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திகதி } 18/06/2024  
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### PRESS RELEASE

#### Clarifying media reports that the General Treasury has serviced debt using an excessively high exchange rate

The media reports referred to here are based on the "*Report of the Auditor General on the Financial Statements of the Government*" from page number 371 of the 2023 Final Budget Position Report (Annual Report), published by the Ministry of Finance, Economic Stabilization and National Policies on 31 May 2024. The relevant Audit Para is as follows.

(af) In perusal of CS-DRMS 854-1 report relating to Foreign Currency Banking Unit Loan (Project) Balances presented from the Note No. 24(1) to the Financial Statements of the Government, a difference of USD 227,823 or Rs. 82,724,927 as at 31 December 2022 and 01 January 2023 was observed in the CS-DRMS 854-1 report related to the Loan Agreement No. 2017045. Further, although a difference of USD 227,823 was observed between loan repayments, no difference was observed in its local currency value. Moreover, it was observed that an unusual foreign exchange rate of Rs.524.6050 per USD 1 has been used to convert the repaid amount of USD 332,704 into local currency as per the financial statements of the government.

Regarding the specific concern mentioned in the Audit Report, the Ministry of Finance has already submitted answers to the Auditor General as is usually the case with regard to any audit inquiry.

Furthermore, as stated in the audit inquiry, in the payment of US\$ 332,704, an exchange rate of 524.6050 between US\$ and Sri Lankan rupees was not used to determine the Rupee value of the debt service amount.

The loan referred to above is in US dollars. However, as per respective agreement, the related loan installment is to be paid in Sri Lankan rupees. Accordingly, in the year 2022, the installment amount paid in relation to the above loan amount was paid in Sri Lankan rupees and the value of the rupees paid was converted to US dollars in the data system maintained for that purpose (Commonwealth Secretariat - Debt Recording and Management System - CS -DRMS). However, due to a data entry error, an incorrect foreign exchange rate was recorded in the database. As a result, the corresponding US dollar value was also recorded as an incorrect value in the database. Therefore, whilst there was a data recording error, this did not affect the actual transaction value.

This exchange rate data entry error has already been corrected in the financial statements in 2023.

Furthermore, in relation to the above loan, the loan installments are paid in Sri Lankan rupees, so there was no need to purchase of US dollars by paying Sri Lankan rupees for this purpose, and accordingly, a very high exchange rate has not been used to buy US dollars as was erroneously reported in some media articles.

Therefore, it is hereby confirmed that there has been no financial crime or any other such offense as reported by some media. Furthermore, the Ministry of Finance is currently working to publish the answers given to all the audit queries mentioned in the relevant Annual Report, which is expected to prevent similar misunderstandings going forward.

It is natural for such an inadvertent reporting error to occur in an organization undertaking several thousand loan transactions worth billions of rupees in a year, and it is the responsibility of the audit to point out such reporting deficiencies. Also, it is the responsibility of an organization like the Ministry of Finance to rectify such errors. However, it is regrettable to observe that such reporting deficiencies, which have already been rectified, have been mis-represented as financial frauds/ financial crimes.