

Head 115-Ministry of Energy

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Energy for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Ministry of Energy was issued to the Chief Accounting Officer on 31 July 2021 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018. The Detailed Annual Management Audit Report relevant to the Ministry of Energy in terms of Section 11 (2) of the National Audit Act was issued to the Chief Accounting Officer on 23 August 2021. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Energy as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirement

I express the following matter in accordance with Section 6(1)(d) of National Audit Act, No. 19 of 2018.

- (a) Although last year's financial statements were submitted under the Ministry of Highways, Road Development and Petroleum Resources Development, the financial statements for the year under review were submitted under the Ministry of Energy. Accordingly, the scope of the Ministry had changed and it could not be stated that the financial statements submitted were in line with the previous year.

1.6 Comments on Financial Statements

1.6.1 Non-revenue Receipt.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The financial statements should be prepared on the basis of the Public Finance Circulars No. 02/2020 and based on the final financial statements for the year 2020 and attached tables issued by the Department of Public Accounts in accordance and paragraph 3 of the guidelines. Although, the total receipts as per the Treasury Print out for the Advance receipts was Rs. 13,846,568 during the year, the amount shown in the financial performance statement was Rs. 12,796,742 and Advance receipts of Rs. 1,049,826 was less has been accounted for.	Correct according to the Treasury Print out and submit the report.	Actions should be taken in accordance with the provisions of Guideline No. 06 issued by the Department of Public Accounts.
(b) According to the Treasury print out, the advance payment balance under the main ledger expenses of the financial performance statement is Rs. 25,630,728 but it was stated as Rs. 24,519,548 and the advance payment was Rs. 1,111,180 less had been accounted for.	do	do

1.6.2 Recurrent Expenditure and Capital expenditure

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The personal salaries and operating expenses of the Ministry amount was Rs. 49,100,887, but has been recorded as Rs. 49,878,954. The Subsidies and transfers paid Rs. 29,446,707. It has been recorded as Rs. 29,731,379. Accordingly, the operating cash flow of the flow statement is overstated by Rs. 778,067 and Rs. 284,672 respectively	As it had to work under two Ministries during the year under review, the expenditure for the whole year was stated in the Cash Flow Statement and those errors were corrected and a revised Cash Flow Statement for the period 2020.09.01 to 31.12.2020 was submitted and the Expenditure incurred up to 31.08.2020 The Imprest adjustment account has been adjusted under the funds held by other Ministries / Departments.	Actions should be taken in accordance with the provisions of Guideline No. 06 issued by the Department of Public Accounts
(b) Expenditure of construction or purchase of physical assets and other investment acquisitions was Rs 1,722,968. It was stated under cash flows generated from investment activities as Rs1,594,418. Therefore to the cash flow generated from the investment activities Rs. 128,550 had been understated.	do	do.

1.6.3 Property plant and equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although assets worth Rs. 1,857,004 had been acquired under capital expenditure as per the financial performance	Last year it was accounted for under several headings and at the time it was Rs.	Actions should be taken in accordance with the provisions of Guideline No. 06

statement for the year under review. According to the Financial Position Statement and Non-Financial Assets Statement (ACA-6) at the end of the year under review, the value of the property, plant and equipment was Rs. 292,942,595. This was balance at the beginning of the year. Also, no disclosure was made in the financial statements.

1,857,004 was not included in the CIGAS Software Assets by default. I would like to inform you that the amount will be accounted for this year.

issued by the Department of Public Accounts

1.6.4. Imprest Adjustment Account

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Advance balance to be debited to the imprest adjustment account prepared in accordance with paragraph 7 (vi) of the guidelines for preparation of Financial Statements year 2020 Circular No. 02/2020 was Rs 23,806,925.but it was debited only Rs. 22,695,746. Therefore, Advance balance was understated by Rs. 1,111,180.</p>	<p>I will adjust the correct value according to the Treasurer's print out and submit it to the imprest Adjustment Account.</p>	<p>Actions should be taken in accordance with the provisions of Guideline No. 06 issued by the Department of Public Accounts</p>
<p>(b) Further, according to the above circular, the advance balance to be credited to the Imprest Adjustment Account is Rs. 12,021,919. But it was credited as Rs. 10,972,093. Therefore, The advance balance credited to the Imprest Adjustment Account is 1,049,826 less.</p>	<p>I will adjust the correct value according to the Treasurer's print out and submit it to the imprest Adjustment Account.</p>	<p>do</p>

2. Financial Review

2.1 Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The estimated revenue for the year 2019 was 6 percent less than in the year 2018 and in the year 2020 it was further estimated to be 6 percent less. However, real income in 2019 was 0.05 percent lower than in 2018, and in 2020 it was further reduced to 8 percent. A letter dated October 25, 2018 from the Director General of the Department of Public Finance stated that despite the increase in the annual license fee for Bunk businesses engaged in the from US \$ 1,000 to US \$ 5,000 from 2019, the estimated revenue and actual revenue had declined</p>	<p>The Ministry has issued 19 licenses to import tar in the year 2018 and 10 in 2019 to issue licenses for the importation of tar and shipping oil. Accordingly, the estimated annual revenue has decreased due to the gradual decrease in the number of licenses issued from 2018 to 2020. Also, the direct impact of the Covid epidemic on the economy in the country has resulted in lower real incomes than estimated.</p>	<p>Estimates should be prepared as accurately as possible</p>
<p>(b) Further, the initial revenue estimate for the year 2020 was Rs. 128.8 million, which was later revised down to Rs. 115.8 million or 10%. Accordingly, the actual revenue reduction compared to the initial estimate was over ten percent.</p>	<p>As you have pointed out, while acknowledging that the estimated revenue for the year under review has decreased to some extent compared to the estimated revenue for the last two years, we will focus on that in the future.</p>	<p>do</p>

2.2 Expenditure management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Between 11% and 100% of the estimated allocation of 19 Expenditure Codes in the Ministry of Energy, Ministry Office and Ministry Administration and Institutional Service Projects had</p>	<p>Withdrawal from travel abroad due to the Covid 19 epidemic, reduction of expenses due to limited work, reduction of hospitality due to non-</p>	<p>In preparing the annual expenditure estimate in accordance with Monetary Regulation 50 II, maximum effort should be made to</p>

been transferred to other Expenditure Code under Financial Regulations 66.

attendance of conventions, reduction of machinery faults, reduction of building construction maintenance costs, reduction of postage, non-submission of rent bills, submission of water bills. Cost reduction due to non-availability, operating lease premium less than estimated cost, absence of employees receiving retirement benefits, non-purchase of equipment etc.

prepare the estimates as fully and accurately as possible.

(b) Between 10 and 285 per cent of the estimated allocation for 16 Expenditure Codes in the Ministry of Energy, Ministry Office and Ministry Administration and Institutional Service Projects had been transferred from other Expenditure Codes under Financial Regulations 66.

Changes in salaries for certain posts, increase in overtime, change in staff, increase in fuel costs, increase in ministerial invitations, increase in vehicle maintenance costs, increase in translation allowances, purchase of equipment, purchase of office letters, increase in vehicle maintenance costs, increase in machine maintenance costs, Increased cost of building renovation, increased cost of internet electricity, increased recurrent cost, increase in estimated cost of purchase of office equipment etc.

do

(c) It is observed that 100% of the net allocation for 03 expenditure Codes and 24% to 65% of the net allocation for another 06 expenditure Codes remain unutilized.

Estimated cost savings due to limited outsourcing, reduced vehicle maintenance costs, limited equipment purchases, limited office equipment purchases, and limited project programs.

do

2.3 Entering into Liabilities and Commitments.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
According to Financial Circular No. 271/2019 dated 03rd December 2019 and Financial Circular No. 255/2017 dated 27th April 2017, the payments for the financial year should be released in that financial year and no liability should be taken forward with the intention of settling in the following year. It was advised that the Treasury would not take further action to settle the liability arising out of such instructions. However, according to the Financial Statement Note iii Liabilities and Liabilities, the amount of liabilities and liabilities at the end of the period is Rs. 60,422 .But It was observed that up to Rs 398,356 Liabilities had been reached.	Financial Statement Note iii The amount of liabilities and liabilities at the end of the period as per the Statement of Liabilities and Liabilities is Rs. 60,422 but it was Rs. 398,356 and I will mention that I will take steps to keep proper accounts in the future.	Circular provisions should be followed.

2.4 Deposits

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Financial Regulations 571 (3) shall be credited to the relevant account or government revenue as the case may be, without allowing the money held indefinitely in a deposit account to be treated as overdue deposits until details are received. Or pay back as soon as possible. However, due to non-return of prescription items issued to a former Minister of the Ministry, the Private Employees' Provident Fund of the said Minister, Rs. 233,366 had been kept in the Public Deposit Account on 17th December 2015 and had been deposited in the Public Deposit Account as a Deposit at the end of the year under review.	A Committee has been appointed for further action in this regard and I declare that this work will be completed expeditiously in accordance with the recommendations of that Committee.	Should follow the provisions of Financial regulations.

3. Operational Review

3.1 Security Deposits of the Public officers

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>An employee who has left the Ministry since 2012 is entitled the disaster debt balance of Rs 67,884 had been in arrears for eight years, no action had been taken to recover it as per the guidelines issued by the Department of Public Finance.</p>	<p>. It has been confirmed that a situation has arisen where it is not possible to recover the loan from that person. The situation of the debtor has been reported to the Hon. Courts and I kindly inform you that further action will be taken on the decision of the Hon. Court.</p>	<p>Provisions of curricular should be followed</p>

3.2 Losses and Damage

According to the statement of deductions from the books included in the financial statements submitted, a total of 17 accidents amounting to Rs.1, 064,226, It has been at least three years since the accident, but as of December 31, 2020, no action had been taken to recover the loss or write off the books in accordance with Financial Regulation 104

Under the statement of losses and omissions in the financial statement prepared for the year 2020. Twelve incidents worth less than Rs. 25,000 have been reported. I would like to inform you that action will be taken in the future to investigate and take appropriate action in 05 cases involving more than 25,000 damages

The methods, guidelines and circular provisions should be followed.

4. Human Resource Management

Audit Observation

At the end of the year under review, the approved staff of the Ministry was 87 and on that day the actual staff was 72. Accordingly, 15 vacancies, including 06 senior level officers, remain

Comments of the Chief Accounting Officer

The 87-member staff is an essential staff and the vacancies could not be filled due to lack of space. The Ministry is looking for a suitable location to relocate to a more spacious location and this issue will be resolved shortly after relocation

Recommendation

If the shortage of staff adversely affects the performance of the Ministry, action should be taken to fill those vacancies or to revise the number of staff.