

Head 158 Report of the Auditor General on the Ministry of Public Enterprises Development – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Public Enterprises Development. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Ministry of Public Enterprises Development – Head 158 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 09 July 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Ministry of Public Enterprises Management for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.6 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations		

127(1)(a)	That the financial work of his department should be planned so that the business is transacted with correctness and financial propriety.	1.Failure in planning of procurement activities adequately. 2.2 2.Over provision 3.Failure to execute duties in the Action Plan 2.4 4. Failure to achieve the expected output level 2.1.2 (b) 5.Non-maintenance of books and registers 2.1.2(b) 6. Deficiencies in renting out of buildings 2.5
127(3)	That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them.	2.3 (b) 2.3(a) 2.3(c)

127(4)	That Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them; and that important differences in the Estimates and the actual expenditure are critically investigated by him.	Failure to submit annual performance reports	2.1.3(a) (b)
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2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

Progress reports had not been prepared so as to examine whether the expected objectives relating to the sections such as Bank financial, insurance and plantation industry mentioned in the Action Plan in the year 2017 which had been prepared by the Ministry.

2.1.2 Non-execution of Duties

The following observations are made.

(a) Non-execution of duties included in the Action Plan

A provision amounting to Rs.12 million had been granted from the annual budget estimates for the restructuring of Public Resources Management Corporation. However, the activities relating to that had been included in the Action plan as well, any activity in this connection had not been executed.

(b) Failure to obtain Expected Benefits

(i) The main objectives of the Ministry had been the identification of the methods required for the restructuring in a manner to grant contribution to the whole national economy by identifying running at lost enterprises and giving required guidance. Accordingly, the report presented in respect of the implementation of the Public Private Partnership (PP)

proposal which were existed lands unable to cultivate according to the restructuring programme on 05 plantation companies for the achievement of the said objectives, had been referred to the Cabinet of Ministers on 22 January 2018. A sum totalling Rs.214.10 million for the recurrent expenditure and Rs.2,906.63 million for the development work had been spent from the year 2015 to the year 2017 for the said Companies despite the approval had not been granted.

- (ii) Even though the Cabinet Paper relating to legal vesting of lands belonging to a Company to the Government under restructuring programme for 02 industries existed under the Ministry and re-establish in a new place, is submitted to the Sub-committee of the Cabinet of Ministers, the said problem had not been resolved even by June 2018. Reports of the Three Member Committee appointed in the year 2017 for the examination of the irregularities, disciplinary inquiries and proper utilization of resources occurred in respect of the Ceramic Company which is the other industry, had not been submitted up to June 2018.

2.1.3 Annual Performance Report

The following observations are made.

- (a) The Annual Report of the Institution under the Ministry should be tabled in Parliament within 150 days after the closure of the Financial Year in terms of the Public Finance Circular No.402 of 12 September 2002. However, 46 Performance Reports relating to the year under review were handed over to the Ministry by 03 August 2018, only 09 reports had been tabled.
- (b) Even though one of the objectives of the Ministry is to preparation of statements of accounts and the annual reports for auditing of the Institutions under the Ministry, the Annual Reports of 05 Plantation Industries, 02 State Banks and 02 industries of the year 2017 had not been prepared. Two Companies out of that had not been prepared the Annual Reports from the year 2013.

2.2 Implementation of Procurement Procedure

The following observations are made.

- (a) As a result of the Procurement Plan had not been updated within a period more than 06 months in terms of Guideline 4:2:1 (e) of the Government Procurement Guidelines 2006, the procurements amounting to Rs.44 million made by the Supplementary Estimates had not been included.

- (b) All procurements for goods, services and work according to the prescribed profile had not been included in the Procurement Plan in terms of Guideline 4.2.3 of the Procurement Guidelines 2006.

2.3 **Assets Management**

- (a) Failure to Test Fuel Consumption
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A fuel consumption test had not been carried out relating to the vehicles belonging to the Ministry in terms of Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.

- (b) Deficiencies in Renting out Buildings
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The office is maintained in a building obtained on a rent amounting to Rs.94.81 million annually by the Ministry and the entire parking facility of vehicles in that building is limited only for 22 vehicles. Therefore, the adequate parking facility for 32 vehicles belonging to the Ministry had not been obtained.

- (c) Conducting Annual Board of Survey
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The following observations are made.

- (i) The Board of Survey in the year 2017 should be conducted and the report thereon should be furnished to the Auditor General before 31 March 2018 in terms of Paragraph 3:1 of the Public Finance Circular No.05/2016 dated 31 March 2016. However, the survey had not been completed even by 31 July 2018.
- (ii) Actions in terms of the Financial Regulations had not been done in respect of the surpluses ,deficiencies and other recommendations pointed out by the Board of Survey Reports relating to the year 2016.

2.4 **Utilization of Provisions authorized by Parliament to Perform Activities**

Information on provisions made for the Ministry during the period of 03 years ended 31 December 2017 ,utilization and savings thereof and audit observations relating to the information of the year under review are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs. millions	Rs. millions	Rs. millions	
2015	Recurrent	24.93	17.60	07.33	29.40
	Capital	1,181.96	1,172.30	9.66	0.82
	Total	1,206.89	1,189.90	16.99	1.41
2016	Recurrent	288.78	267.18	21.60	7.47
	Capital	847.01	820.56	26.45	3.12
	Total	1,138.79	1,087.74	48.05	4.22
2017	Recurrent	295.05	279.11	15.94	5.42
	Capital	9,668.98	1,270.19	8,398.79	86.86
	Total	9,964.03	1,549.30	8,414.73	84.45

The following observations are made for the year under review.

Over provision

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- (i) Even though provision amounting to Rs.65.83 million by 02 Supplementary Estimates for the contract of the repairing of the Official Residency had been made, a sum amounting to Rs.51.5 million had been saved out of the granted provisions as at 31 December in the year under review.
 - (ii) The entire net provision amounting to Rs.12 million made for one Objects had been saved.
 - (iii) Excess provisions amounting to Rs.883 million had been made for 10 Objects and as such out of the provisions made for the said Objects ,only a sum totalling Rs.1,222 had been utilized. The savings, ranged between 31 per cent to 70 per cent of the net provision provided.

2.5 Non-maintenance of Registers and Books

It was observed at audit test check that the Ministry had not maintained the registers given below.

Category of Registers	Relevant Regulation
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(a) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978 /Appendix 11 of 502(2) of the Financial Regulations.
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 dated 28 November 2002.
(c) Security Register	Financial Regulation 891(1)

2.6 Human Resources Management

(a) Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars relating to the approved cadre, actual cadre, vacancies and the excess cadre as at 31 December 2017 for the execution of the functions of the Ministry are given below. The Ministry had incurred a sum of Rs.71 million for the expenditure on personal emoluments for the year under review.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	23	15	08
(ii) Tertiary Level	04	03	01
(iii) Secondary Level	43	30	13
(iv) Primary Level	31	27	04
(v) Other(Casual/Temporary/Contract basis)	02	02	-
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Total	103	77	26
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In addition to the above staff, 42 employees belonging to the Ministerial staff were deployed in the year under review.