



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**PUBLIC FINANCIAL MANAGEMENT
ACT, No. 44 OF 2024**

[Certified on 08th of August, 2024]

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*Public Financial Management
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L.D.—O. 48/2023

AN ACT TO MAKE PROVISIONS TO STRENGTHEN ACCOUNTABILITY ,
OVERSIGHT, MANAGEMENT AND CONTROL OF PUBLIC FUNDS IN THE
PUBLIC FINANCIAL MANAGEMENT FRAMEWORK WITH THE VIEW TO
IMPROVING FISCAL POLICY FOR BETTER MACROECONOMIC
MANAGEMENT; TO CLARIFY INSTITUTIONAL RESPONSIBILITIES RELATED
TO FINANCIAL MANAGEMENT; TO STRENGTHEN BUDGETARY
MANAGEMENT, TO FACILITATE PUBLIC SCRUTINY OF FISCAL POLICY
AND PERFORMANCE; TO REPEAL THE SECTIONS 8 AND 14 OF PART II
OF THE FINANCE ACT, NO. 38 OF 1971; TO REPEAL THE FISCAL
MANAGEMENT (RESPONSIBILITY) ACT, NO. 3 OF 2003 AND TO
PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL
THEREO.

BE it enacted by the Parliament of the Democratic Socialist
Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Public Financial
Management Act, No. 44 of 2024.

Short title and
date of
operation

(2) All the provisions of this Act other than the provisions
specified in subsection (3), shall come into operation on the
date on which the Bill becomes an Act of Parliament.

(3) The Minister of Finance shall for the implementation
of the provisions specified in paragraphs (a) and (b) of this
subsection, appoint such date or dates by Order published
in the *Gazette* -

- (a) the date or dates from which the provisions of
paragraph (f) of subsection (5) of section 11,
subsection (1) of section 17, paragraph (b) of
subsection (2) of section 18, section 36 and
paragraph (a) of subsection (1) of section 47 shall
come into operation:

Provided that, the provisions of paragraph (f) of subsection (5) of section 11 shall come into operation on a date not later than thirtieth day of June 2025; and

- (b) the date from which the provisions of subsection (2) of section 34 shall apply in respect of the entities specified in subparagraph (ii) of paragraph (a) of subsection (2) of section 3.

Objects of the
Act

2. The objects of this Act shall be –

- (a) to set out standards, requirements, rules, and procedures for transparency, accountability, discipline, effectiveness, efficiency, and economy in the management of the public finance including the revenues, expenditures, commitments, financing arrangements, equity, assets and liabilities;
- (b) to specify the requirements and procedures to be adhered to, in the management of public finance including the implementation of fiscal responsibility objectives and rules, planning, formulation, adoption and implementation of annual budget along with the processes of monitoring, evaluation, internal controls, accounting, and reporting; and
- (c) to specify performance and accountability requirements.

PART I

APPLICATION OF THE ACT

3. (1) In addition to the provisions enshrined in Articles 148, 149, 150, 151 and 152 of the Constitution, the provisions of this Act, any regulation, and directive made thereunder, unless specifically excluded from this Act, shall apply to the management of the public finance.

Application of
the provisions of
this Act

(2) The provisions of this Act shall apply to the entities and persons specified below -

(a) the following entities (hereinafter referred to as the “public entities”): -

(i) budgetary entities;

(ii) Statutory Funds and Trusts to which public finances are allocated;

(iii) State-Owned Enterprises; and

(iv) Provincial Councils, Provincial Ministries, Provincial Departments, other Institutions functioning under the Provincial Councils, and Local Authorities in terms of the relevant written laws;

(b) Officers and employees of public entities to whom a power or duty is conferred, delegated or assigned under this Act or any regulation made thereunder, including a Chief Accounting Officer, Accounting Officer or a competent authority referred to in Part VI of this Act.

- (3) Every public entity and persons referred to in subsection (2) in respect of which this Act applies, shall notwithstanding anything to the contrary in the provisions of any other written law, comply with the provisions of this Act in managing public funds allocated to or levied by any such public entity under any written law.

PART II

POWERS, DUTIES AND FUNCTIONS OF THE MINISTER OF FINANCE AND OTHER AUTHORITIES

Powers, duties
and functions of
the Minister of
Finance under
this Act

4. (1) The Minister to whom the subject of Finance has been assigned under Article 44 or 45 of the Constitution (in this Act referred to as the “Minister of Finance”) shall in addition to the powers conferred under Article 150 of the Constitution, be responsible for –

- (a) developing policies that achieve fiscal sustainability and effective management of fiscal risks including the identification of the sources of fiscal risks and publication of information in relation to the same;
- (b) ensuring compliance with the fiscal responsibility requirements under Part III of this Act;
- (c) managing the preparation of the annual budget and monitoring its implementation along with the overall supervision on collecting revenues, management of the expenditure, public debt and the Government’s cash and liquidity position;
- (d) the general oversight of all the financial operations of the Government along with the extent of the financial oversight in relation to the State-Owned Enterprises, as may be prescribed; and

(e) the implementation of provisions of this Act.

(2) The Minister of Finance shall -

- (a) carry out any other powers and functions assigned to the Minister of Finance by this Act or any other written law; and
- (b) be accountable to Parliament for the effective application of the provisions of this Act and regulations made under this Act.

(3) The Minister of Finance may, by Order published in the *Gazette*, delegate to the Secretary to the Treasury any power conferred on the Minister of Finance by this Act except under subsection (1) of section 28, subsection (3) of section 32, subsection (4) of section 39, section 56 and section 67, subject to the conditions, reservations and restrictions, as may be specified in that Order.

5. (1) The Secretary to the Ministry of the Minister of Finance appointed by the President in terms of paragraph (1) of Article 52 of the Constitution, shall be the head of the General Treasury (in this Act referred to as the “Secretary to the Treasury”).

Powers, duties,
and functions of
the Secretary to
the Treasury

(2) In addition to the powers, duties, functions and responsibilities assigned by any other written law, the Secretary to the Treasury, for the purpose of achieving the objects of this Act, shall –

- (a) assist the Minister of Finance to perform his functions under this Act;
- (b) assist the Minister of Finance for preparation and execution of the annual budget;

- (c) manage the Treasury cash flow and oversee the management of the official bank accounts maintained under the Treasury single account;
- (d) ensure compliance with statutory requirements on the preparation of annual financial statements and reports of the Government, their submission to the Auditor-General, and dissemination of related information to the general public;
- (e) monitor the implementation and evaluate the results of public investment projects and public-private partnership projects;
- (f) subject to the approval of the Cabinet of Ministers, formulate policies and strategies for the effective management and overall supervision of State-Owned Enterprises;
- (g) assist the Minister of Finance to manage the public sector cadre and remuneration in compliance with the national remuneration policy;
- (h) formulate, develop, review, and update directives for the financial management, management of assets and internal audit management of public entities;
- (i) enter into agreement with foreign Governments, international organizations or other donor agencies on behalf of the Government upon the approval of the Cabinet of Ministers; and
- (j) carry out any other powers and functions assigned to the Secretary to the Treasury under this Act and by any other written law, which are not inconsistent with the provisions of this Act.

6. (1) The Secretary to the Treasury may in writing and subject to such conditions as may be specified therein, delegate to the Deputy Secretary to the Treasury or any officer not below the rank of a Director-General in the General Treasury, the powers, duties and functions conferred to the Secretary to the Treasury under section 5 of this Act.

Delegation of powers, duties and functions of the Secretary to the Treasury

(2) The Secretary to the Treasury may, notwithstanding any delegation made under subsection (1), by himself, exercise, perform or discharge any power, duty or function so delegated and may at any time revoke any such delegation.

(3) Notwithstanding the Secretary to the Treasury having ceased to hold office, any delegation made under subsection (1) shall continue in force.

7. The powers, duties, and functions of the Chief Accounting Officer, Accounting Officer and a Revenue Accounting Officer under this Act shall be as prescribed.

Powers, duties, and functions of the Chief Accounting Officer, &c.

8. (1) The Minister of Finance shall appoint a Revenue Management Committee consisting of members as specified in subsection (2) which shall be responsible for -

Revenue Management Committee

- (a) developing and formulating revenue strategies consistent with the fiscal strategy statement specified in section 11; and
- (b) providing strategic advice to public entities that generate revenue.

(2) The Revenue Management Committee shall consist of -

- (a) the following *ex-officio* members namely –
- (i) the Secretary to the Treasury who shall be the Chairperson;
 - (ii) a Deputy Secretary to the Treasury in charge of the subject of fiscal policy;
 - (iii) the Commissioner-General of Inland Revenue;
 - (iv) the Director-General of Customs;
 - (v) the Commissioner-General of Excise;
 - (vi) the Director General of the Department in charge of the subject of Treasury Operations;
 - (vii) the Director-General of the Department in charge of the subject of Fiscal Policy; and
- (b) two other members appointed by the Minister of Finance from among persons who have achieved eminence in the field of revenue management.

(3) The Secretary to the Revenue Management Committee shall be an officer of the Department responsible for the subject of fiscal policy, nominated by the Secretary to the Treasury.

(4) An appointed member of the Revenue Management Committee may resign from such Committee by a letter addressed to the Minister of Finance.

(5) Subject to the provisions of subsection (4), an appointed member of the Revenue Management Committee shall serve on such Committee for a period of three years and shall be eligible for reappointment.

(6) The functions of the Revenue Management Committee, and the manner of the classification, collection, and deposit of the revenue, refund from revenue and reporting requirements shall be as prescribed.

(7) The functions of the Revenue Management Committee shall be carried out, subject to any applicable written law, in such manner so as not to create any conflict between the Revenue Management Committee and functions being carried out by any public entity specified in paragraph (a) of subsection (2) of section 3.

PART III

FISCAL RESPONSIBILITY

9. The Government shall manage its fiscal policy in an accountable, efficient, fair, transparent, and sustainable manner in line with the provisions of the Constitution, to ensure macroeconomic stability and economic growth of the country and intergenerational equity.

Fiscal
responsibility of
the Government

10. The objectives underlying responsible fiscal management which need to be adhered to by the Government shall be as follows: -

Objectives
underlying
responsible fiscal
management

- (a) ensure that public debt is reduced to, and maintained at, a sustainable level;
- (b) create and maintain fiscal buffers that secure against future shocks;
- (c) manage and mitigate fiscal risks in a prudent manner;

10 *Public Financial Management
Act, No. 44 of 2024*

- (d) ensure discipline, transparency, and accountability in fiscal management;
- (e) lengthen the time horizon of fiscal planning by establishing requirements for the development and publication of an annual fiscal strategy statement and rolling five-years medium-term fiscal framework; and
- (f) facilitate effective scrutiny of the fiscal performance of the Government.

Fiscal strategy
statement

11. (1) The fiscal strategy of the Government shall comply with the fiscal responsibility framework specified in this Part to ensure achievement of the objectives specified in section 10 and shall be set out in the fiscal strategy statement.

(2) The fiscal strategy statement shall be prepared by the Minister of Finance annually and be submitted it to the Cabinet of Ministers for approval.

(3) Upon obtaining approval of the Cabinet of Ministers under subsection (2), the fiscal strategy statement shall be announced by the Minister of Finance at Parliament on or before thirtieth day of June of each year. Annual budget for the next year shall be prepared based on such fiscal strategy statement. The fiscal strategy statement shall be published on the official website of the Ministry of the Minister of Finance upon the announcement made by the Minister of Finance.

(4) The purpose of the fiscal strategy statement shall be to –

- (a) provide the Parliament and the public with a formal statement of the Government’s fiscal strategy before the annual budget is prepared;

- (b) provide strategic guidance for the upcoming annual budget;
 - (c) establish the basis upon which fiscal performance shall be evaluated objectively;
 - (d) strengthen Parliamentary oversight of performance against the Government's fiscal strategy; and
 - (e) enhance fiscal transparency and accountability.
- (5) The fiscal strategy statement shall, at a minimum –
- (a) specify the Government's fiscal targets and the policies being implemented to ensure achievement of such targets;
 - (b) include proposed timeframe for the reduction of public debt to a sustainable level;
 - (c) explain how the Government's fiscal targets and policies are consistent with the objectives of responsible fiscal management;
 - (d) include the medium-term fiscal framework specified in section 12;
 - (e) provide an assessment of performance against the fiscal strategy, including –
 - (i) an assessment of compliance with the fiscal targets for the preceding financial year, including an explanation of any non-compliance with such targets;

12 *Public Financial Management
Act, No. 44 of 2024*

- (ii) an assessment of expected compliance with the fiscal targets for the current financial year;
 - (iii) an assessment of expected compliance with the fiscal targets for the next financial year and the four succeeding years; and
 - (iv) an assessment of risks of non-compliance with the fiscal targets for the current financial year and the next financial year;
- (f) specify the main sources of fiscal risks against to the attainment of the objectives specified in section 10 and the estimate of the fiscal impact of such fiscal risks; and
- (g) disclose the macroeconomic impact of fiscal decisions taken over the past three years.

Medium-term
fiscal framework

12. (1) The Minister of Finance shall ensure preparation of a medium-term fiscal framework for the upcoming financial year and for the four succeeding financial years which shall be approved and published within the fiscal strategy statement referred to in section 11.

(2) The medium-term fiscal framework shall include, at a minimum -

- (a) a primary balance target consistent with the debt reduction objectives of the Government expressed as a percentage of the forecast nominal gross domestic product;
- (b) a primary expenditure ceiling of the Government expressed in Sri Lankan rupees calculated under section 15; and

- (c) the fiscal aggregate projections and supplementary targets of the Government for the rolling five-years horizon, together with the economic and other assumptions used to prepare these projections.

(3) For the purpose of achieving a sustainable level of public debt, the medium-term fiscal framework shall determine an annual primary balance target as specified in section 14, and a primary expenditure ceiling within the limit as specified in section 15.

(4) The annual budget shall be in accordance with the primary balance target and the primary expenditure ceiling set out in the medium-term fiscal framework as specified in subsection (2).

13. (1) The debt reduction objective referred to in paragraph (a) of section 10 requires the Government to ensure that public debt shall be reduced to and maintained at a sustainable level adhering to the limits and time frame specified in the fiscal strategy statement pursuant to the paragraph (b) of subsection (5) of section 11.

Debt reduction
objective

(2) The Minister of Finance shall ensure the preparation and publication of a debt sustainability analysis on an annual basis that takes account of the fiscal performance and any revisions that may be required to the fiscal strategy statement or the medium-term fiscal framework as specified under sections 11 and 12, respectively.

14. (1) The primary balance target set by the Minister of Finance in the medium-term fiscal framework for the upcoming financial year and the four succeeding financial years, consistent with the debt reduction objective, shall be—

Primary balance
target

- (a) served as a medium-term fiscal anchor to address all aspects of fiscal planning and policy development; and
- (b) updated annually to reflect observed fiscal outcomes and to ensure ongoing consistency with the debt reduction objective in section 10.

(2) In case of non-compliance or anticipated non-compliance with the primary balance target included in the medium-term fiscal framework, the Minister of Finance shall submit to Parliament and publish within six weeks from the date of such non-compliance or anticipation as the case may be, the following:-

- (a) a report containing an assessment explaining the reasons for non-compliance with the primary balance target;
- (b) an updated medium-term fiscal framework; and
- (c) a fiscal plan to return to compliance with the primary balance target in the current and the next financial year in case of non-compliance with the primary balance target.

Primary
expenditure of
the Government

15. (1) The primary expenditure of the Government shall not exceed thirteen *per centum* of the estimated nominal gross domestic product for the relevant financial year.

(2) The primary expenditure ceiling specified in the medium-term fiscal framework for the upcoming financial year and for the four succeeding financial years expressed as a nominal amount calculated with reference to forecast nominal gross domestic product calculated by the Ministry

of the Minister of Finance as the case may be, shall also be consistent with the primary balance target specified in section 14.

(3) The primary expenditure ceiling calculated as per subsection (2) –

- (a) for the upcoming financial year shall be binding for the annual budget for the upcoming financial year at the time of its submission, approval, and execution;
- (b) for the four succeeding financial years shall be updated on an annual basis to reflect the latest estimates for nominal gross domestic product for the relevant financial years and to ensure ongoing consistency with the primary balance target specified in section 14.

(4) The primary expenditure ceiling may be initially reviewed no sooner after five years from the date of coming into operation of this Act, and be reviewed every five years thereafter, and shall be updated to be consistent with the primary balance target and the debt reduction objective.

16. (1) Any deviation from the primary expenditure ceiling specified in the medium-term fiscal framework for any financial year, may be made by the Government only under the circumstances specified in subsection (2) and shall be subject to the procedures specified in subsection (3).

Deviation from
the primary
expenditure
ceiling

(2) The Government may exceed the primary expenditure ceiling specified in the medium-term fiscal framework only in the unanticipated events or natural disaster posing significant threats to national security, national economic

security or the public health and safety of the country which necessitate additional, temporary and targeted public expenditure beyond any contingencies included in the annual budget.

(3) Where any situation specified in subsection (2) arises or is likely to arise that requires expenditure in excess of the primary expenditure ceiling specified in the medium-term fiscal framework, the Minister of Finance shall request by way of resolution, the approval of Parliament for the deviation from the primary expenditure ceiling and supplementary appropriations in excess of the primary expenditure ceiling specified in the medium-term fiscal framework.

(4) The request referred to in subsection (3) shall be accompanied by, at a minimum –

- (a) a statement explaining the circumstances in consequence of which the need for such deviation arose, including supporting data, and how those circumstances justify the deviation;
- (b) a recovery plan that shall contain information and targeted actions to be taken to manage the circumstances specified in subsection (2) including additional spending, and actions to be taken by the Minister of Finance to return to compliance with the primary expenditure ceiling, and the timeframe for such return to compliance;
- (c) a supplementary estimate proposal in line with section 26; and
- (d) an updated medium-term fiscal framework.

(5) The documents specified in subsection (4) shall be published on the official website of the Ministry of the Minister of Finance.

17. (1) The aggregate stock of outstanding Government guarantees at the end of each financial year shall not exceed 7.5 *per centum* of the average gross domestic product (hereinafter referred to as the “guarantee limit”) of the relevant financial year and preceding two financial years. Guarantee limit

(2) The guarantee limit specified in subsection (1) shall be reviewed every five years after the date of coming into operation of this Act and be updated to ensure consistency with the debt reduction objective specified in the fiscal strategy statement.

(3) In case of a breach of the guarantee limit specified in subsection (1), the Minister of Finance shall submit to Parliament and publish on the official website of the Ministry of the Minister of Finance a report specifying, at a minimum-

- (a) the reason for such breach; and
- (b) actions to ensure compliance with the guarantee limit in the future.

PART IV

PREPARATION AND APPROVAL OF ANNUAL BUDGET

18. (1) The annual budget shall include the estimates of expenditure of the public entities which are allocated to a Head of Expenditure number. Scope of the annual budget

(2) The annual budget shall –

- (a) be presented in the form of the appropriations by Head of Expenditure; and
- (b) be classified in line with the internationally accepted practices.

(3) The Appropriation Act shall envisage expenditure from the Consolidated Fund subject to Articles 150, 151 and 152 of the Constitution.

Compliance with
fiscal
responsibility
requirements

19. (1) The Appropriation Bill and the draft annual budget estimates presented to Parliament shall be consistent with the fiscal strategy statement and the medium-term fiscal framework developed in accordance with the provisions of this Act.

(2) The draft annual budget estimates shall be presented in the manner as may be prescribed.

Annual budget
document and
its
accompanying
documents

20. (1) The annual budget document shall consist of –

- (a) the estimates of revenue and expenditure (in this Act referred to as the “annual budget estimates”) in the forms as may be prescribed; and
- (b) the Appropriation Bill that includes inter-alia, the estimates of expenditure, and borrowing ceilings.

(2) The annual budget document shall be accompanied by –

- (a) budget speech summarizing the contents of the annual budget and the overall thrust of the Government’s fiscal policy;
- (b) a public-friendly version of the annual budget

containing easy-to-understand summary of the main features of the annual budget;

- (c) the fiscal strategy statement and the budget, economic and fiscal position report;
- (d) medium-term debt management strategy and annual borrowing plan;
- (e) the list of ongoing and newly approved public investment projects, including public-private partnership projects in accordance with subsection (1) of section 45;
- (f) the list of outstanding loans and outstanding guarantees provided by the Government and other contingent liabilities of the Government including those related to public-private partnership projects;
- (g) a summary of public service employment across budgetary entities;
- (h) a statement of tax expenditures including the total cost of existing tax expenditures and the disclosure of new tax expenditures; and
- (i) any other documents or information as required under this Act or any other written law or as may be deemed appropriate by the Minister of Finance.

21. (1) Notwithstanding anything to the contrary in any other written law, every budgetary entity shall prepare and submit their budget estimates in line with the budget call circular, not later than thirty first day of July of the financial year preceding the year for which the annual budget is prepared.

Annual budget
process

(2) The budget call circular shall -

- (a) include expenditure ceilings which are binding for the financial year, consistent with the primary expenditure ceiling specified in the medium-term fiscal framework as required under section 12;
- (b) include detailed policy guidance and list the main actions to be complied with and information to be provided by public entities within the annual budget process and set out the timeframe for such actions in line with this section;
- (c) include the public investment programme approved by the Minister of Finance; and
- (d) include other instructions and information as may be deemed necessary by the Secretary to the Treasury.

(3) The Minister of Finance shall obtain the approval of the Cabinet of Ministers for the annual budget document prior to submitting it to the Parliament.

(4) The Minister of Finance shall submit the Appropriation Bill for the forthcoming financial year to the Parliament not later than fifteenth day of October of the year preceding the year for which the annual budget is prepared.

(5) The Minister of Finance shall submit the annual budget document under paragraphs (a) and (b) of subsection (1) of section 20 accompanied with the documents specified under subsection (2) of section 20 to the Parliament not later than fifteenth day of November of the year of which the annual budget is prepared and shall publish the draft annual budget document and documents accompanying thereto on the same day, in the official website of the Ministry of the Minister of Finance.

(6) The Secretary to the Treasury shall announce the budget process pertaining to the presentation and approval of Appropriation Bill for the succeeding year, with specific dates, in consultation with the Secretary General of Parliament and with the approval of the Cabinet of Ministers.

22. (1) The Minister of Finance shall be responsible for ensuring the -

Responsibilities of the Minister of Finance and the Secretary to the Treasury in the annual budget process

- (a) implementation of the annual budget process;
- (b) preparation of the Appropriation Bill and the annual budget estimates; and
- (c) preparation of the annual budget document in accordance with the medium-term fiscal framework and budgetary framework.

(2) The Secretary to the Treasury shall be responsible for issuing the budget call circular not later than thirtieth day of June of the financial year preceding the year for which the annual budget is prepared.

23. (1) In the event the Appropriation Bill for the succeeding year is not approved by Parliament by thirty first day of December of the current year, the Minister of Finance shall submit a vote on account to Parliament, under which the Parliament shall allocate funds for ongoing projects and continuously provide specified public services which need to be maintained.

Vote on Account

(2) The period for which expenditure is allocated under the vote on account shall not exceed four months and shall be followed by the adoption of the Appropriation Act integrating the expenditure of the vote on account.

PART V

ADJUSTMENTS TO THE ANNUAL BUDGET DURING THE YEAR

Virement
procedure

24. (1) Transfer of an allocation within a Head of Expenditure in annual Appropriation Act shall be in compliance with the provisions in such Appropriation Act, subject to the provisions of subsections (2), (3) and (4) of this section (hereinafter referred to as the “Virement Procedure”).

(2) Transfer of unexpended budget allocation shall not be allowed –

- (a) from one Head of Expenditure to another Head of Expenditure; or
- (b) from capital expenditure to recurrent expenditure.

(3) Restrictions on the use of virement procedure in addition to those specified in subsection (2) shall as may be prescribed.

(4) The transfer of allocation using the virement procedure, if any, effected by all budgetary entities shall be reported to the Parliament within six months from the date of the said transfer by the Minister of Finance. Procedures of such reporting shall as may be prescribed.

Annual budget
reserve

25. (1) The Appropriation Act may include an appropriation for contingencies which shall be called and known as the annual budget reserve for the financial year.

(2) The amount appropriated for the annual budget reserve shall not exceed two *per centum* of the proposed estimate of primary expenditure.

(3) The funds in the annual budget reserve may be allocated to cover urgent, unforeseen and unavoidable requirements as defined in written laws and the expenditure where existing allocations are insufficient.

(4) Any allocation from the annual budget reserve shall be approved in accordance with the provisions of the Appropriation Act and shall be reported to Parliament within two months.

26. (1) A supplementary estimate proposal shall be submitted to the Parliament for approval in the manner as may be prescribed upon the occurrence of the following conditions: -

Supplementary
Estimates

- (a) unforeseen and unavoidable circumstances such as major economic downturn, severe external shocks, natural disaster, emergence of major contingent liabilities or any such other eventuality in the opinion of the Cabinet of Ministers;
- (b) it becomes necessary for a budgetary entity to incur additional expenditure during a year that is not covered by the Head of Expenditure in the Appropriation Act approved by the Parliament; and
- (c) it is not possible for such expenditure to be provided through –
 - (i) a virement procedure as provided for in section 24;
 - (ii) the Contingencies Fund established under Article 151 of the Constitution; or
 - (iii) an allocation from the annual budget reserve as provided for in section 25.

(2) The supplementary estimate proposal under subsection (1) shall include -

- (a) an overview of the recent macroeconomic and fiscal developments;
- (b) an updated forecasts of revenues and expenditures of the annual budget;
- (c) an explanation of the changes to appropriations for individual Heads of Expenditure; and
- (d) the source of additional financing and any other information as may be prescribed.

(3) The request for additional expenditure under subsection (1) shall be approved by the Cabinet of Ministers prior to submitting it to Parliament.

Excess
Expenditure

27. (1) Where at the close of Government accounts for any financial year, it is found that the budget allocations have been expended -

- (a) in excess of the amount appropriated by the Appropriation Act for the relevant year, or from the Contingencies Fund or supplementary estimate; or
- (b) for a purpose for which the budget allocation has not been made,

such excessive amount shall be treated as unauthorized excess expenditure.

(2) In the events specified in subsection (1), the relevant budgetary entity shall place before the Parliament a

statement on excess expenditure attached to the annual financial statement which shall include the information as may be prescribed not later than ninety days after the closure of the financial year.

(3) An unauthorized excess expenditure shall be a ground for a disciplinary action against the responsible officers.

PART VI

BUDGET EXECUTION

28. (1) Any financial commitment or liability, including contingent liability, shall not be incurred by a budgetary entity without a warrant authorizing expenditure by the Minister of Finance issued under Article 150 of the Constitution. Warrants

(2) The Chief Accounting Officer or the Accounting Officer of a public entity shall be responsible for ensuring that the expenditure shall be in conformity with the authority contained in the warrant. Any expenditure not in conformity with the authority shall be disallowed by the Secretary to the Treasury, and may be surcharged on the responsible officers.

(3) The warrants authorizing expenditure shall expire at the end of the financial year to which they relate.

29. (1) Any expenditure of public funds shall be made subject to the following steps: - Expenditure control system

(a) prior authorization from the competent authority;

(b) prior approval from the competent authority;

- (c) commitment by the competent authority;
- (d) certification by the competent authority; and
- (e) payment by the relevant public entity.

(2) For the purpose of this section, competent authority means any officer who has been delegated functions of the authorization, approval, commitment, certification or payment by the Accounting Officer of the relevant public entity.

(3) The Accounting Officers may delegate functions either generally or with regard to individual transactions, and shall be responsible for ensuring the competence to whom the authority is delegated and the adequacy of internal checks in the system of delegation.

(4) Approvals of commitments shall be subject to the availability of sufficient unencumbered appropriation in the annual budget line against which the commitments are being made.

(5) The obligation to pay shall arise when works, goods or services received by the Competent Authority from third parties.

(6) Any contract or other arrangement, which may incur an expenditure commitment, entered or made by a budgetary entity shall be entered into the financial management information system, in the manner as shall be prescribed.

(7) The Minister of Finance shall establish a clearance strategy to continuously reduce arrears of expenditure commitments which exist on the date of the coming into operation of this Act, and enhance mechanisms to prevent the accumulation of arrears.

30. (1) The authority to spend moneys appropriated under the annual budget shall expire and cease to have effect at the end of the financial year to which such annual budget relates.

Expiry of annual budget and lapsed payment

(2) In case of a claim not settled prior to thirty first day of December of a financial year in which the claim arose, such claim shall be settled against corresponding “code of expenditure” in the following financial year. Procedure for such settlement shall be as prescribed.

31. (1) The Minister of Finance shall ensure that the multi-year expenditure commitments proposed in the annual budget of any relevant year are consistent with the medium-term fiscal framework.

Multi-year expenditure commitments

(2) The Chief Accounting Officer of the respective budgetary entity shall obtain approval from the Cabinet of Ministers prior to entering into multi-year expenditure commitments.

(3) For the purpose of this section, “multi-year expenditure commitments” means an expenditure commitment the settlement of which requires appropriation from the Appropriation Acts of the financial years succeeding the relevant financial year and shall include public investment projects, related recurrent costs, obligations of the Government under public–private partnership projects and other investments and financing arrangements.

32. (1) Every public entity shall procure the goods, services, works, consultancy services and information systems in compliance with the procurement procedures specified in written laws and guidelines issued from time to time by the National Procurement Commission.

Procurement

(2) (a) Every public entity specified in subparagraph (i) of paragraph (a) of subsection (2) of section 3 shall be required to prepare and provide to the Secretary to the Treasury its annual procurement plans.

(b) Every public entity specified in subparagraphs (ii) and (iii) of paragraph (a) of subsection (2) of section 3 shall be required to prepare and provide their annual procurement plans to the respective Chief Accounting Officer.

(3) The National Procurement Commission may, if it deems necessary, formulate and publish in the *Gazette* specific guidelines for State Owned Enterprises and Provincial Councils.

Internal audit

33. (1) Every Chief Accounting Officer or Accounting Officer or governing body of a public entity in respect of which an internal auditor has been appointed shall ensure that the internal auditor exercises functions independently and is not assigned with a function that may amount to conflict of interest.

(2) The internal auditor shall follow the directives issued under subsection (3) and shall submit a report setting out such findings on the respective Head of Expenditure to the Chief Accounting Officer or Accounting Officer or governing body of the relevant public entity and copies of such report shall be forwarded to the Department responsible for the subject of Audit Management in terms of the provisions of sections 40 and 41 of the National Audit Act, No. 19 of 2018.

(3) The Secretary to the Treasury shall issue directives with regards to strengthening of internal controls, internal audits and to audit management committees of public entities.

PART VII

FINANCIAL MANAGEMENT

34. (1) (a) There shall be established a Committee on Cash Flow Management chaired by the Secretary to the Treasury and consisting of Deputy Secretaries, and Heads of the Departments in the Treasury and Heads of following revenue Departments: -

Treasury cash
flow
management and
treasury single
account system

- (i) Director-General of Customs;
- (ii) Commissioner-General of Inland Revenue;
and
- (iii) Commissioner-General of Excise.

(b) The powers, duties and functions, responsibilities and operation of the Committee specified in paragraph (a) shall be as prescribed.

(2) There shall be a treasury single account to maintain the revenue and expenditure of the Consolidated Fund, which shall be an integrated system of bank accounts, into which all Government cash including moneys received by the public entities referred to in subparagraphs (i) and (ii) of paragraph (a) of subsection (2) of section 3 shall be deposited and from which expenditure of the Government and such public entities shall be made to enable public funds to be managed in a consolidated manner.

Opening and
closing of bank
accounts for the
allocation of
public finance

35. (1) The Secretary to the Treasury or an officer authorized in that behalf by the Secretary to the Treasury shall authorize the opening, maintenance and closure of official bank accounts for the purpose of managing the Government's cash and liquidity requirements.

(2) The governing body of a public entity which is not subject to the treasury single account, shall have power to open, maintain, and close bank accounts for the purpose of allocating public finance of such public entity in terms of the relevant written law under which such public entity is established.

(3) The details on the opening and closing of official bank accounts referred to in subsection (1), shall be as prescribed.

Use of
information and
communication
technology

36. (1) There shall be developed an effective computerized systems for carrying out the functions of the General Treasury and the functions specified in this Act.

(2) The performance, security, safety and accuracy of the public entity's computerized financial management and other information systems shall be ensured by periodic review and evaluation as prescribed.

Foreign grants
and Domestic
grants made to
the Government

37. (1) The Secretary to the Treasury shall, subject to the approval of the Cabinet of Ministers have the authority to sign all agreements with foreign governments, or international organizations in respect of foreign grants or receive any grant from other foreign donors or domestic donors on behalf of the Government, except where a public entity is authorized by the Cabinet of Ministers in writing to sign such agreements and receive such grants.

(2) Funds received as grants to the Government from a foreign government, international organization, or other foreign donor (in this section referred to as the “foreign grants”) or domestic donor shall be –

- (a) credited to the Consolidated Fund; and
- (b) incorporated in the draft annual budget of the public entity responsible for executing the grant.

(3) Any public entity which receives grant in any kind under this section shall determine and record the monetary value of such grant in accordance with the relevant written law.

(4) The requirements and procedures for the receipt of foreign grants or domestic grants, as the case may be, shall be as prescribed.

38. (1) The management of the non-financial assets of the public entities referred to in subparagraphs (i), (ii) and (iii) of paragraph (a) of subsection (2) of section 3 including their identification, classification, valuation, utilization, and disposal shall be governed subject to any relevant written law.

Asset
management

(2) The proceeds of the sale of any movable or immovable property or any exclusive privilege belonging to a budgetary entity shall be credited to the Consolidated Fund and shall be dealt with in the manner as may be prescribed.

PART VIII

STATUTORY FUNDS

Powers of the
Secretary to the
Treasury on
statutory funds

39. (1) The Secretary to the Treasury shall supervise, examine, and monitor all statutory funds and may issue directives on statutory funds in respect of which any other written law does not provide for such matters.

(2) The Secretary to the Treasury shall submit a report on the performance of statutory funds to the Cabinet of Ministers, at least once in every year.

(3) Every statutory fund shall –

- (a) comply with any directive issued by the Secretary to the Treasury in exercising the powers, duties, and functions under this Act and any other written law;
- (b)
 - (i) submit draft annual budget estimates endorsed by the Chief Accounting Officer of the statutory fund and the relevant Minister to the Secretary to the Treasury for approval;
 - (ii) prepare their budget proposals in line with the provisions of the budget call circular issued by the Secretary to the Treasury if any statutory fund is funded by annual budget;
- (c) submit regular reports on its performance to the Secretary to the Treasury as may be prescribed; and
- (d) submit other information as may be required in writing by the Secretary to the Treasury.

(4) 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.

PART IX

PUBLIC INVESTMENT MANAGEMENT

40. (1) The selection and implementation of a public investment project, including a public private partnership project shall be in compliance with –

- (a) the objects specified in section 2;
- (b) the fiscal responsibility framework provided for in Part III; and
- (c) Sri Lanka's national development policy framework, national policies, sectoral plans, and public investment programme.

(2) The Minister of Finance shall establish a Public Investment Committee consisting of –

- (a) the Heads of the Departments in the General Treasury responsible for the following subject areas:-

General principles of public investment management and Public Investment Committee

- (i) national planning;
 - (ii) public finance;
 - (iii) fiscal policy;
 - (iv) national budget;
 - (v) public debt management;
 - (vi) external resources;
 - (vii) treasury operations;
 - (viii) public enterprises;
 - (ix) management services;
 - (x) project management and monitoring; and
- (b) the authority in charge of the subject of public-private partnerships.

(3) The Chairperson of the Public Investment Committee shall be the Secretary to the Treasury.

(4) The Secretary to the Public Investment Committee shall be an officer of the Department responsible for the subject of national planning, nominated by the Secretary to the Treasury.

(5) The Public Investment Committee shall be responsible for –

- (a) the selection of public investment projects including public-private partnership projects specified in section 42, based on the criteria that shall be published by the Ministry of the Minister of Finance;

- (b) making recommendations to the Minister of Finance on the mode of financing for such projects, including financing from the annual budget; and
- (c) supervising the implementation of the provisions of this Act and the regulations made thereunder pertaining to public investment projects, including public private partnership projects, and making recommendations as are deemed necessary to the Minister of Finance.

41. (1) There shall be a public investment programme consisting of all ongoing and prospective public investment projects, including public-private partnership projects planned based on the national development policy framework. The public investment programme shall be prepared by the Department responsible for the subject of national planning in the manner as may be prescribed and approved by the Minister of Finance and be published in the official website of the Ministry of the Minister of Finance and be updated annually.

Public
investment
programme

(2) Each budgetary entity which intends to implement a new public investment project, including a public private partnership project by fifteenth day of May in any year shall submit the project proposal including prescribed details to the Department responsible for the subject of national planning.

(3) The Department responsible for the subject of national planning shall –

- (a) review project proposals including prefeasibility and feasibility study reports submitted by budgetary entities in accordance with the appraisal methodologies as may be prescribed;

- (b) accept or reject the project proposals to be included in public investment programme based on its appraisal of project proposals and subject to its consistency with national development plan of Sri Lanka and the fiscal strategy statement including the medium-term fiscal framework.

Project selection
and budgeting

42. (1) Each budgetary entity may propose to the Minister of Finance public investment project, including a public-private partnership project for inclusion in the annual budget, if such proposed projects are included in the public investment programme referred to in section 41.

(2) Any proposal for a public investment project, including a public-private partnership project referred to in subsection (1), shall be included in the budget proposal of the budgetary entity, in a form specified in the budget call circulars issued by the Secretary to the Treasury.

(3) Subject to the ceilings set out in the budget call circulars, the Public Investment Committee shall –

- (a) review the proposed public investment projects, including public-private partnership projects according to the project selection criteria as may be prescribed and prepare a list of prioritized projects for the approval of the Minister of Finance and for the inclusion in the draft annual budget for approval by the Cabinet of Ministers; and
- (b) recommend appropriate funding sources for projects, taking into account the available fiscal space and other relevant matters which need consideration.

(4) The Minister of Finance shall ensure that any appropriation through annual budget shall not be made to a public investment project, including a public-private partnership project which is not included in the public investment programme.

(5) Notwithstanding the provisions of subsections (1) and (2), public investment projects that are specifically developed in response to natural disasters or emergencies declared by the Government may be considered outside the public investment programme. Such public investment projects shall be subject to the criteria and procedures as may be prescribed.

(6) The Public Investment projects referred to in subsection (5) shall be –

- (a) subjected to the provisions of any applicable written law; and
- (b) approved by the Cabinet of Ministers.

43. (1) The public-private partnership projects shall be subjected to the same procedure followed in respect of public investment projects under this Act. Additional provisions applicable to public-private partnership projects may be as prescribed. The Minister of Finance may include a public-private partnership project in the annual budget only if –

Public-private
partnership
projects

- (a) such project is considered as a project which offers an economic return in terms of prescribed economic, social and environmental criteria;
- (b) any guarantees provided by the Government on public-private partnerships do not exceed the ceilings under the medium- term fiscal framework; and

- (c) the risk borne by the Government in a public-private partnership project is deemed reasonable and fiscally affordable, and the proposed risk mitigation strategies are deemed sufficient and taking such risk is required for the project's efficient implementation.

(2) The public-private partnership projects shall be included in the list of prioritized projects referred to in paragraph (a) of subsection (3) of section 42 for the approval of the Minister of Finance for the inclusion in the annual budget.

(3) Any expenditure from the Consolidated Fund on an approved public-private partnership project shall be appropriated in the Appropriation Act for the relevant financial year and the total costs of the public-private partnership project over its lifetime shall be disclosed in the annual budget document.

(4) Upon the approval of the Cabinet of Ministers for a public-private partnership project, the Ministry of the Minister of Finance shall ensure that –

- (a) an estimate of the contingent liabilities associated with all public-private partnership projects is included in the fiscal strategy statement; and
- (b) reports on the execution of public-private partnership projects and their financial impact are submitted to the Parliament with the annual report of the Ministry of the Minister of Finance.

Project
monitoring and
evaluation

44. (1) Each public entity shall ensure that all public investment projects, including public-private partnership projects be delivered on time within the budgetary allocation, and in accordance with the guidelines issued by the Secretary to the Treasury.

(2) Each Chief Accounting Officer or Accounting Officer responsible for the implementation and monitoring of approved public investment projects shall submit the annual action plan, and provide information on the implementation of each such projects to be monitored monthly by the Ministry of the Minister of Finance.

(3) There shall be a Committee appointed by the Cabinet of Ministers comprising members not more than eleven from the Heads of entities responsible for planning, resource mobilizing, budgeting, financing and monitoring, to take expeditious strategic decisions relating to implementation of public investment projects based on information provided by the relevant Chief Accounting Officers and Accounting Officers.

(4) The Head of the Department responsible for project monitoring and evaluation shall be the Secretary to the Committee.

(5) The functions and responsibilities of the Committee and the manner of monitoring and evaluation of projects as may be prescribed.

(6) Any substantial changes to contracts or agreements affecting the sustainability and affordability of any project specified in subsection (1) shall be approved in advance by the Minister of Finance. The Minister of Finance may determine the criteria for determining any change in a contract or agreement as substantive, taking into account relevant written laws or guidelines.

45. (1) A report together with information relate to all new projects approved by the Public Investment Committee, and ongoing public investment projects, including public-private partnership projects shall be included in the annual budget document. Such report shall contain -

Reporting

- (a) the name of each project, the starting date or dates and expected completion date or dates, a summary of the objectives and scope of the project;
- (b) total project cost including expenditure already incurred on the project, an estimate of annual expenditure over the medium term and financing sources; and
- (c) any other information as may be deemed appropriate by the Minister of Finance.

(2) The Secretary to the Treasury shall be responsible for maintaining an updated data repository on public investment projects, including public-private partnership projects.

PART X

GOVERNMENT BORROWINGS AND GUARANTEES

Public debt
management

46. The policy framework on management of public debt and Government guarantees shall be in accordance with the provisions of Part III of this Act and subject to the relevant laws.

PART XI

ACCOUNTING AND REPORTING

Financial
reporting

47. (1) The financial statements of the Government shall –

- (a) be prepared complying with the standards to be developed based on the international public sector accounting standards;

- (b) promote transparency in the disclosure to public of financial information and effective management of revenue, expenditure, assets and liabilities of the public entities to which the accounting standards apply; and
- (c) be aimed at the advancement of financial reporting in the public sector.

(2) The budgetary entities shall prepare and submit to the Auditor-General annual financial statement and information in the manner and with the frequency and detail as specified in relevant written laws.

(3) A unified chart of accounts shall be used by every budgetary entity unless the Secretary to the Treasury exempts a particular budgetary entity from such requirement with the concurrence of the Minister of Finance:

Provided however, the accounts of every budgetary entity shall reflect all necessary information.

(4) Not later than one hundred and eighty days after the closure of every financial year –

- (a) each public entity covered in subparagraph (i) of paragraph (a) of subsection (2) of section 3 shall publish an annual performance report; and
- (b) each public entity covered in subparagraph (ii) and (iii) of paragraph (a) of subsection (2) of section 3 shall publish an annual report,

that shall include inter-alia the accounts and other financial statements to fulfill the requirements specified in the relevant written laws and regulations made thereunder.

(5) The Secretary to the Treasury shall periodically issue, publish, and review the instructions, directives, processes, procedures, and systems for accounting and reporting.

(6) Unless otherwise stated in this Act, the submission of the accounts and other financial statements of budgetary entities to the Auditor- General shall be in accordance with the provisions of the National Audit Act, No. 19 of 2018.

Power to require
information

48. (1) The Secretary to the Treasury shall have power to require the public entities specified in subparagraphs (i), (ii) and (iii) of paragraph (a) of subsection (2) of section 3 to furnish regular reports or any other information on ad – hoc basis –

(a) which are necessary for the preparation of the statements and reports referred to in this Part and may be necessary to exercise his functions; and

(b) on matters relating to their financial management.

(2) The Head of every public entity shall furnish the information and reports required to be furnished by the Secretary to the Treasury under subsection (1) within the timeframe and in the form specified by the Secretary to the Treasury.

Budget
Economic and
Fiscal Position
Report

49. (1) A budget economic and fiscal position report shall cause to be tabled in Parliament by the Minister of Finance on the day fixed for the second reading of the Appropriation Bill in Parliament, in each year.

(2) The budget economic and fiscal position report shall contain, the following information in the format as may be prescribed in relation to the current and immediately succeeding financial year: -

- (a) estimates relating to the gross domestic product;
- (b) estimates relating to consumer prices;
- (c) estimates relating to employment and unemployment;
- (d) estimates relating to the current account position of the balance of payments;
- (e) estimates relating to revenue and expenditure;
- (f) estimates relating to Government borrowing;
- (g) the basis, economic or otherwise which has been used in the preparation of the estimates specified in paragraphs (a) to (f);
- (h) a statement relating to the sensitivity of the estimates specified in paragraphs (a) to (f) and the changes which may occur in connection with the economic or other basis used in the preparation of such estimates;
- (i) a statement, quantified as far as practicable, the risks that may have a material effect on the fiscal position such as contingent liabilities including guarantees and indemnities granted by the Government under any written law;
- (j) public announcements relating to proposals of the Government in connection with Government spending not included in the estimates referred to in paragraph (e);

- (k) ongoing negotiations of the Government which have not been finalized, updates to the fiscal strategy statement and the medium-term fiscal framework since the publication of the original statement; and
- (l) such other information which may be necessary to reflect fairly the financial position of the Government in respect of each such financial year.

(3) Subject to the provisions of subsection (4), the information contained in the budget economic and fiscal position report shall take into account, as far as possible, all Government decisions and all other circumstances that may have material effect on the fiscal and economic position of the Government.

(4) Nothing contained in this section shall be read and construed as requiring the inclusion in the budget economic and fiscal position report, a disclosure of any information, in view of the written opinion of the Minister of Finance, if such details or information -

- (a) be prejudicial to the national security; or
- (b) compromise Sri Lanka in a material way, in negotiation, litigation or commercial activity.

(5) The Report shall be published on the official website of the Ministry of the Minister of Finance upon submission to Parliament.

Mid-year fiscal
position report

50. (1) The Minister of Finance shall cause to be released to the public, in respect of every year, a mid-year fiscal position report to provide a basis for the public to evaluate the Government's mid-year fiscal performance as against its fiscal strategy as set out in its statement.

(2) The mid-year fiscal position report in respect of a financial year shall contain –

- (a) a statement of the estimated and actual expenditure for the first six months of that year;
- (b) a statement of the estimated and actual revenue for the first six months of that year;
- (c) a statement of the estimated and actual cash flows for the first six months of that year;
- (d) a statement of the estimated and actual borrowings for the first six months of that year; and
- (e) such other statements which may be necessary to reflect fairly, the financial position of the Government in respect of the first six months of such financial year.

(3) Where there is a shortfall in the estimated revenue or cash flow, or an excess in the estimated expenditure or borrowings, the mid-year fiscal position report shall state the reasons for such shortfall or excess.

(4) Subject to the provisions of subsection (5), the information contained in the mid-year fiscal position report shall take into account, as far as possible, all Government decisions and all other circumstances that may have a material effect on the fiscal position including decisions taken and circumstance that exist, after the passing of the Appropriation Act for that year.

(5) Nothing contained in this section shall be read and construed as requiring the inclusion in the mid- year fiscal position report or the disclosure of any information, in view of the written opinion of the Minister of Finance, if such details or information -

- (a) be prejudicial to the national security; or
- (b) compromise Sri Lanka in a material way, in negotiation, litigation or commercial activity.

(6) Where any information on any matter required to be included in a mid-year fiscal position report remains unchanged from the information in relation to such matter as is included in the last budget economic and fiscal position report, the mid-year fiscal position report shall state that such information remains so unchanged.

(7) The mid-year fiscal position report shall be published in the website of the Ministry of the Minister of Finance, by the last day of the month of October of the relevant year or the lapse of ten months from the date of the passing of the Appropriation Act of the relevant year, whichever is later.

(8) The Minister of Finance shall –

- (a) if Parliament is sitting on the date of the release of the mid- year fiscal position report, cause a copy of such report to be tabled in Parliament within two weeks of the date of such release; or
- (b) if Parliament is not sitting on the date of the release of the mid-year fiscal position report, cause a copy of such report to be tabled in Parliament within two weeks of the next sitting of Parliament.

Final budget
position report

51. (1) The Minister of Finance shall cause to be released to the public, in respect of each financial year, a final budget position report as a part of the annual report of the Ministry of the Minister of Finance to provide a basis for the public to evaluate the Government's annual fiscal performance as against its fiscal strategy as set out in its statement for the relevant financial year.

(2) The final budget position report in respect of a financial year shall contain -

- (a) a statement of the estimated and actual expenditure for that year;
- (b) a statement of the estimated and actual revenue for that year;
- (c) a statement of the estimated and actual cash flows for that year;
- (d) a statement of the estimated and actual borrowings for that year; and
- (e) such other statements which may be necessary to reflect fairly the financial position of the Government at the end of such financial year.

(3) Where there is a shortfall in the estimated revenue or cash flow or an excess in the estimated expenditure that caused deviation from the primary expenditure limit or an excess in the estimated borrowing, the final budget position report shall state the reasons for such shortfall or excess.

(4) The final budget position report shall be published on the website of the Ministry of the Minister of Finance, not later than six months from the end of the financial year.

(5) The Minister of Finance shall –

- (a) if Parliament is sitting on the date of the release of the final budget position report, cause a copy of such report to be tabled in Parliament within two weeks of the date of such release; or

- (b) if Parliament is not sitting on the date of the release of the final budget position report, cause a copy of such report to be tabled in Parliament within two weeks of the next sitting of Parliament.

(6) The final budget position report for a financial year may be incorporated the budget economic and fiscal position report in respect of a financial year, which is introduced after the commencement of that financial year.

Pre-election
budgetary
position report

52. (1) The Secretary to the Treasury, shall within three weeks of the publication of proclamation or Order requiring the holding of a General Election to elect the members of Parliament, cause to be released to the public a pre-election budgetary position report containing information on the fiscal position of the country.

(2) Every pre-election budgetary position report shall contain the following information for the current financial year: -

- (a) estimates of revenue and expenditure;
- (b) estimates of the Government borrowings;
- (c) the economic and other assumptions that have been used in preparing such estimates;
- (d) a statement of the risks, quantified where practicable, that may have material effect on the fiscal position, such as -
 - (i) contingent liabilities including guarantees and indemnities given by the Government under any Act;

- (ii) publicly announced proposals for spending by the Government that have not been included in the estimates referred to in paragraph (a); and
- (iii) Government negotiations in progress and not finalized; and
- (e) such other information as may be necessary to reflect fairly the financial position of the Government as at the date of the said report.

(3) Subject to the provisions of subsection (4), the information in the pre-election budgetary position report shall, take into account to the fullest possible, extent any decision of the Government having a material effect on the fiscal position.

(4) Nothing in this section shall be read or construed as requiring the inclusion in a pre-election budgetary position report or the disclosure of any information, in view of the written opinion of the Minister of Finance, if such details or information -

- (a) be prejudicial to the national security; or
- (b) compromise Sri Lanka in a material way, in negotiation, litigation or commercial activity.

(5) Where information on any matter required to be included in a pre-election budgetary position report remains unchanged from the information on that matter included in a previous budget economic and fiscal position report or a mid-year fiscal position report, the pre-election budgetary position report shall state such information remains unchanged from the information included in either or both of these previous reports.

(6) Every pre-election budgetary position report shall be accompanied with –

- (a) a statement signed by the Minister of Finance, for the purpose that the Minister of Finance has complied with the requirements of subsection (8);
- (b) a statement by the Secretary to the Treasury, for the purpose that the information in the report –
 - (i) reflects the best professional judgement of the officers of the Ministry of the Minister of Finance;
 - (ii) takes into account all economic and fiscal information available to the Ministry of the Minister of Finance; and
 - (iii) incorporates the fiscal implications of the Government decisions and circumstances disclosed by the Minister of Finance under subsection (8),

to the fullest extent possible.

(7) The Minister of Finance shall, within two weeks of the first sitting of the new Parliament, cause a copy of the report specified in subsection (1) to be placed before Parliament and such report shall be published in the official website of the Ministry of the Minister of Finance.

(8) For the purpose of enabling the Secretary to the Treasury to prepare a pre- election budgetary position report under this section, the Minister of Finance shall, within one week of the publication of the proclamation or Order requiring the holding of a General Election for the election

of members of Parliament, disclose to the Secretary to the Treasury details of all Government decisions and other circumstances –

- (a) within the knowledge of the Minister of Finance;
and
- (b) which have, or could have, material fiscal or economic implications.

53. (1) On at least a quarterly basis, the Minister of Finance shall provide a statement on financial performance including revenue and expenditure, of the Government to the Cabinet of Ministers and such statement shall be simultaneously published on the official website of the Ministry of the Minister of Finance, not later than forty five days after the end of each quarter in the manner as may be prescribed.

Reports on
financial
performance of
the Ministry of
the Minister of
Finance

(2) The Secretary to the Treasury or an officer so authorized shall prepare and submit to the Auditor-General the annual Government financial statements as specified in the National Audit Act, No. 19 of 2018 and any other written law.

(3) The Secretary to the Treasury shall prepare the annual report containing final budget position report and chapter on the overall performance of State-Owned Enterprises along with the audited financial statements of the Government and the Auditor-General's opinion thereon not later than one hundred and eighty days after the closure of the financial year in such form and manner as may be prescribed.

(4) The Minister of Finance shall place before the Parliament, the annual report referred to in subsection (3), not later than one hundred and eighty days from the end of each financial year. The report shall be published on the official website of the Ministry of the Minister of Finance.

Write offs and
waive offs

54. (1) Where any loss has been caused by delay, negligence, fault or fraud of an officer or officers, or from noncompliance with the provisions of this Act, regulations or directives issued under this Act, such loss shall be recovered from the officer or officers responsible.

(2) Any claim for the write off of losses shall be considered by the Secretary to the Treasury subject to the relevant written laws and having regard to the prescribed limit of losses.

(3) A waiver is an abandonment or cancellation of an amount of money due to the Government. Waivers other than those arising out of losses fall into following two distinct categories: -

- (a) certain statutes empower authorized officers to waive items of revenue or other dues to Government in the administration of such statutes. The officers so authorized may deal with the cancellation or wavier of Government dues without further authority;
- (b) (i) where the collection of revenue is provided by statute, but no provision exists therein to waive or abandon a claim; and
- (ii) where the waiver of irrecoverable revenue or other Government dues not falling within the provisions of paragraph (a) of this section and subparagraph (i) of this paragraph,

authority of the Secretary to the Treasury shall be sought.

(4) Details of actions, authority limits, timelines and guidance on investigation, reporting, recovery and write-off of a loss or damage shall be provided in the manner as may be prescribed.

PART XII

STATE OWNED ENTERPRISES

55. The provisions of this Part shall apply to State-Owned Enterprises as specified in subparagraph (iii) of paragraph (a) of subsection (2) of section 3.

Application of the provisions of this Part

56. The Minister of Finance shall have the power to -

Authority of the Minister of Finance on State-Owned Enterprises

- (a) provide an opinion to the Cabinet of Ministers regarding proposals for the establishment, closure, or merger of each State-Owned Enterprise including the costs to the Government and risks associated with the establishment of a State-Owned Enterprise;
- (b) issue corporate governance guidelines aimed at enhancing the performance of State-Owned Enterprises;
- (c) exercise financial oversight over State-Owned Enterprises; and
- (d) exercise any other power as may be specified by any other written law.

57. (1) The relevant Minister shall not submit any proposal for the establishment of a State-Owned Enterprise in accordance with section 56 -

Authority of the relevant Minister on State-Owned Enterprises

- (a) without having a clear justification of the requirement of such entity;
- (b) which is not under the purview of the portfolio of the Ministry of the relevant Minister;
- (c) if any other State-Owned Enterprise exists with similar functions under the Ministry of the relevant Minister or any other Ministry; or
- (d) without considering the long term benefits and risks associated with such establishment or incorporation including the costs to the Government.

(2) The relevant Minister shall ensure that -

- (a) every State-Owned Enterprise under his purview shall provide information required by the Minister of Finance including the submission of documents specified in section 61;
- (b) the annual budget of the State-Owned Enterprises is in line with the fiscal strategy statement; and
- (c) the annual budget of the State-Owned Enterprises reflects the risk factors and the strategies to mitigate those risks.

Powers and duties of the Secretary to the Treasury regarding State-Owned Enterprises

58. (1) The Secretary to the Treasury may, as he deemed necessary issue directives on policy matters for State-Owned Enterprises covering accountability and governance requirements, review of their financial performance and any other matters including administration, budgeting, procurement, investment, finance and reporting, subject to relevant written laws.

(2) The Secretary to the Treasury shall keep a record of all shareholdings in State-Owned Enterprises.

59. (1) Every State-Owned Enterprise shall prepare their budget in respect of every financial year and such budget shall be approved by the governing body of a State-Owned Enterprise not later than fifteen days prior to the commencement of the financial year to which the budget relates.

Budget of State-Owned Enterprises

(2) The State-Owned Enterprise shall prepare their budget estimates in line with the provisions of the budget call circular issued by the Secretary to the Treasury if any State-Owned Enterprise is funded by the annual budget.

(3) Governing body of every State-Owned Enterprise shall adhere to the applicable regulations made under this Act in respect of capital expenditure of the budget estimate of such State-Owned Enterprise.

60. (1) (a) Where applicable, there shall be a dividend policy that shall be set by the respective governing bodies of State-Owned Enterprises, in consultation with the Secretary to the Treasury.

Levy or dividends from State-Owned Enterprises

(b) The Minister of Finance may impose a levy on State-Owned Enterprise where applicable and may exempt a State-Owned Enterprise from the imposition of such levy. Such levy shall be published in the annual report under subsection (3) of section 53.

(2) Dividends or other profit distribution from State-Owned Enterprises paid to Government shall be paid into the Consolidated Fund and reflected in the annual budget presented to the Parliament.

(3) The Secretary to the Treasury shall disclose such sums collected as levy or dividend in the annual report under subsection (3) of section 53.

(4) No set-off tax relief shall be granted in respect of the amounts paid as a levy or dividend under this section.

Reports of State-
Owned
Enterprises

61. (1) Every State-Owned Enterprise shall prepare and submit to the Secretary to the Treasury –

- (a) a medium-term strategic or corporate plan;
- (b) an annual budget, an annual action plan including information on their capital projects and procurement plan;
- (c) an annual report; and
- (d) any other report as may be prescribed.

(2) The Secretary to the Treasury shall from time to time publish the formats, timelines and directions of the reports referred to in subsection (1).

(3) A State-Owned Enterprise shall submit to the Auditor-General a draft annual report, not later than two calendar months from the end of each financial year that includes the approved financial statements of the State-Owned Enterprise along with the statements and documents as prescribed by any written law with copies of such reports to the relevant Minister and the Minister of Finance.

(4) Upon receiving the Auditor-General's opinion and not later than one hundred and eighty days after the closure of every financial year, the State-Owned Enterprise shall submit the annual report to the Parliament with copies of such reports to the relevant Minister and the Minister of Finance and publish the report on the official website of the relevant State-Owned Enterprise.

PART XIII

PROVINCIAL COUNCILS AND LOCAL AUTHORITIES

62. (1) Subject to the provisions of the Constitution and relevant written laws, Provincial Councils and Local Authorities shall adhere to the principles of transparency and fiscal responsibility stipulated in this Act in the management of public finance.

Duty to observe the principles of transparency and fiscal responsibility

(2) The Secretary to the Ministry of the Minister to whom the subject of Provincial Councils and Local Authorities are assigned shall submit reports on revenues and expenditures and other financial information of the Provincial Councils and Local Authorities, as may be requested by the Minister of Finance.

PART XIV

CADRE MANAGEMENT

63. (1) The Minister of Finance shall be vested with the power of cadre management of the public entities in a manner as may be prescribed that would achieve the objects of this Act.

Cadre management

(2) Subject to the provisions of the Constitution and the approval of the Cabinet of Ministers, the responsibilities of the Minister of Finance with regard to cadre management, shall include the determination of the salaries and wages and other payments, to the officers and other employees of public entities.

PART XV

OFFENCES AND PENALTIES

Financial
misconduct by
public officers
and governing
body of a public
entity

64. (1) An officer or an employee of a public entity to whom a power or duty is conferred or assigned under this Act or any regulation or rule made thereunder who willfully or negligently makes or permits an unlawful, unauthorized, irregular or wasteful expenditure or misapplication of public finance or public property by an act or omission, shall commit the act of financial misconduct and shall be liable to disciplinary action.

(2) The Head of the relevant public entity shall take, or in the event that he is not the disciplinary authority of the officer alleged to have committed the financial misconduct, shall immediately inform the disciplinary authority of the disciplinary action against the officer or employee who is liable to the financial misconduct under subsection (1).

(3) (a) Where an offence under this Act or any regulation or rule made thereunder is committed by a body of persons, if such body of persons is -

- (i) a body corporate, every director and officer of such body corporate including the chief executive officer, the principal executive officer or the chief administrative officer as the case may be of that body corporate; or
- (ii) a partnership, every partner of such partnership,

shall be deemed to have committed that offence.

(b) The Secretary of the Ministry of the relevant Minister shall immediately take disciplinary action against the body of persons who is liable for the financial misconduct under paragraph (a):

Provided that any officer or body of persons as the case may be, shall not be deemed to have committed such offence, if such person proves to the satisfaction of the disciplinary authority that such offence was committed without his knowledge or that such person exercised all due diligence as was necessary, to prevent the commission of such offence.

65. The Chief Accounting Officer, through the relevant Minister shall report to the Cabinet of Ministers, any non-compliance of a public entity coming under the purview of such Minister, with the requirements stipulated under this Act or any regulations made thereunder.

Report the non-compliance to the Cabinet of Ministers

PART XVI

MISCELLANEOUS PROVISIONS

66. In the event of any conflict or inconsistency between the provisions of this Act and the provisions of any other law governing the management of public finance in Sri Lanka, the provisions of this Act shall prevail.

Consistency with other laws

67. (1) The Minister of Finance may make regulations in respect of matters required by this Act to be prescribed or in respect of which regulations are authorized to be made.

Regulations

(2) Without prejudice to the generality of the powers contained in subsection (1), the Minister of Finance may make regulations -

- (a) on establishing commitments, paying obligations, and other requirements for an effective commitment control system;
- (b) by classifying arrears; and
- (c) on the management of and settlement of arrears, the reporting requirements of arrears, the inclusion of arrears in the annual debt report required under relevant written laws applicable to the management of public debt, and such other matters in relation to the control of arrears.

(3) Every regulation made by the Minister of Finance shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified in that regulation.

(4) Every regulation made by the Minister of Finance shall, within three months, after its publication in the *Gazette*, be brought before Parliament for approval.

(5) Every regulation which is not so approved shall be deemed to be rescinded as from the date of such disapproval but without prejudice to anything duly done thereunder. Notification of the date on which any regulation is deemed to be so rescinded shall be published in the *Gazette*.

(6) Until such regulations are framed –

- (a) the financial regulations of the Government of the Democratic Socialist Republic of Sri Lanka approved by the Minister of Finance published in year 1992;

- (b) circulars issued by the Secretary to the President, Secretary to the Treasury and the Heads of Departments under the General Treasury; and
- (c) circular issued by a Secretary to a Ministry with the approval of the Cabinet of Ministers,

with regard to public financial management shall continue to be in force, in so far as such regulations and circulars are not inconsistent with the provisions of this Act.

68. (1) The Secretary to the Treasury may issue to the public entities and persons referred to in subsection (2) of section 3, directives deemed as necessary for the purpose of implementing the provisions of this Act. Power to issue instructions or directives

(2) The Secretary to the Treasury shall publish such directives on the official website of the Ministry of the Minister of Finance.

PART XVII

REPEALS

69. (1) Sections 8 and 14 of the Finance Act, No. 38 of 1971 are hereby repealed. Repeals

(2) Notwithstanding the repeal of section 8 of Part II of the Finance Act, No. 38 of 1971, any budget prepared by any public corporation in terms of the provisions of repealed section 8 of Part II of the Finance Act, No. 38 of 1971 and subsisting on the day immediately preceding the date of coming into operation of this Act, shall be deemed to be a budget prepared under section 59 of this Act.

(3) Fiscal Management (Responsibility) Act, No. 3 of 2003 is hereby repealed.

PART XVIII

INTERPRETATION

Interpretation

70. In this Act, unless the context otherwise requires -

“Accounting Officer” shall have the same meaning as in the National Audit Act, No. 19 of 2018;

“annual action plan” means the document that outlines the actions, activities and resources that will be used to achieve goals and priorities of the public entity for a financial year;

“annual budget” means the budget approved by the Parliament for a financial year;

“Appropriation Act” means an Act reviewed and approved by the Parliament to make a payment from the Consolidated Fund;

“arrears” means financial liabilities unpaid at the maturity date, the latter established by written law or by contract, should the maturity not be established by either of the mechanisms described above, the maturity period shall be established as ninety days from the date of the relevant invoice or of satisfaction of the terms of the relevant contract;

“budgetary entities” means Ministries, Departments, District Secretariats of the Government and special spending units;

“Central Bank” means the Central Bank established under the Central Bank of Sri Lanka Act, No.16 of 2023;

“Chief Accounting Officer” shall have the same meaning as in the National Audit Act, No. 19 of 2018;

“commitment” means the administrative action to which requisition is made prior to making an obligation;

“Constitution” means the Constitution of the Democratic Socialist Republic of Sri Lanka;

“Department” means an entity setup statutorily or administratively, that has been assigned a specific area of activity and has been given a Head of Expenditure in the annual budget;

“directives” include circulars, guidelines or special directions issued by General Treasury or Department under the General Treasury;

“District Secretariat” means an entity entrusted with the administrative and development function of the district;

“disposal” means the sale, transfer, license, lease or other disposition including any sale and leaseback transaction of any property by any person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith;

“financial year” means notwithstanding anything to the contrary in any other written law, the financial year of the Government and public entities shall be twelve months commencing on first day of January of each year other than the Companies established under the Companies Act, No. 07 of 2007, with a Government stake;

“fiscal risk” means factors or events that may cause fiscal revenue, expense, financing, asset and liability variables to deviate from forecasts in annual and multi-year fiscal programming; and it may originates from domestic or foreign macroeconomic conditions, State-Owned Enterprises operation, implementation of public-private partnerships, and natural disasters among other causes;

“Government” means the Government of the Democratic Socialist Republic of Sri Lanka;

“guarantee” means an explicit undertaking by the Government as the guarantor to guarantee fulfillment of contracted obligations of another legal person or entity under certain specified conditions;

“Head of Expenditure” means, in relation to the Appropriation Act, the annual budget and the supplementary estimates, an appropriation that–

- (a) specifies the total expenditure for a budgetary entity; and
- (b) separately voted by the Parliament;

“levy” means a payment made by a public corporation to the Consolidated Fund of a return on the capital grants of the Government at such rate or a payment to the Consolidated Fund of such amount as may be determined, from time to time, by the Minister;

“medium-term” means between three to five years;

“medium-term fiscal framework” means a set of economic assumptions and fiscal projections and targets covering the upcoming financial year and the four succeeding financial years (projection years);

“national development policy framework” means a logical and an overarching structure that entails long-term goals and guidance for the development of policies;

“national policy” means the policies derived from the national development policy framework to achieve the national development objectives;

“non-financial assets” means produced or non-produced movable or immovable assets, including lands, buildings, structures, plant and machinery, vehicles, office equipment and furniture, and other assets declared as non-financial assets that are fully owned, assigned, possessed, vested in, utilized, or leased by a public entity;

“non statutory funds” means funds that are not established by law;

“official bank account” means any bank account opened with the Central Bank of Sri Lanka or a commercial bank or a specialized bank licensed under the provisions of the Banking Act, No. 30 of 1988 and authorized by the Secretary to the Treasury as prescribed by regulations, to be operated and maintained in order to facilitate the management of public finance;

“primary balance” shall be the overall balance of the Government excluding interest payments of the Government. In calculating the primary balance, proceeds from privatization or commercialization of public assets shall not be part of Government revenues, and the Government’s equity injections to corporations other than banks for recapitalization purposes shall be recorded as Government expenditure;

“primary expenditure” shall be the total expenditure of the Government excluding debt services in a financial year;

“prescribed” means prescribed by regulations;

“President” means the President of the Democratic Socialist Republic of Sri Lanka;

“Provincial Council” means a Provincial Council established for a Province by virtue of Article 154A of the Constitution;

“public corporation” shall have the same meaning assigned to such expression under Article 170 of the Constitution;

“public debt” means liabilities of the Government created by debt and debt of the entities specified in paragraph (a) of subsection (2) of section 3;

“public finance “includes –

- (a) funds allocated to any public entity specified in paragraph (a) of subsection (2) of section 3 by the Appropriation Act of the relevant year;
- (b) funds held by any public entity specified in paragraph (a) of subsection (2) of section 3 in terms of any written law excluding approved termination funds which includes thrift, savings or building society or welfare fund to which contributions are made by employees or, any gratuity fund maintained for the purpose of payment of gratuities to employees on the termination of their services under the relevant written law;
- (c) funds vested in the Government by virtue of the provisions of any written law; and
- (d) funds received or borrowed by any public entity specified in paragraph (a) of subsection (2) of section 3 with the approval of the Parliament;

“public funds” means moneys in the Consolidated Fund or any other Fund and moneys under the control of the Government excluding approved termination funds which includes thrift, savings

or building society or welfare fund to which contributions are made by employees or, any gratuity fund maintained for the purpose of payment of gratuities to employees on the termination of their services under the relevant written law;

“public investment programme” means a medium-term rolling plan consisting of all ongoing and proposed public investment projects and public-private partnership projects prepared based on the national development policy framework;

“public investment project” means an integrated set of activities funded by the Government, provincial council or local authority aimed at allocating resources of financial, physical or service towards the development, improvement, operation or maintenance of public assets or services to enhance the quality of life of citizens and promote economic growth and address societal needs;

“public office holder” means Government appointee to a body entrusted with an advisory or administration function, and remunerated through the public finance;

“public officer” shall have the same meaning given in Article 170 of the Constitution;

“public-private partnership” means a long-term contract between a private party and a Government entity for providing a public asset or service in which the private party bears significant risk and management responsibility;

“relevant Minister” means the Minister under whose purview the public entity is assigned under the paragraph (1) of Article 44 of the Constitution;

“Revenue Accounting Officer” means an Accounting Officer who is vested with the responsibility of facilitating of the preparation of the annual revenue estimates of the revenue codes assigned by the annual budget estimates and who will ultimately accountable for variations between estimate and actual collections;

“special spending unit” means an entity, other than a Ministry, Department, District Secretariat or Provincial Council, that has been given a Head of Expenditure in the annual budget;

“State-Owned Enterprise” means -

- (a) a public corporation within the meaning of the Constitution;
- (b) entities established and operated under the Companies Act, No.07 of 2007 in which the State has direct or indirect controlling interest by virtue of its shareholding; or
- (c) State-Owned Corporations, converted in terms of the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No.23 of 1987, or such other Acts in terms of which any business entity has been vested with the Government,

with the exception of the Central Bank of Sri Lanka ;

“Statutory Fund” means any fund other than the Consolidated Fund, created or established under any written law or an Act of Parliament for a specific purpose, to which public finances are allocated excluding approved termination funds which includes thrift, savings or building society or welfare fund to which contributions are made by employees or, any gratuity fund maintained for the purpose of payment of gratuities to employees on the termination of their services, under the relevant written law;

“tax expenditure” includes exemptions, allowances, credits, rate reliefs and tax deferrals pertaining to tax;

“trust” shall have the same meaning assign to that in section 3 of the Trust Ordinance, No. 9 of 1917; and

“vote on account” means an estimate of Government expenditure approved by the Parliament in order to continue the Government services and development activities for a maximum of four months, in the absence of an Appropriation Act.

Sinhala text to prevail in the event of inconsistency

71. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

