

Gross waste and corruption in state-run institution: COPE

The Committee on Public Enterprises (COPE) in its report presented to Parliament on Friday points serious fraud in the privatisation of the Sri Lankan Insurance Corporation as well as in the agreement entered into between the Government of Sri Lanka and the Lanka Indian Oil Company.

The Committee looked into the workings of 23 state-run institutions including the Central Bank, the Ceylon Electricity Board (CEB), the Ceylon Petroleum Corporation (CPC), the Board of Investment (BOI), the People's Bank, PERC as well as the National Lotteries Board (NLB).

The report which was presented to Parliament by the Chairman of COPE, MP Wijedasa Rajapakse revealed the gross waste and corruption that exist in state-run institutions and indicated that many of these institutions operated without a corporate plan.

Among the startling findings of the Committee are:

The report said the Central Bank has failed, neglected and acted in a lethargic manner in relation to the recovery of a sum of rupees seven thousand million! These monies were granted to bankrupt finance companies.

The committee expressed concern about the payment of a legal fee amounting to

US \$ 300,000/- to a foreign bank for arranging a loan facility of Rs 1 billion.

The Central Bank was faulted for not taking adequate steps against the finance companies functioning without obtaining proper approval from the Monetary Board.

The COPE Report said the Governor of the bank had undertaken to take remedial action within two weeks.

When the accounts of the CPC were examined it was observed that, as a result of loopholes in the agreement with the Lanka India Oil Company (LIOC), the company had manipulated it to acquire 58 distributing centres in addition to the number of centres which were given to them under the terms of the agreement.

When questioned on the transfer of 8.2 acres of land at Bloemendhal Road, officials had been unable to explain the present position with regards to this transaction. The committee reported that CPC had failed to fill the vacancy of Internal Auditor despite the fact that COPE had pointed this out to them as far back as 2005!

The report highlights wide-spread corruption among top-level management officials in the CEB.

A few examples are:

The appointment of an individual to the post of DGM

(Personnel) against whom the Internal Audit report of the CEB had made allegations regarding irregular land transactions.

It points out that bureaucrats and trade union actions of surpassing the Board of Directors had paved the way for instances of serious corruption and malpractice.

The Board of Directors had subsequently been dissolved for its inefficiency!

COPE also expressed concern that mismanagement, inefficiency and corruption had been one of the most significant factors resulting in corporation's debts amounting to rupees fifteen billion.

The COPE report reveals that the Internal Audit Division of the CEB had been weakened with a designed mechanism to prevent the disclosure of certain corrupt practices and misappropriation. It points out that of 74 cases of disciplinary action taken against officers in executive grades, reports had been finalised in only eight cases.

Another organisation which came under the scrutiny of COPE was the Bank of Ceylon. The BOC paid Rs 127 million to Mr. A.R. Bernard, a foreigner who served in the capacity of Financial Controller since 2001 to December 2005.

According to the COPE

report despite his exorbitant salary, his performance was below standard.

On November 13, 2006, the committee discovered that in violation of banking rules and procedures, the BOC had granted loans amounting to Rs 314 million and overdrafts of Rs 300 million to International Grossers Alliance while obtaining inadequate security valued only up to Rs 40 million.

This is a blatant violation of all banking rules and procedures.

The loans remain unpaid.

The bank has also entered into a highly questionable transaction in the sale of its the London Branch at a colossal loss to the Bank.

The matter is presently under investigation.

The Committee made serious note of the fact that the Sri Lanka Port's Authority (SLPA) had not filled the post of Director (Finance) for the past three years.

It had also spent a colossal sum of Rs 234 million as consultancy fee with regard to the contract of a computer system for the SLPA. The project has now been abandoned, resulting in a total loss to the Government.

The committee has expressed dissatisfaction with regard to the explanations given by the authorities in relation to the construction of a three-storied building

for the Sri Jayawardenapura General Hospital.

The report furnished by the Secretary to the Ministry of Health through the Central Engineering Consultancy Bureau revealed that a sum of approximately Rs.36 million is required to do the rectification work. The report charged was due to negligence on the part of hospital management and the Ministry of Healthcare and Nutrition.

The Committee appointed a sub committee consisting of 4 members to inquire into the matter.

In a shocking revelation the committee points out that the Board of Investment (BOI) had been functioning for a long period without a corporate plan. The Committee expressed its dissatisfaction about the conduct of the officials of the BOI who made an attempt to mislead the Parliament by tendering false/bogus documents representing as corporate plan.

The Committee found that the BOI occupied several floors at the World Trade Centre paying the rent of Rs. 9 million per month, whilst having their own building at Sir Baron Jayathilaka Mawatha idling since 1999.

The Committee directed the BOI to furnish the details of such expenses.

The Committee also ex-

pressed its concern as to why the BOI entered into an agreement with MERBOK MDF Lanka PVT Limited with an undertaking to reimburse the electricity tariffs, without obtaining the approval of the Board of Directors or the Cabinet.

The Committee summoned the former Chairman to explain the reasons as to why he had agreed to such an adverse terms.

The Committee was of view of that the Ministry and its Secretary had failed to perform their duties in overseeing financial controls of the BOI. Their failure to monitor the overall performances of the BOI had adversely affected the economy of the country.

The BOI the report points out, had failed to perform its duties and obligations in monitoring imports under the BOI banner. It employed only 40 employees to monitor 50% of industrial imports whereas the Sri Lanka Customs employs around 5,000 employees to monitor the balance 50%.

It states that the inadequate monitoring of imports under the BOI banner had created an adverse impact in the economy of the country as these imported items go to the local market at lower rate thus causing bankruptcy among local industrialist and merchants who are engaged in lawful

business activities.

The report points out that the Government has lost a colossal sum which was due by way of stamp duties since the deeds in relation to the immovable property developed under the BOI banner had been under valued contrary to the relevant Revenue Acts. COPE has called for details with the view to take remedial measures and to prosecute wrongdoers.

Chairman and the Secretary to the Ministry admitted that the document tendered to the Committee representing a Corporate Plan on the previous occasion was not the corporate plan. In fact, it was a document prepared for an internal workshop of the BOI.

The committee points out that it is serious fault to make misrepresentations to Parliament and mislead its members.

The Chairman apologized for making false representations and the committee was informed that appropriate actions would be taken against the Chairman.

The Addl. Director-General also gave evidence which contained false information with regard to the disciplinary action taken against the wrongdoers in his organization and subsequently apologized.

The officials of the BOI were unable to furnish statistics of imports and exports under the BOI banner.

It was pointed out the companies registered in the BOI had for a long period of time imported Yellow Corn and Soya bean on the pretext of preparing animal feed. But a large portion of this had been sold in the open market for human consumption.

As a result the local farmers have been greatly and adversely affected.

The Officials of the BOI conceded that they were not in a position to monitor imports due to lack of employees and as a result some BOI companies fraudulently siphoned imported goods to the local market.

The committee was strongly of the view that the BOI is a thoroughly disorganized body and most of the work was being done on an ad hoc manner.

The Committee also faulted the National Child Protection Authority (NCPA) for failing to fulfil its obligations.

It said the NCPA had not taken any action whatsoever regarding

children who had been deprived of their education, malnutrition among children under two years as well as rehabilitation of children surrendered to state institutions.