor's Responsibility on Audit of 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 exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.

- 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.

The Accounting Officer is made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Receipts of Income

The following deficiencies were observed in accounting revenue receipts related to the Department.

Audit Issue	Comments of the Accounting Officer	Recommendation
The statement of arrears of income had shown only Rs. 1,780,110,300 as arrears of income as at 31 December of the year under review, which was the arrears of income as on 30 June of that year. Accordingly, the process of ascertaining and determining the amount due to the Government in terms of Financial Regulation 142(1) had not been continued.	It is noted that the system does not have the facility to obtain updated information on a specific date for preparing outstanding income reports and actions are being taken to expedite system development work and prepare outstanding income reports.	Actions should be taken to implement an appropriate system to report outstanding income accurately.

(b) Recurrent Expenditure

The following deficiencies were observed in the accounting of recurrent expenditure related to the financial statements.

Audit Issue	Comments of the Accounting Officer	Recommendation
Although supplementary estimates of Rs. 13,640,000 had been obtained for the object of Other Allowances (1003) during the year under review, the supplementary estimates had not	Action will be taken to resolve the matter after consulting the Department of State Accounts.	Supplementary provisions should be accurately shown in the accounts.

been included under the provisions in the ACA-2 format and the entire provision had been stated as provisions made by the Appropriation Act.

(c) Imprest Balance

The following deficiencies were observed in the accounting of the imprest balance.

Audit Issue	Comments of the Accounting Officer	Recommendation
The trial balance generated by the CIGAS application showed a debit balance of Rs. 301,826,586 and a credit balance of Rs. 510,689,556 from other sources. The imprest debit balance had been overstated by Rs.1,200,000 and the credit balance had been understated by the same amount from the monthly trial balance generated by the CIGAS application.	There was a difference between the Treasury Account Summary and the Departmental Account Summary due to the fact that the January 2024 Account Summary sent secondly was not processed.	The imprest balance of the financial statements should be compared with the balance of the monthly trial balance.

(d) Failure to maintain records and books

The following documents had not been maintained by the Department.

Audit Issue	Comments of the Accounting Officer	Recommendation
Control Accounts		
Control accounts had not been prepared for the money collected in accordance with Financial Regulation 142(3).	Actions will be taken to prepare a control account (for the total balance) in accordance with Financial Regulation 142(3) for the money collected.	Control accounts regarding revenue should be prepared in accordance with financial regulations.

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 Revenue Management

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) Annual reports of registered societies should be filed in accordance with Section 8 (1) (d) of the Societies Ordinance No. 16 of 1891. Only 228 societies had filed annual reports from 01 January 2024 to 31 December 2024 and since the number of active societies was not accurately identified, it was not possible to accurately calculate the annual report filing revenue and the arrears of revenue due to the Government.	Actions will be taken to calculate the annual report filing income and arrears due to the Government accurately.	Actions should be taken to identify and account the outstanding amounts to be collected from societies that have not filed annual reports and to recover the outstanding balance.
(b) Although the actual income in the year 2023 was Rs. 416,478,955 in the revenue code 20.03.02.10, the preliminary revenue estimate for the year under review was Rs. 320,000,000 and since the revised estimate was Rs. 370,000,000, it had been estimated lower than the preceding year. Further, the actual income in the year under review was Rs. 432,396,934, i.e. 17 percent higher than the revised income estimate. Accordingly, it was observed that the	When revising the revenue estimates for the year 2024, 1/3 of the actual revenue collected up to 30 June 2024 is Rs.193,856,810. This is 60 percent of the preliminary estimate of Rs. 320,000,000. Since it is not possible to expect a uniform revenue collection during the year, the actual revenue collected has exceeded the revised estimate. Revenue	Revenues should be estimated as accurately as possible, considering the practical situation.

revenue estimates had not been prepared completely and as accurately as possible in accordance with Financial Regulation 128 (2) (b).

estimates will be prepared as accurately as possible in the future.

- (c) A total of Rs. 5,700 million had been given to the Treasury as an advance from the Company Fund in the years 2012, 2013, 2014 and 2020. However, the Director General of the Treasury Operations Department had informed by his letter dated 02 March 2020 that the said amount had been accounted as income of the Consolidated Fund and the loan had not been shown as an advance in the Treasury books even at the end of the year under review. Although 50 percent of the income of the Department Revenue Code 2003.02.10, which was Rs.432,232,006 (excluding the income of the Society), i.e. Rs.216,116,003, had been offset against the Treasury advance, the approval had not been obtained from the Treasury for that purpose.

The amount of Rs. 216,116,000, which was offset against the advance given to the Treasury by the Company Fund, is stated in the Financial Performance Statement. Actions will be taken to obtain the approval of the Treasury for this offset.

Approval from the Treasury should be obtained to account and offset the income as a loan.

3.2 Expenditure Management

Audit Issue	Comments of the Accounting Officer	Recommendation
Due to the fact that the estimates were not prepared as completely and accurately as possible, a sum of Rs. 806,538, i.e. 67 percent, in the Property Loan Interest object (1506) for Government Employees had remained and it had been informed that the reason for this was the transfers of officers. Further, even though the remaining provisions of the said object could have been transferred through Financial Regulation 66, supplementary	Since it is expected that the property loan will be taken out in the year 2024, the remaining provisions were not transferred and additional provisions have been provided for object 1003 to pay the increased cost of living allowance from January 2024 and to pay the special allowance to the officers of the executive	Expenditure estimates should be estimated as accurately as possible. In cases of necessity, arrangements should be made to make transfers of F.R. 66.

estimates totaling Rs. 13,640,000 had been obtained for the object (1003) on 03 occasions.

service category of the Public Service.

3.3 Certifications to be made by the Accounting Officer

Although the Accounting Officer was required to provide certifications regarding the following matters in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018, action had not been taken accordingly.

Audit Issue	Comments of the Accounting Officer	Recommendation
The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system is developed and maintained for the financial control of the Department and the effectiveness of that system should be reviewed from time to time and necessary changes should be made accordingly to make the system effective. Although those reviews should be made in writing and a copy should be submitted to the Auditor General, statements that such reviews were conducted were not submitted to the audit.	An effective internal control system is developed and maintained for the financial control of the Department. Necessary actions are taken to conduct necessary reviews on it.	Actions should be taken to maintain effective internal control systems in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

3.4 Non-compliance with laws, rules and regulations

The occasions of non-compliance with the provisions of laws, rules and regulations observed during sample audit tests are analyzed below.

Reference to laws, rules and regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value	Non-compliance		
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	Rs.			
(a) The Companies (Auditors) Regulations, 1964, enacted under the Companies Ordinance				
(i) Regulation 2		An Advisory Board had not been appointed to carry out the functions under the regulations.	Actions will be taken to appoint a board consisting of the Registrar of Companies as Chairman, the Director of Commerce, the Secretary to the Treasury or an officer nominated by him, the Commissioner of Inland Revenue, the Director of the Ceylon Technical College and an officer by name	An advisory board should be appointed in accordance with the regulations of the Companies Ordinance.

			or by office as the Secretary of the board.	
(ii)	Clauses (b), (c) and (f) of paragraph 5(1) of Regulation	Although it is not mandatory for qualified applicants to pass the oral test, during the review of interview records from 2021 to 2024, there were 16 cases where applicants were unable to register due to failure in the oral test.	The subsequently appointed Advisory Board has conducted interviews with questions related to the auditing field in order to select the most suitable individuals from the applicants and to confirm whether they are suitable to be appointed as an auditor.	Actions should be taken to register auditors in accordance with the regulations of the Companies Ordinance.
(iii)	Regulation 9(1) 55,200	Although a person who is a Chartered Accountant is exempted from the registration fee, a total of Rs. 55,200 had been collected as registration fee from 08 such applicants during the sample examination.	If registration fees for chartered accountants have been charged, action will be taken to check and correct them.	Registration fees should be charged only from auditors who are allowed to charge fees in accordance with the regulations of the Companies Ordinance.

4. Operational Review

4.1 Asset Management

Audit Issue	Comments of the Accounting Officer	Recommendation
Since only three drivers were assigned to the Department for 05 vehicles, it had not been possible to always deploy two vehicles for daily duties.	The approved cadre of the Department includes only 04 drivers and a request has been sent to the Director General of Combined Services with copies to the Secretary to the Ministry of Industries on 22.05.2024, requesting that the necessary actions be taken to fill the existing vacancy.	Actions should be taken to approve a sufficient number of drivers for the Department.

4.2 Management Weaknesses

Audit Issue	Comments of the Accounting Officer	Recommendation
The total loan balance of Rs. 109,806 of three officers who had transferred during the period 1989 - 2000 had not been settled even by 31 December 2024.	The outstanding loan balance of Rs. 32,540 will be settled through the account statements and the outstanding loan balance of Rs. 77,266 will be settled with consultation with the Department of State Accounts.	Actions should be taken to immediately settle the outstanding loans of transferred officers.

5. Good Governance

5.1 Internal Audit

The following observations are made.

Audit Issue	Comments of the Accounting Officer	Recommendation
The Chief Internal Auditor had been on leave from 16 March 2024 to 28 May 2025 and acting officer had not been appointed to act in the position until January 2025. Further, although the internal audit unit	Although letters were sent to the line ministry at that time requesting that an acting officer be assigned to the position of Chief Internal Auditor, any officer could not be assigned. At present, a request is being made	Actions should be taken to ensure that internal audit is carried out continuously.

had planned to utilize 243 man-days as per the internal audit plan for the year 2024, only 25 man-days had actually been utilized for audit tasks. Accordingly, internal audit activities had not been carried out adequately in accordance with Financial Regulation 133 and Section 40 of the National Audit Act No. 19 of 2018.

to the line ministry to assign an acting officer to the position.

5.2 Audit and Management Committee

Audit Issue	Comments of the Accounting Officer	Recommendation
Although the Audit and Management Committee appointed by the Accounting Officer to assist him in terms of Management Audit Circular No. DMA/01-2019 should meet at least once a quarter, i.e. 4 times a year, only one Audit and Management Committee meeting had been held in the Department during the year under review.	Due to the absence of a suitable officer in the Department to perform the duties of the Chief Internal Auditor who was on medical and maternity leave, the Audit and Management Committee meetings could not be held as scheduled. Actions will be taken to hold the minimum number of meetings to be held in the year 2025 as scheduled.	Arrangements should be made to hold the minimum number of Audit and Management Committee meetings as per the circular.

6. Human Resource Management

Following observations are made.

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) Although the approved cadre of the Department as on 31 December of the year under review was 185 and since the actual cadre was 130, there were 55 vacancies.	Necessary actions are being taken to make permanent appointments.	Actions should be taken to fill vacancies in essential positions without delay.

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| <p>(b) An approved scheme of recruitment procedure had not been approved for the post of Registrar General of Companies, which is the Head of Department and although two officers had been appointed on an acting basis on two occasions since 07 July 2024, any permanent appointment had not been made to the post even by 30 April 2025. Further, although an officer had been appointed to cover and supervise the duties of the post of Assistant Registrar of Companies (Administration) from 24 October 2016 to 30 April 2025, a full-time officer had not been appointed.</p> | <p>Necessary actions are being taken to make permanent appointments.</p> | <p>A scheme of recruitment procedure should be approved and a permanent officer should be appointed to the post of Registrar General of Companies. A permanent appointment should be made to the post of Registrar of Companies (Administration).</p> |
| <p>(c) The position of Legal Officer has been vacant since 28 December 2023 and the position of Accountant has been vacant since 19 March 2024 which is the date of approval.</p> | <p>The Legal Officer of the Ministry of Fisheries and Aquatic Resources has expressed his willingness to serve in the position of Legal Officer and further actions are being taken in this regard. Requests have also been made to obtain approval from the committee appointed to review the recruitment process in the public service for recruitment to the position of Legal Officer and necessary steps will be taken to recruit without delay.</p> | <p>Actions should be taken to fill the position of Legal Officer without delay and to recruit a permanent officer for the position of Accountant.</p> |
| <p>(d) Out of the 10 approved posts for the post of Company Inspector, which is a secondary level post, 08 posts remained vacant as</p> | <p>A request has been made to the Department of Management Services for approval to recruit for the position of Company Inspector and a request has been</p> | <p>While 80 percent of the Company Inspector posts, which are essential posts in the</p> |

on 31 December of the year under review and due to the fact that an officer who had been permanently employed in the post was granted a 05-year local leave up to 31 January 2028, only one officer had been employed in the post of Company Inspector since 31 January 2023.

made to the committee appointed to review the recruitment process in the public service and arrangements are being made for recruitment.

Department, are vacant and since the officers who are responsible for recommending and approving on granting 5 years of local leave to an officer, necessary actions should be taken in this regard. Steps should be taken to fill the vacancies without delay.