

Fuel Price Stabilization Fund - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the “Fuel Price Stabilization Fund” for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(3) 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. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fuel Price Stabilization Fund as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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 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 Matters

The Director General of the Department of Public Enterprises, who is a member of the Management Committee had informed the Audit that the Fund has no going concern and it had been disclosed in the financial statements of the year under review as well.

Moreover, the Director General of the Department of Public Enterprises had informed the Audit on 25 November 2021 that it is suggested to expedite submission of a proposal to the Cabinet for liquidating this Fund and that it is due to obtain Parliamentary approval on taking over, liquidation etc. by the General Treasury relating to establishment, transactions and settlement of liabilities through the said proposal. However, action had not been taken accordingly even by 25 July 2024.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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

1.5 Auditor's Responsibilities for the 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 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.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- 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 scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Operational Review

2.1 Establishment and Maintenance of the Fund

The following observations are made.

Audit Issue	Management Comment	Recommendation
The intended objective of establishing the Fuel Price Stabilization Fund was to maintain a stable fuel price by controlling fluctuations in local prices arising from increases and decreases in world market prices. Although the world market prices of fuel had decreased, the Fund had earned a cumulative net surplus of Rs.22,434,531,371 during the period from March 2020 to January 2021 due to the sale of fuel at the prevailed prices inclusive of surcharges. Even though this surplus could have been maintained as a liquid asset to stabilize the domestic prices in the event of an increase in world market fuel prices, such a provision had not been included in the Cabinet decision. However, in accordance with the approval granted	In terms of the Cabinet Decision No. 20/0684/204/060 dated 02 April 2020 and Paragraph 3 of the Cabinet Memorandum bearing the same number dated 31 March 2020, it had been informed that the unanimous concurrence of the Committee of the Fuel Price Stabilization Fund together with the approval of the Secretary to the Treasury would be sufficient in respect of transactions carried out under the Fund. Further, out of the investment of Rs. 48,000,000,000 made	Action should be taken to operate the Fund actively or to adopt any other appropriate measures so as to achieve the intended objective of establishing the Fund.

thereby, a sum of Rs. 48 billion of the Fund, including funds received from the Department of Treasury Operations, had been granted as a capital contribution to the Ceylon Electricity Board during the year 2020.

Furthermore, with the approval of the Secretary to the Ministry of Finance and the concurrence of the Fuel Price Stabilization Fund Committee, a budgetary provision amounting to Rs. 1,022,280,600 had been allocated for Equity Vote of the Department of Public Enterprises in order to settle the receivable amount of Rs. 1,022,280,600 to the Department of Treasury Operations from the Fuel Price Stabilization Fund. In addition, the capital contribution in the Fuel Price Stabilization Fund to the Ceylon Electricity Board had been transferred to the Department of Public Enterprises. Accordingly, action had been taken during the year 2023 to write off from the accounts the value of Rs. 1,022,280,600 which is the amount payable by the Fuel Price Stabilization Fund to the Department of Treasury Operations and the capital contribution asset of the Ceylon Electricity Board in the Fund.

by the Fund in the Ceylon Electricity Board, the balance investment of Rs. 1,022,280,600 as at 31 December 2022 had been taken over under the expenditure object, Acquisition of Financial Assets- Equity Contribution (2301) of the Department of Public Enterprises. Accordingly, for the purpose of the Treasury acquiring the investment of Rs. 1,022,280,600 belonging to the Fuel Price Stabilization Fund, the corresponding payable amount of Rs. 1,022,280,600 by the Fund to the Department of Treasury Operations as at 31 December 2022 had been set off.

2.2 Present Situation of the Fund

The intended objective of establishing the Fuel Price Stabilization Fund was to maintain a stable fuel price by controlling fluctuations in local prices arising from increases and decreases in world market prices. However, any income had not been collected or expenditure not been incurred during the year under review, and a bank balance of Rs.249,729 remained as at 31 December 2024.