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MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

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Public Enterprises Circular No. PED 01/2021(i)

All Secretaries of the Ministries  
Chairmen of Commercial Corporations, Statutory Boards,  
State Owned Companies

**Supplementary I – Operational Manual for State Owned Enterprises**

This refers to the Operational Manual for State Owned Enterprises issued through Public Enterprises Circular No. PED 01/2021.

In order to give more clarity on write-off procedure, section 6.9 of the Operational Manual with respect to write-off is hereby replaced by the following paragraph with immediate effect.

*“The BoD of SOEs may write-off losses, having undertaken a due process. The BoD must ensure that the due process is followed, including recommendations from Audit Committee (AC) on write-offs”*

Further, an Application Guide on write-off to be followed in this regard is given in **Annexure A** to avoid undue delays while ensuring accountability, transparency and efficiency.

K.M. Mahinda Siriwardana  
Secretary to the Treasury

- Copies to:
1. Secretary to the President
  2. Secretary to the Prime Minister
  3. Secretary to the Cabinet of Ministers
  4. Auditor General

## Application Guide No.01

**Application Guide for section 6.9 of the Operational Manual for State-Owned Enterprises as amended by the PED Circular 01/2021(i)****Write off<sup>1</sup> of losses/ receivables of State-Owned Enterprises**

1. The write-off shall be done in line with the provisions of the applicable Accounting Standards and applicable regulatory requirements. The Board of Directors is empowered to make decisions on the write-off of losses/receivables by following due process.
2. The Board of Directors should seek prior recommendations of the Audit Committee for any write-off. The Audit Committee when making recommendations should focus on key areas related to write-off including:
  - a. Regulatory and statutory requirements as applicable have been properly addressed.
  - b. The management should have made reasonable and consistence efforts to recover such amounts in terms of the receivables. Applicable and relevant evidences are needed to be obtained for this purpose.
  - c. Whether the write-off of loss arises from a reporting error, if so, it should be taken into account.
  - d. A proper inquiry, or an investigation should have been conducted with regard to theft, fraud, or negligence, and required legal and/or institutional processes should have been completed.
  - e. Recommendations from the internal audit division on such write-off should be obtained.
  - f. The measures which have been taken by the management need to be considered to avoid the occurrence of such events in the future with required internal controls.
  - g. Auditor General's observations with regard to the particular write-off should have been properly addressed.
  - h. It should also be focused on, whether such write-off is confined to a particular case or is there any pervasive impact, and if so, whether the impact/risk is properly assessed and mitigation strategies are properly considered on.
  - i. If the Audit Committee requires any expert involvement in a specific technical matter, the Board of Directors should appoint suitable technical personnel to get such expert service.
3. In order to facilitate the Audit Committee for recommending a write-off, it shall be the responsibility of relevant officer/s of the Entity to provide sufficient and appropriate evidence and their recommendation on the same.
4. The SOE should maintain a register for write-off with required details and the same should be periodically reviewed by the Audit Committee.

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<sup>1</sup> Write -off may occur on; debtors, receivables, inventory, advances or any other asset as applicable to the relevant industry.