

Report of the Auditor General on Head 241 – Department of Public Enterprises - Year 2015

The audit of the Appropriation Account, Revenue Account, and the Reconciliation Statements including the financial records, books, registers and other records of the Head 241 – Department of Public Enterprises for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 02 November 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.94,470.01 million and out of that, a sum of Rs.89,453.68 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs.5,016.33 million or 5.31 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	64.61	62.75	1.86	2.88
Capital	94,405.40	89,390.93	5,014.47	5.31
Total	94,470.01	89,453.68	5,016.33	5.31

2.2 Revenue Accounts

----- Estimated and Actual Revenue -----

The Department had prepared Revised Revenue Estimates totalling Rs.43,540.00 million in respect of 02 Revenue Codes for the year 2015 and Revenue totalling Rs.29,797.77 million had been collected. That represented 68.44 per cent of the estimated Revenue. Details appear below.

Revenue Code	As at 31 December 2015			Shortfall as a Percentage of Estimated Revenue
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-	Revised Estimated Revenue	Actual Revenue	Shortfall	--
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	Rs.Millions	Rs.Millions	Rs.Millions	
20.02.03.00	38,500.00	26,118.63	12,381.37	32.16
20.02.04.00	5,040.00	3,679.14	1,360.86	27.00
Total	43,540.00	29,797.77	13,742.23	31.56
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2.3 Advance Accounts

----- Advances to Public Officers Account -----

Limits Authorised by Parliament -----

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.24101 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
4.33	2.07	2.13	3.02	19.00	12.48

2.6 Audit Observation

The Appropriation Account, Revenue Account, and the Reconciliation Statements for the year ended 31 December 2015 of the Department of Public Enterprises had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations, out of the Audit Observations included in the Management Audit Report, appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Over provisions had been made for 01 Object and as such the savings, after the utilization of provisions had been 5 per cent of the net provisions relating to the respective Object.

3.2 Revenue Accounts

The functions relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to 02 Revenue Codes had been assigned to the Head of the Department as the Revenue Accounting Officer. The following deficiencies were observed during the course of audit test check relating to those Revenue Codes.

(a) Revenue Code 20.02.03.00 – Profits

The Department had not taken action to obtain the solvency test reports from the institutions established under the Company Act, before dividends were paid

(b) Revenue Code 20.02.04.00 – Dividends

It was mentioned as a reply to the audit query that the losses existed in a private plantation company in the years 2013 and 2014 amounting to Rs.151 million and Rs.603 million respectively. The dividends amounting to Rs.5 million had been included in the revised estimate in the year 2015 as well.

3.3 Reconciliation Statement of the Advances to Public Officers Account

According to the Reconciliation Statement presented to audit, the balances that remained outstanding from the officers interdicted and vacated of posts as at that date totalled Rs.408,304. Even though those outstanding balances remained for over a period ranging from 7 years to 11 years, the Department had failed to recover those outstanding balances.

3.4 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2015 are given below.

- (a) In making recommendations to ensure the execution of short term and medium term objectives of the Public Enterprises, the recommendations in respect of the following institutions had not been furnished in the year under review, according to the Performance Report of the year 2015.

- (i) Even though a sum of Rs.433 million had been granted by the Government for the Sri Lanka Fishery Harbours Corporation, that Corporation had incurred a loss of Rs.60 million in the year 2015.
 - (ii) The Development Lotteries Board had shown a 3 per cent recession in the year 2015 as compared with the year 2014, and the contribution provided to the General Treasury had decreased by 16 per cent in the year 2015 as compared with the year 2014.
- (b) There were 16 institutions which incurred losses in the year 2015 and the provisions of Rs.15.05 million for 06 institutions and Rs.27.56 million for 04 institutions had been granted as recurrent expenditure and capital expenditure to those institutions in the year 2015 respectively. The capital provisions of Rs.11,527 million and Rs.39,804 million had been granted to the Ceylon Electricity Board and the National Water Supply and Drainage Board respectively in the year 2015. The Capital provisions granted to the National Water Supply and Drainage Board had been increased by 401 per cent as compared with the preceding year.
- (c) As mentioned in the Performance Report, a factory had been constructed by the State Pharmaceutical Manufacturing Corporation by obtaining loan facilities from the Japan International Co-operation Agency as a measure taken to improve the State Pharmaceutical Manufacturing Corporation. It was planned to manufacture 3500 million medicinal tablets and capsules through the Project in the year 2017. No expenditure whatsoever had been incurred relating to this project even by August 2016 and the activities of the project had remained at the procurement level.

3.5 Management Weaknesses

Out of the main functions of the Department, the supervision and reviewing of the Public Enterprises should have been carried out by the Department. Nevertheless, a supervision had not been carried out in respect of 02 institutions which had not prepared recruitment procedures including instructions required for recruitments and promotions of the staff in terms of the Paragraph 9.2 (d)(f) and 9.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

3.6 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i)	Senior Level	30	28	02	-
(ii)	Tertiary Level	01	01	-	-
(iii)	Secondary Level	38	26	12	-
(iv)	Primary Level	14	17	-	03
(v)	Others (Casual/Temporary/Contract Basis)	-	01	-	01
	Total	83	73	14	04