

Head 102 – Ministry of Finance

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ministry of Finance - Head 102 for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statements for the year then ended, 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. The summary report including my comments and observations on the financial statements of the Ministry of Finance was issued to the Chief Accounting officer on 16 June 2022 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 28 July 2022 in terms of Section 11 (2) of the Audit Act. This report will be tabled in Parliament in pursuance of Provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Ministry of Finance as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

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 the summary report of the Auditor General 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 Ministry's internal control.
- Evaluate the 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.
- 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with the preceding year.
- (b) Recommendations made by me on financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Imprest Management

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Even though imprests totalling Rs. 2,881 million had been applied from the Treasury by the Ministry in the year 2021 for performing relevant functions as planned, only the imprests totalling Rs. 2,416 million had been granted by the Treasury. Accordingly, imprests had been received in less by a sum of Rs.465 million from the imprests applied.</p>	<p>Even though expenditure requirements had arisen, imprests had been granted in less than the amount applied due to a problematic situation in issuing imprests.</p>	<p>Action should be taken to obtain imprests and perform relevant functions as planned.</p>

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Even though a net provision totalling Rs. 57,190,000 had been made for 32 Objects, the entire provision had been saved due to non-utilization of the said provision in the year under review.</p>	<p>Failure in performing functions as planned due to the Covid 19 pandemic prevailed in the country of the year 2021 had attributed to the said savings.</p>	<p>Action should be taken to utilize provision efficiently to the maximum.</p>
<p>(b) Over provision totalling Rs.1,988,505,300 had been made for 67 Objects and out of that, a total sum of Rs.859,389,689 had been utilized and as such, provision of Rs.1,129,115,611 ranging from 11 per cent to 99 per cent of the provision made for each Object, had been saved.</p>	<p>Provision had been saved due to non-requirement of expenditure as a result of inability of officials to participate in workshops conducted in foreign countries due to the Covid 19 pandemic, failure in submitting estimated expenditure and appointing the Ministerial staff.</p>	<p>Action should be taken to utilize provision efficiently to the maximum.</p>

2.3 Payment and Settlement of Advances

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Outstanding loan balances totalling Rs.556,141 relating to 05 officers who had left the service from a period ranging from 05 years to 17 years, had not been recovered even by the end of the year under review.	Letters have been referred to the Attorney General's Department for taking action on loans of two officers and guarantors of the said two officers have been informed to settle loans of those officers. Moreover, as the approval of the Director General of Public Finance has been received for writing off of the loan balance of one officer, action will be taken to write off the said loan balance in the year 2022.	Attention should be drawn towards taking further necessary action without delay by enquiring into outstanding loan balances.
(b) Loan balances recoverable from officers who had been attached to the Economic and Policy Development Division totalled Rs.4,145,643. However, the Ministry had failed to recover the said loan balances even by the end of the year review.	These loan balances were applicable to the Advance Account maintained at the then Economic and Policy Development Division and action will be taken in future to identify the workplaces, where the persons, from whom these loan balances should be recovered, are employed and to recover the loans or else to write off the loan balances, that cannot be thus recovered, in terms of FR 113 (3).	Necessary further action should be taken without delay in respect of outstanding loan balances.
(c) A loan balance of Rs.170,563 had been outstanding for a period exceeding 03 months relating to an officer who had left the service of the <i>State Ministry of Money and Capital Market</i> and <i>State Enterprise Reforms</i> . The Ministry had failed to recover the said loan balance even by the end of the year under review.	The loan balance recoverable from an officer, was remitted to the Expenditure Head of the Ministry of Finance after dissolving the <i>State Ministry of Money and Capital Market</i> and <i>State Enterprise Reforms</i> and action is being taken to recover the said loan balance.	Action should be taken to recover the outstanding loan balances without delay.

3. Operating Review

3.1 Delay in Execution of Projects

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Provision of Rs.8 million had been made in the year under review for the Social Safety Nets Project (SSNP) executed under domestic funds, foreign loans and aid under purview of the Ministry of Finance. Moreover, provision totalling Rs.489 million had been made for the Financial Sector Modernization Project (FSMP). A sum of Rs.5.2 million representing 65 per cent, out of the provision made for the Social Safety Nets Project (SSNP) had not been utilized due to poor performance of these projects. A sum of Rs. 313 million out of the provision totalling Rs.489 million made for the Financial Sector Modernization Project (FSMP), had been transferred to other Objects without utilizing for the said Project.</p>	<p>Failure in performing relevant functions as planned due to the Covid 19 pandemic prevailed in the country in the year 2021 and submitting expenditure as expected had attributed to the savings of provision. As such, excess provision were transferred to other essential Objects</p>	<p>Provision made for achieving the project objectives should be utilized efficiently.</p>

3.2 Non-presentation of the Progress

Activities for achieving following objectives had been expected to be carried out according to the Action Plan for the year 2021 of the Ministry of Finance.

- (i) Ensure the macro finance operations of Departments coming under the Treasury
- (ii) Providing facilities for business related activities and improvement of the Good Governance
- (iii) Providing facilities for Government investments and ensure the maximum utilization of management of assets and human resources
- (iv) Ensure the trained human resource development for the staff
- (v) Ensure the Accountability and Good Governance

The following observation is made in this connection.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Information on the progress of performing above mentioned functions had not been made available to Audit.	That the necessary action has been continuously taken to maintain a proper financial management during the relevant period, conducting training programmes and participation therein was minimum due to the Covid 19 pandemic prevailed in the year 2021, facilities have been provided to minimize difficulties of entrepreneurs who engage in the field of import and export and faced with problems arisen due to foreign reserves, accounts of Government institutions have been formalized through the ITMIS Project, attention has been drawn towards the management and monitoring of Government assets and maximum utilization of assets and that activities of Departments by which Government revenue is collected, are continuously monitored.	Activities carried out relating to the year under review and the progress thereon should be included in the Performance Report.

3.3 Procurements

(a) Planning of Procurements

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) In terms of the Guideline 4.2.1 (a) and (b) of the Government Procurement Guidelines, the Procurement Entity should prepare a Master Procurement Plan including procurement activities envisaged at least for a period of 03 years. However, the Ministry had not prepared such a Procurement Plan.	Various divisions of the Ministry, had to be closed down in the year 2020 and 2021 due to employees affected by the Covid virus and the Master Procurement Plan could not be prepared due to failure in obtaining necessary information relating thereto.	Action should be taken in terms of provisions in Guidelines of the Government Procurement Guidelines.
(ii) In terms of the Guideline 4.2.1 (c) of the Government Procurement Guidelines, procurement activities for the immediately succeeding year should be prepared in detail. However, the detailed Procurement Plan for the year 2021 had been made available to Audit after closure of the said year, on 19 January 2022.	The detailed Procurement Plan for the year 2021 has been prepared.	Action should be taken to prepare and submit the Procurement Plan within the due period in terms of provisions in Guidelines of the Government Procurement Guidelines.

(b) Supply and Installation of a New Chiller Machine for the Central Air conditioner System of the Old Treasury Building

A private company had been selected as a supply contractor under the National Competitive Procurement method for supply and installation of a new Chiller machine for the Central Air conditioner System of the old General Treasury building and a total sum of Rs. 25,464,689 (including tax) had been paid in the years 2020 and 2021 to the relevant contractor. The following observations are made in this connection.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(i) The Procurement Committee met at first on 23 August 2019 had decided to obtain the consultancy service relating to this procurement from the Ceylon Electricity Board. Accordingly, the Ceylon Electricity Board had submitted an estimate for a sum of Rs. 897,000 for the preparation of a cost estimate and bidding documents.</p> <p>Even though cost estimates should be prepared as accurately as possible, the Ceylon Electricity Board which is the selected consultant, had submitted a cost estimate valued at a total of Rs. 34,000,000 (Excluding Tax) relating to the said procurement and it had been approved by the Procurement Committee as well. Accordingly, when comparing with the price of Rs.23,666,049 (Excluding Tax) submitted by the relevant contractor, it was observed that the cost estimate had increased by Rs.10,333,951 representing 30 per cent.</p>	<p>There is a reduction in the price of the selected contractor than the estimated price.</p>	<p>Action should be taken to prepare estimates as accurately as possible.</p>
<p>(ii) These procurement activities had been commenced on 23 August 2019 and the Procurement Committee held on 10 July 2020 had mentioned that the UL Certificate (Registered by Underwriters Laboratories) is essential for the said supply contract and as the said Certificate was not available with the said selected contractor, it had been decided to repeat the said procurement. Subsequently, the said supply contractor had been selected by inviting bids again under opened quotations, indicating through an Addendum 1 prepared on a Procurement Committee decision that the said Certificate is not essential therefor. Even though procurement decisions should be taken as accurately and as soon as possible, it had not been so done. As such, the sum of Rs. 198,045 spent to publish the first newspaper advertisement in respect of this procurement, had become fruitless.</p>	<p>As per the Addendum I prepared on the Procurement decision dated 31.07.2020 taken at the pre-bid discussion held on 30.07.2020, it has been mentioned on page 25 of the bidding document that the Section 6.1(i) relating to the UL Certificate is not necessary. At the first procurement, no company whatsoever with the said UL Certificate had submitted bidding documents. As such, it was observed at the second session of pre-bid discussion held with individuals who are interested in submitting bids that the said Certificate is not essential. A newspaper advertisement was published with a view to providing</p>	<p>Procurement decisions should be taken as accurately as possible without delay.</p>

equal opportunities to all individuals, who had submitted bids as per the Procurement Guidelines.

- (iii) These procurement activities had been commenced on 23 August 2019 and the said contractor had been awarded the contract on 18 September 2020. Accordingly, a long period of 01 year and 26 days had lapsed for the selection of a supply contractor for the said procurement.
- The said procurement had been commenced on 23.08.2019 and according to its procurement time schedule, it should have been completed on 31.01.2020. As official duties were crippled due to the Covid pandemic prevailed in the country, a long period of 04 months and 14 days than the due period had lapsed for the technical evaluations, thus the bid validity had to be extended.
- Procurement time schedules should be prepared and accordingly, procurements be carried out without delay.

(c) Purchase of a Photocopy Machine for the Parliamentary Affairs Division

A bid valued at Rs. 1,539,000 (Including tax) submitted by a private company under limited quotations had been selected for the purchase of a photocopy machine for the Parliamentary Affairs Division of the Ministry of Finance and payments had been made to the contractor based on the said contract value in the year 2021.

The following observations are made in this connection.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The performance security of 5 per cent of the contractual sum should have been furnished so as to cover the period of 28 days after the date of termination of the supply contract as per Section 2.7 of bidding documents prepared in compliance with the recommendation of the Technical Evaluation Committee for the purchase of the said machine. Nevertheless, those performance securities relating to the supply contract had not been furnished.	In awarding the contract to the relevant institution, performance security had not been obtained and responsibility should be taken to avoid such error in future.	Action should be taken to obtain performance security in terms of provisions of the Government Procurement Guidelines.
(ii) Even though purchase orders had been issued on 20 May 2021 to the selected contractor, an agreement with Conditions	Contract was awarded on the concurrence of both parties with Conditions of the bidding	Action should be taken to formulate a perfect agreement

- including the supply period and the guarantee period of the machine, had not been entered into with the contractor.
- document submitted by the contractor.
- up to the period of supply and enter into it.
- (iii) In terms of Guidelines 4.2.2 and 4.2.3 of the Government Procurement Guidelines, a procurement time schedule had not been prepared under two stages describing steps of each individual procurement action, from the point of commencement until its completion. The relevant machine had been supplied on 14 September 2021 with a delay of 06 months and 24 days after commencing the procurement on 18 February 2021.
- Time schedules had not been prepared for the procurement process.
- A procurement time schedule should be prepared in terms of the Government Procurement Guidelines and procurement activities should be carried out accordingly.
- (iv) A certificate from a Technical Officer, whether the photocopy machine received to the Ministry on 14 September 2021 under the procurement is in compliance with specifications, had not been obtained before making payments to the relevant supply contractor for the said machine.
- The said machine has not been subjected to an examination of a Technical Officer and action will be taken to avoid this error herein after.
- Goods supplied should be examined and certified by a Technical Officer whether those are in compliance with prescribed specifications.
- (v) In case the contractor fails to make the relevant supply on due date under conditions specified in bidding documents relating to the supply contract, it had been indicated that a sum equivalent to 0.05 per cent of the contractual amount should be deducted for each day as delay charges. The order relating to the said supply contract had been issued on 21 May 2021 and the said supply was made after a period of 06 months and 24 days from the date of issue. However, as agreements had not been entered into up to the period of supply pertaining to the said supply contract, delay charges were unable to recover as per the said Condition.
- Delay charges were not recovered.
- Action should be taken to prepare and enter into agreements perfectly up to the period of supply and relevant procurement activities should be carried out in terms of Conditions of the agreement.

(d) Purchase of 02 Photocopy Machines for the Establishments Division and the Accounts Division

A bid valued at Rs. 950,000 for 02 Photocopy Machines at a rate of Rs.475,000 (Including tax) per machine, submitted by a private company under limited quotations had been selected for the purchase of 02 photocopy machines for the Establishments Division and the Accounts Division of the Ministry of Finance and the said sum had been paid to the supplier in the year 2021.

The following observations are made in this connection

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) Procurement activities relating to the purchase of these photocopier machines had been commenced on 22 March 2021 and the relevant machines had been purchased on 03 September 2021; after delay of 05 months and 12 days. Moreover, in carrying out this procurement, procurement time schedules had not been prepared in terms of Government Procurement Guidelines.	Procurement time schedules could not be prepared and more time had been taken to purchase those goods to the Ministry.	Action should be taken to prepare a procurement time schedule in terms of the Government Procurement Guidelines and to carry out procurements accordingly.
(ii) In case the contractor fails to make the relevant supply on due date under conditions specified in bidding documents relating to the said supply contract, it had been indicated that a sum equivalent to 0.05 per cent of the contractual amount should be deducted for each day as liquidated damages. The order relating to the said supply contract had been issued on 01 June 2021 and the said supply was made on 03 September 2021; after a period of 03 months and 02 days from the date of issue. However, as agreements had not been entered into specifying the period of supply pertaining to the said supply contract and relevant conditions, liquidated damages were unable to be recovered as per the said Condition.	Delay charges were not recovered.	Action should be taken to prepare and enter into agreements perfectly indicating the period of supply and relevant procurement activities should be carried out in terms of Conditions of the agreement.
(iii) A certificate from a Technical Officer, whether the 02 photocopier machines received to the Ministry on 03 September 2021 under the said	The said machine has not been subjected to an examination of a Technical Officer and action will be taken to avoid this error hereinafter.	Goods supplied should be examined and certified by a Technical Officer whether those are in compliance with prescribed

procurement, is in compliance with specifications, had not been obtained before making payments to the relevant supply contractor for the said machines.

specifications.

3.4 Assets Management

----- Management of Motor Vehicles

The following observations are made

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even though 28 vehicles owned by the Ministry had been released to the Office of the State Minister, Departments, Corporations and other institutions, those had not been transferred in a proper manner.	Vehicles had been provided to other institutions on temporarily basis.	Action should be taken to transfer those vehicles properly or taken over to the Ministry again.
(b) A vehicle had been obtained to the Ministry from another institution contrary to proper transfer procedure.	One vehicle had not been taken over to the Ministry of Finance.	Vehicles should be taken over properly or provided to those institutions.

4. Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A number of 1024 appeals had been received by the Tax Appeals Commission from the year 2016 to 31 December 2021 and, hearing of 569 appeals out of that, regarding the tax of contentious nature amounting to Rs. 113,154,326,286 had not been	Hearing of newly registered appeals can be commenced only after concluding appeals which were already commenced by then. However, hearing of appeals registered during the early part of the year 2019,	Hearing of tax appeals should be expedited.

- commenced even by 31 December 2021. Two years (721 Days) had lapsed without commencing the hearing even by 31 December 2021 from the date of registration of 227 (40 per cent) out of 569 appeals not commenced the hearing. The value of tax of contentious nature relating thereto totalled Rs.47,726,623,490.
- (b) In terms of Section 10 of the Tax Appeals Act, No. 23 of 2011, it had been specified that the Commission shall hear all appeals received by it and make its determination in respect thereof, within 270 days from the date of the commencement of its sittings for the hearing of each such appeal. The tax of contentious nature relating to 134 appeals representing 58 per cent of appeals registered from the year 2016 to the year 2021 but being heard even by 31 December 2021, amounted to Rs. 21,753,083,864. Even though a period ranging from 288 days to 1,515 days had lapsed from the date of receipt of appeals, determinations in respect thereof had not been made even by 31 December 2021.
- (c) In terms of Section 2(2) of the Tax Appeals Act, No. 23 of 2011, the Commission shall comprise not more than nine members three of whom shall be appointed from amongst retired Judges of the Supreme Court or the Court of Appeal. Six other members shall be the persons who have wide knowledge of, and have gained eminence in the fields of Taxation, Finance and Law. However, when examining the current composition, it was observed that even
- have been commenced by August 2022.
- The Section 10 of the Tax Appeals Commission (Amendment) Act, No.23 of 2011 is only a Directory Section but not a Mandatory Section as per definition of the Courts of Appeal. It has been ensured in Courts Decision bearing Nos. CA(TAX)17/2013, CA(TAX)09/2017 and CA/(TAX)/2017. The practical process of hearing cases is very complex and the relevant parties have to be given the required period. Both parties should be heard according to the principal of natural justice and it takes more time in many cases. Under such circumstances, determination of appeals within 270 days is not practical.
- It is accurate.
- In terms of provisions of the Act, tax appeals should be heard and made its determination expeditiously.
- Composition of the Commission should be made in terms of the Tax Appeals Commission Act.

5 out of 9 members were the retired Judges of the Supreme Court or the Court of Appeal.

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| (d) | In terms of Section 8(3) of the Tax Appeals Act, No. 23 of 2011, the fees shall be determined by the Commission by rules made, from time to time. However, the fees charged in submitting tax appeals had remained as a fixed amount of Rs.2,500 since the year 2012. | It is accurate. | Action should be taken to revise the tax appeals fees in terms of the Tax Appeals Commission Act. |
| (e) | In terms of Section 11 of the Tax Appeals Act, No. 23 of 2011, Where Commission does not reduce or cancel an assessment in respect of which an appeal had been preferred in terms of powers vested in the Commission (Section 9(10)), the appellant may be ordered to pay as costs of a sum not exceeding rupees five thousand. No recovery whatsoever had been made in terms of provisions of the Act to recover the cost relating to appeals of which the assessment was not reduced or cancelled and remained from the year 2016 up to 31 December 2021; the selected sample. | As it should be decided by the members of the Commission, action will be taken to draw attention of the Commission thereon. | Action should be taken to cover the cost in terms of provisions of the Tax Appeals Commission Act. |
| (f) | In terms of Section 4(2) of the said Act, two members of the Panel of Legal Advisors shall be nominated by the Commission to attend the hearings of the Commission. The Secretary of the Tax Appeals Commission had informed by the Letter No. TAC/ADMIN/CMA/03/2018 dated 30 November 2021 issued to the Ministry of Finance that 07 Legal Advisors have been appointed. However, it was observed when hearing tax appeals relating to a tested sample that appeals had been heard only with the participation of one member of the Panel of Advisors. | It is accurate. | Appeals should be heard with the participation of members of the Panel of Advisors in terms of provisions of the Tax Appeals Commission Act. |

- (g) In terms of Sub-section 1(a) of Section 7 of the Tax Appeals Commission Act, No. 23 of 2011, a bank guarantee for the equivalent amount of 25 per cent of the sum of contentious nature which shall remain valid until the appeal is determined by the Commission, shall be furnished by the appellant. When examining whether the 26 files on appeals selected randomly, are in compliance with provisions of the said Section, there were 17 files on appeals with expired bank guarantees.
- A Database on files has been created by officers in charge of tax files and accordingly, letters will be issued to update the bank guarantees. Even though letters have been issued for updating bank guarantees in tax files, some appellants do not update bank guarantees regularly.
- Action should be taken to maintain bank guarantees in an updated manner in terms of the Tax Appeal Commission Act.
- (h) In the examination of the selected sample consisting 323 appeals for which determinations were made from the year 2016 to 31 December 2021, a period of 1,050 normal days were taken to make a determination for one tax appeal from the date of registration of the appeal. Further, a period over 2 years (720 days) had been taken to make determinations for 80 per cent out of 323 tax appeals which was the selected sample.
- Hearing of tax appeals were delayed as a result of non-maintenance of the Commission under 3 committees for a long period due to reasons such as delay in appointing members of the Commission, non-assumption of duties and leaving the service, lack of permanent office premises, committee members falling sick from time to time, taking more time continuously to comment by relevant parties, parties not appearing at certain occasions and requesting for time, lock down of the country from time to time due to Covid 19 pandemic.
- Measures should be taken to expedite the making determinations for tax appeals.
- Three committees had remained idle due to termination of the office of 5 members including the Chairman on 02.07.2022.
- (i) A number of 344 and 98 meetings of the Commission were held respectively in the years 2020 and 2021 concerned. However, Tax Appeals Commission was inoperative for 4 months each during the said period comprising 03 Tax Appeals Committees and when considering 3 committees, the annual average of
- It is accurate.
- Tax Appeals Committee meetings should be held continuously.

holding meeting per committee had been 114 and 33 in the years 2020 and 2021 respectively.

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| (j) | In terms of Section 7(1) (a) of the Tax Appeals Commission Act, a person has right to appeal to the Commission in respect of tax or duty of contentious nature under provisions of Sections or enactments specified in Schedules I and II of the Act. The Inland Revenue Act, No.24 of 2017 and Sections of the said Act relating thereto which was the tax law, coming into operation from 01 April 2018 had not been included in these schedules. | It is accurate. | Tax Appeals Commission Act Should be amended in terms of Sections of the Inland Revenue Act. |
| (k) | In terms of Section 140 of the Inland Revenue Act, No. 24 of 2017, a person has the right to appeal to the Commission even when 90 days have lapsed since the request for administrative review was made. However, Section 7(1) of the Tax Appeals Commission Act had not been amended based on those matters. | It is accurate. | - do - |

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The entire cadre of the Ministry as at 31 December 2021 stood at 63 and it included 18 vacancies in the senior level.	Action has been taken to attach the Staff Officers as well, who served in the Ministry of Implementation of Economic Policies and Plans which has been abolished at present, to vacancies of this Ministry and as duties have been assigned to officers on covering basis until the officers will be attached to remaining vacancies, it has not adversely affected the performance of the Ministry.	In case it will adversely affect the performance, measures should be taken to fill those vacancies or if not, to revise the approved cadre.

- (b) A total sum of Rs.4,303,272 had been paid as salaries and allowances as at 31 December 2021 to 10 officers who were released to the service of other institutions, by the Ministry of Finance.
- Amongst Officers who have been temporarily attached to institutions as per the request made by several institutions according to exigencies of service, 07 officers attached to the Prime Minister's Office have been released to this Ministry by now.
- Action should be taken to release officers properly so as to enable to obtain salaries and allowances from the place of work.