

1. Appropriation Head 115 – Ministry of Petroleum Industries
Auditor General’s Report – 2010

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 2010 was carried out in pursuance of provision of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The management Audit Report for the year under was issued to the Secretary to the Ministry on 27 December 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 sample 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 recourses 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 of Article 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 presentation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud and 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 the effects of the general observations appearing at (a) to (c) and other major observations appearing in paragraphs 1.4 to 1.8 herein, the Appropriation Account and its Reconciliation Statement of the Ministry of Petroleum Industries had been prepared satisfactorily.

Object	Expenditure incurred by the Ministry	Expenditure incurred by the Ceylon Petroleum Corporation	Total Expenditure incurred	Net provision	Excess
-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.
115-1-1-1301	2,797,438	3,554,667	6,352,105	3,000,000	3,352,105
115-1-1-1002	1,654,995	1,112,832	2,767,827	1,675,000	1,092,827

In this connection, the secretary to the Ministry of Petroleum Industries reported to me in January 2012 as follows.

“This Ministry has incurred expenditure within the limits of provisions made in the estimates for the year 2010. The expenditure incurred by the Ceylon Petroleum Corporation shown as an excess on the provision under the Head of the Ministry cannot be accepted. As the Chief Accounting Officer of this Ministry I have not made a request to the Petroleum Corporation to incur this expenditure.”

(c) Reconciliation statement of the Advances to Public Officers Account

 According to the Reconciliation statement of the Advances to Public Officers Account. Item No.11501 as at 31 December 2010 the balances that remained outstanding as at that date totalled Rs.106,586 and the follow up action on the recovery of those outstanding balances had been at the weak level.

1.4 Assets Management

 Irregular use of Assets belonging to other Institutions

 According to the Circular No.CA/1/17/1/dated 14 May 2010 of the Secretary to the President, when motor vehicles of a public Corporations are deployed for the use of a Minister or a Deputy Minister, the prior approval of the Ministry of Finance and Planning should be obtained. Contrary to such requirement 05 motor vehicles of the Ceylon Petroleum Corporation had been used for the purpose of the Ministry and the Corporation had spent of Rs.4,865,823 in that connection.

whether the inventory goods issued by the main stores to the various Divisions had been recorded in the Inventory Registers of the respective Divisions.

(ii) Circular Provisions

Circulars of the
Presidential
Secretariat

Section 2.3 of the
Circular No.CSA/PI/40
of 04 January 2006

2,112,271 A jeep had been purchased in year under review from a private institution. According to circular the maximum cost of the Jeep inclusive of all taxes and charges should be Rs.7.5 million. Nevertheless, this purchase had exceeded that limit by a sum of Rs.2,112,271.

Public Expenditure
Management Circular
No.CA/1/17/1 of 14
May 2010

68,259 The expenditure on the telephone charges of two officers of the Ministerial staff had exceeded the maximum telephone charges stipulated in the circular by a sum of Rs.68,259.

(iii) Public Finance

Circulars

Public Finance
Circular No.431 of
24 May 2008

1,447,500 According to this circular, air travel tickets for foreign travel should be purchased from the Bank of Ceylon or the Peoples' Travel of the Peoples' Bank, Contrary to that requirement air travel tickets valued at Rs.1,447,500 had been purchased in 07 instances from private institutions.

1.6 Irregular Transactions

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

(a) Deviation from the Procurement Guidelines

Purchase of Computers

- (i) The Ministry had purchased 02 Note Book Computers for 169,600 and 06 Desktop Computers for Rs.534,000. Information whether the Technical Evaluation Committee examined the purchases to ensure that those conformed to the specifications and the decisions of the Procurement Committee were not made available to audit.
- (ii) Even though a sum of Rs.839,000 had been spent in 06 instances for the purchase of souvenirs for use in the foreign travels to the ministers and for presenting to foreign delegates visiting Sri Lanka. Nevertheless, formal quotations had not been called for those purchases.

(b) Others

An officer working as a Confidential Secretary of the Ceylon Electricity Board had been appointed as the Co-ordinating Secretary of the Secretary to the Ministry by the Letter P.R.D/1/2/90 dated 08 October 2009 of the Acting Secretary of the Ministry of Petroleum Industries and she had been permanently released from the Ceylon Electricity Board. The Ceylon Electricity Board had paid a sum of Rs.287,785 as the salaries and allowances in respect of the period 06 October 2009 to 11 May 2010 while the Ministry had paid a sum of Rs.70,094 as ¼ of the salary.

