

## Public Utilities Commission of Sri Lanka - 2010

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### 1. Financial Statements

#### 1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Public Utilities Commission of Sri Lanka had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Public Utilities Commission of Sri Lanka as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

#### 1:2 Comments on Financial Statements

##### 1:2:1 Unreconciled Control Accounts

The unidentified balance of Rs.56,064 brought forward from the year 2009 had not been identified and brought to account even during the year under review.

##### 1:2:2 Non – compliance with Laws, Rules, Regulations and Management Decisions

Instances of non – compliance with the laws, rules, regulations and management decisions observed during the course of audit are given below.

| Reference to Laws, Rules, Regulations and Management Decisions | Non - compliance   |
|--|--|
| (a) Public Finance Circular No. 424 of 26 February 2007        | Direct and internal telephone facilities had not been provided to the officers connecting the telephones of all Divisions to a single telephone system. Rentals had been paid separately for each telephone. |

(b) Section 2:8:4 of the Procurement Guidelines of the Government – At least one number of the Technical Evaluation Committee should be a person outside the Procurement Entity, who is knowledgeable in the item of procurement.

The officers of the Commission only had been appointed to the Technical Evaluation Committee for the purchase of 02 motor vehicles and energy meters.

## **2. Financial and Operating Review**

### **2:1 Financial Review**

#### **2:1:1 Financial Results**

According to the financial statements presented, the operation of funds of the Commission during the year under review had resulted in an excess of income over the expenditure amounting to Rs.20,708,819 as compared with the corresponding excess of income over expenditure amounting to Rs.37,741,980 for the preceding year. The decrease of Rs.14,033,162 in the financial results as compared with the preceding year had been due to the decrease in the income and the increase in the other expenditure including personal emoluments, traveling expenses and contractual services.

### **2:2 Performance**

The following matters were observed at a test check of the performance of the Public Utilities Commission of Sri Lanka for the year 2010.

(a) Even though recurrent expenditure amounting to Rs.177,673,294 and capital expenditure amounting to Rs.29,283,689 had been incurred since the year 2004 up to date to function as the Regulator for the Electricity, Water and Petroleum Industries in terms of Section 14 (2) (1) of the Public Utilities Commission of Sri Lanka Act, No. 35 of 2002, the regulatory functions relating to the Electricity

Industry is performed with effect from 08 April 2009 in accordance with the Sri Lanka Electricity Act, No. 20 of 2009. It had not been possible to perform the regulatory functions relating to the Water and Petroleum Industries (excluding Lubricants Industry) as the amendments to the respective Acts had not received the approval.

- (b) In terms of Section 9 of the Sri Lanka Electricity Act, No. 20 of 2009, licences for generation of electricity cannot be issued to companies registered under the Companies Act, No. 7 of 2007 without 50 per cent share capital participation by the Government. Even though licences have not issued up to date to 06 companies generating electricity exceeding 25 megawatts which are registered under the Companies Act without 50 per cent share capital participation by the Government, the electricity generated by those companies had been added to the electricity grid of Sri Lanka. The Director General had, by his letter dated 19 May 2011, informed the audit that it is not possible to issue licences to those institutions as they have not satisfied the requirements of Section 9 (1) of the Sri Lanka Electricity Act, No. 20 of 2009 and that the matter was referred to the Ministry of Power and Energy to make necessary provisions thereto.
- (c) Thirteen companies dealing in the Lubricants Industry had been registered in the year 2010 and out of that only 05 companies had carried out transactions exceeding Rs.1 million liable at 0.5 per cent variable registration on the invoice value. Accordingly, the Commission had received a sum of RS.18,114,029 up to 31 March 2011 from those 05 Companies as the variable registration fees.

### **2:3 Management Inefficiencies**

- (a) Assets costing Rs.1,324,436 eliminated from the books as at 31 December 2009 and furniture and fixtures valued at Rs.83,344 eliminated from the books as at 31 December 2010 had not been disposed of appropriately.
- (b) An agreement had been entered into on 26 March 2006 for the maintenance of the Office of the Public Utilities Commission in level 6 of the building owned by the Property Development and Management (Private) Company of the Bank of Ceylon. The following matters were observed in this connection.

Despite entering into a commitment through the agreement for taking on rent an area of 2,296.03 square feet from March 2006 to September 2009 and 3,822.23 square feet from September to November 2009 for the maintenance of the office of the Commission, rent amounting to Rs.151,161 in respect of 10 months from December 2009 to September 2010 had been paid for an additional floor area of 153 square feet without entering into an agreement. Further, an additional floor area of 2,407.88 square feet had been taken on rent for the period September 2010 to March 2012 and a sum of Rs.3,132,330 had been paid thereon for the period September 2010 to January 2011. Nevertheless, that additional floor area had not been made use of even up to 08 February 2011.

#### **2:4 Audit and Management Committees**

Audit and Management Committees had not been appointed in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003.

#### **2:5 Budgetary Control**

The following matters were observed at a test check of the budgetary control.

- (a) A sum of Rs.2,591,834 had been spent in excess of the provision made under 09 categories of expenditure.
- (b) A sum of Rs.1,747,526 had been spent under 05 categories of expenditure for which provision had not been made in the budget.

### **3. Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Advances
- (c) Maintenance of Files on Procurement