



Parliamentary Series No. 118

**The Eighth Parliament of
The Democratic Socialist Republic of Sri Lanka
(Fourth Session)**

First Report of the Committee on Public Enterprises

Presented on 18th day of February 2020 by

Hon. Sunil Handunneththi

Chairman of the Committee on Public Enterprises

Ordered to be printed by Parliament of Sri Lanka

On 18th day of February 2020

Committee on Public Enterprises

Eighth Parliament (Fourth Session)

As per the provisions laid down in standing order 120 (1) of the Parliament of Sri Lanka the under mentioned 16 members were appointed to the Committee on Public Enterprises, following a statement made by the Hon. Speaker on 5th of February 2020, consistent with the decision made by the Committee of Selection of the Parliament on 21 January 2020, with regard to the composition of the Members for Committee on Public Enterprises of the 4th session of the 8th Parliament.

1. Hon. Sunil Handunneththi, M.P. (Chairman)
2. Hon. Anura Priyadarshana Yapa, M.P.
3. Hon. A.D. Susil Premajayantha, M.P.
4. Hon. Mahindananda Aluthgamage
5. Hon. Dayasiri Jayasekara, M.P.
6. Hon. Jayantha Samaraweera, M.P.
7. Hon. Mohan Priyadarshana De Silva, M.P.
8. Hon. Rauff Hakeem, M.P.
9. Hon. (Dr.) Wijeyadasa Rajapaksha, M.P.
10. Hon. (Dr.) Harsha De Silva, M.P.
11. Hon. Ajith P. Perera, M.P.
12. Hon. (Mrs.) Sriyani Wijewickrama, M.P.
13. Hon. Ranjan Ramanayake, M.P.
14. Hon. Ashok Abeysinghe, M.P.
15. Hon. Mavai S. Senathirajah, M.P.
16. Hon. D.V. Chanaka, M.P.

Committee on Public Enterprises

Eighth Parliament (Third Session)

The Committee on Public Enterprises Chaired by Hon. Sunil Handunneththi, M.P. consisted of the following 16 Hon. Members of Parliament during the Third Session of the Eighth Parliament:

1. Hon. Sunil Handunneththi, M.P. (Chairman)
2. Hon. Rauff Hakeem, M.P.
3. Hon. Ravindra Samaraweera, M.P.
4. Hon. Sujeewa Senasinghe
5. Hon. (Dr.) Harsha de Silva, M.P.
6. Hon. Ajith P. Perera, M.P.
7. Hon. Wasantha Aluvihare, M.P.
8. Hon. Ranjan Ramanayake, M.P.
9. Hon. Ashok Abeysinghe, M.P.
10. Hon. Anura Priyadarshana Yapa, M.P.
11. Hon. Lakshman Senevirathna, M.P.
12. Hon. Chandrasiri Gajadheera, M.P.
13. Hon. Mahindananda Aluthgamage, M.P.
14. Hon. Dayasiri Jayasekara, M.P.
15. Hon. Jayantha Samaraweera, M.P.
16. Hon. Mavai S. Senadhiraja, M.P.

Committee on Public Enterprises

Eighth Parliament (Second Session)

The Committee on Public Enterprises Chaired by Hon. Sunil Handunneththi, M.P. consisted of the following 26 Hon. Members of Parliament during the Second Session of the Eighth Parliament:

1. Hon. Sunil Handunneththi, M.P., (Chairman)
2. Hon. Rauff Hakeem, M.P.,
3. Hon. Ravindra Samaraweera, M.P.,
4. Hon. Lakshman Senevirathne, M.P.,
5. Hon. Sujeewa Senasinghe, M.P.,
6. Hon. Wasantha Aluvihare, M.P.,
7. Hon. (Dr.) Harsha de Silva, M.P.,
8. Hon. Ajith P. Perera, M.P.,
9. Hon. Lasantha Alagiyawanna, M.P.,
10. Hon. Ranjan Ramanayake, M.P.,
11. Hon. Ashok Abeysinghe, M.P.,
12. Hon. Anura Priyadarshana Yapa, M.P.,
13. Hon. Anura Dissanayake, M.P.,
14. Hon. Chandrasiri Gajadheera, M.P.,
15. Hon. Mahindananda Aluthgamage, M.P.,
16. Hon. Dayasiri Jayasekara, M.P.,
17. Hon. Bimal Rathnayake, M.P.,
18. Hon. Mavai S. Senadhiraja, M.P.,
19. Hon. Abdullah Mahroof, M.P.,
20. Hon. Jayantha Samaraweera, M.P.,
21. Hon. S. Sritharan, M.P.,
22. Hon. M.A. Sumanthiran, M.P.,
23. Hon. Hector Appuhamy, M.P.,
24. Hon. (Dr.) Nalinda Jayatissa, M.P.,
25. Hon. Harshana Rajakaruna, M.P.,
26. Hon. Gnanamuththu Srineshan, M.P.,

Committee on Public Enterprises

Eighth Parliament (First Session)

The Committee on Public Enterprises Chaired by Hon. Sunil Handunneththi, M.P. consisted of the following 28 Hon. Members of Parliament during the Second Session of the Eighth Parliament:

1. Hon. Sunil Handunnetti (Chairman)
2. Hon. Rauff Hakeem
3. Hon. Anura Priyadarshana Yapa
4. Hon. Dayasiri Jayasekara
5. Hon. Lakshman Seneviratne
6. Hon. Ravindra Samaraweera
7. Hon. Sujeewa Senasinghe (Appointed on 7 July 2016)
8. Hon. Wasantha Aluvihare
9. Hon. Lasantha Alagiyawanna
10. Hon. Dr. Harsha De Silva
11. Hon. Ajith P. Perera
12. Hon. Ranjan Ramanayake
13. Hon. Ashok Abeysinghe
14. Hon. Anura Dissanayake
15. Hon. Chandrasiri Gajadheera
16. Hon. Mahindananda Aluthgamage (Appointed on 17 May 2016)
17. Hon. Bimal Rathnayake
18. Hon. Weerakumara Dissanayake
19. Hon. Mawai So. Senadhiraja
20. Hon. Abdullah Mahruf (Appointed on 7 April 2016)
21. Hon. S. Sritharan
22. Hon. M.A. Sumanthiran
23. Hon. Hector Appuhamy
24. Hon. Velu Kumar (Resigned on 05 July 2016)
25. Hon. (Dr.) Nalinda Jayathissa
26. Hon. Prasanna Ranatunga (Appointed on 7 April 2016 and resigned on 17 May 2016)
27. Hon. Harshana Rajakaruna
28. Hon. Gnanamuttu Srinesan

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Chairman's Note

I am thankful for electing me once more as Chairman of the Committee on Public Enterprises appointed for the Fourth Session of Eighth Parliament commenced on 3rd January 2020, at the First Meeting of the Committee held on 7th February 2020 and delighted about getting to submit this Report to Parliament today (18th February 2020) as its First Report.

This Report contains facts about the observations made by the Committee on the activities of ten (10) institutions, including those observations regarding the activities of the Central Bank of Sri Lanka and the Ceylon Electricity Board, which came to special attention of people.

Since I had first been elected to the post of Chairman of the Committee on Public Enterprises on 15th November 2015, it has been possible to present eleven (11) Reports to Parliament within four (4) Sessions. I am glad that it has been possible to present 04 Special Reports regarding the issuing of bonds by the Central Bank of Sri Lanka, importing rice, cancelling the agreements which had been entered into for the replacing the fleet of aircraft and acquisition of eight aircraft for Sri Lankan Air Lines.

After making space for media to broadcast the sessions of the Committee on Public Enterprises live, broader opportunities have been opened to enlighten the general public on the oversight function of the Committee. Space has been created to draw the attention of authorities to take necessary steps to establish financial discipline at state institutions by collating all the observations made by the Committee regarding the activities of the state institutions concerned and making a Report of it with the conclusions and recommendations and presenting it to Parliament. It is my firm belief that a greater contribution towards the economic advancement could be achieved by regulating those functions in a proper manner.

On behalf of the Members of the Committee, I wish to extend my thanks to the Secretary to the Committee on Public Enterprises and her staff and all the members of the staff of the Secretary General of Parliament who extended their assistance for the examining activities of the Committee. I also commend the Auditor General and his staff and the Director General of the Department of Public Enterprises and his staff for the cooperation extended by them towards the functions of the Committee.

Sunil Handunneththi

Chairman

Committee on Public Enterprises

Fourth Session of the Eighth Parliament
First Report of the
Committee on Public Enterprises

Introduction

It is with great pleasure that the Committee on Public Enterprises presents its First Report of the Fourth Session of the Eighth Parliament.

The Auditor General subjects to examination all state-owned Corporations, merchant and other businesses vested in the government by any written law and those companies registered or deemed to have been registered under the Companies Act No. 7 of 2007 in which the government, or a government company, or a local authority holds more than 50% or more of the shares, including their accounts under the Committee on Public Enterprises.

As such, observations and recommendations pertaining to the following 10 institutions which were subjected to the Committee's examination during the Third Session of the Eighth Parliament have been included in this Report.

Institutions Subjected to Examination by the Committee on Public Enterprises and the Period of Reference for Examination in respect of Each Institution

	Institution	Date of Examination	Period / Matter of Reference for Examination
1.	Sri Lanka Merchant Bank and Finance <i>plc</i>	20.02.2019	Present Performance
2.	Sri Lanka Inventors Commission	22.02.2019	Reports of the Auditor General for the years 2015 and 2016 and the present performance
		08.05.2019	Scrutiny of the present status pertaining to matters discussed at the Committee on 22.02.2019

3.	State Mortgage and Investment Bank	07.03.2019	Report of the Auditor General for the year 2015 and the present performance
4.	Sri Lanka Rupavahini Corporation	08.03.2019	Reports of the Auditor General for the years 2014, 2015 and 2016 and the present performance
5.	Sri Lanka Bureau of Foreign Employment	15.03.2019	Reports of the Auditor General for the years 2015 and 2016 and the present performance
6.	Central Bank of Sri Lanka	22.03.2019	Reports of the Auditor General for the years 2014, 2015 and 2016 and the present performance
7.	Ceylon Electricity Board	23.08.2019	Reports of the Auditor General for the years 2016 and 2017 and the present performance
		08.10.2019	
8.	National Savings Bank	04.09.2019	Report of the Auditor General for the year 2016 and 2017 and the present performance
9.	People's Bank	05.09.2019	Report of the Auditor General for the year 2016 and the present performance
10.	Social Security Board of Sri Lanka	10.07.2019	Reports of the Auditor General for the years 2015 and 2016 and the present performance

Merchant Bank of Sri Lanka

(Ministry of Finance)

(This institution comes under the Ministry of Finance, Economic and Policy Development with effect from 10.12.2019)

Date of Investigation: 20 February 2019

Matters discussed

01. Procurement plan

Inquires whether the national procurement guidelines prepared by the national procurement agency and the relevant circulars are followed and whether there is a procurement plan prepared and approved accordingly.

Recommendations

The Committee emphasized that it is compulsory to get the approval of the Ministry of Finance for the prepared procurement guidelines and recommended to the secretary to the ministry to submit a report including the following facts to the Auditor General and the Committee within a week.

- i. A copy of the above mentioned procurement guidelines and procurement plan.
- ii. The date, on which it was approved by the board of directors, the date from which it was adopted and the letter sent to the national procurement commission for approval.
- iii. The internal procurement policy that was adopted prior to the preparation of the procurement guidelines and the duration of which the aforementioned procedures are followed.

Present situation and the progress

All the above reports have been submitted to the Committee by the letter dated 27.02.2019 of the acting CEO of the Merchant Bank.

02. Approving the staff

Check whether this institution, as a public entity, has got its staff approved by the department of public enterprises and department of management services.

Recommendations

Recommend to the department of management services to send the circulars related to the approval of the staff and a report including the dates on which these circulars are sent to this institution.

Present situation and the progress

Not reported.

03. Action plan

Inquires whether the action plans have been prepared for 2016, 2017, 2018 and 2019.

The acting CEO stated that the relevant targets are set after the budget is prepared for one year, the action plan is prepared accordingly and the approval of the board of directors has been given for that.

The Committee stated that the action plan submitted to the Committee on its request to submit the action plan prepared for 2018 could not be accepted as the action plan and pointed out the lack of monitoring by the Treasury.

Recommendations

The Committee emphasized the need to attach a representative from the Treasury and take action accordingly.

Present situation and the progress

Not reported.

04. Perpetual succession of the MBSL Insurance Company

The functioning license of the MBSL Insurance Company, which is a sub company under the MBSL Bank, has been cancelled.

The Chairman of the Company stated that,-

- This company functioned as the ABC Insurance Company earlier,
- This was taken over by the MBSL Bank in 2009,
- The license was cancelled in 2017 due to lack of capital,

- After that, quotations have been called to get capital and once the approval is obtained, United Capital Holdings has been selected as a strategic supporter,
- An investment agreement has been signed with them,
- Their investment was Rs.700 million and the total investment was Rs.1200 million.
- Rs.500 million has been provided out of that and the time has been extended up to 22 February 2019 to provide the balance of Rs.200 million.

Recommendations

The approvals and all the relevant documents on this strategic process that was carried out to earn additional capital be directed to the Committee and the Auditor General within a week.

Present situation and the progress

Sri Lanka Merchant Bank has submitted all the above-mentioned reports to the Committee by the letter dated 27.02.2019 of the acting CEO.

05. Profitability of the Institution

The Committee observed that the institution has incurred a loss of Rs.30.67 million in 2014 and Rs.78.30 million in 2015 and in 2016 and 2017; the institution has earned Rs.78.65 million and Rs.100.85 million respectively as profits and the profits have come down in 2018.

The Chairman of the Committee has stated that,-

- Profit has come down due to fraudulent transactions carried out by the then CEO and utilizing money for insurance.
- A profit of Rs.594 million is expected in 2019.
- The CEO is interdicted by now.
- An internal investigation is being done against him with regard to those transactions.

Recommendations

A report with information regarding the financial frauds committed by the then CEO and the charge sheet given to him has been submitted to the Committee within a week.

Present situation and the progress

Not reported.

06. Property of Victoria Building

The Committee observed that as per the financial reports, the property belonged to the Victoria building in Olcott mawatha, which has a fair value of Rs.75million has been sold for Rs.36.5 million and as per the financial reports of the assessor the market value of the property is Rs.4,344,288/-.

The CEO stated that this building belongs to the road development authority and only the lease right of the building, which is mortgaged to the institution, has been sold, the loan has been settled using that, the total outstanding value is Rs.9.9 million and this lease right has been sold for Rs.36 million and lease right remained for another 11 years.

Recommendations

The Committee showed that the book value of this has been shown as Rs.75million and if it were true, there would be a loss if it is sold for Rs.36million and since this information is not clear, the Chairman was recommended to provide a complete report about that.

Present situation and the progress

This report has been submitted to the Committee.

07. Property at Thalawathugoda, Madiwela

The Committee pointed out that Rs.6.5 million had been obtained as the total and final settlement of the overdue balance of the loan by exchanging a property at Thalawathugoda, Madiwela to his owner but as the financial statements show its fair value as Rs.14.727 million, the Committee inquired about the agreement with regard to that loan.

The manager (legal) stated that,-

- It is a loan of Rs.15 million
- They have delayed the payments
- The property was transferred to the institution on their request
- The overdue amount of the loan that was supposed to be paid at that time was settled when the transfer was done
- There was some balance to be paid and that amount was defaulted.
- They were occupying their property at that time and a case was filed to evict them to enable the full acquisition of property.

- Then the balance was paid and loan was settled.
- That bears a part of the interest.

Recommendations

Submit the following reports to the Committee within a week.

- i. Minutes of the board of directors who decided on that matter.
- ii. A report that includes properly calculated interest.

Present situation and the progress

- i. This report has been presented to the Committee.
- ii. The summary presented by the institution with regard to this matter is in **annexure 01**.

08. Non-performing employee's loans

The Committee pointed out that 15 non-performing loans to the tune of Rs.7.86 million are there as at 31 December 2016 and Rs.7.144 million out of that should come from four employees and made an inquiry into that matter.

This reveals that,

- Government loan and vehicle loan facilities have been provided to the members of the institution
- Overdue balances of some of those members are a very small amount
- Out of that amount, only four people bear a large amount of loan money
- This loan has been recovered by mortgaging their vehicles.
- Legal action has been taken against them
- All of them have resigned from the service by now.

Recommendations

Submit a report to the Committee within a week including the information about the date on which the paying of loan was stopped and the steps taken after that.

Present situation and the progress

This report has been submitted to the Committee.

09. Paying employees' salaries

The Committee focused its attention to the fact that whether a private institution was used to pay the salaries of the employees in that institution, the duration, how it was selected and about that agreement.

The CEO who expressed his ideas in this regard stated that,-

- It was an institution named SSP Corporates.
- They were used to pay the salaries from 15 July 2015
- Merchant Bank and two other sub institutions were merged in 2015
- This was continued as per the agreement that Merchant Credit, one institution in that, signed with SSP Corporates.
- After that, a new agreement was signed.

The Committee pointed out that when three institutions are merged it is not valid to do the activities of the other two institutions based on the agreements that have been entered into by one of those institutions and it further inquired about the additional payments that have been made when the salaries are paid to the employees.

The CEO expressed the following ideas,-

- There is an additional payment of Rs.37.1million when the salaries are paid to the employees.
- This has happened due to a fraud committed by an employee in SSP Corporates.
- A criminal investigation is conducted against that person.
- Rs.1.8 million is charged from the above-mentioned institution per month.
- Accordingly, a sum of Rs.23.1 million has been collected from the above- mentioned institution.

Recommendations

The Committee pointed out that E & Y audit firm has conducted an investigation in this regard and though the additional payments made for the salaries have been shown as a fault on the part of the ASP Corporates it does not mean that this institution has not committed anything wrong and once you accept your faults, installment payments cannot be approved and the Committee gave the following recommendations.

- i. Conduct a ministerial level investigation on this incident and the procedures that have been followed.
- ii. Auditor General to conduct a separate investigation.
- iii. Develop a system to stop the transactions with this institution as soon as possible.

Present situation and the progress

- i. Present situation has not been reported with regard to the above recommendations no. (i) and (ii).
- ii. The report prepared at institutional level has been submitted to the Committee.

10. Land in Wattala, Handala

Inquired whether the land in Handala-Wattala, which belonged to the Bank for 20 years, has been sold and the reason for the sale of that land.

The acting CEO stated that,-

- This land was acquired in 1994 due to the non-payment of a loan.
- A decision was taken to sell the land to settle the loan since there was no income from this land.
- The Director Board approval was obtained.
- Advertisements have been published twice in this regard.
- The prices were not satisfactory in the first instance and therefore quotations were called for the second time by publishing advertisements.

The Committee focused its further attention to the facts revealed below.

- As per the valuation report on 07 August 2018 the value of this property is Rs.98.25 million but it has been sold at Rs.94.297 million.
- The land at Wattala – Handala was sold and action has been taken to rent a land at Siyambalape for Rs.300, 000/- per month.
- When the Handala land is sold Rs.30 million has been obtained from the buyer and the balance amount of Rs.64 million has been given as a property loan for a period of 12 months at an interest rate of 17.5%.

The acting CEO further stated that,-

- The entire land is 62.7 purchases.
- Out of that, 5.5 purchases have been acquired by the RDA.
- The rest has been sold.
- The selling price was Rs.94.2 million.

- As far as the land area that has been sold is concerned, there had been a profit.
- There is approval for compensation of Rs.4.9 million for the land area that have been acquired.
- This land in Wattala had been used as a place to park the seized vehicles.
- There is another land at Ekala.
- Since 65% of the businesses owned by the institutions are leasing businesses, another land was rented out, and it is expected to be used as a motor vehicle sale center.
- An advertisement was published to sell Wattala- Handala land and to get another land but some lands did not serve the purpose and situated far away from the road but the land at Siyambalape is situated on the main road.
- The money obtained by selling the Handala land has been given as a loan with a high interest rate.
- Rs.11 million was received as the interest.
- The deed is transferred once the payment is completed.

Recommendations

The following documents should be submitted to the Committee within a week.

- i. The minutes of the procurement committee established to sell Wattala – Handala land.
- ii. Bids received as per the advertisement published on 17 August and the recommendations of the Committee.
- iii. The minutes, bids received as per the advertisement, minutes of the committee regarding the selection, recommendations of the committee and the decision of the board of directors referred to the Committee held in September.
- iv. Minutes of the procurement committee appointed to get Siyambalape land and how a successful bidder was selected out of the bids received.

Present situation and the progress

All the above-mentioned reports were submitted to the Committee by a letter dated 27.02.2019 of the CEO of Sri Lanka Merchant Bank.

11. Investigations against employees

Looked into the allegations leveled against the then CEO and another six employees and inquired whether investigations have been conducted in this regard and whether they have been interdicted.

The Chairman of the Committee has submitted the following ideas.

- All these employees are connected with corruption and frauds.
- They have been interdicted.
- All the information in this regard has been given to the national audit office.
- The CEO who has been interdicted has given the staff insurance to Janashakthi insurance company, which is a private insurance company, and this has been done without the approval of the board of directors and branch modernization task has been given to an architect, who was one of his friends and has entered into an agreement with third parties.

The Committee pointed out that the Secretary to the board of directors has not attended the meeting 545 that took the decision to interdict Mr. D. M. N. Arunapala, the CEO, and the Secretary holds the responsibility for the decisions taken by the board of directors and it is not a good practice to hold the two posts, the deputy general manager and the secretary to the board of directors, by one person.

Central Bank of Sri Lanka has also focused its attention to this matter and the Chairman stated that in the next meeting of the board of directors a decision would be taken to appoint a new secretary to the board.

12. Non – performing loan rate

The Committee pointed out that the non- performing loan rate is 11% and requested about the normal non- performing loan rate in the market.

The CEO stated that,-

- The non – performing loan rate of a financial institute is approximately 8%.
- The reason for the increase in the non- performing loan rate of this financial institute is due to the difficulties in repaying the leases obtained to purchase commercial vehicles like containers, tippers and buses.
- Steps have now been taken to bring that back to normalcy.

Recommendations

Submit a report to the Committee on the persons who have non-performing loans that exceeds 5 years and the time frame is more than 10 years, their real security value and the current non – performing loan rate and the number of facilities given at present.

Present situation and the progress

This report has been submitted to the Committee.

13. Capital Adequacy Ration

The Committee pointed out that the capital adequacy ratio is lower than the standard level and focused its attention to the plans to improve it.

The Chairman of the institute expressed the following ideas.

- Rs.150 million will be added to the capital by the reversal of re invested MBSL insurance.
- Rs.500million profits are the target for 2019.
- The balance of the money will be obtained from the retained earnings.
- In addition to that there are discussions with the board of directors to go for alternatives like issuing shares/ debentures.

Annexure 01

FACT SHEET

BILL DISCOUNTING FACILITY GRANTED TO MR. H.L. FRANCIS

- MBSL has granted a Bill Discounting facility of LKR 15Mn to Mr. H.L. Francis (customer) by the Offer Letter dated 24th February 1994 and the same was secured by,
 1. Pledge over public quoted company shares amounting to LKR 16Mn
 2. LKR 7.8 Mn worth of shares purchased under proposed facility
 3. Primary mortgage over properties at:
 - a) No. 300/8, Thalawathugoda Road, Madiwela (FSV of LKR 3.5Mn as at 13th December 1994)
 - b) Batakettara Road, Kesbewa - Lots 1 & 2 of Plan No. 320 (FSV of LKR 1.6Mn as at 14th February 1994)
- Accordingly, Mortgage Bond bearing No. 224 dated 01st March 1994 attested by A.M.A. Attanayake NP was executed in favour of MBSL by the customer mortgaging the aforesaid immovable properties.
- Subsequently, upon the request of the customer, MBSL decided to purchase the mortgaged property situated at Madiwela for LKR 5.1Mn in full settlement of the interest outstanding amounting to LKR 4,313,653.12, regularization charges amounting to LKR 590,054.83, and in part settlement of the outstanding capital sum on the bills discounted under this facility, subject to the conditions in the Amended Offer Letter dated 27th December 1995.
- Accordingly, the Deed of Transfer bearing No. 164 dated 27th December 1995 attested by K.J Cecil Perera NP was executed by the customer in the name of MBSL. Thereafter the said property situated at Madiwela was released from the operation of the said Mortgage Bond bearing No. 224. Subsequent to the said Deed of Transfer bearing No. 164, the Agreement to sell bearing No. 165 attested by K.J Cecil Perera NP was executed between the parties on the same date stipulating the agreement of MBSL to re-transfer the said property to the customer for a consideration of LKR 5.1Mn together with the interest payable at the rate of 24% per annum within a period of 2 ½ years ending on 30th June 1998. The possession of the property was held with a third party who was occupying the property under the customer.
- Therefore, from 27th December 1995 onwards, the customer continued to utilize the aforesaid Bill Discounting facility against the security of the Mortgage over the property situated at Batakettara.
- The customer also had defaulted re-payment to MBSL upon Bills discounted for the amount of LKR 7.5Mn and LKR 1,467,633.19 (Bills of Exchange Nos. 35730 and 35731 respectively) and MBSL had filed the Case bearing No. HC Civil 41/2004 (1) in the Commercial High Court of Colombo for recovering the said moneys, which are not secured by the aforesaid Mortgage

Bond No. 224. The said case was decided ex-parte entering the Decree dated 12th October 2004 in favour of MBSL.

- Since the customer had defaulted re-payment upon the Bill discounted to the value of LKR 7.5 Mn (Bill of Exchange No. 35729), MBSL filed legal action against the customer by the Case bearing No. HC Civil 40/2004 (1) in the Commercial High Court of Colombo for enforcing the aforesaid Mortgage Bond No. 224 for recovering a sum of LKR 7.5 Mn together with interest thereon at the rate of 25% per annum from 13th February 1996. The said case was decided ex-parte and the judgement was delivered in favour of the customer on 15th January 2005. When the matter was fixed for auction with regard to the mortgaged property, the customer arrived at a settlement for settling his dues towards MBSL.
- After a payment of LKR 4.5 Mn in 2007 to MBSL settling the dues pertaining to the three Bills aforesaid, the said Mortgage Bond No. 224 was discharged.
- Since the customer failed to comply with the said Agreement to Sell No. 165, MBSL filed an ejectment action in the District Court of Nugegoda by the case No. L/495/2013 against the customer for recovery of possession of the property situated at Madiwela which was already in the name of MBSL by virtue of the said Deed of transfer bearing No. 164. In the meantime, the customer, through his Attorney arrived at a settlement with MBSL for transferring back the said property for a payment of 6.5Mn, which was approved by the Board of Directors at the Board Meeting held on 26th November 2014 (Board Paper No. C&RC/2014/463/029) and entered as a court settlement in the aforesaid case.
- Finally the property situated at Madiwela aforesaid was transferred back by the Deed of Transfer bearing No. 3809 dated 21st July 2016 attested by I.K. Gunasiri NP upon receipt of said LKR 6.5 Mn.

Prepared by
Malithi Ambalangodage
Assistant Manager - Legal

Inventors' Commission of Sri Lanka
(Ministry of Science and Technology Research)

(This Ministry comes under the purview of the Ministry of Higher Education, Technology and Innovation with effect from 10.12.2019)

Date of Inquiry; 22nd of February 2019 and 08th May 2019

Matters discussed,

01. Corporate plan

A corporate plan had been prepared for the period from 2013 to 2015 but no corporate plan had been prepared for the 2015 onwards. It was inquired about the corporate plan that is being prepared for the period from 2019 to 2023.

The acting Commissioner stated that a corporate plan had not been prepared for the period from 2015 to 2019 and that a corporate plan has been prepared for the period from 2019 to 2023 but it has not been approved so far and arrangements would be made to approve it once a new commissioner is appointed.

Recommendations

1. Preparing a corporate plan in accordance with the proper criteria as this corporate plan cannot be accepted.
2. Preparing an organized corporate plan by obtaining the advices of the Auditor General and the officers of the Department of Public Enterprises.

Reporting the current status and progress

Not reported

02. Annual reports

The attention of the committee was drawn to tabling the annual reports of the institution.

The acting commissioner stated that the annual report of 2017 has been referred to the Ministry and the annual reports of 2017-2018 can be tabled within three months.

Recommendations

To complete this task within 03 months.

Reporting the current status and progress

Not reported.

03. Implementation of the directives of the committee on public enterprises dated 22.08.2014

i). Setting up of Inventions societies at schools, Universities and other institutions and inquiring about the functioning of those societies.

(Directive no.06)

The acting commissioner stated that the background of setting up of Inventions societies was discussed in the corporate plan that was previously prepared and the process of setting up of Inventions societies had been incorporated in the 2016-2017 and 2000-2006 action plan. The Acting Commissioner further stated that 03 Inventions societies had been set up during 2014-2018 even though it had been omitted from the reports prepared later and once again, arrangements had been made to include it in 2019. Accordingly, it is proposed to set these societies up in schools, universities and tertiary educational institutions.

Recommendations

Sending a copy of the decision of the Board of Directors, to remove the directive given by the committee, to the committee.

Reporting the current status and progress

Not reported

ii).Inquiring about the action taken in regard to 500 inventions identified as national level inventions.

(Directive no.09)

The Acting Commissioner stated thus;

- A national level exhibition known as “Sahasak Nipayum” is conducted annually.
- At that exhibition, around 400 inventors are identified annually.

This is implemented to cover the whole Island.

- Finally, all these inventions are exhibited at an exhibition conducted in Colombo.

Subsequently, arrangements are made to grant Patents to their inventions.

Recommendations

Submission of a report including the following details to the committee within a week as the Committee was not satisfied about the details that were contained in the report about 08 inventors that been submitted.

- Names of the inventors identified by the institution in 2016, 2017 and 2018.
- Address
- Invention
- Details pertaining to the invention
- The contribution of the institution on those inventions.

Reporting the current status and progress

Not reported

iii) It was observed that only Rs.382, 316/= had been recovered out of loans to the tune of Rs.9,700,000/= given to 11 inventors.

(Directive no.13)

The commissioner stated that this incident has happened in 2014, the then officers have been involved in this, and they have reported that it was impossible to recover them.

- i. Waiving off the loans that cannot be recovered by following a proper methodology.
- ii. Preparing a proper system of granting loans in future.

Reporting the current status and progress

Not reported

04. Need of a Media policy

Even though bids can be called from the registered suppliers and suppliers listed in the Rainbow pages of Sri Lanka Telecom in accordance with the methodology of comparing the prices in the market and in terms of sections 3.4.3 and 3.4.4 of the National Procurement Guidelines of 2006, the methodology adopted to select suppliers to call for bids relating to 2 procurements amounting to Rs.4, 583,265/= was not clear.

The Officers were of the opinion that the approval of the board of directors was not obtained for this matter and it was prepared by an outside institution and one out of three suppliers was selected and that particular institution was a listed institution in the Rainbow pages and shortcomings in the procurement procedure took place owing to the insufficiency of staff of the institution.

Recommendations

Conducting an independent inquiry in collaboration with the Auditor General and the Ministry of Public Administration.

Reporting the current status and progress

Not reported.

05. Procurement activities

Even though the need has to be specified when preparing specifications in order to ensure the transparency and consistency of the process of assessing and selecting quotations in terms of section 1.2.1(E) of the Procurement guidelines of 2006, the need of the commission, for specifications that had been prepared in relation to 2 procurements to the tune of Rs.5,305,000/= had not been stated clearly.

Recommendations

- i. Summoning the three former commissioners of the institution in relation to the said period.
- ii. Conducting a comprehensive Ministerial level inquiry and reporting to the committee within a month.
- iii. Submitting an institution level report to the committee.

Reporting the current status and progress

Not reported

06. Making financial grants

It was further observed that the expected objectives of making financial grants amounting Rs.7,720,345/= to 11 inventors at three occasions in 2016 and 2017 amounting to Rs.4,133,879/= had not been achieved and there was no formal follow up methodology to assess their progress after the loan or grant was given.

The Director of the institution stated thus in relation to the above observation;

- After a grant is made, the relevant bills have to be submitted within three months and some inventors do not complete the task within that period.
- At such instances, they have to pay that amount to the institution.
- The process of making financial grants is handled by an independent board represented by officers of various institutions.
- The inventor named Piyasena Kodikara has been informed to pay money in that manner.

Note

The inventor Piyasena Kodikara, who appeared before the committee to make submissions on the order of the committee, revealed the following matters by making a statement.

- That he made an invention of making bags out of Banana leaves in 2007,
- That he himself manufactured a machine to separate Banana fiber in 2008,
- That he was able to obtain the patent for that,
- That the Inventors Association carried a newspaper advertisement to announce that there was a programme known as ‘Nipayum Diriya’ in 2016 and he too applied for that.
- That his invention came first,
- Subsequently he received a sum of over Rs.7,00,000/= from the commission to buy a spinning machine in order to make his invention a further success and that he was unable to buy that machine within three months and then the commission asked him to pay back the loan.
- Accordingly the sum was handed over to the commission in July,
- The then commissioner asked him to hand over the sum of Rs.20 lakhs he received later on inventions to a person known as Nimal Jayawardena for purchasing 2 machines.
- Subsequently he deposited that amount in an account Mr. Nimal Jayawardena maintained in the Regional Development Bank, Kamburupitiya, in Borella,
- Later when he met Mr. Nimal Jayawardena he suggested going to India to check the machines and accordingly he and his son and Mr. Nimal Jayawardena and his son left for India on the 7th February,
- But at the institution which manufacture these machines he did not recognize Mr. Nimal Jayawardena,
- That he realized that Nimal Jayawardena had not conducted any discussion with the manufacturing company with regard to purchasing these machines,

- That no purchasing of machines took place and he had return empty handed,
- Later he met the commissioner and was told that Mr. Nimal Jayawardena was the owner of the local company, which got involved in obtaining these machines.

Recommendations

- i. Preparing a methodology to follow up the financial grant after it is made.
- ii. Conducting a special Ministerial inquiry in connection to 3 incidents including this incident.

Reporting the current status and progress

Not reported

07. Referring the inventions to foreign exhibitions

Inquiring about the methodology of sending persons for foreign exhibitions.

The officers of the institution expressing their ideas stated that an exhibition known as ‘Sahasak Nipayum’ is conducted and a Presidential award ceremony is conducted to appraise the Patent holders and that the winners of competitions conducted by the institution are sent for exhibitions abroad but the group that won the first place in 2016 refused the foreign trip given and therefore the group that secured the second place was given that opportunity.

Recommendations

- i. Making available the lists of persons who took part in the foreign exhibitions held in 2016, 2017 and 2018, the persons who secured places and the persons who refused after being selected,
- ii. Reporting to the committee whether the person who secured the second place took part in the foreign tour truly because the person who secured the first place did not like it,
- iii. Reporting to the committee on the basis on which persons who did not secure places were sent abroad(If any),
- iv. Making all these reports available to the Auditor General.

Reporting the current status and progress

Not reported

08. Appointing advisors

Programme organisers had been selected and agreed to pay a sum of Rs.10,734,765/= by following the price comparing system in terms of section 3.4 of the procurement guidelines of 2006 for goods and work for 4 programmes for which organisers have to be selected by following the Guidelines manual of 2007 for selecting and recruiting advisors. But agreements had not been reached between the two parties. Even though a sum of Rs.2,490,000/= had been paid for publishing advertisements in 17 newspapers relating to 2 programmes and a sum of Rs.1,450,000/= of that amount had been paid in relation to one programme and details in 11 newspapers, the details of the programme had not been submitted for the audit.

Recommendations

- i. Submission of the details relating to these programmes to the committee within a week.
- ii. Checking whether excessive amounts of money have been charged for informing the institution providing this service.
- iii. Checking the manner through which this service provider was selected and informing it to the committee within two weeks.

Reporting the current status and progress

Not reported.

09. “Sahasak Nimavum” Exhibition

T-shirts had been printed for this exhibition in 2018 and the following shortcomings were observed in that process,

- i. Calling of bids for the purpose has not happened in the proper manner.
- ii. The manner of selecting suppliers was not clear.
- iii. Printing 1270 T-shirts when the real need was 350.

Recommendations

Submission of the reply to the audit query sought by the Auditor General in this regard to the committee within two weeks.

Reporting the current status and progress

Not reported.

The committee on public enterprises decided to summon the institution again on 08.05.2019 for inquiring about the current progress after summoning it on 22.02.2019. The following matters were discussed there;

01. Recommendations given at the previous committee meeting

In the perusal of the Ministerial reports that have been submitted in relation to the matters discussed at the previous committee, it was observed that the recommendation that a joint inquiry be conducted with the assistance of the Auditor General and the Ministry of Public Administration and also the treasury if required and a report be sent had not been complied with and the reports of the Auditor General have not been referred to.

Recommendations

Submission of a properly prepared report to the committee within two weeks.

Reporting the current status and progress

A report in regard to the process of printing of T-shirts has been submitted by the letter of the Secretary of the Ministry of Higher Education, Technology and Innovation bearing number MSTR/IA/COPE/2019 and December 2019 and a report containing the expected information has not been submitted.

02. Inquiring the retired officers

The following matters were inquired from Dr. Mahesh Edirisinghe, The former commissioner,

- i. Preparation of a media policy.
- ii. Recruitment of advisors to the institution.
- iii. Printing T-shirts for the Sahasak Nimavum exhibition.
- iv. Malpractices that have taken place in making grants to the inventors and various unfair acts that have been reported when sending them on foreign tours.
- v. Preparation of a media policy as mentioned in the report of the Ministry and granting fringe benefits to the inventors.

The former commissioner expressing his views stated that the need for a media policy emerged owing to the following reasons,

- i. Sponsoring the inventors by making them participate at exhibitions and making financial grants.
- ii. Giving the right place to the inventors in the society.
- iii. Prevention of the theft of inventions.

He also stated that a media policy was necessary as the media could play a significant role in the prevention of the theft of inventions and as the inventors are inconvenienced owing to the spread of false news. A media policy was seen as a good way of saving the inventors from this evil. He also stated that 26.10.2016 was declared as the Inventors' day.

At the committee's inquiry about the procurement procedure that should be followed in selecting an institution for preparing the media policy the former commissioner further stated thus;

- A suitable institution was selected by following the procurement procedure available at that time,
- The Document titled Media policy and guidelines that has been given to the chairman of the committee is confirmed as the media manifesto prepared by the institution,
- The original document was prepared in all three languages and the institution selected for that purpose was 3 I Creative Solutions,
- The above institution was assigned with the task of preparing the Policy Statement.

The committee was of the opinion that this process was entirely erroneous according to the report of the Ministry and the committee expressed its severe displeasure in that regard.

03. Post of Spokesman

Inquiring about the clause, “The commissioner should hold the post of Spokesman of the Inventors Association”

The former commissioner stated that the commission has the power to appoint an officer for this purpose in terms of this clause and the workshop which was conducted as the preliminary stage of preparing the media policy was held at the Galadari hotel on 31.08.2007.

Recommendations

The former commissioner was directed to submit the following details to the committee within a week,

- The members of the experts who attended this workshop.
- The report furnished by them.
- The payments made to them.
- The role of the 3 I Creative solutions.

Reporting the current status and progress

Not reported

04. Selecting the institution known as 3i creative solutions

Inquiring of the need for the selection of 3i Creative Solutions as a consultancy organization,

The Former commissioner expressing his views on this stated as follows;

- The approval to increase the staff has been requested as the present staff is insufficient to handle the required tasks,
- The Ministry of Finance had informed them to hand over those tasks to a consultancy organization by following the proper procedure until the approval of the Department of Management Services is received,
- Bids were called by following the Expression of Interest methodology and advertisements were published in the Daily News newspaper only on 08.09.2017.
- The closing date was 11.09.2017 and three institutions had submitted bids,

- Accordingly, it was decided to assign the task to 3i Creative solutions, which met the requirements of the institution.

The committee which observed that the 3i Creative solutions is a subsidiary of the institution known as 3i Training Solutions and that it is not a consultancy service organization at all and that the institution has been registered only after the publication of the newspaper advertisement, expressed its grave displeasure over the selection of such an institution.

05. Mr. Piyasena Kodikara, an inventor

The Rs.20 lakhs given to this person to purchase 03 machines in relation to his invention and getting the electronic engineering institution linked to it.

The commissioner stated that after obtaining the relevant grant the machinery has to be purchased within three months. But at a later inquiry, he has told that the said equipment was not purchased from that company. Accordingly, the grant was returned on a notice given by the commission and as it was agreed to import the equipment from another institution following which Mr. Nimal Jayawardena got involved in it.

Recommendations

The committee, which emphasized that there was no credibility in this purchasing process, which happens with the involvement of an intermediary, opined it, is prudent for the institution to directly involve in the purchasing process. Taking steps to act in accordance with the law of the country and Public Administration circulars as the selection of the same institution for every activity by the commissioner would lead to a conflict of interest.

Reporting the current status and progress

Not reported.

06. Inventors who participated at International exhibitions

Inventors leave for exhibitions taking place at various places in the world and it was observed that the same group has participated in them.

Recommendations

Submitting a report with recommendations including a methodology of recovering the relevant cost from the responsible persons within three months and submitting that report to the National Audit Office in accordance with the Audit Act.

Reporting the current status and progress

Not reported

State Mortgage and Investment Bank

(Ministry of Finance)

(From 10.12.2019, this Ministry comes under the purview of the Ministry of Finance, Economic and Policy Development)

Date of Inquiry: 07th March 2019

Matters subjected to discussion

01. Installing fully automated core banking system

Absence of a core banking system in this bank as in other banks to maintain accounts and other interim activities which was emphasized at the meeting of the committee held on 13th December 2013 and inquiring into the measures in that regard.

The General Manager stated that-

- though necessary action was taken in this regard having appointed a Technical Evaluation Committee (TEC), it had to be suspended as a violation of the tender procedure was about to take place with the intervention of the then Chairman,
- it was not resumed during that period and the TEC appointed subsequently on 01.06.2016 had not submitted a report,
- the TEC appointed on 10/10/2018 was cancelled due to the change of the line ministry,
- a request was made by the Ministry on 13.02.2019 for the appointment of a new TEC and a programme had accordingly been devised for the commencement of the core banking system.

Recommendation

The committee pointed that such a long delay of this task should be investigated and directed to submit a report with the assistance of the Secretary of the Ministry to the Auditor General within a month inclusive of the following matters.

- The number of times the TEC appointed on 01st June 2016 met.
- The minutes thereof
- How changes took place in the TEC including the Board of Directors
- As to what the TEC appointed in 2018 was.

- The number of times it met.

Reporting present situation and progress

A detailed report has been submitted with the letter of the Chairman of State Mortgage and Investment Bank, dated 18.03.2019.

02. PAYEE Tax

Observing that the bank had paid the PAYEE Tax of employees without the approval of the General Treasury and that the bank had paid Rs.20 million of the above tax during the financial year of 2018 in violation of Circular No. 03/2016 issued by the Ministry of Finance.

The Chairman expressing his views stated that this method had been adopted by all banks over a long period of time as per a collective agreement and a solution which is not unfavorable to both parties would be discussed and that action would be pursued to change the existing method at the signing of the next agreement.

Recommendation

The Committee recommended that discussions be held in this connection with the relevant trade unions and charge the PAYEE tax from employees and remit same to the Ministry of Finance.

Reporting present situation and progress

Has not been reported.

03. Not being able to auction properties held as guarantee

The committee pointed out that a property held as guarantee for loans amounting to Rs.9 million in the year 2008 could not be sold to recover the amounts in arrears and made inquiries about this.

The Chairman expressed the following views.

- This was a property forfeited to the bank.
- There are two claimants for this property.
- One of the claimants had deposited Rs.7.5 million in his savings account as a guarantee.

- The Board had decided to sell this property to the more favourable of the two buyers.

04. Vacancies in the institution

Inquiring into the reasons for not filling 31 executive grade vacancies in the institution.

The GM said that there were 25 branches at present and the branch network was expected to be expanded to 40 by 2023 as per the Action Plan and the cadre had been decided taking this into account and recruitments were made as per the requirements.

The GM further said that the post of Deputy GM (Finance & Planning) remained vacant since the year 2013 and that the Board had decided not to fill the post temporarily.

Recommendations

- i. The decision of the board of directors in this regard be reported to the Ministry of Finance, COPE office and Auditor General within a week.
- ii. Submitting a report on the following matters within a week.
 - Which board of directors decided that the filling of the vacancy in the post of Deputy GM (Finance and Planning) was unnecessary?
 - Have the Ministry of Finance and the Department of Management Services been briefed on this decision?
 - Has the approval of the Ministry of Finance and the Department of Management Services been obtained for this?
- iii. Submitting the report of the Central Bank which instructed that a person with ICT qualifications be recruited to the post of Internal Auditor within a week to the COPE office and the Auditor General.
- iv. Preparing a report by the National Audit Office with the assistance of the bank as to when the said post fell vacant and under which circumstances or assessment the board of directors decided whether the said post was necessary or unnecessary and submitting the report to the Committee within a month.

Reporting present situation and progress

Recommended reports have been submitted to the committee.

05. Non-performing loans

- 1) The committee pointed out that 6 loans amounting to Rs.14 million had been granted without properly carrying out an assessment on the income of customers and that amount in arrears in the year 2015 was Rs.11 million and the amount in arrears as of now was Rs.7,638,000/- and 4 of the loans had been treated as non-performing loans and the committee questioned why they were so treated.
- 2) It was observed that the value of the largest eight loans as at 31/12/2016 was Rs.48 million and the installments in arrears of the seven remaining loans were Rs.37 million as at 27.02.2019 and that legal action had been constituted against five customers and that reminders had been sent in respect of two and of them Rs.23.4 million had been granted to a person called S.A.P. Senanayake and the arrears thereof as at 27.02.2019 was Rs.26 million.

Recommendations

A report on these matters be submitted to the Auditor General with a copy to the Committee.

Reporting present situation and progress

Has not been reported.

Sri Lanka Rupavahini Corporation (SLRC)
(Ministry of Media)

(From 10.12.2019 this institution comes under the purview of the Ministry of Information Communication Technology)

Date of Inquiry: 08th March 2019

Matters subjected to discussion

01. Treasury representative

The committee paid its attention to the Treasury representative serving only as an observer without functioning as a member of the board of directors and pointed out the importance of the Treasury representative functioning as a member of the board of directors in such a nationally important institution.

Recommendation

Rectifying this situation through amending the Act.

Reporting present situation and progress

By the letter No. MMI/7/7/3/2-3 dated 12.07.2019 of the Secretary of the Ministry of Media, the Committee was informed that the approval of the Cabinet was received on 25.06.2019 for cabinet memorandum No. PS/NC-6/CP/131/2019 presented in this connection and cabinet paper entitled 'legally establishing the post of working director of the SLRC and amending SLRC Act No. 06 of 1982'. **(Annex 02)**

02. Corporate Plan

The committee paid its attention to the preparation of the Corporate Plan with unattainable objectives and not updating the said plan which made it impossible to implement the activities of the Action Plan and the Procurement Plan.

Recommendations

- i. Updating the Corporate Plan
- ii. Preparing the Corporate Plan so as to make maximum use of the abilities/skills of the employees of the corporation.

- iii. Informing the Auditor General to carry out a detailed audit on the report of the financial value of the services supplied to public sector institutions in the year 2018.

Reporting present situation and progress

- i. The Corporate Plan prepared for the years 2017-2019 was presented to the Committee and the Committee was informed that arrangements had been made to prepare a Corporate Plan for 2020-2022.
- ii. The report relevant to the above recommendation (ii) has not been presented.

03. Procurement Plan

Inquiring about the procurement plan of the institution.

Recommendation

Copies of procurement plan of 2019 be handed over to the National Audit Office and the Department of Public Enterprises.

Reporting present situation and progress

The revised procurement plan for the year 2019 has been submitted to the Committee.

04. Audit Queries

Despite not responding to audit queries submitted to an institution within 21 days being a punishable offence in terms of the provisions of the National Audit Act, the committee inquired about the delay in responding to audit queries.

Recommendation

Respond to the relevant audit queries within a month.

Reporting present situation and progress

Has not been reported.

05. Post of Marketing Director

Inquiring as to why the recruitment to the post of Marketing Director has been made on contract basis when it is a permanent post in the cadre.

Recommendation

- i. Taking speedy measures to fill the post of Marketing Director permanently.
- ii. Obtaining due approval for the temporary appointment.
- iii. Submitting a report inclusive of following details to the said post within a month prior to granting approval for the above service extension at the next meeting of the board of directors.
 - Appointment
 - Granting a service extension
 - Qualifications applicable to the post
 - Performance

Reporting present situation and progress

Though details on the temporary appointment to the post have been reported, the progress on making a permanent appointment has not been reported.

06. Staff

It was revealed to the Committee that the staff of the corporation comprises 110 persons serving on contract or service assignment basis as at 31.12.2018.

Recommendation

Submitting a report to the committee within a month, having conducted a comprehensive review on the cadre of the staff with the approval of the Department of Management Services.

Reporting present situation and progress

Has not been reported.

07. Ownership of the land whereon the Corporation is located and transmission station

The Committee inquired as to why no action has hitherto been taken, even though it was recommended at the COPE meeting held on 21.07.2016 that a decision be taken in this regard within 02 weeks having held discussions with the secretary of the relevant ministry.

Recommendation

Forwarding a detailed report regarding the discussions held with the ministers on this matter up to now from 21.07.2016 together with the discussion minutes.

Reporting present situation and progress

Has not been reported.

08. Presidential election propaganda activities

The committee paid attention to the non-recovery of money though two persons found guilty in this regard had been dismissed from the service and the corporation not initiating legal action in this regard.

Recommendation

Constitute legal action against the relevant parties.

Reporting present situation and progress

The committee has been briefed on measures taken in this connection.

09. Selling airtime on credit

The Committee inquired about the debtor balance of Rs.72,377,998/- Or 13%, which had remained over 05 years as at 31.12.2018 and the measures adopted to recover such loans and the following matters came to light therein.

- That these transactions are executed through agents
- That a loan period of one month is granted for the relevant loans

- Those 03 reminders are sent to the relevant institutions after the expiry of one to six months, if the loan cannot be recovered during that period.
- That legal action is initiated, if the reminders are not responded to.

Recommendations

Providing a comprehensive report to the Committee regarding agents and business institutions which have not made payments for over 06 months.

Reporting present situation and progress

The relevant report has been reported to the Committee.

10. Paying fuel allowance

It was revealed to the Committee that fuel allowance had been paid to 151 officers of MM, JM & MA categories without due approval from the Treasury from the year 2010 onwards who are not entitled to the transport allowance and the fuel allowance in terms of the circulars and despite an order from the secretary of the Ministry of Media to suspend these payments and recover the amounts paid, the relevant payments had been paid continually disregarding the said order.

Recommendations

Recommending the Auditor General to conduct an inquiry into the payment of fuel allowance to officers of MM, JM & MA categories in 2017 and 2018, violation of the letter No. MM1/8/1/3/26 dated 11th August 2010 of the Secretary to the Ministry of Media referred to the Chairman of the Rupavahini Corporation and submits the report thereof to COPE with a copy to the National Audit Commission.

Reporting present situation and progress

Has not been reported.

11. Payments for acting duties

The committee inquired about the existence of 12 acting posts for over 03 months.

Recommendations

- i. Appointing suitable persons from amongst the internal staff for these posts.
- ii. Having reviewed the qualification and salaries enabling the recruitment to the relevant posts, preparation a report at the ministerial level within 03 months regarding the qualifications, salaries etc. required to be appointed to the permanent posts.

Reporting present situation and progress

Has not been reported.

12. Contentious transactions

Rs. 1,040,973/- had been spent for entertaining those who participated in various programmes organized by the Corporation in the years 2016 and 2017 and at the audit inquiries it had been revealed that the bills in respect of the payments were fake and therefore the Committee made inquiries about them.

Recommendations

- i. Conducting an independent inquiry into the matter and at the ministerial level and reporting within a month.
- ii. Since there are deficiencies relating to payments in the internal control, identifying and redressing same.

Reporting present situation and progress

It has been reported to the committee that an independent inquiry is being conducted at the ministerial level.

13. Documentary – Telecommunications Regulatory Commission

The Committee inquired about the releasing fulltime of 03 officers of the corporation for 03 months to produce a documentary for the

Telecommunications Regulatory Commission and the relevant officers personally recovering Rs.64 million for that purpose.

Recommendations

- i. Recommending the Auditor General to examine and report whether the Rupavahini Corporation has entered into an agreement with the TRC for the production of this documentary.
- ii. Conducting a disciplinary inquiry at the institutional level regarding the relevant transaction with special focus on the release of employees.
- iii. Recommending the Secretary of the Ministry to report the following matters to the committee.
 - Has a financial fraud taken place?
 - If so, who are responsible?
 - Who approved leave without pay for the officers in question?

Reporting present situation and progress

- i. Reports in respect of the above recommendation (i) have not been submitted.
- ii. A disciplinary inquiry has been conducted at the institutional level regarding the matter and it has been stated that in terms of the recommendations of the said disciplinary inquiry, action has been taken to take disciplinary action against the relevant officers.

14. Telecasting lottery draws

The Committee discussed at length, the payment of Rs.79,342,110/- as agent commissions and Rs.838,930/- as marketing executive commission during the period from January to October 2018 due to the airtime of lottery draws being carried out by private agencies though the monopoly of telecasting the lottery draws of the National Lotteries Board and the Development Lotteries Board is vested in the SLRC and the Committee stressed that this situation should be corrected forthwith.


Recommendations

The Auditor General was informed to conduct a special audit about the agreements with these agencies.

Reporting present situation and progress

Has not been reported.

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அமைச்சரவை அலுவலகம்
OFFICE OF THE CABINET OF MINISTERS

CABINET DECISION අමාත්‍ය මණ්ඩල තීරණය அமைச்சரவைத் தீர்மானம்

මගේ අංකය: අමප/19/1703/101/109 2019 ජූලි මස 03 දින.

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ක්‍රියා කළ යුතු :

ජනාධිපති ලේකම්
 අමාත්‍ය මණ්ඩලයේ නොවන ජනමාධ්‍ය අමාත්‍යාංශයේ ලේකම්,
 නීති කෙටුම්පත් සම්පාදක.

**අමාත්‍ය මණ්ඩලයේ නොවන ජනමාධ්‍ය අමාත්‍යාංශය -
 ශ්‍රී ලංකා රූපවාහිනී සංස්ථාවේ ක්‍රියාකාරී අධ්‍යක්ෂ ධුරය
 නිත්‍යනුකූලව පිහිටුවීම හා 1982 අංක 6 දරන ශ්‍රී ලංකා
 රූපවාහිනී සංස්ථා පනත කාලීනව සංශෝධනය කිරීම**

(අතිගරු ජනාධිපතිතුමා ඉදිරිපත් කළ 2019-06-07 දිනැති සංදේශය)

2019 ජූනි මස 25 දින පැවැත්වුණු අමාත්‍ය මණ්ඩල රැස්වීමේදී එළඹී තීරණයක් අවශ්‍ය කටයුතු සඳහා මේ සමඟ එවා ඇත.


 ඩබ්ලිව්.එම්. ඩී. ජේ. ප්‍රනාන්දු
 ජ්‍යෙෂ්ඨ අතිරේක ලේකම්.

අ.කලේ/එස්.අබේසිංහ
 අමාත්‍ය මණ්ඩලයේ ලේකම්.

→2

මෙම තීරණය සම්බන්ධයෙන් වැඩිදුර පැහැදිලි කර ගැනීමට අවශ්‍ය වේ නම් කරුණාකර 0112529621 දුරකථන අංකය මගින් ජ්‍යෙෂ්ඨ අතිරේක ලේකම් විමසීම මැනවි.

(ආ) න්‍යාය පත්‍රයේ විෂයයන්:

(I) අමාත්‍ය මණ්ඩල පත්‍රිකා - සාමාන්‍ය:

13. අමාත්‍ය මණ්ඩල පත්‍රිකා අංක 19/1703/101/109 වූ, “අමාත්‍ය මණ්ඩලයේ නොවන ජනමාධ්‍ය අමාත්‍යාංශය - ශ්‍රී ලංකා රූපවාහිනී සංස්ථාවේ ක්‍රියාකාරී අධ්‍යක්ෂ ධුරය නිත්‍යනුකූලව පිහිටුවීම හා 1982 අංක 6 දරන ශ්‍රී ලංකා රූපවාහිනී සංස්ථා පනත කාලීනව සංශෝධනය කිරීම” යන මැයෙන් අතිගරු ජනාධිපතිතුමා ඉදිරිපත් කළ 2019-06-07 දිනැති සංදේශය - ඉහත සඳහන් සංදේශය මුදල් ඇමතිතුමාගේ නිරීක්ෂණ සමඟ සලකා බලන ලදී. මේ පිළිබඳව සාකච්ඡා කිරීමෙන් අනතුරුව, පහත සඳහන් පරිදි තීරණය කරන ලදී:

- (i) මුදල් ඇමතිතුමාගේ නිරීක්ෂණවල අවධාරණය කරනු ලැබ ඇති කරුණු සැලකිල්ලට ගනිමින් සංදේශයේ සඳහන් කාර්යය සඳහා සංශෝධන ව්‍යවස්ථා කෙටුම්පත් කරන ලෙස නීති කෙටුම්පත් සම්පාදක වෙත උපදෙස් දීම; සහ
- (ii) ඉහත (i)හි පරිදි සකස් කරන ලද පනත් කෙටුම්පත ඒ සඳහා වන නීතිපතිතුමාගේ නිෂ්කාශනයද සමඟ සලකා බැලීම පිණිස අතිගරු ජනාධිපතිතුමා මගින් අමාත්‍ය මණ්ඩලය වෙත ඉදිරිපත් කරන මෙන් අමාත්‍ය මණ්ඩලයේ නොවන ජනමාධ්‍ය අමාත්‍යාංශයේ ලේකම්ට උපදෙස් දෙන මෙන් ජනාධිපති ලේකම්වරයාට දැනුම් දීම.

ක්‍රියා කළ යුතු: ජනාධිපති ලේකම් - ඉහත නිරීක්ෂණ යා කොට ඇත.
 අමාත්‍ය මණ්ඩලයේ නොවන ජනමාධ්‍ය අමාත්‍යාංශය - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.
 නීති කෙටුම්පත් සම්පාදක - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත. → 3

Sri Lanka Bureau of Foreign Employment

(Ministry of Telecommunication, Foreign Employment and Sports)

(This institution comes under the purview of the Ministry of Skills Development,

Employment and Labour Relations with effect from 10.12.2019)

Date of investigation: 15th March 2019

Matters discussed

01. Special investigative audit on financial irregularities

Even though the report of the investigation conducted in this regard has been submitted, the preliminary investigation had not been conducted through a special committee as per the recommendation of Committee on Public Enterprises dated 06.06.2017.

Recommendations

The audit queries of the special investigative audit conducted by the Auditor General were discussed at the Committee on Public Enterprises on 06th June 2017 and a report relevant to the recommendations provided at that discussion was submitted to the Committee by the Auditor General. Even though inquiries were made under 21 key matters, as no progress is seen, it was decided by the Committee to submit to Parliament all these issues in the form of a special audit report together with the answers provided today in this regard with the agreement of the members of the Committee and to recommend to the Auditor General the presentation of the decisions taken by the Board of Directors, ideas and proposals from the Directors from external institutions who connect with the Board of Directors for that, acceptances and refusals and their opinion separately as an annexure to the said report.

Reporting the current situation and the progress

The recommended detailed report of the Auditor General No.VTY/ස.වි.වි.වි./2019 dated 05.12.2019 has been submitted to the Committee.

02. Upgrading the quality of the migrant workers

Paying attention to increase the income through the upgrading of quality of migrant workers in comparison to their numbers.

Recommendations

- i. Providing to the Committee and the Auditor general within 2 weeks, the following details about the National Vocational Qualification certificate obtained from the Tertiary and Vocational Education Commission at all the 08 training centres within a period of 5 years.
 - Date of request
 - Date the certificate was received
- ii. Obtaining the following information through the welfare officers at the embassies by coordinating with the Ministry of Foreign Affairs and the Ministry of Defence.
 - Obtaining information about persons among the Sri Lankan migrant workers who cannot get promotions due to lack of vocational training certificate.
 - Obtaining information about persons who have retired from service under the Ministry of Defence and are willing to serve overseas.
 - Taking action to provide the opportunity for persons willing go overseas in that manner by providing their information to the Bureau of Foreign Employment.

Reporting the current situation and the progress

- i. The report relevant to recommendation (i) above has been submitted to the Committee through the letter of the secretary to the Ministry of Telecommunication, Foreign Employment and Sports bearing No.IA/02/16/04 dated 24.05.2019.
- ii. The Committee has been informed that the following measures had been taken with relevance to recommendation (ii) above.
 - All Labour Promotion Officers at all the embassies have been advised to start a proper communication arrangement to obtain the relevant information.
 - Action has been taken to provide the returning migrant workers on landing, a notice requesting the provision of such information to the Bureau.
 - Steps have been taken for the Bureau to work in collaboration with the evaluation centres in the island to check their competency for obtaining the competency certificate.
 - Action has been taken to obtain information about the persons who have retired from service under the Ministry of

Defence and willing to serve overseas, by publishing a newspaper advertisement.

03. Enrollment of migrant workers' children in local schools and universities

The Committee paid attention to non-implementation of the recommendations given for the problems that exist in relation to the enrollment of the children of returning migrant workers in local schools and universities.

Recommendations

- i. Allocating one classroom at a national school in each district for the children of migrant workers and reporting the progress to the Committee and the Auditor General within 03 months.
- ii. Submitting through a report the opinion of the University Grants Commission in relation to giving priority to these children in University admissions.

Reporting the current situation and progress

- i. Current progress has not been reported in relation to recommendation No.(i).
- ii. Information has been submitted in relation to recommendation No.(ii).

04. Insurance scheme for migrant workers serving in the countries of the Middle East

The Committee paid special attention to this matter.

Recommendations

- i. Providing a report about the said matter to the Committee.
- ii. Providing a report including the following to the Committee and the Auditor General within one month.
 - The methodology used for starting this insurance scheme.
 - The tender procedure followed.
 - Whether this was awarded to the lowest bid.
 - The loss incurred to the country through this.
 - The number of workers who have gone overseas under this insurance coverage.

Reporting the current situation and the progress

Recommended information has been submitted to the Committee.

05. Payment of incentives for the staff without proper approval

Action had been taken to pay allowances to the staff under 09 methods on criteria formulated by the Bureau itself without obtaining approval of the Secretary to the Treasury and Rs.83,174,556/= and Rs.86,399,621/= have been spent in 2017 and 2018 respectively.

Recommendations

Regularizing these payments.

Reporting the current situation and progress

Even though it has been informed that approval had been sought from the Director General of the Department of Public Enterprises for the payment of these allowances, current progress has not been reported.

06. Rata Wiru Housing Project

Rs.3, 557 million had been provided as loans to 12,078 migrant workers by Samurdhi Bank as of 20th September 2018. Loans amounting to Rs.214,679,115/= provided to 2157 migrant workers have been defaulted and 1,573 out of them had been provided with no guarantee in contravention of conditions relevant to granting loans.

Recommendations

Implementing a suitable measure speedily to recover the defaulted loans.

Reporting the current situation and progress

It has been informed to the Committee that Department of Samurdhi was taking action to file cases against those who had defaulted payment as this loan scheme had been implemented by Samurdhi Bank and that Sri Lanka Bureau of Foreign Employment could not take any legal action in that regard.

07. Implementing an Insurance Scheme for employees without proper approval

Implementing an insurance scheme for reimbursing medical bills and paying accident compensation for the employees of the Bureau from 1995 without

proper approval from the Department of Public Enterprises and paying compensation out of the income of the Bureau annually.

Recommendations

Taking immediate action to obtain the relevant approval after holding discussions with the Department of Public Enterprises and Department of Management Services.

Reporting the current situation and progress

Progress has not been reported.

08. Delay in disposal of vehicles

Action had not been taken even by 31st December 2016 to dispose 27 vehicles that had been recommended for disposal in 2015.

Recommendations

Taking action within 2 months to dispose these 19 vehicles.

Reporting the current situation and progress

The current situation and progress have been reported to the Committee

09. Information about migrant workers

The Committee discussed the importance of categorizing information on skilled migrant workers.

Recommendations

- i. Providing to the Committee and the Auditor General a comprehensive categorized report on migrant workers who went abroad from 2015 to 2018.
- ii. Comparing the above information with the situation of skilled worker migration in the Asian region and providing a report on that.

Reporting the current situation and progress

The relevant report has been submitted to the Committee.

10. Employment opportunities received from foreign countries.

Paying attention to the problems created as a result of minimum wages fixed for the 10,000 job opportunities offered to Sri Lanka from Mauritius Islands and the 50,000 job opportunities from Malaysia.

Recommendations

Taking steps to determine the minimum wage by submitting a special Cabinet Paper.

Reporting the current situation and progress

Progress has not been reported.

Central Bank of Sri Lanka

(Ministry of Finance)

(This institution has been brought under the Ministry of Finance and Economic and Policy Development with effect from 10.12.2019)

Date of investigation- 22nd March 2019

Matters discussed

01. Violating the rules and regulations of Lanka Settle systems

Inquiring about imposing punishment relevant to primary brokers in case of violating the rules and regulations of Lanka Settle systems and the measures taken by the Central Bank of Sri Lanka by now to enforce a legal frame work relevant to such punishment.

It was stated here by the officers of the Central Bank that the system laws were under the Settlements Department, punishments had been introduced for violations, first time offenders were warned within the existing frame work and that fines were imposed in case of any subsequent violation.

Recommendations

Taking necessary measures by amending the Banking Act to ensure that there was no room for such wrongful transactions.

Reporting the current situation and progress

Has not been reported.

02. Powers vested through the Finance Act

The Committee pointing out that if the majority were institutions that do not accept deposits though the licenses may be issued for institutions that accepts deposits as per the Finance Act, the Act could be amended to require the registration of credit issuing institutions as well even though they don't accept deposits.

The following submissions were made by the Governor of the Central bank at this point.

- Necessary measures were being taken to establish a Loan Regulation Authority identifying the shortcomings in the Micro Finance Act.
- A new department known as Resolution and Enforcement Department has been established together with a Police unit.
- If legal action could be taken through this against at least some institutions that accept deposits without authorization, it would be possible to prevent such incidents.

It was further stated by the Governor of the Central bank that it was not possible for Central Bank to supervise institutions throughout the island, that laws with stringent punishment were necessary due to the weaknesses in the relevant Acts and that they intended to amend the Finance Act and the Banking Act.

Recommendations

Submitting a report on the said matters to the Committee.

Reporting the current situation and progress

Has not been reported.

03. Forensic Audit

As information had been received that the Presidential Investigation Commission appointed to look into the bond scam had requested the conducting of a forensic audit to calculate the loss incurred to the Central Bank through the bond scam and that the actual cost of the audit was higher than the estimated amount, the Committee paid attention to that.

The Governor of the Central bank stated the following.

- Monetary Board has identified four areas for which the forensic audit should be conducted.
- Central Bank has prepared terms of reference.
- 6 audits have to be conducted and 17 bids have been received.
- It was expected to commence 4 audits on the 1st of April this year.
- As the cost of obtaining information in the 6th audit was higher, the estimate has increased.
- It will be possible to conclude the first 4 audits by September and all the audits by the end of this year.

Recommendations

Providing a report to the Committee within 02 weeks including all said information including the individuals who prepared the terms of reference provided by Central bank, the bids received for conducting these audits and the method adopted for selecting the bids.

Reporting the current situation and progress

Has not been reported.

04. Currency Management

Inquiring about the high cost of printing 5 rupee coins, when it is decided whether to purchase from the existing suppliers or purchase by calling for international tenders, the method used for that and whether there is a system to collect coins from temples, kovils and churches before purchasing coins from existing suppliers.

The following matters were disclosed.

- That the Cabinet has empowered the Monetary Board to purchase from the existing suppliers according to requirement as it takes about one year to call for international tenders and obtain supplies.
- That a system of collecting coins from places such as Kataragama and Bellanwila was implemented by Banks located close to those places.
- That the stock of coins available within the country, the amount in circulation and the amount of new coins required for the coming 12 months were estimated every year.

Recommendations

Providing to the Committee within one month a report including the said information and the amount of coins reused out of those collected in the said manner.

Reporting the current situation and progress

Has not been reported.

05. Method of issuing Treasury Bonds

The following ideas were submitted by Central Bank to explain in brief the method of issuing Treasury Bonds. That is,

- there had been a method of issuing treasury bonds through auction before the new method of issuing and that the new method of issuing treasury bonds was introduced by Central Bank in July 2017,
- recommendations of the Committee on Public Enterprises and the Presidential Commission formed the basis for that,
- it was possible to improve efficiency under a more favourable price level for the government and maintain maximum possible transparency through the introduction of this new method,
- this issuance takes place in 3 phases.

First, the auction is informed according to the requirement of the Treasury and identifying the amounts to be issued relevant to maturity, cut off price and weighted average yield rate are the functions of the tender board and issuance is done only through auction in the first phase. If it was not possible to meet the whole requirement in the said manner, bids could be placed for the remaining amount in the second phase based on the performance in the first phase and if the requirement is not met in the second phase, allocations are made on compulsory basis in the third phase to the primary dealers who obtained over 60% in the first phase and it was emphasized that the whole process was carried out only through the system.

It was pointed out that along with the said system, Central Bank would announce information relevant to the forthcoming issuance by publishing a quarterly auction calendar to maintain transparency and maximum efficiency, that only one auction was held per month , Bench Mark Yield Curve had been developed through this system and issuances were limited accordingly to regular issuances that mature in 3,5,8 and 10 years and that they were very popular and the cost incurred to government was reduced as a result.

It was also stated that there had been allegations that issuance of treasury bonds with coupon value had not been done properly and those bonds were issued at a value close to the current market yield, that bids close to the face value were expected in a new bond issuance and that issuance of reopen coupons was done at a coupon rate close to the current yield rate.

The following matters were also emphasized regarding this new method.

- Included in Handbook for Operations.
- Obtaining only the amount offered for auction.
- Identity of the bidders not revealed.

- Technical Evaluation Committee makes initial recommendations to enable Tender Boards to make appropriate decisions with awareness.
- Tender Board is made aware of the macro economic situation of the country and the financial market situation through presentations by the Economic Research Department and the Domestic Operations Department.
- Membership of the Tender Board has been expanded.
- A CCTV system has been established covering the Public Debt Department.
- Front, Middle and Back offices of the Public Debt Department and Lanka Secure Division stand detached from each other and access control systems have been installed for them.
- Official telephones at the Front Office have voice recording.
- Use of mobile phones by the staff at the Front Offices are limited on auction days.

Considering this situation, the Committee was of the view that the general public should be made aware of the new method introduced for the issuance of Treasury bonds after the bond scam and the newspaper advertisements should be published in all three languages about the benefits to the people. The Committee also held that it was a timely measure to use mass media to raise awareness in this regard, as it was necessary to make universities, schools, share market, mass media and other interested parties aware of this situation.

Ceylon Electricity Board

(Ministry of Power, Energy and Enterprise Development)

(This institution comes under the Ministry of Power and Energy with effect from 10.12.2019)

Date of Inquiry: 23rd August 2019

Matters discussed

01. Travelling Overseas by the Secretary to the Ministry without Giving Prior Notice

The Secretary to the Ministry had travelled overseas without giving prior notice and Mrs. K.V.R Mallika, who had obtained appointment as the acting Secretary with effect from that day participated in the meeting.

The Committee pointed out that a number of questions have been raised in regard to the Ceylon Electricity Board through the observations of the Auditor General during the meetings of the Committee about the Ceylon Electricity Board held so far since 28th January 2016 and due to the fact that the Secretary to the Ministry had been directly involved in most of these matters he should answer the aforesaid questions himself and it would not be appropriate if any contradiction occurred in regard to the answers provided by the acting Secretary, who was participating in the meeting of that day, the Committee inquired the Secretary to the Ministry of her capability in answering those questions .

The acting Secretary stated that it would be more appropriate if the Secretary to the Ministry provided answers about those matters himself.

Recommendations

Reconvening Ceylon Electricity Board before the Committee on Public Enterprises on 08/10/2019.

Reporting the Current Situation and the Progress

Ceylon Electricity Board was reconvened before the Committee on 08/10/2019 as per its recommendations.

The institution was reconvened before the Committee on Public Enterprises at 2.30 p.m. on 08/10/2019 after it was convened on 23.08.2019 the following matters were discussed in that meeting.

01. The ownership of LTL company held by Ceylon Electricity Board

In response to the query made in the Committee held on 28/01/2016 in regard to the ownership of the LTL company ,its structure and the power vested with the Auditor General to audit it ,it was decided in the meeting of the Cabinet Committee on Economic Management held on 21/09/2016 that LTL company should be provided with flexibility in its operations and the opportunity to enhance its profit through it by restructuring the company and reducing the amount of shares held by Ceylon Electricity Board in that the company . Accordingly the Ceylon Electricity Board had stated about the request made by that company through the letter dated 13/09/2019 to the effect that the amount of shares held by Ceylon Electricity Board in that company should be reduced up to 25%.

The Committee pointed out that it has been recommended to Ceylon Electricity Board that the matter of having legal constraints in intervening the activities of LTL company by Ceylon Electricity Board despite the fact that it has 63% of the majority shares of the company should be referred to the Attorney General in order to get the aforesaid legal constraints resolved . The Committee also inquired about the fact of appointing only 4 members to the Director Board of LTL company by Ceylon Electricity Board though 5 members of the out of the 8 members of the Board of Directors should be appointed for representing Ceylon electricity Board and also about the fact of reducing the 63 % of the share ownership held by Ceylon Electricity Board in the Company up to 25%.

Recommendations

- i. Acting under the legal frame work existing at present
- ii. Taking action to fill the vacancy of the Board of Directors within a period of one month
- iii. Providing assistance to the audit activities in accordance with the recommendations of the Attorney General

Reporting the Current Situation and the Progress

It has not been reported

02. Emergency Power Purchasing

The reasons for the following matters were inquired into.

- i. The cost of emergency power purchases is observed to be higher during the period from 2016 up to 2019

- ii. Even though a Power generation plan was available in Ceylon Electricity Board , a huge number of purchases of power have been done outside the aforesaid plan
- iii. The amount of power purchased during this period of time was worth 52230 million rupees
- iv. The requirement of power which was 155 megawatts in the year 2016 remained as 720 megawatts and 920 megawatts in the years 2019 and 2020 respectively.
- v. As the amount of power obtained as per power generation plan was lower emergency purchases have increased
- vi. Generation of 100 megawatts of optional power in lieu of the cancellation of the project of constructing the power plant at Sampur and the current situation of the LNG power plant at Kerawalapitiya
- vii. The possibility of creating a system of storing the power generated through sunlight during the day time as sunlight is abundantly available in this country

The Committee expressing its view stated that tenders should be called at least in the year 2019 for the requirement of the year 2023 and most of the purchases in 2016 - 2020 that have been done are emergency purchases and accordingly emergency purchases have continued while the regular purchasing process has stopped.

The General Manager of the institution expressed the following views.

- i. Generation plans are prepared every two years subject to the approval of the Public Utilities Commission and the Cabinet of Ministers
- ii. Emergency purchases are not required if the generation plan is implemented properly
- iii. Though electricity was to be generated through Sampur Power plant in the year 2015 and Broadlands and Uma Oya Power plants by the year 2017 they have not been implemented yet
- iv. Emergency purchases of power have to be made due to the fact that long term plans like this have not been implemented

The Secretary to the Ministry stated further that though technical committees and tender boards have been appointed from the year 2016 upon the request of the Ceylon Electricity Board for constructing 3 power plants of 35 megawatts ,one power plant of 100 megawatts and 4

power plants of 24 megawatts , no regulation is done in that regard and the implementation of the projects remains at a very poor state due to internal crises .

In response to query No.vi above the General Manager (Generation) stated that,

- This is a project undertaken between India and Sri Lanka
- It is not economically advantageous as electricity lines have to be installed
- This cannot be implemented given the possibility of constructing other power plants in that area
- the lands required for the construction of the LNG power plant in Kerawalapitiya has not been handed over yet and further action could be carried out only if the total extent of lands were received

In response to the query No vii.the Chief Engineer (Generation Plans) made the following revelations.

- A solar power project of 1000 megawatts has been planned for the next 10 years
- Action is being taken at present to construct two solar power plants of 100 megawatts in Poonareyn and Moneragala areas in consultation with the Sustainable Energy Authority
- Action has been taken to formulate a battery storage system in the plan for the period of 2020-2039

03. Purchase of 50 generators

It was inquired about the fact whether 50 portable generators of 1 megawatt each were purchased as a part of the process of making emergency purchases and about the manner in which this requirement was identified ,the cost estimate was prepared for it and the places in which these generators were installed.

The General Manager expressing views in that regard made the following observations.

These generators have been procured in accordance with a decision taken in a meeting of Cabinet of Ministers held in the year 2016 to the effect that diesel generators which can be transported in a vehicle should be obtained to fix in substations at remote areas in order to

provide electricity in case a break down occurs in a single line there and these generators have been introduced as containerized generators and they cannot be transported quickly. An estimate of 3 billion rupees has been prepared and it has been approved by the Board of Directors.

The Secretary to the Ministry expressing further views stated that,

- this decision was not taken by the Ministry
- an emergency power purchase of 50 megawatts had to be made due to the power shortage that occurred in the year 2016
- and accordingly 50 generators were purchased for Ceylon Electricity Board upon a decision of the Cabinet of Ministers to avoid this kind of purchases of power often
- the purpose of this was not to install the generators but to fix them in case an emergency or a shortage of power occurs.

04. Underutilized Generators

- i. It was observed that 12 generators in Mathugama area had become malfunctional and remained in an underutilized state as at 28th September 2019
- ii. It was inquired whether these generators may undergo breakdown due to the fact that the sulphur level existing in the diesel used in the country was 0.3% even though the maximum sulphur level that should exist in the auto diesel used in these imported generators was 0.2%.

Commenting on item No.i above the Additional General Manager (Asset Management) stated that these generators have been made to be transported to other areas as the necessity arises and the control system of 08 generators were fused due to an attack of lightning on the night of 25th May and the 33 KV cable had been damaged before that.

The Secretary to the Ministry made the following observations commenting on ii above.

- It had been mentioned in the conditions of the tender documents that sulphur level should be less than 0.3 % and the bidder had submitted a level less than 0.2%
- Accordingly the sulphur level remained at the expected level here

- Purchases were made subsequent to the approval given by a team of 10 officers of Ceylon Electricity Board having visited this factory
- The agreement can be withdrawn if the machines are not suitable
- It is the procurement of diesel that has become a problem

Recommendations

Providing a report to the Committee, which includes the following facts within a period of one month.

- The procurement process adopted here
- The TEC report
- The source of this idea
- Current situation

Reporting the Current Situation and the Progress

It has not been reported.

05. Purchasing Power from the ACE Power Plant in Embilipitiya

The agreement period had expired in the year 2015 and it has been renewed subsequently. The government assessor had valued the ACE Power Plant in Embilipitiya at 2370 million rupees and the company had stated that its value was 2450 rupees. Thereafter instead of purchasing this power plant in consultation with the company, power has been purchased and the profit earned by the company through it for a period of 2 years has been 2551 million rupees and the power plant could have been purchased out of that amount of money. The Committee pointed out these facts and inquired about them.

The Secretary to the Ministry stated that,

- discussions were made to purchase the power plant due to the fact that a power shortage occurred in the year 2016
- power was purchased for a period of one year since that task would take a long period of time to be completed
- approval of the Cabinet of Ministers was granted to sign the agreement for purchasing power for the period from the commencement date of the discussion for purchasing the power plant up to the date of purchasing it if the discussions for purchasing the power plant becomes successful.

- the value prescribed by the assessor for this was 2300 million rupees and due to the fact that the price asked for by the company was 300 million rupees more than the value fixed by the assessor the board of tender did not provide recommendations for the purchase.

He further expressed the following the views.

- According to the report issued by Ceylon Electricity Board in this regard, purchasing the power plant will not be a problem if the purchase of power continues for a period of about 10 years
- However if the agreement is extended for a period of about 3 years purchasing power will be advantageous.
- Accordingly power has been purchased in this manner
- The Ceylon Electricity Board has proposed that it is essential to purchase the Embiliipitiya power plant as there is a problem of electricity in the southern province
- A transmission power line is being constructed between Hambanthotota and Colombo and this problem will be solved once its work is completed by the year 2020.

Recommendations

- i. It is recommended that a comprehensive dispatch audit should be done by the Auditor General for a minimum period of 2 years in regard to the decision making process for purchasing power, the manner in which power is purchased and the outcome of the said decisions .

Reporting the Current Situation and the Progress

It has not been reported.

06. Purchasing Power from the Power Plants constructed on Turkey

Barges

The following facts were observed in the report provided by the Secretary to the Ministry to the Cabinet of Ministers in this regard.

- ✓ The Board of Directors has paid much attention in making recommendations for purchasing power and the Technical Evaluation Committee was not ready to make recommendations in this regard within a short period of time

✓ Confirming the task of obtaining these generators which have a generation capacity of 200 megawatts before the commencement of the Vesak festival season on 08/05/2019

✓ Making a directive to the Chairman and the Board of Directors of Ceylon Electricity Board to purchase power from the 200 megawatt oil fired power plant constructed on barges in Kerawalapitiya area by Caridinns Holdings Company of Turkey in response to the proposal called by Ceylon Electricity Board through the advertisement published on 22/03/2019

✓ The Cabinet Consensus Discussion Committee and the Technical Evaluation Committee were directed to submit the purchasing agreement and the relevant recommendations within a period of seven days. The following matters were revealed by the Secretary to the Ministry in this connection.

- Even though power was not cut during the previous years a power cut had to be done by March in the year 2019
- As the attempts made to prevent power cuts were not successful, tenders were called through newspaper advertisements to obtain power through optional ways
- Two conditions were included to the effect that the price paid to a unit of power should be less than the cost incurred for a unit of power in the power plants in Sri Lanka and the connection should be made within a period of 2 months in order that power could be obtained for the Vesak month.
- The Turkey company proposed to supply power for 24/85 rupees per unit, which was less than the price paid to a unit of power purchased locally
- Accordingly, approval was granted for this through a Director Board Paper of Ceylon Electricity Board
- This was a unilateral proposal and approval of the Cabinet of Ministers has been granted for this
- The public Utilities Commission rejected this and the power cut was not required to be done due to the rainfall received

The Additional General Manager(Transmission) stated that the proposal for this plant was not a proposal received in response to a newspaper advertisement and this was a unilateral proposal received by the Ministry, which is known as an

Expression of Interest obtained through tenders and the main purpose of this was to identify who was providing the technology for it and about 16 responses were received for this to be evaluated but this proposal was not the among aforesaid responses.

Recommendations

- i. It was recommended to the Secretary to the Ministry to submit to the Committee the letter dated 11/04/2019 sent by the Ambassador for Turkey informing about the company and this optional method in accordance with the newspaper advertisement
- ii. Providing the proposal submitted by the Turkey Ambassador's office in this regard along with the minutes of the meeting held on 28th February in that regard
- iii. Providing to the Committee the reports of technical and other problems connected to this, the opinion of the Attorney General and the report submitted to the Public Utilities Commission in this regard

Reporting the Current Situation and the Progress

A detailed report with regard to this matter has been submitted to the Committee with the letter of the Secretary to the Ministry of Power, renewable energy and Enterprise Development bearing No. PE/TEN/SCAPC/SR/2019/33 and dated 18.10.2019.

07. E-scale salary scheme

It was inquired about the judgment of the case related to the preparation of salaries in accordance with the E-scale salary scheme and the current satiation of it.

The General Manager stated commenting on this that it is not mentioned in the judgment of the case that the E-scale Salary scheme is erroneous but it is mentioned in it that the procedure adopted is erroneous .Even though the approval of the Board of Directors has been obtained ,the other approvals have not been obtained. The approval of the Cabinet of Ministers was obtained for this in the year 2018 when the collective agreement was signed and as per the opinion of the Attorney General this has been referred to the Management Services Department

and the Salaries and Cadre Commission for the purpose of rectifying it having obtained the approval of the Cabinet of Ministers.

Recommendations

It was recommended that the Auditor General should conduct a special audit to look into the matter whether the judgment of the court, the recommendation of the Attorney General and the decision of the Cabinet of Ministers conform with one another.

Reporting the Current Situation and the Progress

It has not been reported.

National Savings Bank

(Ministry of Finance)

(This Ministry comes under the scope of the Ministry of Finance, Economy and Policy Development Since 10.12.2019)

Date of Examination: 04 September 2019

Matters discussed

01. Method of recruitment of staff

It was observed that there are a large number of employees who are employed on contract basis and on casual basis in the staff, and the Committee inquired about the method of recruitment.

The Chairman of the institute stated in response that –

- these recruitments are made according to a list sent by the Private Secretary to the Minister of Finance;
- recruitments have been made to the positions of Bank Assistant and Office Assistant since 2008 following this methodology;
- since 2017, recruitments have been made only for the training programmes, and the trainees are issued an appointment letter relevant to the training period;
- so far, about 250 appointments have been given in this manner;
- while proper recruitment procedures are available in other banks, it is not proper to give appointments in this manner on political recommendations; and
- Thus, a proper recruitment procedure will be made very early as it is a responsibility of the Board of Directors and the Senior Management to prepare such a procedure.

Recommendations

- i. The Committee pointed out that this is a grave injustice for all those who seek employment opportunities in the Sri Lankan job market, and recommended that a proper recruitment procedure should be prepared within two months, and new recruitments should be halted (except for

those that have already been recruited) until formal approval is obtained for that procedure.

- ii. Preparing the new method of recruitment and sending copies of the same to the following institutes:
 - Ministry of Finance
 - Auditor General
 - Committee on Public Enterprises

Reporting the Current Situation and the Progress

Details about the process relating these recruitments have been submitted to the Committee.

02. New Constructions

There was a capital expenditure of Rs.35.23 million, which had been spent on the construction of an 18-storey building that cost Rs.77.28 million, but the Committee observed that the construction work of the said building had been stopped since 31 December 2018 consequent to a management decision to construct this building in another land, and enquired about the current situation of this issue.

The Chairman of the institute commented about this matter as follows:

- It had been planned in year 2008 to construct a building in the land where the Head Office is located;
- The Central Engineering Consultancy Bureau (CECB) had provided consulting services for the said construction;
- However, the construction work was stopped due to the security situation that prevailed at that time;
- By that time, a sum of Rs.35 million had been paid to that institute; and
- By the time the initial payment was made, this area had not been declared as a high security zone, but later, this area was declared as a high security zone and for this reason, and it was decided to construct this building in another land.

Reporting the Current Situation and the Progress

The Chairman of the National Savings Bank, through his letter dated 05.11.2019, has informed to the Committee that the amount that has been paid to CECB for

obtaining consultancy services will be deducted from the service charges that will be paid to that institute in future for the services obtained from that institute.

03. Receivable Balance Due to Fraudulent Acts

A sum of Rs.95.5 million was receivable to the Bank due to various fraudulent acts, and in the year under review, this has increased by Rs.1.2 million or 1.27% as against that of the previous year. Out of the said amount, a sum of Rs.95 million had been overdue for over one year, and a sum of Rs.8.8 million had been overdue for more than five years. Further, as at 31.12.2018, the receivable balance due to various fraudulent acts was Rs.110.5 million, and the Committee enquired as to what those fraudulent acts are.

The Chairman stated that frauds committed by bank officials and outside persons have been reported in this manner as fraudulent acts, and that insurance coverage has been received for some of those frauds while some frauds do not receive any insurance coverage, and that the main reason for the receivable balance to increase up to Rs.110.5 million as at 31.12.2018 was the fraud of Rs.25 million that had been committed at the Head Office, and that legal action was taken against those who are responsible for that fraud. He further stated that the following measures have been implemented in order to minimize frauds:

1. Strengthening the Internal Audit Division
2. Bringing the affairs of regional offices under regular examination.

Recommendations

Taking steps to compile a report on such frauds that have been committed during the period of past 2 – 3 years, and carrying out examinations about how each of those frauds have been committed and about the persons who have been involved in such frauds.

Reporting the Current Situation and the Progress

The institute has informed the Committee that the following methodologies have been implemented in this regard:

- Carrying out audit examinations continuously while strict legal action is taken against the fraudsters.
- Preparing the whistle blower policy.
- Taking measures to direct serious attention of the Regional Managers and Assistant General Managers in this regard.
- Taking steps to change the attitudes of employees.

04. Constructing buildings in lands for which the bank has no legal ownership

It was observed that the Bank had spent a sum of Rs. 83.6 million to construct buildings in 08 lands without obtaining to the Bank the legal ownership of those lands.

The Chairman stated that all these lands belong to the state, and some of those lands do not have legal deeds at all, and that only one of those lands belongs to Kataragama Devalaya.

Recommendations

Taking steps to discuss this matter with the Department of Land Settlement and resolve this issue.

Reporting the Current Situation and the Progress

The Committee has been informed that action has already been taken to get the legal ownership of these lands.

05. International Bonds

It was observed that, as per the decision made by the Cabinet on 19 December 2012, approval had been granted to issue international bonds worth US\$ 1,000 million and to loan these funds for state infrastructure development enterprises that have the loan repayment capacity, and accordingly, the bank had issued international bonds worth US\$ 750 million in 2013 and those that worth US\$ 250 million in 2014 at interest rates of 8.875% and 5.15% respectively, and the Committee enquired about this matter.

The Chairman stated in response that a sum of US\$ 250 million is yet to be settled, and all the amounts due from the government including the sum of US\$ 177 million that had been loaned to Kotelawala Defence University have been paid to the Bank by the government.

Reporting the Current Situation and the Progress

The Committee has been informed that the abovementioned sum of US\$ 250 million to be settled was duly settled on 11.09.2019 together with the due interest.

People's Bank

(Ministry of Finance)

(This institution comes under the scope of the Ministry of Finance, Economic Affairs and Policy Development with effect from 2019.12.10)

Date of Investigation - 05th September 2019

Matters Discussed

01. Non Performing Debts

The attention of the Committee was drawn towards the following points with pertinence to this matter.

- The amount of non performing debts has massively increased by the year 2018 when compared with the year 2016.
- The written off capital and the abandoned interest for the year 2018 amounted to Rs.895.91 million.
- An amount of Rs.6294 million has been newly added to the non-performing debts during the first 07 months of the year 2019.
- The non performing debt portfolio has increased in Rs.20428 million during the past 31 months.
- The balance of Capital and interest of the ten most prominent customers' with the non-performing debt and overdraft as at 2016.08.20 has been Rs.37,727 million.

Here, the following points were put forward by the General Manager.

- I. Customers face difficulties with pertinence to the repayment of loans owing to the issues that have arisen in the banking field and the economy generally.
- II. The amount to be recovered from M. L. Company which is among the top ten customers of the non-performing Debt list can be recovered.
- III. The Yashoda Business firm has been provided with a loan however, they do not possess properties needed for the recovery of the loan and discussions are conducted to recovery money.
- IV. A programme is being drafted to prevent the increase of non-performing debts.

- V. Different factors are taken into consideration when loans are arranged and provided.

02. Recruitment of School Leavers

Inquiry about the letter dated 2019.05.15 which has been sent stating “therefore, please make arrangements to recruit 1800 school leavers with the required qualifications as Office Assistants until a permanent arrangement is made” informing to recruit 1800 school leavers.

Here, it was revealed that 80 individuals have been recruited by now as trainees for a period of 6 months and that they will be recruited for permanent positions after the training period as per the vacancies available and that there is no agreement to provide permanent employment opportunities for the persons thus recruited.

Recommendations:

1. To prepare a systematic methodology to recruit individuals for temporary trainings by the State banks and to present it to the Committee.
2. The Secretary to the Ministry was recommended to make arrangements to recommend the state banks, to take required action to publish an open notice regarding the recruitments specifying when to apply and the minimum qualifications required.

Reporting the current situation and progress

The progress has not been reported.

03. Granting a service extension of 06 months and vehicle facilities after retirement to Mr. N. Wasantha Kumar, the former General Manager.

- (a) **The following factors were observed with pertinence to granting the service extension of 06 months to this officer.**

In the Committee meeting which was conducted on the 17th of July 2018, a request was made asking to grant a service extension of 06 months to Mr. N. Wasantha Kumar who worked as the then General Manager of Peoples Bank, who was supposed to retire in October, 2018 after completing 60 year of age. This request was considered and the recommendation of the Committee on behalf of Parliament was sent to the Secretary to the Ministry of Finance stating that the Committee on Public Enterprises is not in agreement with the request, being precedence to the other state banks. However, Mr. N. Wasantha Kumar,

the former General Manager was granted with a service extension of 06 months, violating the said recommendation and the committee observed that the loss caused on the Peoples bank consequently has been calculated as Rs.15,410,266/- by the Auditor General.

Recommendations:

1. It was observed that the decision taken by the Committee on Public Enterprises had been violated even though it was explained in the previous committee meeting and it was recommended to convene Mr. Hemasiri Fernando, who was the former Chairman of Peoples Bank and Mr.R. Semasinghe, the then additional Secretary to the Treasury who has granted approval on behalf of the Secretary to the Treasury, to the Committee on privileges of Parliament in order to conduct an investigation with pertinence to the loss of Rs. 154,102,66/- incurred on the Peoples Bank as a result of the aforesaid arbitrary decision.
2. The Committee expressed its displeasure over the violation of the regulation given by the Committee and recommended to take the following steps since the overall process is unlawful.
 - (a) To take disciplinary measures against the responsible officers.
 - (b) To take measures to recover the loss from the responsible officers.

Reporting the current situation and the progress

- i. As per the recommendation (i) above, the Committee on Privileges and Ethics of Parliament has been informed to summon these officers to the Committee.
- ii. As per , the recommendation (ii) above, the Committee has been informed by letter dated 2019.11.19 of the Chairman of People's Bank, that this service extension has been granted as per a decision of the then director board, however the progress has not been reported.

(b) Providing vehicle facilities after retirement.

The Committee observed the following:

- I. The decision taken to release the vehicle bearing number CIA 4646 purchased at a value of Rs.166 million for a price of Rs.113, 698/- which is the net book value of the vehicle.
- II. The vehicle bearing number KM 9238, used by the former General manager, which was supported to be handed over to the

bank as per the Director Board paper number 487/2019 has been in his custody.

Recommendations:

- I. To take measures to re-acquire the vehicles which have been taken away unlawfully from the bank.
- II. To recommend the Auditor General to take the future measures as per the powers vested with the National Audit Commission in case if they fail to recover the loss after properly implementing this decision.

Reporting the current situation and the progress

The following information has been given to the committee.

- I. One vehicle out of the two which were released have been re-acquired and kept in the premises of the bank.
- II. One vehicle has been released to Mr. N. Wasantha Kumara based on the policy on granting vehicles approved by the Director board and the selling price needs to be decided.

04. Digitalization Project

The committee observed the followed with pertinence to the digitalization project.

- This project with a value of 11 million USD has been handed over to the Silverlake Company.
- 7.3 million USD out of the 7.6 million USD which is the applicable capital share, has been settled by 2019.08.26.
- Payments had been made for 2 modules prior to commencement, in spite of the fact that 07 modules have to be produced.
- A substantial additional sum has been paid in addition to the amount agreed by the contract for changing modules and purchasing hardware.
- Additional payments amounting to a total of Rs.452 million had been paid to the 'Just in time technologies, Silverlake sprint SDNBHD and Silverlake Digital Economy companies as at 26.08.2019.
- Invoices, vouchers and information pertaining to these additional payments have been requested, but the auditor general has only received one invoice for the payment of Rs.84 million for GIT

company through Director Board paper 149/2018. Therefore it is difficult to get an assurance whether this amount of money had been utilized only for the specified purpose.

Recommendations:

- I. To recommend the auditor General to send the following detailed information with pertinence to the 84 million mentioned above to the Committee within a month.
 - Details pertaining to the officers responsible for approving, certifying and authorizing these payments.
 - Formulating a methodology to confirm the payments.
- II. Presenting the report on the information revealed by the forensic audit, which is currently done, to the Committee on Public Enterprises.
- III. Getting a final determination in this regard within 6 months as per the report issued by the Information technology committee to get an expert opinion on the present Digitalization process and for the justification of the expenditure borne for that purpose.

Reporting the current situation and the progress

- I. Information has been presented with pertinence to the recommendation number (i) above.
- II. The progress has not been reported with pertinence to the recommendations number (ii) and (iii) above.

05. Amendment of the People's Bank Act.

It was observed that the proposal to amend the People's Bank Act has been discussed in the previous committee meeting as well and the amendments pertaining to increasing the bank's capital up to Rs. 50 billion and pertaining to issuing credit have been submitted to Parliament. The possibility for converting this credit into shares was also inquired.

There, the following was revealed,

- It is expected to amend the sections 12,20,21 and 43 of the People's Bank Act through this bill,
- The objective behind this measure is to increase the listed capital ceiling from Rs.1 billion to Rs.50 billion and to get the legal eligibility to issue credit,
- People's bank comes under the supervision of the Central Bank as a licensed commercial bank under the Bank act number 30 of 1988,
- Accordingly, it is needed to get the approval of the Central Bank of Sri Lanka for all the matters concerned,
- Section 13 applies with pertinence to the sale of shares,
- The said section is not revised by this amendment.

06. Policy related to the provision of vehicles to the retired officers

The following consultations were made with pertinence to the following action on providing vehicles to officers.

- i. As per the new scheme, a senior executive officer needs a service period of 2 years prior to retirement, however, the said condition has been violated and loans had been provided to senior executive officers who have not completed a service period of two years.

- ii. Providing the vehicles used by a member of the institutional management, chief executive officer or a chief deputy general manager without obtaining any payment when a service period of more than 07 years has been completed by them.

The chairman stated that such loans have been granted on the approval of the director board in certain special instances considering the service that they have rendered to the bank, that such incidents are reported in the Bank of Ceylon as well, and therefore this facility has been given to the officers after completing a service period of 07 years in People's Bank, considering the facility granted by the Bank of Ceylon to the officers with a service period of 2 years in the deputy general manager grade to possess the vehicle utilized by him after paying only the book value.

He further stated that a request has been made in the last director board meeting asking to present a policy with pertinence to providing vehicles,

that this responsibility has been assigned to the general manager and that this policy is supposed to be presented in the next director board meeting.

Recommendations

To take action to submit the methodology on providing vehicles to the retired officers to the committee after receiving the director board approval.

Reporting the current situation and the progress

The report on the Policy on providing vehicles to retired officers has been presented to the Committee. **(Annexure 03)**

07. Loans granted to Public institutions

The committee pointed out that this bank, as a state bank and an institution which possesses a substantial cash flow of several public institutions should take the responsibility pertaining to the money deposited by people and the public debts and should compete with the private sector. It was also pointed out that this much of weaknesses do not prevail in the private sector banks in relation to the internal control of the bank, transparency, and decision making process and that the prevailing management issues need to resolved.

Recommendations

To present the committee with the information on the amount of loans provided by the bank to institutions like the Ceylon electricity board, Petroleum corporation, Road development authority and Water supply board and the loan balances to be recovered from them.

Reporting the current situation and the progress

The relevant report has been presented to the committee.

(Annexure 04)

Loans & Advances granted to State Owned Enterprises

Annexure 01

Name of the Institution	As at 31.10.2019	
	Loans Granted (Rs.)	Amount Outstanding (Rs.)
Deputy Secretary to Treasury (DST) - OD / Loan	232,365,805,080.04	187,710,432,250.28
Ceylon Petroleum Corporation (CPC)	157,609,387,900.00	147,133,235,654.43
Ceylon Electricity Board (CEB) (OD / Loan)	84,105,709,249.38	59,458,940,351.40
Sri Lankan Airlines	31,468,000,000.00	31,468,000,000.00
Road Development Authority	39,268,709,632.31	30,628,477,064.85
Director Pensions	31,862,477,308.33	26,721,237,763.95
Ceylon Shipping Corporation	14,494,400,000.00	12,467,079,925.50
National Water Supply & Drainage Board	14,013,877,668.71	12,269,724,859.42
Ceylon Fertilizer Corporation	56,297,805,378.10	13,209,478,453.38
Urban Development Authority	9,000,000,000.00	8,754,806,550.68
Colombo Commercial Fertilizer	29,966,558,429.71	7,677,456,771.01
Sri Lanka Telecom	7,000,000,000.00	7,000,000,000.00
Cooperative wholesale Establishment (CWE)	5,831,031,973.23	5,765,181,973.23
Sri Lanka Ports Authority	3,950,858,869.57	3,950,858,869.57
Paddy Marketing Board	4,705,000,000.00	2,846,712,121.62
Mihin Lanka	2,555,900,000.00	2,555,900,000.00
State Pharmaceutical Corporation	2,051,939,420.00	2,044,327,659.29
Lanka Sathosa	1,841,304,000.00	1,815,248,627.76
State Printing Corporation	1,021,817,343.55	967,907,842.65
National Housing Development	2,882,053,500.00	935,743,155.82
Ministry of Defence	1,163,962,830.12	829,200,320.43
Sri Lanka State Trading	847,105,999.62	737,173,880.38
Sri Lanka Central Transport Board	694,182,780.00	690,326,778.97
State Engineering Corporation	171,800,000.00	407,924,825.11
National Livestock Development Board	367,285,000.00	194,145,369.43
MILCO	189,500,000.00	185,179,598.34
Lanka Building Materials Corporation	163,500,000.00	146,625,682.44
The Associated Newspapers of Ceylon	265,000,000.00	135,774,314.15
Sri Lanka Tea Board	500,000,000.00	125,051,206.48

Annexure 03

Annexure 04

Board Meeting held on 30.09.2019.

Transport Policy for the Members of the Corporate Management-B P No. 723/2019

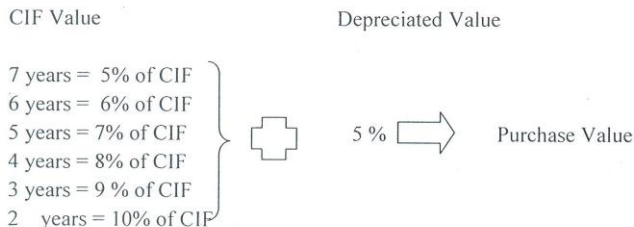
The Board of Directors discussed and stipulated the following procedure as the policy in the disposal of the vehicles for Members of the Corporate Management.

1. Minimum Service requirement

- a. A Corporate Management Member should have at least a period of 25 years confirmed service to be eligible under this procedure to purchase the vehicle he/she used when they were in service

2. Purchase Value

- a. Purchase price of the vehicle will be determined on the basis of two factors i.e combination of CIF value and Depreciated value of the vehicle
- b. A percentage of CIF value is derived from the number of years of service as Corporate Management Member – (Minimum Two years required)
- c. The vehicle will be depreciated over a period of four years
- d. Purchase value will be calculated in the following manner



Example.

An Employee who has 30 years confirmed service in the Bank was appointed as DGM in October 2017 has two years service as Corporate Management Member.

CIF value of a Vehicle purchased in October 2017 is Rs. 15 Mn. Purchase value of the vehicle is Rs. 25 Mn. in 2017.

DGM may buy the vehicle he used for Rs. 2.125Mn. (10% CIF 15 = Rs.1.5Mn + 5% of depreciated value of Rs.12.5Mn.= Rs.625,000) at the time of his retirement in October 2019.

- e. The vehicle available for purchase should be at least over one year from the date of purchase by the Bank, if not the Corporate member should pay 50% of the Purchase value of the vehicle purchased by the Bank (if purchase date is less than one year from the date of retirement.)
- f. CEO/General Manager may purchase the vehicle he used by paying of 5% of the CIF value at retirement subject to 1 (a), 2 (e) and 3 (b) .

3. Other Conditions

- a. Service periods covered as Acting DGM/Head will not be counted for service as Corporate Management Member
- b. This option can be availed by the Corporate Member once only at retirement from service

Sri Lanka Social Security Board

(Ministry of Primary Industries and Social Empowerment)

(Since 10.12.2019, this institute has been under the scope of the Ministry of Women and Child Affairs and Social Security)

Date of examination: 10 July 2019

Matters discussed

01. Enquiring about the role of the institute

The Committee enquired about the role fulfilled by the institute under formulation of social security policies, implementation of policies, regulation, relationships maintained with other government and non-governmental institutes, and the strategic roles performed by the institute.

Responding to this, the Chairman stated that implementing an insurance scheme for self-employed persons, creating a pension for those who do not receive a government pension, etc. are the key functions of this institute, that fisheries and agricultural sectors are not covered under this, and that necessary action is being taken at present to amend the Act in order to provide a more productive service to people by addressing the prevailing weaknesses.

He further stated that, although it was initially implemented through Grama Niladharis centred in divisional secretariats and 25 district secretariats, this process has been changed now, and it is now implemented centred in divisional secretariats, and that 3310 persons are being recruited – 10 persons for each of the 331 divisional secretariats. He further stated that the Social Security Board is maintaining an independent network at present, and action is being taken to give a commission to the 10 persons that will be appointed based on the number of members they enroll.

02. Failure to achieve the objectives that the institute had expected through the computer system

Although it had been planned to hand over to the institute this management information system consisting of 05 supply sets by August 2019, and although it had been scheduled to hand over the first supply set by 14 December 2018, the second supply set by 08 February 2019, and the third by 10 April 2019 and making the payment to the relevant supplier and studying the system should have been completed accordingly, the first supply set was handed over on 24

December 2018 and a sum of Rs.1,090,250/- had been paid for that on 08 February 2019, but the institute had failed to get the second and the third supply sets even by 01 July 2019.

The Chairman stated before the Committee that action will be taken to install all the supply sets by 31 October 2019, and all the issues relating to the new computer system will be resolved accordingly.

03. Not filling the vacancies of the institute

As at 02 May 2019, seven (07) positions of the institute including the position of General Manager, which had been approved by the Department of Management Services, had been vacant.

Further, the Committee paid its attention to the issue that, although it had been recommended to recruit one applicant to the post of General Manager based on the results of the interview that was held on 25.09.2018, an advertisement had been published in newspapers again without recruiting that applicant to the said post.

Recommendation

- i. To carry out an investigation into this at ministerial level and to submit a detailed report on it to the Committee and to the Auditor General within one month.
- ii. Submitting to the Committee within one month copies of the minutes of all the Board meetings that were held in this regard (including the minutes of the 243rd meeting of the Board of Directors that was held on 28.03.2019).

Reporting the current situation and the progress

The report of the investigation that was carried out in to this issue at ministerial level has been submitted to the Committee through the letter No. MPI&IAU/02/2(I) of the State Secretary to the State Ministry of Social Security dated 13.12.2019.

04. The building that had been obtained on rent basis to house the Head Office

A financial loss of Rs. 5,090,906/- has been caused to the government as the Head Office had been shifted to another building before the expiry of

the period of agreement of the building that had been obtained on rent basis to house the Head Office of the Board.

Recommendations

Submitting to the Committee and to the Auditor General a detailed report on this process.

Reporting the current situation and the progress

A report on termination of the said rent agreement has been submitted to the committee, but the report that the Committee directed the Board to submit has not been submitted to the Committee.

05. Pension Scheme for artists

A memorandum of understanding had been signed between the Board and the Department of Cultural Affairs on 28 August 2017 to initiate a pension scheme for artists, and the Board had received a sum of Rs. 94 million on two occasions by 31 December 2017, and 127 artists had been selected for that by 30 April 2019.

Recommendations

- i. The Secretary to the Ministry stated before the Committee that all necessary actions will be taken promptly to regularize this process.
- ii. Preparing a proper arrangement for this and submitting it to the Committee within a period of 06 months.

Reporting the current situation and the progress

The Committee has been informed that a proper arrangement has been initiated for this.

