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நிதி அமைச்சு
MINISTRY OF FINANCE

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செயலகம், கொழும்பு 01.
இலங்கை

The Secretariat, Colombo 01.
Sri Lanka

කාර්යාලය } (94)-11-2484500
அலுவலகம் } (94)-11-2484600
Office } (94)-11-2484700

ෆැක්ස් }
பெக்ஸ் } (94)-11-2449823
Fax }

වෙබ් අඩවිය }
වෙබ් සයිට් } www.treasury.gov.lk
Website }

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திகதி } 01.01.2016
Date }

Public Enterprises Circulars No. PED 01/2016

Department of Public Enterprises
General Treasury
Colombo 01

All Secretaries to Ministries,
Chairmen of State Owned Companies.

Audit of State Owned Companies (SOCs)

01. General

- i. In terms of subsection (1) (1) of Section 36 of 19th amendment (Amendment to the Article 154 (1) of the Constitution of Democratic Socialist Republic of Sri Lanka), the Auditor General shall audit the companies registered or deemed to be registered under the Companies Act No.07 of 2007 in which the government or public corporation or local authority holds 50% or more of the shares of that company which are considered as State Owned Companies (SOCs). As the amendment comes into force with immediate effect, the Auditor General shall make arrangements for the audit of those companies from the financial year 2015/2016.
- ii. Since the public funds have been invested in these companies and subsidiaries, the responsibility of overall financial management is vested with Parliament and the General Treasury. The General Treasury is responsible for maintaining financial discipline in the public sector, including State Owned Companies (SOCs).
- iii. In pursuance of the above, regulations, rules, guidelines and directives are issued by the General Treasury, to ensure that boards and management of the State Owned Companies properly discharge their financial responsibilities with due regard to efficiency and effectiveness.

- iv. The Department of Public Enterprises of the General Treasury has been assigned with the monitoring functions of these companies accordingly. Under these circumstances, all aforementioned State Owned Companies (SOCs) are accountable to Parliament and Members of Parliament have the right to raise queries in respect of operations of SOCs and it shall be the responsibility of the Secretary to the line Ministry of SOC, to provide true and fair responses to any questions being raised.
- v. It is the duty of Parliament Committee on Public Enterprises (COPE) which is established to review the Annual Financial Statements and performance of SOCs, to ascertain the extent to which SOCs have achieved performance targets and fulfill social responsibilities. As such the Chairman, Board of Directors, CEO and senior managers with the Secretary to the line Ministry (Chief Accounting Officer), should be present at the reviews, and respond to any queries and matters of concern regarding the activities of the SOC if a SOC is summoned by the COPE. Any officer unable to attend such a review due to unavoidable circumstances, he/she should seek prior approval from the Committee Secretary, giving reasons for his/her inability to attend.

The Secretary to the line Ministry and the Board of Directors shall ensure all directives of COPE are implemented on time and progress reports are submitted to COPE as requested.

02. Facilitation and Cooperation with the Auditor General

The Auditor General shall make arrangements for the audit of those SOCs from the financial year 2015/2016. Accordingly,

- i. the Management of SOC should facilitate the Auditor General,
 - a) to have access to all books, records, returns and other documents
 - b) to have access to stores and other property,
 - c) to furnish with such information and explanations relating to performance of such duties & functions.
- ii. The SOC and its management should extend their fullest support to the Auditor General enabling him to exercise the above rights and collect relevant and material evidence to base his independent opinion on financial statements.

03. Appointment of Auditors for the financial year 2015/2016 and beyond.

- i. Details of auditors already appointed in Annual General Meetings should be rendered immediately to the Auditor General by the Boards of Directors of respective companies enabling the Auditor General to decide the future audit arrangements.

- ii. No external auditors should be appointed for aforementioned companies in Annual General Meetings without prior approval of the Auditor General. The Boards of Directors of such companies should communicate with the Auditor General and his instructions should be followed in relation to their external audits.

04. Audit Fees

The audit fees for auditors already been appointed by shareholders in AGMs may be reviewed and authorized by the Auditor General. As such, details of agreed audit fees payable to those auditors should be sent to the Auditor General.

Audit fees for the audit of SOCs from the financial year 2015/2016 onwards shall be determined by a Committee comprising members of Auditor General's Department, respective line Ministry, respective organization and Department of Public Enterprises.

05. Audit Queries and Audit Reports

The Board of Directors and senior management of State Owned Companies shall ensure that prompt responses are sent to queries raised by the Auditor General. Further, it should also be ensured that a copy of the Final Audit Report is included in the Annual Report for the relevant year.



R H S Samararatunga
Secretary to the Treasury

- Copy to:
1. Secretary to the President
 2. Secretary to the Cabinet
 3. Secretary General of Parliament
 4. Secretary, Ministry of Public Administration and Management Reforms
 5. Auditor General