

All Secretaries to Ministries,
Chairmen of Commercial Corporations,
Government Owned Companies and Statutory Boards including State Banks.

Financial Discipline and Good Governance in Public Enterprises

In order to foster and ensure financial discipline and Good Governance in Public Enterprises and to improve their performance as envisaged in the Mahinda Chinthana, all public enterprises are requested to strictly comply with the following:

1. Secretaries Role as Chief accounting Officer

There have been several instances where Chairmen/CEOs of Statutory Boards, Commercial Corporations and Government Owned Companies take decisions or seek approval from the respective Minister, the Minister of Finance and Planning and the Cabinet of Ministers and the Treasury on matters with financial and policy implications for the Government, bypassing the Secretary of the relevant Ministry under which such Board, Corporations and Companies fall, who is ultimately accountable to the Parliament as the Chief Accounting Officer. It is very important that the Chairmen/ Board of Directors of public enterprises should have prior approval of the Secretary to the relevant Ministry before taking such decisions or seeking such approvals.

In order to ensure compliance of the above requirements the Secretaries to the Ministries should exercise effective monitoring of all public enterprises coming under their purview.

2. Demarcation of functions of Chairmen, Non Executive Board Members and Management

There have also been instances where some non-executive Chairmen/Directors have assumed and exercised executive functions overstepping the limits of their authority resulting in a breakdown of financial discipline and accountability. It is absolutely necessary, that the Chairmen and Directors are mindful of the limits of authority applicable in their respective institutions. For this purpose, Public Enterprises should clearly lay down the delegation of authority among personnel in their respective institutions.

3. Remuneration and benefits of Chairmen and Non Executive Directors

It has been observed that there have been instances where directors have enjoyed benefits and perquisites from the respective enterprises, which they are not entitled to. In this connection your attention is drawn to the Public Enterprises Guidelines for Good Governance and the recent circular No. PED 36 dated 17.01.2006 issued to all public enterprises.

Please bring the contents of this circular to the notice of directors and General Managers of all public enterprises for compliance.



P.B. Jayasundera,
Secretary to the Treasury

- Cc: 1. Secretary to the President
2. Auditor General