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BY FAX / COURIER

1st September 2014

Hon. D.E.W. Gunasekera M.P.
Chairman, Committee on Public Enterprises (COPE)
Parliament of Sri Lanka
Sri Jayawardenepura
Kotte.

Hon. COPE Chairman,

Ceylon Petroleum Corporation's *purported* Oil Hedging Deals

Totality of facts not disclosed in the COPE Interim Report

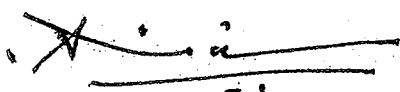
I thank you for directing the Actg. Secretary COPE to inform me, by his Letter dated 27.8.2014, that my Letter dated 7.8.2014 addressed to you and the Hon. Attorney General, has been referred to the Auditor General, calling for his observations, prior to me being summoned.

To assist the Auditor General in this matter, I set out the following queries, very briefly, to be considered, to be referred to him.

1. Were not these transactions *ultra-vires* the Ceylon Petroleum Corporation Act (CPC Act), particularly Sections 5 and 5B defining its specific objects ?
2. The applicability of and/or transgression with the Public Corporations (Financial Control) Act ?
3. Had Section 22 of CPC Act mandating the sealing of an instrument by 2 Directors been violated ?
4. Had the true nature of these transactions been understood ? Had they been fair transactions ?
5. Why were these transactions entered into, bypassing the normal procedure of consulting Hon. Attorney General, and consulting a private Law Firm ? Would they not stand accountable and responsible ?
6. Were not the Directors of CPC, who held Office at the relevant time, be accountable and responsible ?
7. Had not these transactions been introduced *via* the Central Bank ?
8. Had not the Secretary Treasury appointed a Study Group, who had had only 3 Meetings in one month, and recommended to the Secretary Treasury that CPC proceeds with these transactions ? Were not the Study Group members accountable and responsible ?
9. Were not certain Officials of CPC and the Study Group compromised by foreign trips arranged by the respective foreign Banks, admitted by them in Affidavits / Statements tendered to the Supreme Court in SC FR Application No. 404/2009 ? What action had been taken against such persons ? (*In fact, one Bank had the gumption to produce a copy of the Minutes of one such Meeting in its Objections filed in SC FR Application No. 404/2009*).
10. Had not a Cabinet Paper been prepared on the basis of such recommendation obtained by Secretary Treasury from the Study Group ? How was it that they were unaware of the restrictions in the CPC Act, and the illegality of these transactions ?
11. What is the total legal costs, experts costs, travelling costs, etc. incurred by CPC and the Treasury and what were the losses incurred by the CPC and the Treasury ?

12. What actions were taken against the Banks concerned, with CPC having been their Customer, and thereby they having known the financial predicament of CPC ?
13. Why had the services of a foreign expert not been engaged, whereas services of foreign expert had been engaged, after losses had been claimed in these transactions ?
14. Had not the CPC by its Affidavit dated 10.7.2009, settled by Hon. Attorney General, in SC FR Application No. 404/2009, admitted that these transactions are illegal, *ultra-vires* and/or unauthorized, and their true nature had been misrepresented, and are null and void and/or unenforceable ?
15. Was not the then Hon. Attorney General accountable and responsible for foolhardily having assured that he would most certainly succeed in defending the foreign litigations, and on such premise having strenuously objected and prevented these transactions being adjudicated upon by the Supreme Court of Sri Lanka ?
16. Having admitted as aforesaid at 14. above, what action had the Hon. Attorney General taken against those accountable and responsible ?
17. Should the tax payers' monies be used to finance such colossal losses, recklessly incurred, or foreign borrowing made therefor ?

Yours truly,



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