

Appropriation Head 119 - Ministry of Power and Energy
Report of the Auditor General for the year 2010

1. Appropriation Head 119 - Ministry of Power and Energy

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Power and Energy for the year ended 31 December 2010 were carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 15 November 2011. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

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

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

1.3 **Audit Observations on the Accounts and Reconciliation Statements**

According to the Financial Records and Books for the year ended 31 December 2010, it was observed that except for effects of the general observations appearing at (a) to (e) and other major observations appearing in paragraphs 1.4 to 1.11 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Power and Energy had been prepared satisfactorily.

(a) Annual Action Plan

The Ministry had not prepared an Annual Action Plan for the year under review.

(b) Presentation of Accounts

Non-submission of Information

None of the particulars relating to a double cab motor vehicle and a motor cycle belonging to the Ministry had not been submitted to audit. The letter dated 07 September 2010 of the Provincial Commissioner of Motor Traffic of the Western Province confirmed that the two vehicles are eligible for licences free of charge and that no licence whatsoever had been obtained for these vehicles since the registration of free of charge licence in the year 2006.

(c) Appropriation Account

Total Provision and Expenditure

(i) The total net provision made under the Ministry of Power and Energy amounted to Rs.29,060,918,981 and out of that a sum of Rs.26,099,058,364 had been utilised by the end of the year under review. Therefore, the net savings amounted to Rs.2,961,860,617 and that represented 10 per cent of the total net provisions. Details appear below.

| Particulars of Expenditure | Estimated Provision | Net Provision | Actual Expenditure (As at 31 December 2010) | Savings (As at 31 December 2010) |
|----------------------------|---------------------|----------------|---|----------------------------------|
| ----- | ----- | ----- | ----- | ----- |
| | Rs. | Rs. | Rs. | Rs. |
| Recurrent | 1,396,646,000 | 1,388,546,000 | 815,035,690 | 573,510,310 |
| Capital | 24,888,140,000 | 27,672,372,981 | 25,284,022,674 | 2,388,350,307 |
| Total | 26,284,786,000 | 29,060,918,981 | 26,099,058,364 | 2,961,860,617 |

(ii) Budgetary Variance

The entire provisions of 07 Capital Objects of the Operating Programme and the Development Programme amounting to Rs.718,041,000 had been saved. In addition, the savings under 06 other Objects amounted to Rs.628,320,883 and that represented 49 per cent to 97 per cent of the total net provisions made under the respective Objects. Adequate reasons for such savings had not disclosed in the Appropriation Account.

(d) General Deposit Account

The balances of the General Deposit Accounts had not been reconciled with the Treasury books in terms of Financial Regulation 427 and a difference of Rs.12,882,241 as at 31 December 2010 was observed.

(e) Reconciliation Statement of the Advances to Public Officers Account

- (i) According to the Reconciliation Statement as at 31 December 2010, the outstanding loan balances older than 03 years amounted to Rs.457,408 and the follow up action on the recovery the balances had been at a weak level.
- (ii) The unidentified balance of Rs.1,302,243 brought forward from the year 2005 had not been settled even by the end of the year under review.
- (iii) Loan balances amounting to Rs.212,092 due from the officers transferred to the Ministry prior to the year 2004 had been brought forward continuously without being settled. No action whatsoever had been taken thereon even during the year under review.
- (iv) Even though the officers are required under Section 4.2.3 of Chapter XXIV of the Establishments Code, to enter into an irrevocable promise, the loan granted in the year under review without complying with that requirement amounted to Rs.1,446,315.
- (v) Action in terms of the provisions in the Establishments Code had not been taken in connection with the recoverable property loan balance of Rs.184,712 due from an officer who had died in the year 1998.
- (vi) The age of an officer who was subjected to a bond for the payment of distress loans had exceeded 56 years and it was observed that he had stood as security for loans exceeding his pension gratuity.

1.4 Assets Management

(a) Assets Given to External Parties

Three motor vehicles belonging to the Ministry had been released for use by the Ceylon Electricity Board.

(b) Irregular Use of Assets Belonging to Other Institutions

The Ministry had irregularly used 02 motor vehicles belonging to the Ministry of Peoplisation of Public Enterprises, one motor vehicle belonging to the Ceylon Petroleum Corporation, one motor vehicle belonging to the Mahaweli Development Authority and 09 motor vehicles belonging to the Ceylon Electricity Board.

1.5 Non-compliances

Non-compliance with Laws, Rules, Regulations, etc.

Instances of non-compliance with the provisions of laws, rules and regulations observed during the Course of audit test checks are analysed below.

(a) Circular Provisions

- (i) The Ministry had incurred expenditure on telephones amounting to Rs.244,796 in the year 2009 and Rs.58,700 from January to April of the year under review exceeding the limits specified in the Public Expenditure Management Circular No. CSA/P1/40 dated 04 January 2006.

- (ii) The Ministry had not prepared a Total Cost Estimate in terms of Section 4.3 of the Procurement Guidelines before calling for quotations for a contract costing Rs.2.8 million.

1.6 Performance

Planning and Performance

Twenty seven development programmes (with provisions amounting to Rs.1,998 million) proposed for implementation in the year under review had not been implemented.

1.7 Irregular Transactions

Certain transactions entered into by the Ministry were devoid of regularity. Several such instances observed are given below.

- (a) Even though the Ministry had spent a sum of Rs.270,000 in the year under review for the Postgraduate and Diploma Course fees of 07 Officers, the Ministry had not entered into agreements with those offices.
- (b) A Deputy General Manager of the Ceylon Electricity Board who had been appointed for service in the Ministry for a period of one year with effect from April 2010 had been overpaid a sum of Rs.127,389 as salary contrary to the decision of the Cabinet Ministers.

1.8 Losses and Damage

The following instances of losses and damage were observed during the course of audit test checks.

- (i) The Ministry had to pay a surcharge of Rs.58,206 during the year under review due to the failure to settle electricity bills within the specified period.
- (ii) Losses and damage valued at Rs.1,464,528 caused by 36 accidents to motor vehicles from the year 2004 had not been disclosed in the Appropriation Account.

1.9 Operating Inefficiencies

A summary of the operating inefficiencies observed during the course of audit test checks is given below.

The entire provisions obtained from the Budget Estimates of the year 2010 for the Consultancy Services of the Improvement of Clean Energy Approaches Project had been transferred to another Object. Nevertheless, a sum of Rs.24,459,531 had been spent in connection with that Project and that expenditure had not been recorded in the Appropriation Ledgers of the Treasury and the Ministry. It was also observed in audit that such expenditure had not been disclosed in the Appropriation Account for the year 2010.

1.10 Human Resources Management

Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

| Category of Employees | Approved Cadre | Actual Cadre | | Total Cadre | Number of Vacancies |
|-----------------------|----------------|-----------------|--|-------------|---------------------|
| | | Permanent Cadre | Cadre obtained from other Institutions | | |
| Senior Level | 18 | 16 | 02 | 18 | - |
| Secondary Level | 49 | 39 | 09 | 48 | 01 |

| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| Primary Level | 44 | 34 | 05 | 39 | 05 |
| | ----- | ----- | ----- | ----- | ----- |
| Total | 111 | 89 | 16 | 105 | 06 |
| | ==== | ==== | ==== | ==== | ==== |

1.11 Internal Control

(a) Internal Audit

The Internal Audit Unit of the Ministry established on 01 June 2008 comprised the Accountant (Internal Auditor) and one Management Assistant. Subsequently, in December 2010, that Accountant had been released on the secondment basis from December 2010 as the Director (Finance) of another institution under the purview of the Ministry on the recommendation of the Secretary to the Ministry. In addition, arrangements had been made for that Accountant to act in the post of Internal Auditor of the Ministry.

(b) Implementation of the Audit and Management Committee

The Audit and Management Committee had held only one meeting during the year under review.