

**Public Utilities Commission of Sri Lanka- 2012**  
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**1. Financial Statements**  
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**1.1 Qualified Opinion**  
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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Public Utilities Commission of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**1.2 Comments on Financial Statements**  
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**1.2.1 Accounting Deficiencies**  
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Even though the provision for gratuity for the year under review according to the computation by the audit amounted to Rs.2,080,272 , that had been brought to account as Rs.1,749,232. As such the provision for gratuity had been understated by a sum of Rs.331,040 while the profit for the year had been overstated by a sum of Rs.331,040.

**1.2.2 Unexplained Differences**  
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Differences amounting to Rs.892,519, Rs.2,009,952 and Rs.92,822 were observed between the financial statements as at 31 December 2012 and the schedule of fixed assets in relation to 03 items of fixed assets, namely computers and office equipment, furniture and fittings and software respectively.

### 1.2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Section 120(a) of the Inland Revenue Act, No. 10 of 2006	Action had not been taken to remit Pay As You Earn Tax amounting to Rs.546,440 to the Commissioner General of Inland Revenue, before the fifteenth day of the month following.
(b) Financial Regulation 341	A counterfoil register had not been maintained for the receipt books used for collection of income.
(c) Financial Regulation 387	Cheques valued at Rs.1,437,745 exceeding the balance of the cash book as at 31 December 2012 had been issued.
(d) Financial Regulation 756 (5)	A Boards of Survey for the year 2012 had not been properly conducted by using the appropriate formats.
(e) Paragraph 24 of the Public Finance Circular No.PF/PE/6 of 31 January 2000	The Pay As You Earn Tax amounting to Rs.665,579 payable for the year under review by the employees had been paid from Commission Fund as in the preceding years.
(f) Treasury Circular No. IAI/2002/02 of 28 November 2002	The Register of Fixed Assets on Computers and Accessories had not been updated.

#### **1.2.4 Lack of Evidence for Audit**

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The evidence indicated in connection with the following transactions included in the financial statements had not been furnished to audit.

- (i) Properly approved source documents for the 234 Journal Entries valued at Rs.160,470,441 brought to account by the Commission in the year 2012 had not been furnished.
- (ii) The full amount of the all combined and the incidental allowances payable to the officers who had participated in foreign travel and training programs only had been shown in the voucher without giving the particulars of travel , period of travel, computation of the rates, particulars of air travel, foreign sponsorship, etc.

### **2. Financial Review**

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#### **2.1 Financial Results**

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According to the financial statements presented, the operations of the Commission during the year under review had resulted in an excess of income over expenditure amounting to Rs.29,967,560 as compared with the corresponding excess of income over expenditure amounting to Rs.55,978,423 for the preceding year, thus indicating a decrease of Rs.26,010,863 in the financial result as compared with the preceding year. The increase of expenditure for the year under review by a sum of Rs.47,669,634 as compared with the preceding year had been the reason for this decrease.

### **3. Operating Review**

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#### **3.1 Performance**

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The following observations are made.

- (a) Even though the Action Plan prepared for the year 2012 contained 66 activities under 07 key activities for execution, 32 of those continue to remain in the progress level up to 31 December 2012.

- (b) Out of the 466 public complaints received by the Commission during the year 2012, solutions had been found for 425 while no action had been taken up to 31 December 2012 on 41 complaints.
- (c) Even though sum of Rs.356, 177,653 and Rs.61,383,125 had been spent as recurrent expenditure and capital expenditure respectively from the year 2004 to the end of the year under review for carrying out the regulatory functions on the electricity, water and petroleum industries under section 14(2) (1) of the Public Utility Commission of Sri Lanka Act, No.35 of 2002, the Commission carried out the regulatory function of the electricity industry with effect from 08 April 2009 in accordance with the Sri Lanka Electricity Act , No 23 of 2009. As the amendments to the Acts relating to the water and petroleum industries have not been approved, it had not been possible to carry out the regulatory functions of those industries. However, according to the decision of the Cabinet of Ministers, the regulatory functions regarding the lubricants had been vested in the commission.
- (d) According to Section 9 of the Sri Lanka Electricity Act, No 20 of 2009, licenses for generation of electricity cannot be issued to the companies generating electricity exceeding 25 megawatts capacity registered under the Companies Act, No 7,of 2007 without 50 per cent Government share holding. Licenses had not been issued up to date to 06 companies which generate electricity exceeding 25 megawatts capacity and the electricity generated by those companies had been added to the electricity grid of Sri Lanka. Action had not been taken even up to the end of the year 2012 to rectify that situation. The Chairman informed that licenses had not been issued as the said companies had not satisfied requirements.
- (e) Fourteen companies operating in the lubricants market had registered and out of those, only 11 companies had carried out transactions exceeding Rupees 01 million from the variable registration fees at 0.5 per cent of the invoice value. As such the Commission had received a sum Rs.32,704,473 as the variable registration fees from the 11 companies in the year 2012.

### **3.2 Uneconomic Transactions**

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A surcharge of Rs.8,571 had been paid due to the delay in the remittance of contributions to the Employees' Trust Fund.

## **4. Accountability and Good Governance**

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### **4.1 Audit Committees**

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Even though at least 04 meetings of the Audit Committee should be held each year in terms of paragraph 7.4.1 of the Public Enterprises Circular No PED/12 of 02 June 2003, the Commission had held only 02 meetings in the year 2012.

### **4.2 Budgetary Control**

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#### **Expenditure incurred exceeding Provisions**

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Expenditure amounting to Rs.1,137,023 exceeding the provisions made in the year 2012 under 04 categories of expenditure had been incurred.

## **5. Systems and Controls**

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

- (a) Investments
- (b) Income Control
- (c) Control of Fixed Assets