

## **Head 119- Report of the Auditor General on the Ministry of Power and Renewable Energy – Year 2017**

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The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Power and Renewable Energy. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability**

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The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

### **1.3 Scope of Audit**

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The audit of Ministry of Power and Renewable Energy – Head 119 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 05 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

## 1.4 Audit Observation

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The audit observations of the Ministry of Power and Renewable Energy for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.10 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

<b>Accountability of the Chief Accounting Officer in terms of Financial Regulation 127</b>	<b>Non-compliance with that Provision by the Chief Accounting Officer</b>	<b>Reference to the Paragraph of the report which included the Observation</b>
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Financial Regulations		
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127(1)(a)	That the financial work of his department should be planned so that the business is transacted with correctness and financial propriety. (the business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business.)	1.Over provision 2.6 2.Weaknesses in preparation of imprest estimates 2.7
127(1) (b)	Has evolved a system which provides adequate controls over expenditure and the collection of revenues.	1. Non-compliance 2.8 2.Weaknesses in management of human resources 2.9
127(2)	That existing items of expenditure, as well as proposals for new or increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency.	Delays in executing projects 2.2

127(3)	That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgement to bear on them.	Weaknesses in assets management	2.4
127(5)	That important variations between departmental Estimates and expenditure receive critical examination at the Ministry.		2.8(i)
127(7)	That the procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence ,fault or fraud on the part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R.156 (1).It is also a duty of the Chief Accounting officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.	Failure to obtain security deposits who are responsible for the financial activities.	2.10

**2. Material and Significant Audit Observations**  
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**2.1 Performance**  
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**2.1.1 Planning**  
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An Action Plan for the year 2017 had been prepared in terms of the Public Finance Circular No.01/2014 dated 17 February 2014. Accordingly, there were 07 key functions to be fulfilled by the Ministry in the year under review and the following weaknesses were observed in respect of

the Action Plan prepared for the obtaining of the expected results of 09 Statuary Institutions and 07 Foreign Funded Projects which are established under the Ministry.

- (a) The Organizational Structure and the Annual Imprest Plan of the Ministry had not been included in the Action plan according to the above Circular.
- (b) The key functions expected in the Action Plan had not been reviewed timely and the progress reports had not been prepared at the end of the year under review.

### 2.1.2 Non-performance of Functions

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The following observations are made.

- (a) Non-performance of Functions included in the Action Plan

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Even though the following projects should have been performed by the Ministry according to the Annual Action plan, provisions amounting to Rs.31.5 million had been saved as non-performance of functions.

Key Function	Financing	Provision made available
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		Rs.million
I Clean Energy and Network Efficiency Improvement Project- Sri Lanka Renewable Energy Authority	Asian Development Bank, Government of Sri Lanka	1
II Introducing modern bio- power technology and improvement of Bio- Mass Power	Government of Sri Lanka , United Nations Development Programme	15
III. Taking suitable national level actions to minimize the greenhouse gases emitted from the production and use of power in Sri Lanka and development of infrastructure facilities.	Global Environment Fund, United Nations Development Programme	5

IV Electricity Supply accountability and Reliability Improvement Project , Sri Lanka Sustainable Energy Authority – Development of infrastructure facilities	Asian Development Bank	10.5
Total		----- 31.5 =====

### 2.1.3 Annual Performance Report

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Even though an Annual Performance Report that should be prepared by the Ministry within 150 days after the closure of the financial year in terms of Public Finance Circular No. PF/402 dated 12 September 2002, should be tabled in Parliament with a copy to the Auditor General, the performance report for the year 2017 had not been tabled in Parliament even by 24 August 2018.

## 2.2 Foreign Funded projects

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### Non-commencement of Projects by the due Date

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Even though construction of Moragolla Hydropower Project which is implemented for receiving a capacity of 31 megawatts to the national electricity network was planned to commence in the year 2014, the said activities were commenced in the year 2017, after a delay of 3 years. A sum amounting to Rs.16,780 million had been received from the Asian Development Bank for that purpose and the physical progress of that project by the end of the year 2017 was 9 per cent. A sum of Rs.28 million approximately (USD 177,931) had to be paid as Commitment Charges due to failure to commence this Project by the due date.

## 2.3 **Obtaining supplies and Services from the Procurement Procedure**

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### **Procurement Planning**

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Provision amounting to Rs.5.45 million had been made to the Ministry for the obtaining of supplies and services by the Procurement Procedure in the year under review , and Rs.1.3 million of provisions out of that had been completely saved without being utilized.

## 2.4 **Assets Management**

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### (a) **Fuel Combustion Test**

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Even though re-testing of fuel consumption should be carried out after 12 months period of every fuel consumption test or after running of the distance of 25,000 kilo meters or a main repairing relating to the engine or after the first instance among those matters, in terms of Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016 , the Ministry had not taken action accordingly. In addition to that ,a record relating to vehicles had not been maintained in terms of Paragraph 3.3 of the Circular.

### (b) **Expenses on Maintaining the Offices**

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The Ministry is maintained an office in a building rented out at a rent amounting to Rs.20,429,958 annually .The total expenditure incurred for the whole buildings including annual cleaning charges amounting to Rs.2,924,719 had been amounted to Rs.23,354,677. Accordingly, expenditure per capita for maintaining offices had been at a high value amounting to Rs.165,636.

## 2.5 **Management Weaknesses**

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- (i) Service and repairing of the air conditioners fixed in the Ministry had been carried out by the Air conditioning and Refrigeration Branch of the Lanka Electricity Board without a proper service agreement from the year 2008 to 2016. It was observed according to the financial statements of the Lanka Electricity Board that a sum amounting to Rs.16 million had to be paid to the Lanka Electricity Board by the Ministry by 31 December 2017 as

annual maintenance charges thereon. Actions had not been taken up to 24 August 2018 to settle those expenses.

- (ii) A Project had been implemented by the Lanka Electricity Board with the University of Peradeniya by producing smart electricity meters locally and introduced for the electricity field of Sri Lanka. Even though a sum amounting to Rs.10.19 million had been paid to the Lanka Electricity Board by the Ministry for that purpose in the year under review, the Board had retained that money without being utilized for the relevant purpose.

## 2.6 Utilization of Provisions authorized by Parliament to Perform Activities

Information on provisions made for the Ministry during the period of 05 years ended 31 December 2017, utilization and savings thereof and audit observations relating to the information of the year under review are given below.

Year	Category of Expenditure	Net Provision Rs. millions	Utilization Rs. millions	Savings Rs. millions	Savings as a Percentage of Net Provision
2013	Recurrent	1,087	710	377	35
	Capital	27,463	20,671	6,792	25
	<b>Total</b>	<b>28,550</b>	<b>21,361</b>	<b>7,169</b>	<b>25</b>
2014	Recurrent	184	180	4	2
	Capital	32,127	24,107	8,021	25
	<b>Total</b>	<b>32,311</b>	<b>24,287</b>	<b>8,025</b>	<b>25</b>
2015	Recurrent	368	332	36	10
	Capital	8,867	7,578	1,290	15
	<b>Total</b>	<b>9,235</b>	<b>7,910</b>	<b>1,326</b>	<b>14</b>
2016	Recurrent	509	477	32	6
	Capital	13,159	12,543	616	5
	<b>Total</b>	<b>13,668</b>	<b>13,020</b>	<b>648</b>	<b>5</b>
2017	Recurrent	453	442	11	2
	Capital	8,763	8,140	623	7
	<b>Total</b>	<b>9,216</b>	<b>8,582</b>	<b>634</b>	<b>7</b>

The following observations are made in respect of the year under review.

### **Excess Provisions made**

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Excess provisions totalling Rs.802 million had been made for 14 Objects and as such the savings, after the utilization of provisions totalling Rs.228 million, ranged between 20 per cent and 90 per cent of the net provisions relating to the respective Objects.

## **2.7 Imprest Account**

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- (a) The balance of the Imprest Account bearing No.7002/0000/00/0038/0016/000 under the Ministry as at 31 December 2017 amounted to Rs.22.18 million. It is the rental deposit of the building of the Ministry and scheduled to be settled at the end of the agreed period.
- (b) Even though the imprests for the sum amounting to Rs.3,000 million applied in April for generating electricity by using fuel in drought period by the Lanka Electricity Board had not been received in the same month, a sum amounting to Rs.6,000 had been received at the end of the year for that purpose.
- (c) The imprests amounting to Rs.475 million applied for the money settled to the Lanka Electricity Board for installation of Solar Power Systems in Government institutions and supply of electricity for the Shangrila Hotels Project, had not been released by the Treasury in the year under review.
- (d) The sub-imprest should be settled immediately after the completion of the purpose for which it is granted in terms of Financial Regulation 371(5). However, the ad-hoc sub-imprests totalling Rs.223,963 granted relating to 12 instances had been settled after a delay of time period ranged from 01 month to 05 months after the completion of the purpose.

## **2.8 Non- compliance with Laws, Rules and Regulations**

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Instances of non-compliances with the laws, rules and regulations observed during the course of audit test checks are analyzed below.

- (a) Even though the maximum number of official vehicles allocated for the use and security purposes of Ministers and Deputy Ministers was 03 according to the Paragraph 3.1 of the Circular on the State Expenditure Management of the President Secretariat No.CA/1/17/1 of 14 May 2010, in a manner that does not comply with the Circular, the Minister had used 04 vehicles from 25 August 2016.



- (b) Even though the maximum staff approved for the Minister and Deputy Minister is 15 in terms of the Paragraph 2.1 of the above Circular , in addition to the approved cadre of the Minister and the Deputy Minister 06 officers and 02 officers had been deployed respectively. A sum of Rs.7,226,299 had been paid as salaries in the year 2017 for that purpose.
- (c) As mentioned in the Paragraph 5.3 of the above Circular, a sum of Rs.97,130 had been over spent in the year under review for the mobile telephone of the Minister exceeding the monthly maximum limit.

## 2.9 Human Resources Management

### Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars relating to the approved cadre, actual cadre, vacancies and the excess cadre as at 31 December 2017 are given below. The Department had incurred a sum of Rs.78 million for the category of personal emoluments for the year under review. Accordingly, the per capita expenditure had been Rs.0.74 million.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	17	13	04
(ii)	Tertiary Level	04	01	03
(iii)	Secondary Level	72	49	23
(iv)	Primary Level	46	41	05
(v)	Contract	02	01	01
	<b>Total</b>	<b>141</b>	<b>105</b>	<b>36</b>

The following observations are made in this connection.

#### (a) Training of the Staff

The number of officers who do not have any type of training in the year 2017 is 42 and it was 30 per cent of the total actual cadre. Accordingly, provisions amounting to Rs.2 million had been made for the training of the staff in the year under review and out of that a sum of Rs.0.774 million or 39 per cent had not been utilized. Further, although a sum of Rs.0.33 million had been provisioned for the execution of the Official Language Policy , the entire provision had been saved due to the delay in appointing Official Language Committees.

(b) **Human Resources Obtained from Other Parties**

Category of Employees	Number	Time period	Other Party
i. Administrative Co-ordinator	2	18-05-2015 and from 21-10-2015	Lanka Electricity Board
ii. Typist	1	From 27-11-2015	
iii. Trainee Junior Technical Assistant	1	From 02-11-2015	
iv. Driver	2	06-02-2017 and from 22-06-2017	Central Bank of Sri Lanka
v. Driver	1	From 23-11-2015	Survey Department
vi. Survey Field Assistant	1	From 01-04-2016	
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The matters revealed on the human resources obtained from the other parties by the Ministry of Power and Renewable Energy are given below.

- (i) In terms of the Paragraph 2.2 of the Circular on the State Expenditure Management of the President Secretariat No.CA/1/17/1 of 14 May 2010 , if an officer of State Corporations or Statutory Boards attached for the Honourable Ministers ,Deputy Ministers ,he should be paid the salary relating to the post attached , not the salary obtained from the said institution. However, the officers who attached to the Ministry had been paid the salary which obtained from the former institution .
- (ii) Salaries amounting to Rs.7,037,271 and Rs.1,437,940 had been reimbursed by the Lanka Electricity Board for 07 employees of the Lanka Electricity Board and for a Driver of the Central Bank of Sri Lanka respectively deployed in the Ministry and the salary amounting to Rs.384,120 of the officer in the Survey Department and the sum amounting to Rs.167,392 which is the salary of the month of December for the Driver in the Central Bank of Sri Lanka had been paid by the provisions of the Ministry.

2.10 **Security of Public Officers**

Securities had not been obtained from the officers who should be required to give security in the Ministry in terms of the provisions of Financial Regulation 880 .