Sri Lankan Airlines Limited – 2018 /2019

1.1 Opinion

The audit of the financial statements of the Sri Lankan Airlines Limited ("Company") and the consolidated financial statements of the Company and its subsidiary ("Group") for the year ended 31 March 2019 comprising the statement of financial position as at 31 March 2019 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) 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 report to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter - Material Uncertainty Related to Going Concern

I draw attention to Note 3, which indicates that the Company incurred a loss of Rs.44,022.67 million during the year ended 31 March 2019 with an accumulated loss of Rs.230,590.07 million and, as of that date, the Company's current liabilities exceeded its current assets by Rs.186,339.26 million and total liabilities exceeded its total assets by Rs.177,556.23 million. Further, the Group incurred a loss of Rs.41,700.33 million during the year ended 31 March 2019 with an accumulated loss of Rs.223,488.73 million and, as of that date, the Group's current liabilities exceeded its current assets by Rs.177,725.40 million and total liabilities exceeded its total assets by Rs.168,111.70 million. As stated in Note 3, these events and conditions, along with other matters as set forth in Note 3, indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Having taken into account the mitigating factors as disclosed in Note 3 along with the Cabinet approval on 27 August 2019 and the letter issued by the Secretary to the Treasury on 16 September 2019 obtained for the purpose of the statutory audit for the year ended 31 March 2019, confirming the support of the Government of Sri Lanka (GOSL) to the Company to continue its operations as a "Going Concern", these financial statements have been prepared using going concern assumption. My opinion is not modified in respect of this matter.

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 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 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 Company'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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Audit Scope

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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company ;

- Whether the Company has performed according to its powers, functions and duties; and

- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to "devise and maintain" a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management's general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management's general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Audit Issue	Management Comment	Recommendation
There were Rs.783 Mn (2018 Rs. 793 Mn) worth of A340 peculiar items in the inventory which was fully provided under the slow moving provision. However, it was revealed in audit that in the Aura System (stock system) peculiar items relating to A340 air crafts was only Rs. 728 million. The difference of Rs. 55 million worth peculiar items they had erroneously classified peculiar items related to A320 and A330 air crafts.	Though the system classification is A320 and A330 these have been identified as A340 Peculiar items, Hence the provision is accurate. Management is in the process of reclassifying the items in the Aura system. Further Rs. 51 Mn has been disposed subsequently.	The steps should be taken to rectify the classification errors and dispose these peculiar items as receiving an highest economic benefits.

1.5.2 Non-Compliance with Sri Lanka Accounting Standard

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	**Framework for the Preparation and Presentation of Financial Statements** Though the Company occupies buildings taken over from Air Lanka, previously Air Ceylon, action had not been taken to transfer the ownership of those buildings to the Company. Therefore revaluation had not been done for evaluation the present value of the buildings.	Management is in the view that should not be considered as assets of the Company due to no legal ownership.	Economic benefit of those assets have been enjoying by the Company. Therefore, Company should be rectified the status of ownership of the assets and identify the assets as fixed assets or lease hold assets.
(b)	**LKAS 36 "Impairment of Assets"** The assets allocated to individual cash generating units (CGU) could not be identified to assess whether	Agreed, Will be implemented with SLFRS 16	The assets allocated to individual cash generating units (CGU) should be

there are any impairment at the end of each reporting period.		separately identified. Meanwhile those assets should be evaluated for impairment at least on annual basis to ensure that assets are not overstated.

1.5.3 Unreconciled Control Accounts or Records

Audit Issue	Management Comment	Recommendation
As per LKAS 21- Effects of Changes in Foreign Exchange Rates, non-monetary assets acquired in foreign currency are to be translated to the reporting currency at the rate of prevailing at the date of transaction and to be maintained at the historical rate thereafter. However, the Aura system automatically values the inventory based on the exchange rate at the PO date instead of the date of transferred risk and rewards (GRN Date). Therefore, it was observed a difference of Rs.87,724,205 between the General Ledger and the Inventory system(Aura). Such difference in last year was Rs.76,216,306.	This is not possible to be implemented, as Engineering ERP is not replaced. The amount has increased due to the high depreciation of the LKR.	The Aura system should be developed to use the GRN date for inventory valuation. Further steps should be taken to quantify the said exchange rate impact regularly and reconcile the movement of the difference.

1.5.4 Unauthorized Transactions

Description of unauthorized transaction	Management Comment	Recommendation
The Decision for purchasing six (06) A 330-300 aircrafts and four (04) A350-900 aircrafts, leasing another four (04) A350-900 aircrafts and sell and lease back of above six (06) A 330-300 aircrafts had been taken by the Board of Directors of the Company in 2013 without obtaining approval of the Cabinet of Ministers and without making a proper cost benefit analysis. Further, the Company had not adhered to Government Procurement Guidelines for	This does not relate to the current financial year and was done in 2013 with the approval of the Board of Directors in 2013. Discussions are presently on going with the manufacturer on restructuring the Purchase Agreement entered in to	Detailed and realistic cost benefit analysis should be done before such huge investment made and approval of the Cabinet should be taken. The Company should carefully

obtaining consultative services for above refleeting process and selecting institutions for purchasing and lease aircrafts. However now, the Company is in negotiation with Airbus SAS Company to amend the purchase agreement of four (04) no. of A350-900 aircrafts which are to be delivered in 2020 and 2021 to replace with A321 NEOs and/or A330 NEOs and as at the reporting date amounting to Rs.2,528.12 million (USD 19.21 Mn) had been paid to Airbus as pre-delivery payment. Final decision had not been taken in this connection until the date of this report. Further, a sum of Rs. 16,924.36 million had paid in the year 2016/2017 as compensation in the process of revocation of lease agreements for obtaining four (04) A350-900 aircrafts on lease, without proper cost benefit analysis, which was scheduled to be delivered in the year 2016/2017.	in 2013. The aircraft mix will be decided as per the requirements contained in the new Business Plan and Cabinet approval will be sought prior to entering amending the Purchase Agreement.	decide the mix of aircrafts which can be operates in route network in an effective and efficient manner.

1.5.5 Going Concern of the Organization

The following observations are made.

	Audit Issue	Management Comment	Recommendation
(a)	Bank loan facilities of USD 200 million (approximately equivalent to Rs.31,115 million) and Rupee loans of Rs.26,250 million had been obtained from government banks during the past two years, increasing the indebtedness of the Company. Any capital repayment had not been done up to the date of this report	The company has been under capitalized. The repayment of the facilities obtained from the two state banks will form part of the overall restructuring of the company undertaken by the National Agency for Public Private Partnership (NAPP) under the Ministry of Finance as per the mandate approved by Cabinet.	Management is responsible for running the business economical and profitable manner and minimize the indebtness of the Company.
(b)	Further, the Company had obtained a loan of USD 125 million at an interest rate of LIBO+3.3% from the Credit	This loan has been repaid as per the terms of the loan agreement and the loan	Management is responsible for running the business economical

	Suisse Bank in the year 2017/2018 under the approval of the Board of Directors while submitting the air ticket income of the United Arab Emirates, Kuwait and Saudi Arabia as security.	balance as at 31 Oct 19 has reduced to USD 52.8 M. The Credit Suisse loan will be fully paid by 31-May-2021.	and profitable manner and minimize the indebtness of the Company.
(c)	In June 2019 the Company had issued five year international bonds to the value of US Dollars 175 million with the interest rate at 7 per cent per annum to settle the bond matured in June 2019, under the Government Guarantee.	No Comments.	Management is responsible for running the business economical and profitable manner and minimize the indebtness of the Company.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
The VAT refund amounting to Rs.35,276,585 was outstanding for more than 6 years in reconciliation of VAT Control Account.	IRD has requested for further information on same. We have visited IRD several times and is constantly following up on the same. SLA will liaise with the IRD for a resolution for the VAT refund of Rs. 35,276,585. Intervention is required from the AGs department & Ministry of Finance to expedite the process.	The Company should take necessary action to recover the VAT receivable. Meanwhile, provisions should be made if there is any doubt of recovering refund.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Trade Payables balances aggregating to Rs.8,229,829 were outstanding from the year 2010 onwards due to the	We are following up on outstanding over 24 months and clearing those invoices which need not be settled after	A formalized procedure should be applied to prevent long outstanding payables and should be

delay in the receipt of relevant supporting/approvals from the operations departments in order to make the payments.	inquiry and confirmation from the respective departments. Further, quarterly follow up will be carried out to clear long outstanding on time.	investigated the reasons for current long outstanding balances and ensure to clear them.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Instances of non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Public Enterprises Circular No.PED/12 dated 02 June 2003 on Public Enterprises Guidelines for Good Governance			
(i) Section 5.1.3	Updated copies of the Corporate Plan approved by the Board together with the updated Annual Budget had not been forwarded to the line Ministry, Department of Public Enterprises, General Treasury and the Auditor General at least 15 days before the commencement of the financial year.	A Presidential Expert Committee had been appointed in restructuring Sri Lankan Airlines and their report had been submitted for cabinet approval on 24 April 2019. Furthermore, a new BP was presented to the board and the GOSL. However, the events of 21 April 2019 had a significant impact on the airline. The Business Plan was revised. The revised business plan was approved by the Board and submitted to the Treasury.	Action should have to be taken to get approved the Corporate plan and the Annual Budget from the line Ministry, Department of Public Enterprises, General Treasury and forward to the Auditor General at least 15 days before the commencement of the financial year.
(ii) Section 7.4.5	Annual Board of	A fixed asset verification	Action should be

		Survey had not been carried out to verify the assets of the Company.	is currently in progress and an annual verification will be carried out from 2019/20 onwards	taken to conduct Annual boards of survey to verify the assets of the Company.
(iii)	Section 9.2 (d)	The Organization Chart and the approved cadre of the Company had not been registered with the Department of Public Enterprises, General Treasury.	The company was advised to adopt Guidelines on good governance from April 2017. The first board approved cadre following same was the 2018 cadre which was finalized in February and same has been submitted for registration with the department of public enterprise, General Treasury.	General Treasury approval for the organization chart and the cadre should be obtained.
(iv)	Section 9.3.1 (i)	The Scheme of Recruitments and Promotions (SOR) of the Company had not been approved by the Ministry concerned with the concurrence of the General Treasury.	The employee manual which consists of all policies including the recruitment has been filed with the General Treasury in August 2019 for concurrence and no response received to date.	General Treasury concurrence and approval of Ministry should be obtained for the SOR of the Company.

2 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 44,022.67 million and the corresponding loss in the preceding year amounted to Rs. 17,213.57. Therefore a deterioration amounting to Rs.26,809.10 million of the financial result was observed. The reasons for the deterioration are mainly due to the increase in aircraft fuel cost amounting to Rs.13,634.92 million, the increase in Withholding tax expense amounting to Rs.6,972.27 million and the increase in exchange loss of Rs.9,787.84 during the year under review.

2.2 Trend Analysis of major Income and Expenditure items

	2019 Rs. Mn	2018 Rs. Mn	Improvement/Deterioration Rs. Mn	 Percentage (%)
Revenue				
– Passanger,Cargo, Excess Bagage & Mail	164,928.74	147,333.77	17,594.97	11.94
– Air Terminal, Duty Free, Non Schedule services & Flight	15,411.58	14,100.10	1,311.48	9.30
Expenditure				
Aircraft Fuel Cost	(60,672.78)	(47,037.86)	(13,634.92)	28.99
Employee Cost	(20,368.42)	(19,454.25)	(914.17)	4.70
Airport, Enroute and Passanger Expenses	(29,779.59)	(28,659.44)	(1,120.15)	3.91
Rentals on Leased Aircraft	(29,099.13)	(25,726.29)	(3,372.84)	13.11
Aircraft Maintenance and Overhaul Costs	(26,953.28)	(22,829.07)	(4,124.21)	18.07
Depreciation/Amortization	(1,643.67)	(1,779.49)	135.82	7.63
Selling Marketing and Advertising Expenses	(15,775.49)	(15,633.55)	(141.94)	0.9
Crew Expenses	(6581.52)	(6035.58)	(545.94)	9.04
Other Operating Expenses	(15,056.56)	(6,710.98)	(8,345.58)	124.36
Exchange loss	(11,805.18)	(2,017.34)	(9,787.84)	485.18
Other Income & Gains	4,222.74	5,875.58	1,652.84	28.13
Net Finance cost	(10,850.11)	(8,639.17)	(2,210.94)	25.59
Loss Before Tax	(44,022.67)	(17,213.57)	26,809.10	(155.74)
Loss for the year	(44,022.67)	(17,213.57)	26,809.10	(155.74)

Foreign Exchange loss & Other Operating expenses had been increased by Rs.9,787.84 & 8,345.58 million and as a percentage of 485.18 & 124.36 respectively. However, revenue had been increased by 11.71 percent that is by Rs.18,906.45 million in the year under review comparing with the preceding year.

2.3 Ratio Analysis

	2018/19	2017/18	2016/17	2015/16	2014/15
Current Assets to Current Liabilities(Number of Turns)	0.18	0.23	0.21	0.27	0.48
Percentage of Net Loss to Revenue	24	11	21	10	13

Increase / (Decrease) percentage in Revenue	11.7	19.3	4.6	(02)	09
Overall Yield (Net traffic revenue to Revenue Ton Kilometres) (Rs.)	91.32	84.24	80.08	79.06	80.32
Unit Cost (Rs.)	81.22	69.15	64.79	61.39	61.88
Breakeven Load Factor (%)	88.94	82.09	80.91	77.65	77.03
Revenue per Revenue Passenger Kilometre (Rs.)	9.43	8.62	8.43	8.17	8.22

The following Observations are made

(a) Current Assets to Current Liabilities Ratio of the Company is continuously below one, thereon it shows the weak working capital status of the Company.

(b) Percentage of Net Loss to Revenue had decreased in the preceding year by 10 percent. However, it had increased in the year under review by 13 percent.

(c) Overall Yield had increased continuously from the year 2013/14 to 2016/17, and also it had increased in the year under review by 7.08 (Net traffic revenue to Revenue Ton Kilometers - Rs).

(d) The unit cost had increased gradually from the year 2016/17 and it had increased by the year under review by Rs. 12.07 which is equivalent to 17 percent increase compared with the preceding year.

3. Operational Review

3.1 Operational Inefficiencies

The following observations are made.

Audit Issue	Management Comment	Recommendation
(a) **Underutilization of Aircraft No. 4R-ALS of A 330-200** The Aircraft had been taken on Lease basis for 10 years from June 2017 to May 2027 by the Company,		

	as part of the settlement for terminating Airbus A350 leases with aircraft lessor AerCap. Lease Rental for that was US$ 585,000 per month for first 72 months and US$ 485,000 per month for the each month of the rest of the time. The above Aircraft had been sub – leased to Hi Fly Transporter by the Company from June 2017 to September 2018. Following observations are made in this connection.		
(i)	The aircraft had not been fully utilized from October 2018 to January 2019 after returning by the subleased company. Further, only 169 hours has been utilized the aircraft from February 2019 to June 2019. Standard rate of usage of this type of aircraft is 12 hours per day. Moreover, the Company has paid US$ 5,265,000 as the rental fee to the lessor of that aircraft for the period from October 2018 to June 2019 and it was observed that those expenses were uneconomic.	Closer to lease expiry, SLA and HiFly were engaged in discussions on a possible lease extension and the parties were not able to reach a mutually agreeable solution. Accordingly, at the end of lease HiFly returned the aircraft to Sri Lanka. 4R-ALS was not part of SLA's published flying programme for the period mentioned therein and was used primarily during service disruptions.	Action should be taken to maximum utilization of the aircraft.
(ii)	Even though the Maintenance Engineer had pointed out that the aircraft could not be technically accepted at the end of sub lease period on 02 October 2018, the Company had not considered the above report.	During Borescope Inspection (BSI) of the engines, the inspecting engineer from SLA identified certain maintenance concerns on the engine as being beyond serviceable limits as per the Aircraft Maintenance Manual (AMM). SLA highlighted this matter to the Lessor as well as HiFly and requested that same be brought to the attention of engine manufacturer. However, the final Borescope Inspection report issued by Mesa Maintenance & Engineering – the party contracted by HiFly to conduct the Borescope Inspection – states	A detailed and acceptable inspection should be done prior to get back every aircraft.

	that the condition was within acceptable limits. Accordingly, the Lessor opted to accept the Borescope Inspection report and accept that HiFly has complied with their redelivery obligations. However, subsequently certain repairs had to be carried out on both engines which may be partly attributable to the condition identified at the time of return. Accordingly, upon satisfactory demonstration of these facts by SLA, lessor AerCap agreed to make available a sum of USD 1,235,122.20 towards the repairs which were incurred. This offer was documented through the Side Letter No. 2 to lease agreement dated 19th August 2019 and executed between the parties.	
(b)Though the Company had implemented maximum inventory levels to manage the Engineering inventory effectively, deviations had been observed in 17 no of stock items.	Agreed. In progress	The inventory levels specified in the system should be revisited periodically and update them and authority given to override limits (Min/Max) with business needs should be evaluated.

3.2 Human Resources Management

Service Category	Board approved Cadre	Actual Cadre	Excess/Vacant Cadre
Executives	1,330	1,317	13
Supervisors/Technical Officers/Salesman	1,246	1,226	20
Clerical and Allied	2,127	1,963	164
Skilled and Semi-skilled Workers	1,509	1,582	(73)

Minor employees and unskilled	1,400	695	705
Casual and Trainees	48	11	37
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Total	**7660**	**6794**	**866**

Following Observations are made

	Audit Issue	Management Comment	Recommendation
(a)	The Company had agreed to implement the 05 Collective Agreements and entered into agreements with 05 Unions on 12 September 2014 for the period from 01 June 2014 to 31 May 2017 with effect from 01 June 2014. However, Board Approval for above agreements had been obtained on 21 September 2015 after passing one year. Even though the valid period of those agreements had been expired on 31 May 2017, action had not been taken to renew them even by November 2019. Further, Treasury concurrence with the Ministry approval for those agreements had not been obtained even up to 20 November 2019.	The valid period for the collective agreements had expired in May 2017. Directive has been sought from the Ministry of Finance on repudiation of CBAs, no directive had been received from the Ministry as of now.	Management should take step to enter into collective bargaining agreements with fair conditions to both parties. Specially the Company is going on huge loss making.
(b)	It was observed that the shift allowances paid for Company employees who work at airport of London are computed and approved through the monthly overtime statement itself whereas it is only reflected as a working on the side of the overtime statement and initialed by the finance manager. Therefore, lack of dual control over authorization for shift allowances and overtime payments will lead to errors or frauds to go	Currently the monthly Shift Allowance details are manually entered below the OT claim in the same sheet. Once Airport Manager's approves, Finance Manager verifies with the Roster /Time Cards/rates and authorizes stating 'OT & Shift Allowance checked' and then forwards to RH&EA. Commencing 1 January 2019 payroll duties were	Should be followed a proper method to calculate the shift allowances and introduced dual control over authorization for shift allowances and ot.

unnoticed.	taken over by Finance Manager and RH & EA 's approval is ensured prior to forwarding information to the payroll Company. Commencing November 2019, a separate claim sheet will be introduced for Shift Allowance.	
(c) The staff performance evaluation for the station staff had not been yet concluded for the appraisal years 2017/18 and 2018/19.	Appraisal period in UK is started from 01 June. 2017/18 Appraisals have been completed in Mid-September 2019, 2018/19 appraisals are due now, and the process is ongoing.	The past performance appraisals should be concluded immediately and ensure that the future performance evaluations are also concluded on time.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Issue	Management Comment	Recommendation
As per the paragraph 5.1.1 of Public Enterprise Circular No. PED/12 on 2nd June 2003 corporate plan had not been reviewed annually and continued as one Rolling Plan.	A new Business Plan was developed in line with the expert committee report submitted to HE the President.	Corporate plan should be reviewed annually and continued as one Rolling Plan.

4.2 Annual Action Plan

Audit Issue	Management Comment	Recommendation
The Company had not prepared the action plan clearly identifying the responsibilities of Managers with goals and targets to be achieved during the Plan period as per the para 5.1.2 of Hand Book on "Public Enterprises Guidelines for Good Governance" issued No. PED/12.	Submitted on 24 Aug 2018 to Planning Division Ministry of Public Enterprise Department	The annual action plan should be prepared accordingly and its progress should be reviewed for better control over the performance of the Company.

4.3 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
Due to failure of Sri Lankan Airlines Ltd in being aware of the United Nations Sustainable Development Agenda for the year 2030, action had not been taken to identify the sustainable development goals and targets relating to the activities thereof, along with milestones in respect of achieving those targets, and the indicators for evaluating the achievement of such targets.	Sri Lankan has identified the need to accelerate the progress towards the achievement of the SGDs and demonstrated its commitment and support by executing many worthwhile projects over the years. Sri Lankan has conducted a number of projects in relation to Good Health and Well-being, Quality Education and Clean Water and Sanitation and included these SDGs in their strategies, programs, specific projects and initiatives.	The sustainable development goals and targets should be identified with the coordination of the relevant Ministry and target for the relevant activities should be set out.