

GUIDELINES FOR PREPARING ANNUAL REPORT

DEPARTMENT OF PUBLIC ENTERPRISES
MINISTRY OF FINANCE

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Annual Report Submission Requirements under Finance Act, PED Guidelines, Companies Act and National Audit Act

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Annual Report Submission Process Diagram



WHAT IS THE ANNUAL REPORT?

IN THE CONTEXT OF PUBLIC ENTERPRISES

An annual report is a publication that the Public Enterprises must provide annually to the Parliament describing their operational performance and financial status. The annual report is also a reflection of the performance of the Board of Directors for a **12 months period**.

WHY ANNUAL REPORT?

SUBMISSION OF ANNUAL REPORT IS A MANDATORY REQUIREMENT UNDER DIFFERENT LEGISLATIONS;

Finance Act No. 38 of 1971(Section 14)

- ✚ **Sec. 14** Accounts and Reports to be laid before the Parliament
- ✚ **Sec. 14 (1) Draft Annual Report** needs to be submitted within stipulated time period.
- ✚ **Sec. 14 (3) Public Corporation shall** on receipt of the Audited Accounts, submit the Annual report to the Parliament within the stipulated time period.

Public Enterprises Guidelines for Good Governance (Chapter 06)

- ✚ The Draft Annual Report to be rendered to Auditor General (AG) within 60 days after end of the Financial year with a copy to Director General, Department of Public Enterprises (PED)
- ✚ Table in the Parliament within 150 days (5 months) after the end of financial year.

Provision under the Companies Act No. 07 of 2007 (Section 166)

- ✚ **Obligation to prepare Annual Report**- The board of every company shall within six months after the balance sheet date of the company, prepare an annual report on the affairs of the company during the accounting period ending on that date.

As per the Provision of National Audit Act No. 19 of 2018, the following key areas also need to be addressed in the Annual Report.

- ✚ Whether relevant information and explanations have been obtained in order to AG to do an audit
- ✚ Financial statements have been prepared in accordance with the Sri Lanka Accounting Standards or Sri Lanka Public Sector Accounting Standards
- ✚ Preparation of consolidated financial statements for Group of companies.
- ✚ Whether any member of the governing body of such entity has any direct or indirect interest in any contract entered into by such entity
- ✚ The reasons for expressing a qualified, disclaimer, adverse or similar audit opinion on the annual financial statements examined by the Auditor-General
- ✚ Whether the entity has or has not complied with any applicable written law or other general or special directions issued by the governing body of the entity
- ✚ Whether the entity has performed according to its powers, functions and duties
- ✚ Whether the resources of the auditee entity had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

WHAT SHOULD INCLUDE?

CONTENT OF THE ANNUAL REPORT

Generally the Annual report should describe the following key areas,

- ✚ **Key Business** - This provides overall scope of the entity (i.e., how it makes economic value addition).
- ✚ **Risk assessment and mitigating strategies** - This deal with operational and external risk assessment, while if there is risk committee a report of that committee should be included.
- ✚ **Analysis on financial and operational performance**- Achievement of KPIs and direction towards entity's mission needs to be described with physical performance under this section.
- ✚ **Management's discussion and analysis** - This part explains business results and achievement in the financial year. The owners of the entity will assess the management and board performance comparing the entity's performance with the sectorial behavior.
- ✚ **Statement on Economic Value Added** - This may include analysis of entity's performance under different jurisdictions such as Corporate Social Responsibility (CSR), Human capital, Social impact etc.
- ✚ **Financial Statements and Audit Report** - This includes the company's audited financial statements including the Income Statement, Statement of Financial Position, and Statement of Cash Flows, Statement of Changes in Equity and the Independent Audit Report.

THE CONCISE INCLUSION OF THE ANNUAL REPORT WOULD BE;

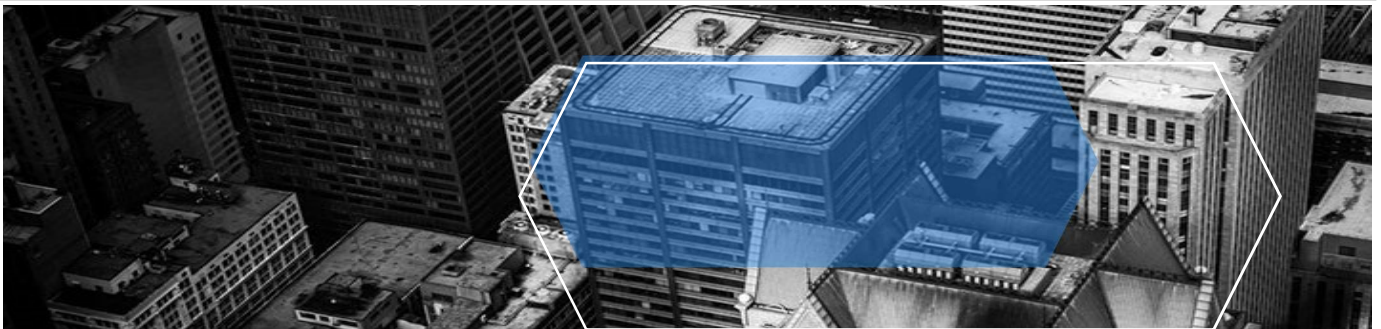
- ✚ Mission and Vision Statement of the entity
- ✚ Brief profile of Directors and Board of Management
- ✚ Chairman's review
- ✚ Directors' report
- ✚ Analysis of Financial and Operational performance
- ✚ Corporate Governance Report
- ✚ Corporate Social Responsibility (CSR) Report
- ✚ Risk Analysis and Risk committee report if any
- ✚ Audit Committee Report
- ✚ Audited Financial Statements
- ✚ Independent Audit Report
- ✚ Financial Highlights in preceding 10 years
- ✚ Sustainability Report



THE PROCEDURE ON TABELLING THE ANNUAL REPORT IN PARLIAMENT

The Cabinet of Minister at their Meeting held on 27th June 2012, has emphasized the necessity of analyzing the shortcomings highlighted in the Auditor General’s report pertaining to the Institutions and the remedial actions shall be taken by the relevant Line Ministry in order to rectify the shortcomings. As such, Cabinet of Ministers has instructed to include the following key components as an annex to the Cabinet Memorandum relates to annual report submission;

- A summary of performance of the institution;
- The steps taken to rectify the shortcomings indicated in the audit queries and audit reports; and
- Medium term measures intended to be pursued to improve the performance of the institution



SUMMARY OF PUBLIC ENTERPRISES DEPARTMENT CIRCULARS APPLICABLE TO ANNUAL REPORT

Circular No.	Date	Subject	Description
PED/05	20.03.2003	Annual Reports and Accounts of PEs	The Annual Report and Accounts needs to be submitted to the Cabinet Sub Committee for approval prior to submission to the Parliament.
PED/08	21.05.2003	Annual Reports and Accounts of PEs	Content of Annual reports and accounts. 1. Audited Balance Sheet 2. Audited Operating and P/L Accounts 3. Reports of Auditor General
PED/12	02.06.2003	Handbook on Public Enterprises Guidelines for Good Governance (Chapter 6)	Contents and Time Target for submitting.
PED/14	31.08.2003	Annual Reports and Accounts of PEs	Copies of the annual report needs to be submitted to the Secretary General of Parliament when it is submitted for the Cabinet approval.

PED/18	20.11.2003	Annual Reports and Accounts of PEs	Send only one copy of Annual Report to the Secretary General of Parliament until it approved by the cabinet.
PED/23	18.05.2004	Submission of Annual Reports and Accounts to Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)	All Specified Business Enterprises should submit copy of audited financial statements to SLAASMB.
PED/43	17.04.2007	Report of the Auditor General	PEs are requested to translate the Audit report in to other two languages.
PED/45	02.10.2007	Presentation of Financial Statements in terms of Sri Lanka Accounting Standards 03	SOEs are requested to adopt accounting standards in preparing the Financial Statements and Annual Budgets.
PED/54	19.01.2010	Sri Lanka Public Sector Accounting Standards - 04 standards	SOEs are requested to adopt. SLPSAS relevant to all Statutory Boards, <ol style="list-style-type: none"> 1. SLPSAS 1 – Presentation of Financial Statements 2. SLPSAS 2 - Cash Flow Statements 3. SLPSAS 3 - Accounting Policies, changes in Accounting Estimates & Errors Statements 4. SLPSAS 4 - Borrowing Cost
PED/3/2013	02.10.2013	Sri Lanka Public Sector Accounting Standards volume (i) and (ii) -10 standards	Further to PED Circular No. 54, 06 standards were introduced to adopt.



ANNUAL REPORT SUBMISSION PROCESS

