

Head 150 - Report of the Auditor General for the year 2017 - Ministry of Petroleum Resources Development

The Appropriation Account and the Reconciliation Statements under the Head and the Subject Code mentioned in the First and Third Schedules of the Appropriation Act No.24 of 2016 amended by the Appropriation (Amended) Act No. 32 of 2017 and a Revenue Account relating to the Revenue Code included in 3.1.2 of the Annual Budget Estimate had been presented to audit by the Ministry of Petroleum Resources Development under the Head 150. The Audit of the Financial and Physical performance reflected by the said Accounts and Reconciliation Statements was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer, Revenue Accounting Officer and the Accounting Officer on the Financial Management and Accountability

According to the Financial Regulation 124 of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka, Generating of State Revenue and Collecting of Sums Receivable to the Government and the General Check on the Supervision of all activities of the State Funds were assigned to the Minister of Finance. As per the Financial Regulation 124 (2), Chief Accounting Officers were appointed by the Minister of Finance to accomplish the said responsibility. In accordance with the Financial Regulation (125) (1) (a), the Head of the Department is the Accounting Officer of the all money transactions of his Department and Revenue Accounting Officer had been appointed by the Treasury. This responsibility is included planning, implementing and conducting the internal controls relating to maintain, prepare and fair presentation of Accounts and Reconciliation Statements presented after performing their duties within the limitations enacted by the Parliament in accordance with article 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Regulations, Government Financial Regulations and Administration Regulations.

1.3 Scope of Audit

The audit of the Ministry of Petroleum Resources Development Head 150 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 17 July 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 test of samples of transactions. The scope and extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The audit observations of the Ministry of Petroleum Resources Development 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 2.14 of this report. It was observed that accountability as the Chief Accounting Officer had been satisfactorily executed to ensure the adequacy of the Financial administration subject to the following summarized audit observation revealed in the execution of the provisions of the Financial regulation 127 of the Financial Regulations of the Democratic Socialist Republic Of Sri Lanka.

Financial Regulation 127 of Chief Accounting Officer	Non -compliance with the Direction of the Chief Accounting Officer	Reference to the paragraphs of the report of which the observation included
--	--	---

127(1) (a). All financial work should be planned as to be confirmed the correctness and the financial priority (Departmental activities should be carried out not merely comply with financial and departmental directions but according to the higher standard of the integrity expected in carrying out duties.)	<ol style="list-style-type: none"> 1. Action plan had not been prepared properly. 2. Activities included in the action plan not being full filled. 3. Procurements not being planned adequately. 4. Registers and books not being maintained. 	<p>2.3.2</p> <p>2.3.3 (a)</p> <p>2.4.1</p> <p>2.11</p>
127(1) (b). Providing a methodology for allowing sufficient control for collecting state revenue and expenditure	<ol style="list-style-type: none"> 1. Management Weakness 2. Non-compliance 3. Deficiencies of human resources management 	<p>2.7</p> <p>2.12</p> <p>2.13</p>
127 (2) Existing items of expenditure as well as proposals for new or increased	<ol style="list-style-type: none"> 1. Delays in fulfilling project 	<p>2.3.3 (b)</p>

expenditure in the departments under his control should be closely examined in the Ministry from the points of view of economy and efficiency.

- 127 (3) Preparing a methodology that all cases of doubt or difficulty are referred to him as to bring his own administrative experience and judgment.
1. Deficiencies of vehicle utilization 2.5(a)
 2. Assets released to external parties 2.5 (e)
 3. Improper using of assets belonged to other parties 2. 5(f)
 4. Deficiencies in carrying out annual board of survey 2.5(d)
- 127 (6) Collection of revenue or other government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry
1. Deficiencies of Revenue Accounts 2.9(a)
2.10
 2. Deficiencies of Advance to Public Officers account
- 127 (7) 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 responsible for such losses, in terms of F.R156 (1). It's 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
1. Uneconomic transaction 2.6
 2. Bond deposits not being obtained from the officers who is attached to the financial duties. 2.14

explaining and justifying the accounts of the departments for which he is responsible.

2. Material and Significant Audit observation

2.1 Key Functions of the Ministry

- a) Formulation of policies plans and programmes relating to activities of Petroleum Resources Development and Statutory Institutions such as Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminal, Petroleum Resources Development Bureau and Polipto Lanka (Pvt) Ltd and Public Corporations and follow-ups and evaluation.
- b) Facilitate import petroleum associated products and natural gas, refine, store, distribute and sell.
- c) Activities relating to manufacture and refine of Petroleum.
- d) Exploration of petroleum and associated activities
- e) Manufacturing of Gas by sources of petroleum production and distribution.
- f) Development of infrastructure facilities relating to fuel supply and distribution
- g) Activities relating to all other subjects assigned to Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminal Ltd, Petroleum Resources Development Bureau and Polipto Lanka (Pvt) Ltd
- h) Supervision of Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminal Ltd Petroleum Resources Development Bureau and Polipto Lanka (Pvt) Ltd

2.2 Institutes under the Ministry and Key Functions to be Full filled by Those Institutions

Institutes established under the Ministry and Functions to be full filled by those institutions are given below.

Institutes Ministry	under the	Authorization of Establishment	Functions
-----		-----	-----
(i)	Ceylon Petroleum corporation	Ceylon Petroleum Corporation Act No.28 of 1961	<ul style="list-style-type: none"> • Refine Petroleum • Sale of standard petroleum • Full fill customer needs in optimum level through a network of efficient distributors. • Full fill the objectives of the business partners paying attention strictly for the section of health, security and environment according to the high

			standard ethics.
(ii)	Ceylon Petroleum Storage Terminal	Companies Act No. 07 of 2007	<ul style="list-style-type: none"> • Refine crude oil • Store and distribute refined petroleum
(iii)	Petroleum Resources Development Secretariat	Petroleum Resources Act No. 26 of 2003	<ul style="list-style-type: none"> • Exploration mining and obtaining of petroleum Resources • Contribute to the secure of National Energy
Polipto Lanka (Pvt) Ltd.		Companies Act No. 07 of 2007	<ul style="list-style-type: none"> • Contribute to conservation of environment in commercializing the Sri Lankan new invention of converting removable plastic to fuel or other environment friendly petroleum associated products simply securely and profitably. Reduce foreign exchange thereby incurring for importation of petroleum • Promote other new invention compared with them

2.3 Performance

2.3.1 Vision and Mission of the Ministry

Development of quality and confidence of supply of fuel was an objective of the Ministry of Petroleum Resources Development. A function of the Ministry was preparing relevant policy programmes and projects, follow up actions and evaluation in this regard. The Committee on Public Enterprises held on 25 January 2017 had directed to the Ministry to carry out physical verifications on fuel filling stations. Out of 1,461 fuel filling stations prevailing in Sri Lanka 1254 were owned by the Ceylon Petroleum Corporation and only 35 filling stations out of the said 1,254 represents 2.8 per cent had been physically verified during the year 2017. The rest 207 filling stations were owned by the Lanka Indian Oil Company and a supervision relating to the service of sale of fuel by the said filling stations had not been carried out by the Ministry even up to the end of the year under review.

2.3.2 Planning

The Action Plan for the year 2017 had been prepared in accordance with the Public Finance Circular No. 01/2014 dated 17 February 2014. Accordingly 24 activities had been included into the said plan to be full filled 8 key functions which should be full filled by the Ministry. However the following deficiencies were observed in the action plan prepared.

- a) The Organization Structure updated for the year under review, Approved cadre and information relating to the staff already in the service had not been presented.

- b) The action plan for collecting revenue under the Revenue Code had not been prepared.
- c) Imprest requirement plan for the annual activities had not been prepared.

2.3.3 Functions not being Full Filled

The following observations are made

- a) Activities included in the Action Plan not being Full Filled

The following activities included in the annual action plan had not been full filled

- (i) Amendment of Petroleum Resources (Special Provision) Act No.33 of 2002 and Ceylon Petroleum Corporation Act No.28 of 1961.

A proposal had been approved in the Parliament in the year 2006 to enter the petroleum industry in to the industries which had been monitored under the Sri Lanka Public Utility Service Commission Act No.3 of 2002 due to non-availability of monitoring authority in respect of the petroleum industry since the year 2004. Accordingly initial activities had been commenced in the year 2006 to amend the Petroleum Manufacturing Act No.33 of 2002 and the Ceylon Petroleum Corporation Act No.28 of 1961 for supplying necessary tools needed to monitor the industry to the Public Utility Service Commission. However amendments of those Acts had not been carried out even up to 30 June 2018.

- (ii) Preparing of National Policy on Natural Gas

The authority had been granted to the Ministry of Petroleum Resources Development to prepare a National Policy for Natural Gas by the Special Gazette of the Democratic Socialist Republic of Sri Lanka dated 21 September 2015. The said National Policy on Natural Gas which had been planned to be completed as at the end of the year 2017 had not been completed even up to 20 June 2018.

- b) Delays in Full filling Projects

Delays were observed in fulfilling following projects

Ministry of Petroleum Resources Development

- (i) Development and Rehabilitation of Oil Tank Complex Trincomalee

The oil tank complex established since the year 1930 in the second deepest harbor of Trincomalee in which the attention of the entire world is focused as per the geographical position was in a capacity of 12,500 cubic meters and it had consisted with 102 tanks and other associated facilities. Out of 99 total

tanks prevailing at present 14 tanks of lower tank farm were being used by the Indian Oil Company. Although activities relating to decision making for modernization of 84 cast aside tanks situated in the upper tank farm had been commenced on 29 April 2015, it had not been entered in to a final decision up to now. Hence development and rehabilitation of those tanks could not be carried out.

(ii) Modernization and expansion of Oil Refinery

Discussions had been carried out in detail in several Cabinet Sub Committee Meetings for Economic Management since 15 March 2015 in connection with modernization and expansion of oil refinery which had been established in the year 1969. Although a scholarly Committee had been appointed to study the financial feasibility of the proposed project, it had not been achieved progress even up to 30 June 2018 in this regard.

(iii) Modernization and Expansion of Oil Supply Pipe System of Bandaranayaka International Airport

Creating additional storage facilities and elements of expansion and modernization of prevailing Oil Supply Pipe System had been included as component of the Project for Modernization and Expansion of Oil Supply Pipe System at Bandaranayaka International Airport .The engineering estimate of the project was U.S .\$ 61 Million. It had been decided in the Cabinet Meeting held on 09 December 2015 to call international competitive biddings as per the engineering procurement process. Accordingly the contract had been granted on 07 December 2017 as per the Cabinet Decision. However the project scheduled to be commenced in November 2017 had not been commenced even up to 30 June 2018

(iv) Installation of new stores of fuel stock in Northern Province

The Cement Corporation had informed to the Ceylon Petroleum Storage Terminal Ltd in the year 2011 to take out the stores of oil stock situated in the premises of Cement Corporation Kankasanthure.The approval had been granted by the Cabinet Decision on 19 October 2016 to modernize and expand the prevailing oil stores due to the fact that a proper land could not be obtained for installation of new stores. However this project could not be full filled even up to 30 June 2018 because the outstanding rent of Rs. 105.00 Million which should be paid to the Cement Corporation by the Ceylon Petroleum Storage Terminal Ltd had not been paid.

(v) Project for installation of Lubricant Mixing Factory

The Ceylon Petroleum Corporation had entered in to 3 agreements on 06 May 2016 with the Hyrax Oil S D N B H D Company of Malaysia to commence a lubricant manufacturing factory in Muthurajawela area in this

country. However it had been pointed out that matters which can be adversely affected to the lubricant venture of Ceylon Petroleum Corporation had been included in the clauses and conditions of the said agreements and the Ceylon Petroleum Corporation Act and cabinet Decisions had been violated directly by certain sections. Accordingly the license for a period of 20 years for importation of oil categories needed to the lubricant mixing factory, mixing and re-exports had not been transferred by the Ministry of Petroleum Resources Development and the petroleum Corporation to the Hyrax Oil Company.

Further the Attorney General had informed by the letter dated 23 January 2018 that if the Corporation intend to amend the provision of the above mentioned agreements the procedure mentioned in the agreement should be followed. Accordingly in a requirement of an amendment to a certain section of the agreement it should be done in the mutual agreement of the both parties. Nevertheless the said project had not been implemented even up to 30 June 2018 as the Ministry had not acted accordingly.

Petroleum Resources Development Secretariat office

(i) Joint Study in the Eastern Coast (JS5 and JS6 Blocks)

A joint exploration agreement had been signed between the Sri Lanka Government and TOTAL E and P Petroleum Oil Company on 18 February 2016 for exploration activities of the JS 5 and JS 6 higher deepest land plots in the eastern coast of Sri Lanka. Eastern Eco DMCC Company was the data collecting partner under the multiservice conditions and was contributing to bimodal seismic data collection covering the joint study area on behalf of the TOTAL Company. However this project could not be commenced up to 30 July 2018 due to the delay of entering in to the multiservice agreement between the Sri Lankan Government and Eastern Eco DMCC Company.

The objective of implementation of the said project is to enter in to petroleum resources agreements on the outcome arisen by interpretation and intervention of data for petroleum research and manufacturing. However investors could not get attracted for exploration of petroleum resources due to non-availability of evidence of data as a result of the project not being commenced.

(ii) The Project for Marine Environmental Baseline Study

Carrying out a basic environmental study is essential before commencing petroleum exploration activities and it takes a long time to obtain a report after having such exploration. Hence there are some delay in commencing activities for petroleum exploration. Therefore National Aquatic Resources Research

and Development Agency and Petroleum Resources Development Secretariat Office had entered in to an agreement on 30 December 2015 for implementation of a project for Marine Environmental Baseline Study valued at Rs. 37.16 Million. A sum of Rs. 29,082,077 had been paid to the National Aquatic Resources Research and Development Agency by the Petroleum Resources Development Secretariat Office up to 28 December 2016 in this regard.

The objective of the Project for Marine Environmental Baseline Study was to install the data collected up to now by the various investigators of Sri Lanka in a same system. Preparing a Marine Environmental Baseline Study report and preparing a Database are the activities which should be completed in this project. These activities should be completed and handed over within 8 months of the agreement signed that is 30 August 2016. Although relevant by reports had been submitted by the National Aquatic Resources Research and Development Agency as at 30 July 2018, the final report had not been submitted up to now. However provisions to be followed in the delays of completion of activities had not been included in the agreement.

2.4 Obtaining Supplies and Services through the Procurement Process

Provision of Rs. 12.44 Million had been made by the Ministry for obtaining supplies and services through the Government Procurement Guidelines and out of that a sum of Rs. 12.14 Million had been utilized.

2.4.1 Procurement Planning

Provision of Rs. 11,625 Million had been made under the operational programmes for fulfilling supplies and services through the procurement process during the year under review and out of the said provision, a sum of Rs. 9.00 Million had been utilized. Observations relating to the procurement plan which should be prepared in respect of the provision made are given below.

Procurement Planning and the Preliminary Stage

- a) According to the guideline 4.(2) of the Government Procurement Guideline 2006 the procurement plan should be prepared for procurements expected to be carry out at least 3 years. Nevertheless a procurement plan had been prepared only for the year 2017 in connection with 4 items valued at Rs.12.7 Million.
- b) According to the guideline 4. (2) (3) of the Government Procurement Guideline 2006, regular update of the procurement plan is a responsibility of the procurement entity. However actions had been done without complying that.
 - (i) Although a sum of Rs.503, 696 had been incurred during the year 2017, the procurement plan had not been updated accordingly.
 - (ii) The following purchasing had been done exceeding the estimated amount and the value of the procurement plan.

Item		Estimated amount of the procurement Plan	Actual amount purchased	Estimated cost of the procurement plan Rs.	Actual cost Rs.
Television 32' x40'	2		3	80,000	269,970
Printing Machines					
Colored	4		6	100,000	173,400
Black and white	4		10	100,000	109,000

2.5 Asset Management

The following deficiencies were observed in the sample audit test carried out in respect of the assets of the Ministry

a) Vehicle Utilization

There were 33 vehicles in the Ministry as mentioned below as at the end of the year under review and those vehicles had been driven 541,277 Kilometers. A total sum of Rs.14, 612,932 had been spent including a sum of Rs. 1,269,175 for fuel and lubricant, a sum of Rs. 2,416,388.95 for the service of vehicles, a sum of Rs. 8,311,679.99 for repairs of vehicles and Rs. 2.615, 688.12 for vehicle Insurance. Accordingly a sum of Rs.27 per kilometer had been incurred by the Ministry for driving vehicles excluding drivers' salaries and allowances.

Using vehicles by the Minister, Deputy Minister and the staff

It was observed that, out of the 31 vehicle accident taken place in the Ministry during the year 2017, 18 accident represents 58 per cent were taken place to the vehicles assigned to the Hon, Minister of Petroleum Recourses Development, Deputy Minister and the staff of them.

b) Utilization of vehicles under the financial and Operating Lease

Any vehicle had not been obtained by the Ministry under the operating lease and 9 vehicles had been taken over by the Treasury under the financial lease and handed over to the Ministry. A total sum of Rs.2,480,506.79 (excluding lease instalment, drivers salary and allowances) had been spent including a sum of Rs. 229,900 for fuel and lubricant, a sum of Rs 715,797.59.for the service of vehicles, a sum of Rs. 951,273.22 for repairs of vehicles and Rs. 583,535.98 for vehicle Insurance. Vehicles obtained under the lease had been driven 197,108 Kilometers. Accordingly a sum of Rs.12.58 per kilometer had been incurred by the Ministry for driving vehicles excluding drivers' salaries and allowances.

c) Expenses for conducting offices

There was no any building owned by the Ministry and offices were being maintained in 3 buildings which had been obtained by the Ministry at annual rate of lease rent of Rs.22.03 Million. The annual fees for cleaning was Rs.2.76 Million. Accordingly the total expenses for the entire buildings was Rs. 24,794,919. Accordingly the maintenance cost of the office per head was Rs.330, 599.

d) Conducting Annual Board of Survey

Even though the Board of Survey Reports for the year 2017 should be presented to audit on or before 31 March 2018 it had been presented to audit on 23 April 2018 in a delay of 23 days. Paragraph According to the paragraph 3.1.5 of the said Circular, action should be taken in respect of goods which can be disposed, repaired and assigned to other Government Institutions on or before 26 February 2017, it had not been carried out even up to 31 May 2018.

e) Assets released to External Parties

It was observed that the motor vehicle belonged to the Ministry valued at Rs.5 .80 Million had been released improperly to the Ceylon Petroleum Storage Terminal Ltd. since 15 August 2017 up to now.

f) Improper use of assets belong to other Institutes

It was observed in sample audit tests that 2 motor vehicles belonged to the Ceylon Petroleum Corporation and Ceylon Petroleum Storage Terminal Ltd, valued at Rs. 17.90 Million and Rs. 7.84 Million respectively had been used by the Ministry since 09 October 2015 and 15 August 2017 up to now.

2.6 Uneconomic Transaction

Due to noncompliance with the Financial Regulation 156 (7) and 780, by the officers of the Petroleum Resources Development Secretariat Office, contribution which should be credited to the Employees Provident Fund and Employees Trust Fund had not been credited properly .Hence a sum of Rs. 2.70 Million had been paid in addition as an additional contribution of Rs. 2.27 Million to the Employees Provident Fund and surcharge of Rs.0.43 Million to the Employees Trust Fund.

2.7 Management Weaknesses

The following weaknesses were observed in sample audit tests

a) Achievement of Sustainable Development Goals

- (i) All Statutory Institutions should be functioned in accordance with the 2030 Agenda for Sustainable Development adopted by the United Nations and the Ministry had not taken actions to identify targets, and milestones to be achieved those targets with respect of activities under their purview and indicators to measure the achievements.
- (ii) It could be identified the Ministry of Mahaweli Development and Environment, Ministry of Sustainable Development and Wildlife, Ceylon Petroleum Corporation, Ceylon Petroleum Storage Terminal Ltd and the Petroleum Development Secretariat as the parties concerned with the functions of the Ministry in connection with implementation of sustainable development goals. However it was further observed that participatory approach was not reflected in preparing targets relating to the Ministry.
- (iii) Although an accurate data base is essential to measure the accurate performance of an activity, it was observed that the institute had not taken actions to create an accurate data base to measure the achievements of sustainable development goals. It was further observed that a methodology had not been identified for utilizing financial provisions and human and physical resources in this regard.
- (iv) Although “Affordable Pure Energy” had been identified as the sustainable development goal of which directly relevant to the Ministry, any project had not been planned during the year 2017 as to be fulfilled the said objective.
- (v) Under the paragraph 6.1 of the National Budget Circular of the Ministry of Finance and Massmedia No. 2/2017 dated 25 July 2017, even though programmes such as “Reducing fuel price and kerosene oil subsidy” had been implemented through the projects already implemented as poverty abolishing programmes, prices of fuel had been increased during the period coming after the said date.

2.8 Utilization of Provisions made by the Parliament to accomplish Duties

Details relating to the provisions made to the Ministry, utilization and savings for the period of 5 years ended as at 31 December 2017 and the audit observations in this regard are given below.

Year	Expenditure Category	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
-----	-----	-----	-----	-----	-----
		Rs.Million	Rs. Million	Rs. Million	%
2013	Recurrent	115.00	110.71	4.29	3.73
	Capital	17.00	12.94	4.06	23.88

	Total	132.00	123.65	8.35	6.33
2014	Recurrent	133.50	132.18	1.32	0.99
	Capital	34.05	30.33	3.72	10.93
	Total	167.55	162.51	5.04	3.01
2015	Recurrent	4653.98	4652.78	1.20	0.03
	Capital	190.00	91.03	98.97	52.09
	Total	4843.98	4743.81	100.13	2.07
2016	Recurrent	214.67	213.50	1.17	0.54
	Capital	228.10	192.26	3.84	15.71
	Total	442.77	405.76	37.01	8.36
2017	Recurrent	236.99	230.22	6.77	2.86
	Capital	93.62	80.10	13.52	14.45
	Total	330.61	310.32	20.29	6.14

2.9 Estimated and Actual Revenue

A total sum of Rs. 95.16 Million had been estimated as revenue for one Revenue Code for the year 2017 by the Ministry and a total sum of Rs. 120.10 million had been collected during the year under review as revenue. It was 126.21 per cent of the estimated revenue.

- a) Revenue Code 20.03.02.21 - Charges relevant to the Ministry of Petroleum Resources Development

The following observations are made

- (i) According to the amended revenue estimate the collection of revenue was Rs. 95.16 Million and a sum of Rs. 120.10 million had been collected as at the end of the year under review. Accordingly revenue had been collected exceeding the amended estimate by Rs. 24.94 Million representing 26 per cent.
- (ii) According to the revenue account presented to audit, revenue of Rs. 9.81 Million had remained outstanding and out of that outstanding revenue, a sum of Rs. 0.81 Million had been brought forward during a period from 01 to 02 years. The outstanding revenue for the year 2017 was Rs. 9.00 Million.
- (iii) Registration of new entrepreneurs for annual license for importation of tar material, revision of annual license fees for lubricant material and receiving outstanding revenue had been mentioned as sources for exceeding the amended estimate and net revenue collection of the Ministry for the year 2017 by Rs. 24.94 Million. Nevertheless it was observed that a sum of Rs. 15 million which had been paid in the year 2017 on behalf of the coming half year of 2018 by 6 licensed institutes for importation of lubricant had been included in it.

2.10 Advances to Public Officers Account

 Limitations imposed by the Parliament

Limitations imposed by the Parliament for the Advances to Public Officers Account under the Subject Code 15001 relating to the Ministry and the actual values are given below.

Expenditure		Receiving		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
6.00	5.97	2.3	2.71	13.00	11.87

The following observations are made in this regard

Non-recovering of outstanding loan balances

Although the Ministry had taken various actions to recover the loan balance of Rs. 74,634 receivable from a driver who had vacated his post in the year 2012, the ministry had failed to recover the said outstanding loan balance even up to the end of the year under review.

2.11 Registers and books not being maintained

It was observed in sample audit tests that the following registers had not been maintained by the Ministry and certain registers had not been maintained properly and up to date.

Type of Register	Relevant Regulation	Observation
Security Register	Financial Regulation 891 (1)	not maintained
Records of Losses	Financial Regulation 110	not maintained properly
Vehicle Log Book	Financial Regulation 1645 (a)	not maintained up to date
Loans advance Register	Paragraph 05 of the Public Accounts Circular No. 256/2017 dated 05 July 2017.	not maintained properly
Leave Register	1.7 of Chapter XII of the Establishment Code	not maintained properly
Running Charts	Financial Regulation 1645	not maintained properly
Notes relating to vehicles	Paragraph 3.3 of the Public Administration Circular 30/2016 dated 29 December 2016	not maintained

2.12 Non Compliance

Non Compliance with laws rules and regulations

Instances of non-compliances with laws rules and regulations observed in audit are analyzed below.

Reference to laws Rules and regulations	Non-Compliance
Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 103 (1) (b)	Nineteen vehicle accidents of the Ministry had not been reported to the police
(ii) Financial Regulation 103 (1) (g)	Although adequate steps should be taken to avoid a recurrence of the loss, a rapid increase was observed in the number of accident taken place due to the weaknesses of the internal control prevailed in respect of vehicles . Eleven accident were taken place in the year 2016 and it had been increased up to 31 during the year under review. Accordingly when compared with the previous year, the number of vehicle accidents had increased 182 per cent.
(iii) Financial Regulation 101 (1) and 105 (4)	The loss should be recovered from the responsible officer and disciplinary actions where necessary should be taken independently by the appropriate authority against them under the Establishment Code. Out of the vehicle accidents of the Ministry 15 accidents had been taken place due to negligence of drivers. However actions had not been taken as per the above regulations in connection with those drivers.
(iv) Financial Regulation 101 (3)	The preliminary report under (2) above should be sent to the Auditor General immediately if a delay of more than seven days is envisaged for making a full report. However it was observed that there were a delay of a period of 2 weeks to 08 months to send preliminary reports to the Auditor General.
(v) Financial Regulation 104 (4)	After the inquiry, the full report should be submitted to the Auditor General within three months from the date of loss. However it had taken a period of 3 months to 7 months to submit full report to the Auditor General.
(vi) Financial Regulation 155	Contrary to the financial regulation, replies had been presented to audit queries in a delay of 34 to

45 days

b) Public Administration
circulars

- (i) Public Administration Circular No.26/92 dated 19 August 1992 Although the state emblem should be displayed on the government, it had not been applied on 13 vehicles of the Ministry.
- (ii) Public Administration Circular No.01/2002 dated 25 February 2002 Although the name of the relevant institution should be displayed on government vehicles, the name of the Ministry had not been displayed on 13 vehicles belong to the Ministry.

2.13 Human Resources Management

Approved Cadre, actual Cadre and expenses for personal emoluments

Details relating to the approved cadre, actual cadre, vacancies and surplus of the staff as at 31 December 2017 for performing functions mentioned in paragraph 2.1 above are given below. A sum of Rs. 68.21 Million had been incurred by the Ministry for the expenditure code of personal emoluments for the year under review. Accordingly expenditure per head was Rs.909, 517.84.

	Employees Category	Approve cadre	Actual Cadre	Vacancies
	-----	-----	-----	-----
(i)	Senior Level	16	13	03
(ii)	Tertiary Level	03	02	01
(iii)	Secondary Level	51	39	12
(iv)	Primary Level	27	21	06
	Total	<u>97</u>	<u>75</u>	<u>22</u>

The following observations are made in this regard

Approved cadre not being recruited

There were 22 vacancies in the Ministry of Petroleum Resources Development including 03 vacancies in senior staff grade, 01 vacancy in tertiary level, 12 vacancies in secondary level and 06 vacancies in primary level because it was unable to maintain realistic service level and unable to carry out timely review of the number of employees.

2.14 Security of Public Officers

Actions had not been taken to obtain securities from the officers of the Ministry who should kept security deposits as per the Financial Regulations 880.