

Head 115 - Ministry of Petroleum Industries

Report of the Auditor General - Year 2013

Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Petroleum Industries for the year ended 31 December 2013 was carried out in pursuance of provisions in 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 28 November 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

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the Articles 148,149,150 and 152 of the 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 Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations at (a) to (d) and other major audit findings appearing in paragraphs 1.4 to 1.12 herein, the

Appropriation Account and the Reconciliation Statement of the Ministry of Petroleum Industries had been prepared satisfactorily.

(a) Lack of Evidence for Audit

- (i) Over time and travelling expenses totalling Rs.3,583,533 incurred for 43 officers employed in the offices of the Minister and the Deputy Minister during the year 2013 could not be satisfactorily vouched in audit due to non-availability of the required evidence in the Ministry to confirm the arrival and departure of the officers.
- (ii) Required evidence had not been furnished to audit to confirm that the vehicles belonging to the Ministry were registered by the name of the Ministry.
- (iii) Due to non-availability of the required evidence such as bills, registers, etc. five transactions of the Ministry totalling Rs.797,335 could not be satisfactorily vouched in audit.

(b) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.132,000,000 and out of that a sum of Rs.123,650,580 had been utilized by the end of the year under review. Thus a sum of Rs.8,349,420 or 6.3 per cent out of the net provision had been saved. Details appear below.

Expenditure	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs	Rs	Rs	
Recurrent	115,000,000	110,705,988	4,294,012	3.7
Capital	17,000,000	12,944,592	4,055,408	23.8
Total	132,000,000	123,650,580	8,349,420	6.3

(c) **Advances to Public Officers Accounts**

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account relating to the Ministry and the actual amounts are shown below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs	Rs	Rs	Rs	Rs	Rs
11501	4,000,000	3,187,424	1,200,000	3,274,317	13,000,000	9,765,590

The following observations are made in this regard

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.11501 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs,104,336 and the Ministry had failed to recover such outstanding balances.
- (ii) The Ministry had granted loans amounting to Rs.91,217 without following the provisions that should be followed in granting loans.

(d) Imprest Accounts

The following observations are made.

- (i) Ad hoc sub-imprest totalling Rs.100,000 had been issued in 05 instances to 03 non-staff grade officers contrary to the provisions of the Financial Regulation 371.
- (ii) The maximum ad hoc sub imprest, could be issued to a staff officer at one instance is Rs.20,000 in terms of Financial Regulation 371. Nevertheless ad hoc sub-imprest totalling Rs.56,840 had been issued to one officer in 02 instances contrary to such regulations.

1.4 Assets Management

The following observations are made

(a) Idle and Underutilized Assets

A sum of Rs.5,483,520 had been paid as rental from June 2013 to June 2014 for the land in extent of 33 perches and two storied building with an extent of 462 sq meters situated thereon obtained under rental basis by the Ministry for the office of the Deputy Minister but said office had not been established in that building.

(b) Conduct of Annual Boards of Survey

No action whatsoever had been taken by the Ministry on the assets amounting to Rs.1,380,633 and Rs.1,589,850 which had been mentioned as unusable and should be sold according to the Boards of Survey Reports relating to the years 2012 and 2013 respectively.

(c) Irregular Use of Assets of other Institutions

Five vehicles belonging to Ceylon Petroleum Corporation had been utilized without proper approval and 4 vehicles had been utilized contrary to the instructions of the paragraph 3.3 of the Circular No. CA/1/17/1 of the

Secretary to the President dated 14 May 2010 and the details such as the dates of the vehicles obtained the persons who utilized the vehicles etc. had not been furnished to audit.

(d) Irregular Use of Assets not Transferred

The office of the Ministry had been maintained in a building obtained under a lease agreement and a sum of Rs.234,962 had been spent as capital expenditure utilizing Treasury provisions in 03 instances for improvements contrary to Section 19 of the Rental Agreement.

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 audit test checks are analysed below.

Reference to Laws Rules and Regulations	Value	Non - compliance
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	Rs	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 454	464,391	Household goods and equipment purchased by the Ministry had been issued to 02 quarters without entering into the Inventory Register.
(ii) Financial Regulations 1645 and 1646	-	Daily Running Charts and Monthly Performance summary Reports that should be written in the format 268(a), for 07 vehicles of the fleet had not been furnished to audit.

(b) Circulars of the Presidential Secretariat

Circular No. CA/1/17/1 dated 14 May 2010
Paragraphs 5.1 and 5.2

- Eleven telephone connections had been granted exceeding approved limit for 6 officers

(c) Public Administration Circulars

(i) Circular No.41/90 dated 10 October 1990
Paragraph 2.11

- Fuel consumption of the vehicles belonging to the Ministry had not been tested once in every 6 months.

(ii) Circular No 11/2006 dated 14 July 2006
Paragraph IV

- Daily Running Charts relating to vehicles assigned to the officers had not been prepared and furnished to audit

(iii) Circular No 14/2008 dated 26 June 2008
Paragraph 1(ii)

- Instances were observed that the vehicles released from Petroleum Corporation had been utilized by the officers of the staff of the Minister and the Deputy Minister who were obtaining vehicle allowance and fuel allowance.

(iv) Circular No 09/2009 (i) dated 17 June 2009

- The arrival and departure of the employees of the Staff of the Minister had not been confirmed by finger print machines .

(d) Public Finance Circulars

Circular No 446 of 01 September 2010
Paragraph 02

59,641 Telephone bills had been paid exceeding the limits on behalf of the two officers of the Ministry

(e) National Budget Circulars

Circular No 146 of 29 April 2010
Paragraph 01

7,787,617 A sum of Rs.7,787,617 had been paid as rental and other expenses during the year 2013 on behalf of the office of the Deputy Minister

which is maintained outside the Ministry premises.

- (f) Circular letter No HRD/CHI/S/194 of the Department of External Resources of the Ministry of Finance and Planning dated 16 April 2013 - A report relating to the training obtained by the officer who participated from the Ministry for the workshop held in China had not been furnished to Department of External Resources of the Ministry of Finance and Planning or Secretary to the Ministry.

1.6 Weaknesses in Implementation of Projects

The following observations are made

- (a) The 43 years old Oil Refinery of Sapugaskanda had been implemented with a very low capacity and as such there is a requirement to upgrade it with high technological tools for refining any crude oil exists at present. Nevertheless the Renovation and Widening Project to be established thereto had not been commenced even by 31 December 2013. Therefore the possibility to achieve the advantages such as establishing of energy conservation, saving foreign exchange to the country, minimise the existing problems on the quality of the imported refined oil, minimise the high cost incurring for imports of finished products, obtaining economic advantage in oil production through local refinery of imported crude oil, the possibility of usage of low priced Heavy Crude Oil and enabling to improve operating profitability had been deprived.
- (b) Even though the expected life span of pipelines for oil transportation is about 25 years, about 2/3 of finished oil products requirement of the country has been accomplished since for a long period through this 43 years and 70 years old existing pipelines system of oil transportation which exceeded 25 years of its effective life span. As transportation through this deteriorated existing pipe lines system could cause severe damages it was expected to implement the Cross Country Pipeline Project, but this project had not been implemented

even by 31 December 2013. Therefore the opportunities to obtain advantageous benefits such as efficient transportation of petroleum products, high quality petroleum for consumers to meet increasing demand in future, minimise shortages of petroleum stocks and minimise financial loss and minimise the cost for maintenance of decaying pipelines had been deprived.

- (c) Even though the technological studies had been completed at a cost of Rs.1,000 million for the Project of Construction of Underground Oil Transportation Pipeline System in the Bandaranayaka International Airport and the constructions had been commenced, adequate information in respect of the position of the constructions had not been furnished to audit.

1.7 Irregular Transactions

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

(a) Deviation from the Procedure laid down in the Procurement Guidelines

- (i) Contrary to paragraph 3.4.1 of the Government Procurement Guidelines, air tickets had been purchased to the value of Rs.277,181 without calling quotations in respect of the foreign travel of the Minister of Petroleum Products in the United Arab Emirates from 14 January to 17 January 2013 by the Ministry.
- (ii) Instances were observed that vehicle repairs had been done without calling quotations contrary to paragraph 3.4.3 of the Government Procurement Guidelines by the Ministry. A sum of Rs.1,270,565 had been incurred during the year for vehicle repairs carried out from Toyota Lanka Company at excessive prices as above.

(b) Transactions without Authority

A mobile phone had been purchased for Rs.135,000 was misplaced after 07 months. However, another phone was provided by spending Rs.109,500 and no action had been taken according to Financial Regulations and furnished to audit on the loss of previous phone.

1.8 Transactions of Fraudulent Nature

The following observation is made

Even though all expenses relating to the foreign trip had been given by the relevant foreign institution for the officer participated to a workshop held in China, a sum of Rs.1,289,541 had been obtained from the Ministry without informing that and utilized for 25 days inappropriately.

1.9 Losses and Damage

The observations revealed on losses and damage during audit test checks are given below.

- (a) Ten vehicles of the Ministry had damaged due to accidents caused during the year 2013 and a sum of Rs.4,860,508 had been incurred for repairs. But only a sum of Rs.4,696,214 had been received as insurance indemnity and as such the loss caused to the Ministry amounted to Rs.164,294.
- (b) The loss caused to the Ministry amounted to Rs.203,268 due to insufficient insurance indemnity received for repairs of the vehicles belonging to the Ministry met with accidents during the period from 2009 to 2012 inclusive the loss caused amounting to Rs.159,098 as above in the preceding year. However no action whatsoever had been taken thereon by the Ministry even during the year under review.
- (c) A camera purchased by the Ministry and given to Media Section of the office of the Minister was damaged and a sum of Rs.48,500 had been incurred by the

Ministry for the repairs made within the guarantee period. But action had not been taken to recover the loss from the officer concerned.

1.10 Uneconomic Transactions

The particulars of transactions entered into devoid of economy observed during the course of audit test checks are given below.

- (a) A sum of Rs.3,873,572 had been incurred for the repairs of 17 motor vehicles during the year 2013, without obtaining an estimate from a specialized independent person or an institution before repairs or without a certification from a specialized independent person or an institution after repairs to certify that it had been done properly in terms of the paragraph 3 of the Public Administration Circular No.41/90 dated 10 October 1999.
- (b) A sum of Rs.409,854 had been incurred by the Ministry for the maintenance of 02 vehicles not belonging to the Ministry during the year 2013.
- (c) Even though a sum of Rs.2,537,500 had been paid as fuel allowances for 03 vehicles for the Deputy Minister during the year 2013 under the provisions of the Ministry, the particulars of the 02 vehicles out of above had not been furnished to audit and as such the accuracy of the fuel expenditure amounting to Rs.1,670,500 incurred for 02 vehicles could not be established in audit.
- (d) Even though a sum of Rs.2,155,056 had been obtained by 05 officers of the Staff of the Deputy Minister and a sum of Rs.1,080,000 had been obtained by 03 officers as fuel allowances during the year 2013, the particulars of the vehicles utilized by these officers had not been furnished to audit. Nevertheless 4 vehicles belonging to the Ceylon Petroleum Corporation had been released to the office of the Deputy Minister with fuel during the year 2013 and an expenditure of Rs.1,113,948 had been incurred by the Corporation thereon.
- (e) A sum of Rs.522,528 had been paid to a Co-ordinating Secretary of the Minister as transport allowance and fuel allowance during the period from

May to 31 December 2013. But it was revealed that this officer had used a vehicle released by the Ceylon Petroleum Corporation to the Ministry with a driver during such period. The Corporation had issued 1,421 litres of diesel during that period for the above vehicle and a sum of Rs.882,869 had been incurred for the repairs.

1.11 Management Weaknesses

The following Management weaknesses were observed at audit checks on vehicle utilization.

- (a) At the examination carried out on paid vouchers relating to the expenditure amounting to Rs.3,583,533 paid as overtime and travelling expenses during the year 2013 for the officers employed in the offices of the Minister and the Deputy Minister, it was observed that the recommendations, approvals and the certification of the payments had been made without ascertaining the arrival and departure of the relevant officers.
- (b) The Ministry had not maintained a Register of Vehicles, and a methodology had not been followed to identify the pool vehicles and assigned vehicles separately. It was further observed that the Register for Vehicle Repairs had also not been maintained.
- (c) A register inclusive details such as vehicle repairs done during the year 2013 and handing over of the removed parts to the stores after repairs had not been maintained. Further the particulars of the repairs to the vehicles had not been included in the log books.
- (d) A sum of Rs.1,540,938 had been incurred as fuel expenditure for 07 vehicles of the fleet under the provisions of the Ministry during the year 2013. Adequate attention had not been paid by the Management on economy of such expenditure was observed due to non-submission of Running charts, non-maintenance of log books in an updated manner and non-testing of fuel consumption of vehicles once in six months.

1.12. Human Resources Management

----- Approved Cadre and Actual Cadre -----

The position of the cadre as at 31 December 2013 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
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(i) Senior Level	15	11	04
(ii) Tertiary Level	52	40	12
(iii) Secondary Level	02	01	01
(iv) Primary Level	27	20	07
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Total	96	72	24
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* The Ministry had not taken action to fill 24 vacancies by the end of the year under review.