

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

Part II of June 20, 2025

SUPPLEMENT

(Issued on 23.06.2025)



NATIONAL AUDIT (AMENDMENT)

A

BILL

to amend the National Audit Act, No. 19 of 2018

*Ordered to be published by the Minister of
Justice and National Integration*

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO 5

Price : Rs. 72.00

Postage : Rs. 150.00



This Gazette Supplement can be downloaded from www.documents.gov.lk

STATEMENT OF LEGAL EFFECT

Clause 2: This clause amends section 7 of the National Audit Act, No. 19 of 2018 (hereinafter referred to as the “principal enactment”) and the legal effect of the section as amended is to make necessary provisions to complaint to a law enforcement authority for legal action in respect of any fraud, corruption or misappropriation found by the Auditor General in carrying out an audit of an auditee entity.

Clause 3: This clause amends section 9 of the principal enactment and the legal effect of the section as amended is to extend the application of paragraph (a) of that section to the Surcharge Review Committee appointed under section 21 of the principal enactment.

Clause 4: This clause amends section 11 of the principal enactment and the legal effect of the section as amended is to extend the application of the provisions of that section to the Chief Accounting Officer and the Accounting Officer of each audited entity and extend the period within which the Annual Detailed Management Audit Report shall be presented, from five months to six months.

Clause 5: This clause amends section 18 of the principal enactment and the legal effect of the section as amended is to enable the Auditor-General to deduct a sum equal to fifteen *per centum* of the audit fees charged under that section and to credit such sum to the Audit Fund established under section 37.

Clause 6: This clause amends section 19 of the principal enactment and the legal effect of the section as amended is-

- (a) to empower the Auditor-General to make recommendation to impose a surcharge on the amount of any deficiency or loss in any transaction of an auditee entity to the Surcharge Review Committee;
- (b) to empower the Surcharge Review Committee to consider the recommendations made by the Auditor-General and to decide the amount to be imposed as a surcharge; and
- (c) to specify the procedure to be adopted by the Surcharge Review Committee in determining the amount of surcharge and the recovery of the surcharge.

Clause 7: This clause repeals section 20 of the principal enactment and is consequential to the amendment made to the principal enactment by clause 6 and clause 8.

Clause 8: This clause amends section 21 of the principal enactment and the legal effect of the section as amended is to incorporate the provisions in the principle enactment to appoint the Surcharge Review Committee and to specify the composition thereof.

Clause 9: This clause inserts new sections 21A, 21B, 21C, 21D, 21E and 21F in the principal enactment and the legal effect of the new sections is to provide for the provisions relating to the

disqualifications from being a member of the Surcharge Review Committee, term of office of such members, vacation of office of such members, meetings and quorum of such Committee, remuneration of such members and to empower such Committee to invite experts to meetings of the Committee.

Clause 10: This clause amends section 22 of the principal enactment and is consequential to the amendment made by clause 2 to the principal enactment.

Clause 11: This clause amends section 23 of the principal enactment and is consequential to the amendment made by clause 6 and clause 7 to the principal enactment.

Clause 12: This clause amends section 38 of the principal enactment and is consequential to the amendment made by clause 2 to the principal enactment.

Clause 13: This clause amends section 42 of the principal enactment and the legal effect of the section as amended is to enhance the punishment to be imposed on a person who commits an offence under that section.

Clause 14: This clause amends section 43 of the principal enactment and the legal effect of the section as amended is to enhance the punishment to be imposed on a person who commits an offence under that section.

Clause 15: This clause amends section 55 of the principal enactment and the legal effect of the section as amended is to make provisions to incorporate new definitions for the expressions, “Committee on Public Accounts”, “Committee on Public Enterprises” and “Institute of Chartered Accountants of Sri Lanka”.

National Audit (Amendment)

L. D. - O 2/2025

AN ACT TO AMEND THE NATIONAL AUDIT ACT, NO. 19 OF 2018

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

1. This Act may be cited as the National Audit (Amendment) Act, No. of 2025. Short title

5 2. Section 7 of the National Audit Act, No.19 of 2018 (hereinafter referred to as the “principal enactment”) is hereby amended by the addition immediately after subsection (5) thereof of the following new subsections: - Amendment of section 7 of Act, No. 19 of 2018

10 “(6) Save as provided in subsections (7) and (8), where the Auditor-General or any person authorized by him when carrying out an audit in respect of any auditee entity, has reasonable grounds to believe that any fraud, corruption or misappropriation in any transaction has been committed contrary to any written law, the Auditor-General shall notify the Chief Accounting Officer of such auditee entity to immediately make a complaint to a law enforcement authority for legal action.

20 (7) Where the allegation on fraud, corruption or misappropriation is against the Chief Accounting Officer, the Auditor-General shall notify the Secretary to the Cabinet of Ministers to immediately make a complaint to a law enforcement authority for legal action.

25 (8) It shall be the duty of the Chief Accounting Officer of the auditee entity or the Secretary to

the Cabinet of Ministers, as the case may be, to immediately make a complaint to the law enforcement authority upon receipt of such notification from the Auditor-General and to report
 5 on the progress of inquiring into the complaints made under subsection (6) or (7), to the Auditor-General, from time to time.”.

3. Section 9 of the principal enactment is hereby amended by the repeal of paragraph (a) of subsection (1) thereof and
 10 the substitution therefor of the following paragraph:-

Amendment
of section 9 of
the principal
enactment

“(a) not be compelled by any person to disclose any information except on a request of Parliament, the Surcharge Review Committee in taking into consideration the recommendation made
 15 by the Auditor-General under subsection (1) of section 19 or by an order of court or subject to paragraph (b) to give effect to the provisions of any written law;”.

4. Section 11 of the principal enactment is hereby
 20 amended in subsection (2) thereof, by the substitution for the words “to the governing body of each auditee entity within the five months” of the words “to the Chief Accounting Officer, the Accounting Officer or the governing body of each auditee entity, as the case may be, within six months”.

Amendment
of section
11 of the
principal
enactment

25 5. Section 18 of the principal enactment is hereby amended in subsection (3) thereof, by the substitution for the words “after having deducted the costs incurred in carrying out the audit.” of the words and figures “after having deducted the costs incurred in carrying out the audit
 30 and a sum of fifteen *per centum* of such fee which sum shall be credited to the Audit Fund established under section 37.”.

Amendment
of section
18 of the
principal
enactment

6. Section 19 of the principal enactment is hereby amended as follows:-

Amendment
of section
19 of the
principal
enactment

- (1) by the repeal of paragraph (a) of subsection (1) thereof, and the substitution therefor of the following paragraph:-

5

“(a) Unless otherwise specifically provided for in any other written law, the Auditor-General shall make his recommendation to impose a surcharge on the amount of any deficiency or loss in any transaction of an auditee entity where the Auditor-General has reasonable grounds to believe that such transaction has been made contrary to any written law and has caused any deficiency or loss due to fraud, corruption or misappropriation of those involved in that transaction of the auditee entity to the Surcharge Review Committee appointed under section 21.”;

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- (2) by the repeal of subsection (2) thereof ;

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- (3) in subsection (3) thereof,

(a) by the substitution for the words “The Chief Accounting Officer of the auditee entity shall, in charging the amount to be recovered, adopt the following procedure:-” of the words “The Surcharge Review Committee shall adopt the following procedure in making its decision on the recommendation made by the Auditor-General:-”;

25

(b) in paragraph (a) thereof, by the substitution for the words and figures commencing from “subsections (1) and (2),” to the end of that

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paragraph, of the words and figure “subsection (1), within a period of twenty one days from the date of receipt of the Notice.”;

- 5 (c) by the insertion immediately after paragraph (a) thereof, of the following new paragraph:-

10 “(aa) where necessary, call for further clarification or documents from the Auditor-General with regard to his recommendation prior to making the decision;”;

- (d) in paragraph (c) thereof, by the substitution for the words “the Chief Accounting Officer of the auditee entity” of the words “the Surcharge Review Committee”;

- 15 (e) in paragraph (e) thereof, by the substitution for the words “the decision of the Chief Accounting Officer of the auditee entity under paragraphs (b) and (c) shall be communicated forthwith to each person who is responsible for the deficiency or loss by issuing a Surcharge Certificate,” of the words “the decision of the Surcharge Review Committee under paragraphs (b) and (c) shall be communicated forthwith to each person who is responsible for the deficiency or loss by issuing a Surcharge Certificate through the Chief Accounting Officer of such auditee entity,”;
- 20
- 25

- (4) by the insertion immediately after subsection (3) thereof, of the following new subsections:-

- 30 “(3A) Where the Surcharge Review Committee decides to impose a surcharge on a

5 Chief Accounting Officer, the communication of its decision under subsection (3) shall be made through the Secretary to the Cabinet of Ministers issuing the Surcharge Certificate specifying the information specified therein.

10 (3B) Where any person is dissatisfied by the decision of the Surcharge Review Committee, he may appeal to the Court of Appeal within thirty working days from the date of issue of the communication under paragraph (e) of subsection (3) or subsection (3A) of this section.

15 (3C) The Order of the Court of Appeal shall be communicated by the Secretary to the Cabinet of Ministers or the Chief Accounting Officer of the auditee entity, as the case may be, in writing to the Surcharge Review Committee and the Auditor-General.”;

20 (5) in subsection (4) thereof, by the substitution for the words “The Chief Accounting Officer of the auditee entity” of the words “The Secretary to the Cabinet of Ministers or the Chief Accounting Officer of such auditee entity, as the case may be,”;

(6) by the addition immediately after subsection (4) thereof, of the following new subsection:-

25 “(5) Where the Secretary to the Cabinet of Ministers or the Chief Accounting Officer of such auditee entity fails to recover the amount to be charged specified in the Surcharge Certificate within the time specified in subsection (4), the
30 Surcharge Review Committee shall report in respect of such failure to the Committee on Public

Accounts or the Committee on Public Enterprises,
as the case may be.”; and

- (7) by the repeal of the marginal note to that section, and
the substitution therefor of the following marginal
note:-

“Imposition of a
surcharge”.

7. Section 20 of the principal enactment is hereby
repealed. Repeal of
section 20 of
the principal
enactment

- 8.** Section 21 of the principal enactment is hereby repealed
and the following section is substituted therefor:- Replacement
of section
21 of the
principal
enactment

“Appointment
of the
Surcharge
Review
Committee **21.** (1) There shall be a Surcharge Review
Committee consisting of the following five
members, who shall be appointed by the
President subject to the approval of the
Constitutional Council, to make a decision on
every recommendation on imposing a surcharge
of the Auditor-General made under section 19:-

(a) a retired Judge of the Supreme Court
or the Court of Appeal who shall be
the Chairman of the Surcharge Review
Committee (hereinafter referred to as the
“Chairman”);

(b) three members from among the persons
having proficiency in any one or more of
the fields of auditing, law, public finance
management public administration and
engineering; and

- (c) a member nominated by the Institute of Chartered Accountants of Sri Lanka.

5 (2) Members of the National Audit Office and the Sri Lanka State Audit Service shall not be eligible to be appointed as the members of the Surcharge Review Committee. The Auditor-General shall not be a member of the Surcharge Review Committee. The Surcharge Review Committee shall act independently of the Auditor-General.

(3) A person who has reached the age of seventy years at the date of the appointment shall not be eligible to be appointed as a member of the Surcharge Review Committee.

15 (4) Subject to the provisions of subsections (1), (2) and (3), the President shall, within three months of the date of the commencement of this Act or of the date on which a vacancy occurs in the Surcharge Review Committee, make his recommendation on the members to be appointed under paragraphs (a), (b) and (c) of subsection (1) to the Constitutional Council.

20 (5) The Constitutional Council shall, within fourteen days of receiving the recommendation of the President, approve or disapprove the recommendation.

25 (6) The President shall, within fourteen days of receiving the approval of the Constitutional Council, appoint the members of the Surcharge Review Committee.”

9. The following new sections are hereby inserted immediately after section 21 of the principal enactment and shall have effect as sections 21A, 21B, 21C, 21D, 21E and 21F of that enactment:-

Insertion of new sections 21A, 21B, 21C, 21D, 21E and 21F in the principal enactment

- 5 “Disqualifications from being a member of the Surchage Review Committee
- 10 **21A.** A person shall be disqualified from being appointed as a member or continuing as a member of the Surchage Review Committee, if -
- (a) he is or becomes, a member of Parliament, a member of any Provincial Council or a member of a Local Authority;
- (b) he is not, or ceases to be, a citizen of Sri Lanka;
- 15 (c) he is under any law in force in Sri Lanka or in any other country, found or declared to be of unsound mind;
- (d) he is an undischarged insolvent or bankrupt; having been declared insolvent or bankrupt under any law in Sri Lanka or in any other country;
- 20 (e) he is serving or has served a sentence of imprisonment imposed by any court in Sri Lanka or in any other country; or
- (f) he has any financial or other interests as is likely to affect the discharge by him of his functions as a member of the Surchage Review Committee.
- 25

Term of
office of
members of
the
Surcharge
Review
Committee

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21B. Every member of the Surcharge Review Committee shall, unless he vacates office earlier by resignation, death or removal, hold office for a period of three years from the date of his appointment and unless he is removed from office shall be eligible for reappointment for not more than one further term, whether consecutive or otherwise:

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Provided however, that, if at the expiration of the period of office of the Chairman and the members of the Surcharge Review Committee, the new members of the Surcharge Review Committee have not been appointed under the provisions of section 21, the Chairman and members of the Surcharge Review Committee holding office on the day immediately prior to such expiration, shall continue in office until the new members are appointed.

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Vacation
of office of
members
of the
Surcharge
Review
Committee

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21C. (1) Any member of the Surcharge Review Committee may, at any time, resign from his office by a letter to that effect, addressed to the President, and such resignation shall be effective from the date on which it is accepted by the President in writing.

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(2) Where a member of the Surcharge Review Committee by reason of illness, infirmity or absence from Sri Lanka is temporarily unable to discharge the functions of his office, the President may, having regard to the provisions of section 21, appoint any other person to act in his place.

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(3) Where a member of the Surcharge Review Committee dies, resigns or is removed from

office, the President may, having regard to the provisions of section 21, appoint another person to act in his place and the person so appointed shall hold office for the unexpired period of the term of office of the member whom he succeeds.

(4) The President may, for reasons assigned in writing and with the prior approval of the Constitutional Council, remove a member of the Surcharge Review Committee from office. A member who has been removed from office shall not be eligible for reappointment as a member of the Surcharge Review Committee or to serve the Surcharge Review Committee in any other capacity.

21D. (1) The Chairman shall preside at every meeting of the Surcharge Review Committee. Where the Chairman is absent, the members present shall elect a Chairman for that meeting from among themselves.

(2) (a) All matters for a decision at any meeting of the Surcharge Review Committee shall be decided by the vote of the majority of members present at such meeting.

(b) In the event of an equality of votes on any matter considered at a meeting, the Chairman of that meeting shall have a casting vote in addition to his original vote.

(3) No act, decision or proceeding of the Surcharge Review Committee shall be deemed

to be invalidated by reason only of the existence of any vacancy of the Surcharge Review Committee or any defect in the appointment of any member thereof.

5 (4) The quorum for any meeting of the Surcharge Review Committee shall be three.

10 (5) Subject to the preceding provisions of this section, the Surcharge Review Committee may regulate the procedure with regard to the meetings of the Surcharge Review Committee and the transaction of business at such meeting.

15 Remuneration of the members of the Surcharge Review Committee **21E.** The members of the Surcharge Review Committee shall be paid remuneration in such manner and at such rates as may be determined by Parliament.

20 The Surcharge Review Committee to invite experts to meetings **21F.** (1) The Surcharge Review Committee may, whenever it considers necessary, invite experts to any meeting of the Surcharge Review Committee, who have expertise on any subject which is dealt with by the Surcharge Review Committee at such meeting for the purpose of obtaining their views on such subject matter for the effective discharge of the functions of the Surcharge Review Committee:

25 Provided however, the Surcharge Review Committee shall have the absolute discretion of accepting or rejecting the views of such experts.

(2) The experts shall have no voting rights.”.

10. Section 22 of the principal enactment is hereby amended by the substitution for the words “The Chief Accounting Officer of the auditee entity” of the words “The Secretary to the Cabinet of Ministers or the Chief Accounting Officer of the auditee entity, as the case may be,”.

Amendment
of section
22 of the
principal
enactment

11. Section 23 of the principal enactment is hereby amended as follows:-

Amendment
of section
23 of the
principal
enactment

(1) in subsection (1) thereof, by the substitution for the words and figures “where the Audit Service Commission is satisfied that immediate action is necessary for the recovery of such sum, unless an appeal is pending before the Committee under section 20(1), in the Court of Appeal under section 20(4), the Audit Service Commission may issue a certificate” of the words and figures “where the Surcharge Review Committee is satisfied that immediate action is necessary for the recovery of such sum, unless an appeal is pending in the Court of Appeal under subsection (3B) of section 19, the Surcharge Review Committee may issue a certificate”;

(2) in subsection (3) thereof -

(a) in paragraph (a) thereof, by the substitution for the words “the Audit Service Commission” of the words “the Surcharge Review Committee”;

(b) in paragraph (b) thereof, by the substitution for the words and figures “unless an appeal has been made to the Surcharge Appeal Committee under section 20 (1) or to the Court of Appeal under section 20 (4), as

the case may be.” of the words and figures
“unless an appeal has been made to the
Court of Appeal under subsection (3B) of
section 19.”;

- 5 (3) in subsection (9) thereof, by the substitution for
the words “the Audit Service Commission” of the
words “the Surcharge Review Committee”; and

(4) by the repeal of subsection (10) thereof.

- 10 **12.** Section 38 of the principal enactment is hereby Amendment
amended by the repeal of paragraph (h) of subsection of section
(1) thereof and the substitution therefor of the following 38 of the
paragraph: - principal
enactment

- 15 “(h) upon receipt of a notice by the Auditor-General
of any fraud, corruption or misappropriation
under subsection (6) or (7) of section 7, without
delay, make a complaint to a law enforcement
authority for legal action.”.

- 20 **13.** Section 42 of the principal enactment is hereby Amendment
amended by the substitution for the words “to a fine not less of section
than five thousand rupees and not more than twenty five 42 of the
thousand rupees.” of the words “to a fine not exceeding one principal
hundred thousand rupees or to an imprisonment of either enactment
description for a term not exceeding one year or to both such
fine and imprisonment.”.

- 25 **14.** Section 43 of the principal enactment is hereby Amendment
amended in subsection (1) thereof, by the substitution for of section
the words “to a fine not less than five thousand rupees and 43 of the
not more than twenty five thousand rupees.” of the words “to principal
a fine not exceeding one hundred thousand rupees or to an enactment
30 imprisonment for a term not exceeding three year or to both
such fine and imprisonment.”.

15. Section 55 of the principal enactment is hereby amended as follows:-

Amendment
of section
55 of the
principal
enactment

- (1) by the insertion immediately after the definition “Auditor-General” of the following new definition: -

5 ““Committee on Public Accounts” and “Committee
on Public Enterprises” means the Committee
on Public Accounts and the Committee on
Public Enterprises appointed by Parliament
in terms of Standing Orders of the Parliament
10 of the Democratic Socialist Republic of
Sri Lanka; ”; and

- (2) by the insertion immediately after the definition “information” of the following new definition: -

15 ““Institute of Chartered Accountants of Sri
Lanka” means the Institute of Chartered
Accountants of Sri Lanka established under
the Institute of Chartered Accountants Act,
No. 23 of 1959;”.

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

Sinhala text
to prevail
in case of
inconsistency

