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MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT, POLICY FORMULATION, PLANNING AND  
TOURISM

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Public Finance Circular No: 04 /2024

Secretaries to the Ministries  
Heads of Special Spending Units  
Heads of the Departments  
District Secretaries  
Heads of State Owned Enterprises including State Corporations, Statutory Boards,  
Universities and Higher Education Institutions

**Implementation of the provisions on Statutory Funds articulated under Section 39 of Part VIII of the Public Financial Management Act No. 44 of 2024**

In terms of the Article 149 of the Constitution, funds not specifically designated by law to be used for any purpose shall be credited to the Consolidated Fund. As such, no public funds shall be held outside the Consolidated Fund unless under very specific circumstances. However, it is reported that a significant number of statutory and non-statutory funds are in existence under different public entities.

02. In order to streamline the functioning of statutory and non-statutory funds with the public finance purview spelt out in the Constitution, it is necessary to carefully review the objectives for which such funds have been established, the actual need of such funds under the current context and the legality of such funds among others.

03. In this backdrop, action has been taken to introduce under the Public Financial Management (PFM) Act No. 44 of 2024 some specific provisions to improve management, control, monitoring, and accountability of statutory funds. Section 39 of the PFM Act on non-statutory funds contains a special provision among others which read as;

**“Any non-statutory fund shall cease its operations from the date of coming into operation of this Act and shall be dissolved within one year from such date and the moneys lying to the credit of such fund shall be remitted to the Consolidated Fund after discharging the liabilities of such fund:**

**Provided however, where the Minister of Finance in consultation with the Secretary to the Treasury, determines that such a non-statutory fund shall continue in operation, such fund shall be converted to a statutory fund as may be prescribed."**

04. As such, in respect of funds which have not been established through a Parliament Act, action has to be taken by the Secretary to the line Ministry as the Chief Accounting Officer, in consultation with the subject Minister, to justify in writing to the Minister of Finance as to why the purposes which are being currently carried out under the particular non-statutory funds cannot be carried out utilizing funds allocated through the Consolidated Fund.
05. In the event, Secretary of the line Ministry, in consultation with the relevant Minister is of the view that any of the existing non- statutory funds deem necessary to continue its operations, action must be taken to report to the Secretary to the Treasury, reasons for continuation of the operations of respective non-statutory fund/s with proper justification as indicated in paragraph 04 above, not later than 31<sup>st</sup> December 2024.
06. Upon receipt of such request, those will be reviewed by a Committee appointed by the Secretary to the Treasury. The line Ministry will be provided with an opportunity to justify their position at the Committee.
07. Based on the recommendations of the Committee, the Secretary to the Treasury shall take necessary action to obtain the determination of the Minister of Finance to whether to continue or for closure of the operations of such non-statutory Fund.
08. After obtaining the determination of Minister of Finance, the approval of Cabinet of Ministers to be obtained to continue such fund to give legal effect to the funds under consideration, through a passage of a Special Act. The Act shall contain specific objectives, powers, duties and responsibilities of Governing Body, revenue sources and expenditure, accounting and, auditing among others.
09. In the event of winding up of a non-statutory fund, following action must be followed. After discharging the liabilities of such fund, excess funds, if any, shall be remitted to the Consolidated Fund.
- i) Any non-statutory fund of which the line Ministry voluntarily expects to wind up or the relevant line Ministry has been asked to wind up a non-statutory fund based on the determination of the Minister of Finance, winding up process shall be carried out by the line ministry with the approval of Cabinet of Ministers not later than 31<sup>st</sup> July 2025.
  - ii) The information pertaining to such closure of the funds shall be duly communicated to the Director General of Public Finance not exceeding a period of four weeks from the date of closure of the funds.



10. Further, your attention is drawn to the fact that, in terms of the Sections 67 and 68 of the PFM Act, the regulations on management of statutory funds applicable to this Act shall be published by the Minister of Finance through a gazette notification, and the approval of Parliament shall be obtained. Until such regulations, instructions and directives are published, existing Financial Regulations of the Government published in the year 1992 and Circulars issued in relation to public funds by the Secretary to the Treasury, and the Heads of Departments of the General Treasury shall continue to be in force, unless they are not inconsistent with the provisions of the PFM Act.

11. For further clarification in this regard, you may contact the Additional Director General of the Department of Public Finance on 0112-484618.



K.M. Mahinda Siriwardena  
Secretary to the Treasury

Copies:

01. Secretary to the President
02. Secretary to the Prime Minister
03. Secretary to the Cabinet of Ministers
04. Auditor General