

Report of the Auditor General on Head 119- of the Ministry of Power and Energy Year 2014

The general information on the accounts of the Ministry in paragraphs 1 and 2 of this Report contained and the Audit Observations of the Head appear in paragraph 3.

1.1 Scope of Audit

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 2014 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 13 August 2015. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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 provisions in 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.

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry of Power and Energy amounted to Rs. 32,311.41 million and out of that a sum of Rs. 24,286.79 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Ministry amounted to Rs.8,024.62 million or 24.84 per cent of the total net provision. Details appear below.

Expenditure -----	As at 31 December 2014 -----			
	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
	Rs. millions	Rs. millions	Rs. millions	
Recurrent	183.90	179.98	3.92	2.13
Capital	32,127.51	24,106.81	8,020.70	24.97
Total	32,311.41	24,286.79	8,024.62	24.84

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

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

Item Number -----	Expenditure -----		Receipts -----		Debit Balance -----	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs. millions	Rs. millions	Rs. millions	Rs. millions	Rs. millions	Rs. millions
11901	4.50	3.33	2.30	3.37	17.50	9.79

2.3 General Deposit Account

The debit balance of the General Deposit Account No. 6000/0000/000/0015/0032/000 of the Ministry as at 31 December 2014 amounted to Rs. 97,545.

2.4 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0038/0014/000 of the Ministry as at 31 December 2014 amounted to Rs. 22,179,960.

2.5 Audit Observation

According to the Financial Records, Books for the year ended 31 December 2014, was subject to the audit observations appearing at paragraph 1.1 of the Management Audit Report referred to about, the Appropriation Account and the Reconciliation Statements of the Ministry had been prepared satisfactorily. The material and important observations out of the observations included in that Management Audit Report appear in paragraph 3 below.

3. Head 119 – Ministry of Power and Energy

3.1 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision of Rs. 12,230.70 million made for 09 Objects had been saved.
- (b) Excess provisions had been made for 36 Objects and as such the savings, thereunder after utilizing the provisions, ranged between 6 per cent to 99 per cent of the net provisions relating to the respective Objects.
- (c) The entire provision of Rs. 411.5 million made for 03 Objects had been saved in 2014 while the entire provision of those Objects had also been saved even in the previous year.

3.2 Imprest Account

The following observations are made in this connection.

- (a) Ad hoc sub-imprest totalling to Rs. 6,326,321 had been given to 19 non-staff grade officers in 102 instances contrary to the provisions in Financial Regulation 371.
- (b) Although the Ad hoc sub-imprest should be settled immediately after the completion of the purpose in terms of Financial Regulation 371, the ad hoc sub-imprests amounting to Rs. 1,283,957 granted in 23 instances had been settled after delays ranging from 01 to 07 months after completion of the purposes.

- (c) Even though the maximum amount of Ad hoc Sub-imprest that can be granted to a staff officer in terms of Financial Regulation 371 is Rs. 20,000, advances totalling to Rs.25,832,452 had been granted contrary to the regulation to 07 officers exceeding the maximum limit of Rs. 20,000 in 24 instances.

3.3 Foreign Aid Projects

Although provision of Rs. 21,615,470,000 had been made to the Ministry from the Appropriation Act to implement 27 projects under the foreign financing for the year under review, a sum of Rs. 14,444,161,057 only had been utilized for those projects in the year under review. The following observations were revealed during the course of an audit test check of 3 of those projects.

(a) Assistance Project of the Sustainable Energy Unit

- (i) A sum of Rs. 1,778,246 had been paid as demerge charges of the port in the purchases of one Digger Derrick and 02 Fork Lifts.
- (ii) Although the Accounts of this Project for the year 2014 should have been presented to the Auditor General before 31 March 2015, those Financial Statements had been presented to audit on 02 July 2015 after a delay of 03 months.
- (iii) Although a half of the period of the Project had expired as at 31 December 2014, works amounting to only 1.2 per cent of the Estimated Cost of the Project had been completed.
- (iv) The physical progress of the construction of New Galle Grid Substation and the Transmission Line from Ambalangoda to Galle under the new Galle Power Transmission Development Component of the Project had been reported as over 75 per cent as at 31 December 2014. However, a low progress had been shown in Augmentation of Kiribathkumbura Grid Substation under the North East Power Transmission Development Project and Strengthening for Medium Voltage Distribution System in Haldummulla and Ragala area under the Strengthening of Distribution System in Uva Province. Also the procurement for installing the “MV breaker switched capacitor banks” for minimizing the loss of Aniyakanda, Ambalangoda and Katunayaka Grid Substation under the Reactive Power Management Component had not been completed in the year under review. The project had rejected 03 motor vehicles received under the Eastern Province Distribution Capacity Building Component and the vehicle specification also had not been complied with.

- (v) Parts 07 and 08 of the Project had not been included in the scope of the Additional General Manager (Projects) of the Ceylon Electricity Board who is the person responsible for the all foreign funded projects of the Ceylon Electricity Board. Therefore overall monitoring of 8 parts devolved on the Ceylon Electricity Board had not been done properly.
- (vi) Action had not been taken by the Project to recover from the contractors Rs. 2.05 million as the 10 per cent from the advance for imported motor vehicles and Rs. 8.19 million as the Custom Duty and those had been as those did not conform to the specifications.

(b) Clean Energy and Network Efficiency Improvement Project

The following observations are made in this connection

- (i) A Deposit amounting to Rs. 25.44 million had been shown under the work-in-progress, Paid to the Divisional Secretariates Homagama and Ambagamuwa Korale for the acquisition of those two lands for construction of Grid Power Substations in Padukka and Polpitiya.
- (ii) Disbursements amounting to Rs. 388.30 million of the Asian Development Bank had been shown as Rs. 212.73 million in the Financial Statements. The difference had not been explained to the audit.
- (iii) Line survey cost of Rs. 3.29 million of the year under review which should be capitalized under Lands had been brought to account under miscellaneous expenses.
- (iv) The draft accounts of the Projects which should have been presented to Audit before 31 March 2015, had been presented only on 18 June 2015.
- (v) The Ceylon Electricity Board had implemented project activities under 6 parts for the strengthening of the total infrastructure facilities distribution and the improvement of Network Efficiency and Distribution which are its objectives. Construction and Installation of Grid Power Substations in Mannar, Polpitiya, Padukka and Kegalle, Installation of Breaker Switch Capacitors in Biyagama, Kolonnawa and Sapugaskanda Banks and Construction and Installation of Kebithigollewa, Kahatagasdigiya, Galaha and Akkaraipattu Towers had been expected for implementation under the Project. However main activities of all parts had not been commenced during the year under review.

The following observations are made on the physical progress of the project.

- The first part of the Project, land survey activity of the Mannar Grid Power Substation under Lot A and survey of the Transmission Path under Lot B of the same part had been commenced in March 2015 after a delay of 1 ½ years.
 - All activities of Developing the Efficiency of Transmission and Distribution Network under the second part had been shown a low progress due to the delay in the acquisition of the lands and procurement process.
 - Preliminary work on the Development of the Padukka Power Transmission under the Part 3 and the Development of the Kegalle Power Transmission under Part 4 of the Project, that is Survey of lands for Construction and transmission had been in progress as at the end of the year under review.
- (vi) The direct responsibility for the Project had not been assigned to the Ceylon Electricity Board as a single unit and as such the Ceylon Electricity Board had not undertaken to carry out timely evaluation of this financial and physical progress and to implement a suitable regulatory methodology during the operating period.
- (vii) According to the information available, contracts for civil works had been awarded as Turn Key Contracts and the physical progress of the activities implemented by the Project as at 31 December 2014 is as follows.

Activity	Physical Progress as at 31 December 2014
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<ul style="list-style-type: none"> • Strengthening the Power Efficiency System Control Modification <ul style="list-style-type: none"> - Lot 01 – Construction of System Control Center - Lot 02 – Installation of Communication System • Strengthening the Transmission System <ul style="list-style-type: none"> - Lot A 01 – Construction of Control Building - Lot A 02 – Additional Contracts 	<ul style="list-style-type: none"> Starting Planning works had not been completed Primary works completed Construction in progress Primary and Engineering works started

- Lot A 03 – Construction of Foundation For the Transformer Construction in progress
- Improving the scope of work of the Maho Transmission Line – Puttalam Construction in progress
- **Strengthening the Distribution Sub Centers**
Strengthening the Capacity of the Katunayaka, Nawala, Kiribathgoda, Kotikawatta and Hikkaduwa Sub-Centers Works had not started up to 31 December 2014 due to the delay of getting approval from the Asian Development Bank for change of the scope and bid documents
- **Demand Management for Municipal Street Lighting** Procurement for Goods had been done.
- **Consultancy Service** Consultants had not been selected up to 31 December 2014
- **Access for poor**
 - Strengthening the Transmission System in Eastern Province Action had been taken for import necessary equipment
 - Connection for Rural Houses Loans had been granted to 1,334 residuals of difficult areas.

3.4 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of cadre as at 31 December 2014 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	15	13	02
(ii) Tertiary Level	04	01	03
(iii) Secondary Level	111	43	68
(iv) Primary Level	46	45	01
(v) Other (Casual, Temporary, Contract Basis)	02	13	(11)
Total	178	115	63

(b) Human Resources obtained from Other Parties

A staff of 52 persons of different fields had been obtained by the end of the year under review from external institutions for the purpose of carrying out duties of vacant posts.

External Party -----	Amount -----
Ceylon Electricity Board	40
Lanka Electricity Company (Pvt) Ltd.	01
Kahawatta Primary Vidyalaya	01
Sri Lanka Standards Institution	06
Ministry of Technical Research and Atomic Energy	03
National Youth Corps	01

Total	52
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