

**Appropriation Head 115 - Ministry of Petroleum Industries**  
**Auditor General Report – Year 2012**

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1:1 Scope of Audit

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The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Petroleum Industries for the year ended 31 December 2012 were audited 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 21 January 2014. 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.

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

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and reconciliation statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial 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

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According to the Financial Reports and the Books for the year ended 31 December 2012, it was observed that except for the general observations appearing at (a) to (c) and the other major audit findings appearing in paragraphs 1.4 to 1.12 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Petroleum Industries have been prepared satisfactorily.

(a) Lack of Evidence for Audit

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Even though a sum of Rs. 3,038,981 had been paid from the provision of Treasury during the year 2012 as overtime and travelling expenses for 37 officers deployed at the office of the Minister and the Deputy Minister, due un presented of any

evidence to audit to ensure the arrival and departure of these officers those transections could not be satisfactorily vouched in audit.

(b) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry for the year under review amounted to Rs. 111,450,000 and out of that, a sum of Rs. 100,165,799 had been utilized by the end of the year under review. Thus, the net savings amounted to Rs. 11,284,201 and it represented 10 per cent of the total net provision. Details appear below.

Expenditure	Estimated Provision as at 31 December 2012	Net Provision as at 31 December 2012	Savings as at 31 December 2012	Savings as a Percentage of the total net Provision
	Rs.	Rs.	Rs.	
Recurrent	101,000,000	100,600,000	6,123,619	6
Capital	7,450,000	10,850,000	5,160,582	48
<b>Total</b>	<b>108,450,000</b>	<b>111,450,000</b>	<b>11,284,201</b>	

(ii) Budgetary Variance

- The entire net provisions made for 03 Objects amounting to Rs. 3,500,000 had been saved.
- Excess provision had been made for 05 Objects and as such the savings thereunder after the utilization of provisions ranged between 25 per cent and 60 per cent of the net provision relating to the respective Objects.

(c) Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account under Item No. 11501 and the actual values are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
<u>Maximum Limit</u>	<u>Actual</u>	<u>Minimum Limit</u>	<u>Actual</u>	<u>Maximum Limit</u>	<u>Actual</u>
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3,500,000	1,895,800	1,200,000	2,428,226	11,200,000	8,382,807

The following observations are made

- (i) According to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No. 11501 the balances that remained outstanding as at that date totalled Rs. 244,406 and the Ministry had failed to recover those outstanding balances.
- (ii) The Ministry had granted loans amounting to Rs. 138,573 without following the provisions required to be followed in granting loans.

#### 1.4 Good Governance and Accountability

##### ----- Annual Performance Report -----

In terms of the Public Finance Circular No. 402 and 402(1) dated 12 September 2002 and 20 February 2004 as stated in the letter of the Director General of Public Finance in terms of the Letter No.PF/R/2/2/3/5(4) of the Director General of Public Finance dated 10 March 2010 addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and Heads of Local Authorities, the Annual Performance Report to be prepared within 150 days after the closure of the financial year by the Ministry, should be tabled in Parliament with a copy to the Auditor General. Nevertheless, the Performance Report relevant to the year under review had been tabled in Parliament only on 15 October 2013.

#### 1.5 Assets Management

##### ----- (a) Underutilized Assets -----

It was observed that a three-wheeler belonging to the vehicle fleet of the Ministry had not been made to run during the year.

(b) Conduct of Annual Boards of Survey  
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The following observations are made.

- (i) Action in terms of the provisions had not been taken on the excesses and shortages pointed out and the other recommendations made in the Board of Survey Reports for the year under review.
- (ii) No action had been taken by the Ministry with regard to the unserviceable assets which to be disposed as per the Board of Survey Reports amounting to Rs. 1,380,633 and the fixed assets register too had not been updated.
- (iii) The Ministry had failed to identify the responsible officers in connection with the shortage of 10 items belonging to 06 category identified by the Board of Survey Reports for the year.

(a) Improper Utilization of Assets without Acquiring  
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The office of the Ministry of Petroleum Industries had been function in a building belonging to the Petroleum Corporation under a rental agreement and contrary to this agreement in two occasions a sum of Rs. 350,361 had been spent under the provision of Ministry for the construction and repairing activities including an expenditure amounting to Rs. 264,544 incurred for the construction of a Garage.

(b) Unsettled Liabilities  
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Liabilities remaining for a period of less than one year which had not been settled by the Ministry as at 31 December 2012 amounted to Rs.2,728,697.

1.6 Non – compliances  
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Non – compliances with Laws, Rules and Regulations etc.  
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Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulation 1645/1646	-	The monthly performance report and running charts relating to 03 vehicles had not been presented for the year 2012. Further, running charts of 04 pool vehicles relating to few months and vehicle log books thereon had not been presented for audit.
(b) Public Administration Circulars		
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(i) Paragraph 2:11 of the Circular No. 41/90 of 10 October 1990	-	The fuel consumption test of the vehicles belonging to the Ministry had not been carried out in every six month
(ii) Paragraph 1(11) of the Circular No. 14/2008 of 26 June 2008	-	Four officers who obtaining the transport allowances and fuel allowances had been obtained 2,405 km transport facilities through the pool vehicle of the Ministry.
(iii) Circular No. 09/2009(1) of 17 June 2009		The employees attached to the Staff of the Minister had not been confirmed their arrival and departure through the finger print machine
(c) Circular of the Ministry of Finance and Planning		
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Paragraph 6:1 of the Circular No. 01/2010/01 of 11 October 2010	13,130	It had been obtained the combined allowances exceeding the specified rate by the Minister during his foreign visits.

1:7 Weaknesses in the Implementation of Projects  
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Delays in Execution of Projects  
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Delays in the execution of the following Projects by the Ministry were observed.

- (a) The modernization and expansion project by utilizing the modern techniques in order to increase the productivity of the oil refinery had not been commenced even up to 31 December 2012, thus 43 years old Sappugaskantha oil refinery was in operation with very low margin.
- (b) The Petroleum pipelines for the transfer of imported petroleum products installed 40-70 years back and these are badly deteriorated. Although 25 years useful lifetime of these pipelines had already been lapsed, the 2/3 of the countries demand for finished petroleum product fulfilled thorough these deteriorated pipelines. Even though it was expected to speedily implement the “Cross Country Pipeline Project”, the Project had not been commenced even by 31 December 2012.
- (c) Even though it was decided to complete the Project for construction of airlines fuel storage tank complex and an underground pipeline system to refill the fuel to airlines at Maththala Southern Airport by November 2012, it had not been completed even by 31 December 2012.
- (d) Although the technically viable feasibility study for the implementation of construction works of the underground fuel pipeline system at Banadaranayaka International Airport was completed by spending Rs. 1,000 million, the adequate information relating to the position of the construction works had not been furnished to audit.

1.8 Transactions of Contentious Nature

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According to the matters revealed from the running charts presented for audit, the utilization of pool vehicles belonging to the Ministry had been of contentious nature due to deploying the pool vehicle for official works was less than 25 per cent, allow to utilize the pool vehicles for officers who had obtaining the vehicle and fuel allowances and the percentage of non-submission of running charts was at higher level. However, without find out the availability of adequate pool vehicles for the official purposes, a sum of Rs.852,512 had been spent from the Treasury provision during the year for 02 hired vehicles obtained to the pool vehicle fleet.

1:9 Losses and Damage

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The losses incurred due to non-receiving the insurance claim in respect of 02 vehicles accidents occurred for the vehicles belonging to the Ministry was Rs. 160,778.

1.10 Uneconomic Transactions

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The following observations are made.

- (a) Even though the air tickets fee of Rs. 690,000 had been paid by the Ministry on behalf of the Minister and his private Secretary who had participated a private event organized by a private institution in France on the basis of that the air ticket expenditure will be reimbursed by such institution, out of that only a sum of Rs.178,156 had been reimbursed after laps of 06 month, as such a loss of Rs. 511,844 had been incurred by the Ministry. Further, a sum of Rs. 548,682 was spent by the Ministry as combined and per diem allowances under the foreign travelling expenditure.
- (b) Twenty thousand one hundred and eighty four newspapers had been obtained under 10 sets on behalf of 96 persons attached to the staff of the Ministry and an amount of Rs. 540,283 had been spent thereon during the year under review.

1.11 Management Weaknesses

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 It was observed that the control over utilization of fuel on the pool vehicles belonging to the Ministry was not properly carried out due to non-entering the fuel utilization and fuel consumption tests in the running charts, not correctly balanced the fuel utilizations, changed and rewrite the entries which already written and not maintained a fuel register etc.

1.12 Human Resources Management

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 Approved Cadre and Actual Cadre  
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The position of the cadre as at 31 December 2012 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	12	11	01
(ii)	Tertiary Level	02	01	01
(iii)	Secondary Level	44	29	15
(iv)	Primary Level	27	20	07
(v)	Others (Casual/ Temporary/ Contract Basis)	03	03	-
	Total	88	64	24
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Adequate steps had not been taken to fill the vacancies, as such 24 vacancies were existed by the end of the year under review.

(b) Idle Human Resources

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 It was observed that three employees had been deployed exceeding the approved cadre of the Media Unit of the Minister under Project 01 and a sum of Rs.761,572 had been spent under the Object of the Ministry administration and establishment services of Project 02. Even though these 03 posts were included in the cadre of the Ministry under Project 02 and obtained the approval accordingly, no any duties had been assigned under Project 01 or Project 02 by eighth office of the Minister or the Ministry administration during the year 2012.



(c) Human Resources irregularly obtained from other Parties  
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A watcher belonging to the Ministry of Education had been attached to the accounts branch of the Ministry of Petroleum Industries since 04 May 2010 without a vacancy and no duties had been assigned to him by the Ministry. However, this employee had been deployed in the Minister Secretariat under Project 01 and a sum of Rs. 263,345 had been reimbursed to the Ministry as salary under Project 02 and an amount of Rs. 138,183 had been paid as overtime and travelling expenses under Project 01.