

## **Appropriation Head – 119 Ministry of Power and Energy**

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### **Report of the Auditor General – Year 2011**

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#### **1.1 Scope of Audit**

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The Audit of the appropriation account of the Ministry of Power and Energy for the year ended 31 December 2011, comprising the financial records, reconciliation statements, books and other records was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review had been issued to the Secretary to the Ministry on 31 October 2012. Audit observations, comments and findings on accounts and reconciliation statement are based on review of the accounts and the reconciliation statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

#### **1.2 Responsibility for the Accounts and Reconciliation Statements of the Chief Accounting Officer**

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Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statement in accordance with Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, 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.

## 2. Accounts

### 2.1 Appropriation Account

#### (a) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs. 36,259 million and a sum of Rs. 26,195 million had been utilized by the end of the year under review. Accordingly, the net savings amounted to Rs. 10,064 million representing 28 per cent of the total net provision. Particulars are given below.

Expenditure Detail	Estimated Provision		Net Provision		Savings		Savings as a Percentage of Net Provision
	Rs.	Mn	Rs.	Mn	Rs.	Mn	%
Recurrent	1,409.990		895.601		215.428		24
Capital	32,704.650		35,363.215		9,848.659		28
Total	34,114.640		36,258.816		10,064.087		

### 2.2 Advance Accounts

#### 2.2.1 Advances to Public Officers Account

##### Limits Authorized by Parliament

Limits authorized by Parliament for the advances to public officers account bearing item No. 11 901 and actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit balance</u>	
Maximum <u>Limit</u> Rs.	<u>Actual</u> Rs.	Minimum <u>Limit</u> Rs.	<u>Actual</u> Rs.	Maximum <u>Limit</u> Rs.	<u>Actual</u> Rs.
5,800,000	2,240,282	2,500,000	3,053,432	31,000,000	12,558,610

## **2.3 Imprest and General Deposit Accounts**

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### **(a) Imprest Account**

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There was a debit balance of Rs. 16,130,664 in the imprest account of the Ministry by 31 December 2011.

### **(b) General Deposit Accounts**

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Balances of the general deposit accounts of the Ministry as at 31 December 2011 totalled Rs.13,461,534. Particulars are given below.

<u>Account Number</u>	<u>Balance as at</u> <u>31 December 2011</u>
	Rs.
6000-0000-00-0003-0034	12,882,241
6000-0000-00-0015-0032	579,293
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Total	13,461,534
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## **2.4 Audit Observation on Accounts and Reconciliation Statement**

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According to the financial reports and books for the year ended 31 December 2011, it was observed that except for the effects of the general observations appearing from (a) to (d) and major audit observations appearing in paragraph 2.5 to 2.8, the appropriation account and the reconciliation statement of the Ministry of Power and Energy had been prepared satisfactorily.

### **(a) Budgetary Variance**

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Provisions totalling Rs.3,555 million had been made for 8 expenditure items under the Development Programme. This entire provision could not be utilized due to delays in making advance payments and the procurement procedure.

**(b) Corporate Plan**  
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The corporate plan to be prepared by covering at least 03 years period from the year 2010 in terms of letter No. PF/R/2/2/3/5 (4) dated 10 March 2010 of the Director General of Public Finance had not been prepared by the Ministry.

The representative of the Ministry of Finance who participated at the meeting of the Committee on Public Accounts met on 21 September 2012 in Parliament to discuss the activities of the Ministry of Power and Energy had stated that the Ministry of Finance had already decided that there was no need to prepare a corporate plan for the Line Ministries and action would be taken to issue circular instructions to all Ministries in this regard as early as possible. The committee had also given its concurrence on these comments and accordingly the Secretary of the Ministry had informed that there was no need to prepare a corporate plan for this Ministry.

**(c) Annual Action Plan**  
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An action plan for the year 2011 in respect of the Ministry had been prepared in December 2012 and made available for audit.

**(d) Reconciliation Statement on the Accounts of the Advances to Public Officers Account**  
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According to the reconciliation statement of the advances to public officers account bearing item No; 11901 as at 31 December 2011, the outstanding balances as at that date totalled Rs. 865,393. The following observations are made in this regard.

- (i) Even though it was emphasized in Section 3.18.1 of Chapter xxiv of the Establishments Code that no pay foreign leave should not be granted without recovering the total outstanding loan balances of an officer, contrary to that no pay foreign leave had been granted to an officer in the year 1992 whose outstanding loan balances had been Rs. 16,375. This loan balance could not be recovered even by 31 December 2011.

- (ii) No any action whatsoever had been taken by the Ministry to recover the outstanding loan balances totalling Rs. 188,470 as at 31 December 2011 recoverable from 05 officers who had vacated their posts.

## **2.5 Non – compliance**

### **(a) Non – compliance with Laws, Rules, Regulations etc.**

Non – compliances with laws, rules and regulations observed at audit test check are given below.

<b>Reference to Laws, Rules and Regulations etc.</b>	<b>Value</b>	<b>Non – compliance</b>
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	<b>Rs</b>	
Financial Regulations -----		
(i) F.R. 104	927,455	Out of the loss of Rs.1,534,166 relating to 11 motor vehicle accidents, a sum of Rs.606,711 had been received from the insurance cover and the balance of Rs.927,455 had been written off from books without treasury approval and without adducing adequate reasons.
(ii) F.R. 625 (a)	200,000,000	Provision for the Solar Energy Project at Hambanthota implemented under the Korean government, material grants under Sri Lanka Sustainable Energy Authority had not been made in the annual estimates and the grants of about Rs.200 million received during the year 2011 had been omitted from the Appropriation Account.

## 2.6 Management Weaknesses

The following weaknesses were observed.

- (i) Despite the heat the engine of the Jeep had been indicating, the vehicle had been driven from Kandy to the Head Office in Colombo on 01 July 2007 and as a result the engine had ceased. The Ministry had spent a sum of Rs. 473,880 to repair it but action had not been taken with regard to this loss in terms of F. R. 102,104 and 109.
- (ii) A motor vehicle belonging to the Ministry had collided with a bus on 03 June 2008 and incurred a loss of Rs. 407,880. A sum of Rs. 310,142 had been recovered from the insurance claim. A decision had been taken to appoint a committee including the Internal Auditor to take action in respect of the balance of Rs.97,738 after 04 years of the incident. Taking a decision to recover the balance loss from another insurance company could not be accepted in audit.

## 2.7 Human Resources Management

### (a) Approved Cadre and Actual Cadre

Cadre position as at 31 December 2011 is given below.

Staff Category	Approved Cadre	Actual Cadre	No; of Vacancies
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(i) Senior Level	18	16*	02
(ii) Tertiary Level	49	41	08
(iii) Primary Level	47	40	07
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Total	114	97	17
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- \* This included the post of Additional Secretary ( Technical ) which had been filled by a retired officer of the Ceylon Electricity Board with the Cabinet approval and the post of Additional Secretary ( Planning and Development ) which had been filled by an officer of the Sustainable Energy Authority.

**(b) Human Resources Improperly Obtained from other Parties**

Matters revealed in respect of human resources improperly obtained by the Ministry are given below.

<b>Category of Employees</b>	<b>Number of Employees</b>	<b>Relevant Other Party</b>	<b>Period ( year obtained)</b>
Staff	01	Ceylon Electricity Board	2008
Non - staff	01	-do-	1994
Junior grades	01	-do-	2003
Non - staff	02	-do-	2008
Junior grades	03	-do-	2009
Non – staff	02	-do-	2010
Junior grades	03	-do-	2010
-do-	01	Mahaweli Development Authority	2010
Non - staff	01	Ceylon Electricity Board	2011
Junior grades	07	-do-	2011
Total	22		

- (i) The total remuneration of Rs.745,278 comprising salaries and allowances, overtime and traveling for the period October 2010 to December 2011 of a driver who was an employee of the Mahaweli Development Authority and deployed to the service of the Ministry without proper approval had been reimbursed to the Mahaweli Authority by the Ministry.
  
- (ii) One officer of the Mahaweli Development Authority and 21 officers of the Ceylon Electricity Board had been employed in the service of the Ministry without the approval of the Cabinet of Ministers in contravening the chapter 9.4 of the guidelines on good governance dated 02 June 2003 of the Department of Public Enterprises. Out of the 21 officers of the Ceylon Electricity Board, 08 officers had been newly appointed in the year 2011 and attached to the Ministry on the same date. The amount of remuneration incurred by the Ceylon Electricity Board for those who had been so attached to the Ministry only for the month of December 2011 had been Rs. 1,047,878.

## **2.8 Internal Control**

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### **Implementation of the Audit and Management Committee**

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The audit and management committee had not been operated satisfactorily during the past four years.