

Head 150 Ministry of Petroleum Resources and Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Petroleum Resources Development for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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. According to the Section 11 (1) of the National Audit Act No.19 of 2018, the summarised report which included my comments and observations on the financial statements of the Ministry of Petroleum Resources Development had been presented to the Chief Accounting Officer on 24 May 2019. As per the Section 11 (2) of the National Audit Act No.19 of 2018, the annual detailed Management Audit Report was issued to the Chief Accounting Officer on 16 May 2019. This report is submitted to the Parliament as per the Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the Section 10 of the National Audit Act No. 19 of 2018.

In my opinion, except for the effects of the matters described up to paragraph 1.6 of my report, the financial statements give a true and fair view of the financial position of the Ministry of Petroleum Resources Development as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and 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 Section 38 of the National Audit Act No. 19 of 2018 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per 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 of the Ministry.

As per the Sub Section 38(1) d of the National Audit Act No. 19 of 2018, the Chief Accounting Officer should assured to prepare and maintain an effective internal control system for the financial control of the Ministry and the progress of the system should be reviewed timely. Accordingly amendments should be made as to maintain the system effectively.

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 judgement and maintain professional scepticism 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 Ministries' 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 and Regulatory Requirements

Section 6 (d) of the National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- a) There was no requirement of preparing financial statements by the Ministry of Petroleum Resources Development relating to the previous year. Hence it could not be stated that the financial statement for the previous year were correspond with the financial statement for the year under review.

- b) There was no requirement of preparing financial statements by the Ministry of Petroleum Resources Development relating to the previous year. Hence recommendations on the financial statements had not been presented.

1.6 Comments on the Financial Statements

1.6.1 Financial Performance Statement

The following observations are made

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>According to the paragraph 3.1 of the Public Accounts Circular No. 267 /2018 dated 21 November 2018; financial statements for the year 2018 should be prepared based on the balances of the final Accounts statements of the Treasury. The following receipts and payments of the financial performance statement had not been taken into accounts as per the said provisions.</p>	<p>Actions should be taken as per the Public Accounts Circular No. 267 /2018 dated 21 November 2018</p>	<p>The relevant adjustments were made in the statement because there was an Imprest Account in the format which was given to prepare the financial performance statement for the year 2018. However actions will be taken to prepare an adjustment account and to prepare final accounts accordingly.</p>
<p>(i) According to the final account statement of the Treasury, even though the receipts of the advances were Rs. 7,540,852, it had been mentioned as Rs. 2,977,553 thus a sum of Rs. 4,563,299 had been understated.</p>		
<p>(ii) According to the final account statement of the Treasury, even though the receipts of deposits was Rs. 1,563,993 it had been mentioned as Rs. 1,563,818 thus a sum of</p>		

Rs.175 had been understated.

- (iii) As per the observations mentioned above even though the revenue and non-revenue receipts of said statements was Rs. 309,777,317, it had been shown as Rs. 305,153,843. Hence a sum of Rs. 4,623,474 had been understated.
- (iv) According to the final accounts statement of the Treasury, even though the recurrent expenditure was Rs. 217,103,227, it had been shown as Rs. 216,935,194 in the financial performance statement. Hence a sum of Rs. 168,033 had been understated.
- (v) According to the final accounts statement of the Treasury, even though the capital expenditure was Rs. 59,856,632, it had been shown as Rs. 55,856,631 in the financial performance statement. Hence a sum of Rs. 4,000,001 had been understated.
- (vi) According to the final accounts statement of the Treasury, even though the deposit

payments were Rs. 1,564,017, it had been shown as Rs. 1,563,842 in the financial performance statement. Hence a sum of Rs. 175 had been understated.

(vii) According to the final accounts statement of the Treasury, even though the advance payments were Rs. 5,949,577, it had been shown as Rs. 5,178,059 in the financial performance statement. Hence a sum of Rs. 771,518 had been understated

(viii) As per the observations mentioned above, even though the expenditure of the financial performance statements was Rs. 284,473,453, it had been shown as Rs. 279,533,726. Hence a sum of Rs. 4,939,727 had been understated.

(ix) As per the observations mentioned above, even though the balance of the imprest account was Rs. 25,303,864, it had been shown as Rs. 25,620,117 in the financial performance statement. Hence a sum of Rs. 316,253 had been understated

- (x) Although a difference had been observed in the balance of the imprest account shown between the financial performance statement and the final account statement of the Treasury, an imprest adjustment account had not been presented to audit as per the paragraph 7 (vi) of the Public Accounts Circular.

1.6.2 Financial Position Statement

The following observations are made

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) According to the paragraph 3.1 of the Public Accounts Circular No. 267 /2018 dated 21 November 2018, the balances of assets mentioned in the Final Accounts Statements of the Treasury should be mentioned in the Statement of Financial Position. According to the final account statement of the Treasury even though the value of assets of the Ministry was Rs.157, 383,793, it had been shown in the financial position statement as Rs. 254,645,748. Therefore a sum of Rs. 97,261,955 had been overstated.	Financial statements should be prepared in accordance with the provisions of the Public Accounts Circular No. 267 /2018 dated 21 November 2018.	Instructions had been given to feed the balances of all property plant and equipment of the Ministry to the CIGAS system and it is accepted that the cash balance should be entered.

- (b) According to the paragraph 7 (iv) of the Circular, a value equal to the value of property, plant and equipment of the financial position statement should be shown as a value of reserves under the net assets/capital. Although a sum of Rs. 254,645,748 had been shown as the value of property, plant and equipment of the Ministry as at 31 December 2018, property, plant had been shown as Rs. 157,383,793. Hence a sum of Rs. 97,261,955 had been understated.
- (c) According to the final account statement of the Treasury the unsettled balance of imprest to the Treasury as at 31 December 2018 was Rs. 25,620,116. Although it had been posted under the current liability, the said unsettled cash balance had not been shown as cash and cash equivalents of the financial position statement.
- (d) According to the paragraph 7 (v) of the Public Accounts Circular, even though net assets of the Ministry should be shown as Rs. 10,046,566 after deducting the balance of deposit account from the balance of advance account, it had been shown as Rs. 81,688,403. Hence a sum of Rs. 71,641,837 had been overstated.

1.6.3 Cash Flow Statement

The following observations are made

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Receipts of advance amounting to Rs. 2,977,593 which should be shown under the investment activities of the cash flow statement had been shown under the cash flow generated from the operating activities.	Financial statements should be prepared as per the provisions of the Public Accounts Circular No. 267 /2018 dated 21 November 2018,	Not Commented
(b) Payment of deposits of Rs. 1,563,842 had not been included in the cash flow incurred for operating activities.		
(c) Receipts and payments of advances had not been included in the cash flow generated from investment activities		
(d) Although the balance of the imprest account as at 31 December 2018 was Rs. 25,620,116 it had not been shown as the cash balance in the cash flow statement.		

1.6.4 Registers and Books not being maintained

The following observations are made.

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Security Register		
----- A security register including the information of officers	A security register should be maintained as per the	Instructions had been given to prepare a security

and employees who should Financial Regulations 891 register to the officers in
 deposit securities had not (1) charge
 been prepared.

(b) Register for Losses and Damages

Register for losses and Actions should be taken as Instructions had been given
 damages had not been per the Financial regulation to maintain as per the
 maintained properly. 110. Financial regulation 110.

(c) Vehicle Log Book

Vehicle log books had not Actions should be taken as Instructions had been given
 been maintained up to date by per the Financial to enter the distance drive
 the Ministry. Regulations 1645 (a) and fuel consumed in the
 log book.

(d) Leave Register

Leave register had not been Actions should be taken as Instructions had been given
 maintained properly. per the Section 1.7 of the to prepare the leave register
 Chapter XII of the properly.
 Establishment Code.

(e) Audit Query Register

An audit query register had Actions should be taken as Necessary instructions had
 not been maintained. per the Financial been given to maintain.
 Regulations 452 (1)

(f) Inventory Book

Inventory book had not been Actions should be taken as Necessary instructions had
 maintained. per the Financial been given to maintain
 Regulations 454 (1)

1.6.5 Assurance which should be given by the Chief Accounting Officer

According to the provisions of Section 38 of the National Audit Act. No. 19 of 2018, even
 though assurance should be given by the Chief Accounting Officer for following matters, actions
 had not been taken accordingly.

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
-------------	----------------	--

(a) The Chief Accounting Officer should be ensured that an	Actions should be taken as per the provisions of the	The Ministry was conducted Progress meeting
--	--	---

effective internal control system had been prepared and implemented for the financial control of the Ministry and the effectiveness of the system should be reviewed from time to time and necessary amendments should be made in order to maintain the system effectively. Further those reviews should be made in writing and copies of such reviews should be presented to the Auditor General. However statement had not been presented to audit to prove that such reviews had been done.

Section 38 of the National Audit Act No. 19 of 2018.

with all relevant institutes from time to time and meetings with the staff officers of the Ministry and actions will be taken to present the minutes of those meetings in future.

(b) The Chief Accounting Officer should ensure that replies were being presented to the all audit queries as necessary as to the Auditor General within specific period of time. However replies had not been presented to audit queries according to the paragraph 3.9 of the report.

Actions should be taken as per the provisions of the Section 38 of the National Audit Act No. 19 of 2018.

Actions will be taken to reply audit queries within the specific period of time.

1.6.6 Non Compliance with Laws, Rules and Regulations

Instances of non-compliance with laws rules and regulations observed in sample audit tests are described below.

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
Reference to Laws, Rules and Regulations	Non Compliance	
(a) Financial Regulations of the Democratic Socialist		

Republic of Sri Lanka

- | | | | |
|--------------------------------------|---|---|--|
| (i) Financial Regulation 103 (1) (b) | If there is any damage to a Government Property, it should be reported to the Police. Nevertheless out of 16 vehicle accidents taken place in the year 2018, ten accidents had not been reported to the Police. | Actions should be taken as per the Financial Regulations. | Instructions were given to take actions accordingly in future. |
| (ii) Financial Regulation 104 (3) | If it would expected that a period more than 7 days will be taken to present complete report, the preliminary report should have prepared. Nevertheless period of time more than 4 months had been taken to present preliminary reports relating to certain vehicle accidents, to the Auditor General. | Actions should be taken as per the Financial Regulations | Actions were taken to send the preliminary reports which were avoided due to certain reasons, to the Auditor General |
| (iii) Financial Regulation 104 (4) | After the investigation relating to the accident, the complete report should be sent to the Auditor General within 3 months from the date of which the accident taken place. However out of 16 accidents taken place in the year 2018 , complete reports relating to 15 accidents had not been presented to the Auditor General even though it had lapsed | Actions should be taken as per the Financial Regulations | It is kindly informed that actions to be taken to send the complete reports to the Auditor General. |

03 months as at 31
December 2018.

(b) Public
Administration
Circulars

The Circular letter No. 01/2002 dated 25 February 2002 Although the name of the institute should be printed on the vehicles which are owned by the Government, the name of the Ministry had not been printed on 10 vehicles out of 33 vehicles using by the Ministry. Actions should be taken as per the Public Administration Circulars. Instructions were issued to take actions to print the name on vehicles.

(c) Public Finance
Circulars

Circular No. 03/2015 dated 14 July 2015 Ad- hoc imprest amounting to Rs. 148,000 had been issued to non-staff grade officers in 17 instances. Actions should be taken as per the Public Finance Circulars. Instructions were given to take actions accordingly in future.

1.6.7 Irregular Transactions

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
-----	-----	-----
a) According to the paragraph 5.4 of the Management Services Circular No. 33 dated 05 April 2007 in connection with payment of salaries and wages for officers of the Petroleum Resources Development Secretariat Office, the allowance on the unused	Actions should be taken as per the Circulars	Considering the matter pointed out by you that, the payment of such allowance was not advisable as per the Circular No.MSD 33, payment of this allowance was suspended since the year 2018 due to the fact that this allowance was related to wages.

leaves could not be paid to the staff of the Secretariat Office. However a sum of Rs. 701,450.34 and Rs. 575,821.67 had been paid for the years 2016 and 2017 respectively and the said allowance had been paid in the previous years as well.

- b) A sum of Rs. 3,419,246 .24 had been paid from January 2017 to October 2018 for paying transport allowances to the officers who had not entitled the transport allowances according to the paragraph 5.2 of the Management Service Circular No. 33 dated 05 April 2007, As mentioned above Any salary increment was not paid for the staff of the Petroleum Resources Development Secretariat Office during a period almost previous 7 years. Hence as soon as a proper decision received it is expected to correct the situation.
- c) According to the service agreement the former Director (Administration and Finance) of the Secretariat office whom the service should be ceased on 15 March 2018 was scheduled to be retired on 24 March 2018. Cabinet memorandums had been presented to extend the service of the said officer on 08 February 2018 and 18 May 2018. However the period of service had not been extended and it had been informed by the said Cabinet Decision to appoint an officer of the Sri Lanka Administration Service who was already engaged in the service of the Ministry on the acting basis. However the said decision had not Officers should be employed with a proper authority. The Cabinet Decision was informed to the Office of the Petroleum Resources Development Secretariat by the Ministry in July 2018. Hence action had been taken to terminate the service of the officer with immediate effect on 31 July 2018. Necessary actions were already taken by the PRDS Management to reimburse the payment of Rs. 790,624.94 (including EPF and ETF) which was paid for the period that the service extension was expected and is waiting for his response He attended his normal duties up to 31 July 2018 and approving and paying vouchers was done based on the limit of his duty.

been implemented and the said officer had been employed up to 31 July 2018 and a sum of Rs. 616,200 had been paid as salaries and allowances. Further transport facilities had been provided to report for the duty and go back.

Under the above condition 164 payment vouchers valued at Rs. 34,362,989 had been approved by the former Director (Administration and Finance) employed since 15 March 2018 to 31 July 2018 without a proper appointment for the said period of time.

- d) The female accountant of the office had been appointed on acting basis in the post vacant after ceasing the service of the officer mentioned above with effect from 20 September 2018 without complying with the Cabinet Decision.
- Officers should be employed with a proper authority.
- The lady accountant of the office of the Petroleum Resources Development Secretariat who was covered the duty of the post then had been appointed on acting basis in the vacant post on 20/09/ 2018 because an officer could not be released due to the condition of huge duty in the Ministry of Petroleum Resources Development .
- e) According to the delegation of powers of the Secretariat Office under the Financial Regulation 135, the authority for approving expenses of foreign travels was vested only to the Director General. Nevertheless an expense of foreign travel amounting to Rs. 423,592 included in the
- Actions should be taken as per the Financial Regulations
- Instructions were given to take actions as per the delegation of authority.

audited sample had been approved by the Accountant.

- | | | |
|---|---|--|
| <p>f) The both duties of certifying payment and paying in connection with 89 payments amounting to Rs. 44,529,662 which had been made from 01 August 2018 to 31 October had been done by the Accountant of the Office of Petroleum Resources Development Secretariat.</p> | <p>Actions should be taken as per the Financial Regulations</p> | <p>The accountant had been attached to the duties of both Accountant and Director Administration and Finance on acting basis since 01 August to 31 October 2018. Based on that situation, certifying vouchers and payment had been made by the accountant.</p> |
|---|---|--|

In addition to that it is much obliged to be informed that the limited resources owned by the accounts section was affected to delegation of authority

2. Financial Review

2.1 Revenue Management

The following observations are made

Audit Issue -----	Recommendation -----	Comments of Chief Accounting Officer -----
<p>According to the paragraph 03 of the Public Finance Policy Circular No. 01/2015 dated 20 July 2015 revenue estimates had not been predicted properly. Hence a sum of Rs.30,300,068 had been collected as revenue under the revenue code 20.03.02.21 relating to the Ministry for the year</p>	<p>Actions should be taken as per the Circulars</p>	<p>Variable fees are charged on the basis of importation of metric tons of Tar by the people who are engaged in tar businesses. Accordingly a specific amount could not be calculated as variable fees. Hence a realistic estimation could not be done.</p>

2018 exceeding the amended revenue estimate. Further it was a variation of 23 per cent when compared with the amended revenue estimate.

2.2 Expenditure Management

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
----- An provision of Rs. 11.65 million had been made for 18 expenditure items and after utilization of those expenditure items , savings had remained in a range of 25 per cent to 100 per cent.	----- Accurate expenditure estimates should be prepared.	----- Agreed.

2.3 Deposit Balances

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
----- A deposit exceeding 2 years amounting to Rs. 233,391 had not been credited to the Government Revenue as per the Financial Regulation 571	----- Actions should be taken as per the Financial Regulations.	----- Action will be taken to appoint a committee and as per the decision of the said committee actions will be taken to release the amount to the relevant person or credit to the Government Revenue.

3. Operating Review

3.1 Vision and Mission

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
<p>One of the objectives of establishment of the Ministry of Petroleum Resources Development was to increase the quality and reliability of supply of fuel and one of the functions of the Ministry was preparing relevant policy programmes and projects, follow up actions and evaluation in this regard. Accordingly 1461 filling stations had been established throughout the Island as at 31 December 2018 for selling fuel for customers. Out of those filling stations 1254 stations were owned by the Ceylon Petroleum Corporation and rest 207 filling stations were owned by the Lanka Indian Oil Company. The following observations are made in this regard.</p>	<p>Adequate supervision should be done as to be achieved the objectives of the Ministry.</p>	<p>Filling stations belong to the Ceylon Petroleum Corporation of which much amount of filling stations of the Island (85%) were supervised by the Special Supervision Committee of the Ministry appointed to supervise the activities of the Regional Supervisors as a preliminary step. Further supervision of filling stations of the Indian Oil Company was started on 31.08.2018 with the</p>
<p>a) Out of the 207 fuel filling stations owned by the Lanka Indian Oil Company, only 3 filling stations had been supervised during the year 2018 and it was only 1.4 per cent of the total filling stations belonged to the Company. Hence an adequate sample had not been supervised.</p>		

b) Out of the 1254 fuel filling stations owned by the Lanka Indian Oil Company, 73 filling stations represents 5.8 per cent had been examined physically by the Ministry during the year 2018. However it had been pointed out by the internal audit reports of the Ministry that there were material deficiencies in filling stations which can be considered as bottle necks for achieving objectives of the Ministry.

Supervision activities should be expanded in order to avoid the disturbances for quality and credible supply of fuel.

assistance of the Sri Lanka Public Utility Commission Agreed with the observations. Actions had been taken to rectify the said weaknesses through the Regional Supervisors. In addition to that, it had been informed in writing to the Director of the Department of Measurement Units Standards and Services to rectify fuel issuing pumps, to take legal actions and to take actions for the delay of printing pumps.

3.2 Planning

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
<p>Although an action plan for the year 2018 had been prepared by the Ministry of Petroleum Resources Development , it had not been complied with the requirement of the Public Finance Circular No 01/2014 dated 17 February 2014. Accordingly the following matters had not been included in the action plan of the Ministry.</p>	<p>Actions should be taken as per the Circular.</p>	<p>Agreed with the observations. Instructions were issued to relevant officers to include the matters mentioned in the audit query when preparing action plan for the year 2019.</p>
<p>(i) The Organization structure of the Institute updated for the year 2018, approved carder and details relating to the staff which had been deployed currently.</p>		

(ii) Action plan for collecting revenue under each revenue heads mentioned in the Budgeted Estimates.

(iii) Imprest requirement plan for annual activities

(iv) Annual procurement plan for main development programme which had been planned for the year (except institutional operational activities except vehicle maintenance and rehabilitation activities)

3.3 Delays in fulfilling project activities

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
-----	-----	-----
a) Amendment of the Petroleum Products (Special provision) Act No.33 of 2002 and Ceylon Petroleum Corporation Act No.28 of 1961 ----- A proposal had got approved by the parliament in the year 2006 to include the petroleum industry into the industries monitoring under the Sri Lanka Public Utility Service Commission Act No. 35 of 2002 due to unavailability of monitoring authority for the petroleum industry since the year 2004. Accordingly initial activities for amendment of the Petroleum Products (Special Provision) Act No.33 of 2002 and Ceylon Petroleum Corporation Act	Policies, programmes and projects relating to achieve the objectives of the Ministry should be fulfilled without delay.	Matters were reported to the present Minister in charge on 22.03.2019 in order to obtain the approval for further activities of amendments of the Draft Act. Further actions were scheduled to be proceeded after receiving instructions.

No.28 of 1961 had been commenced in the year 2006 in order to supply tools to the Public Utility Service Commission for monitoring the industry. Nevertheless it had not been completed even up to 31 December 2018.

b) 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 June 2018 had not been completed even up to 31 December 2018.

Policies, programmes and projects relating to achieve the objectives of the Ministry should be fulfilled without delay

The updated draft policy report is scheduled to be received to the Ministry immediately. After that, the draft policy report is expected to be present to the approval of the Cabinet.

c) 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,

As mentioned above

Although it was informed in this regard to the Ministry of Finance to take necessary actions to establish a subsidiary as possible as to purchase shares to the Corporation and the Indian Oil Company, a suit had been filed before the Supreme Court by the Trade Union of General Employees and Executive Officers of the Corporation. Hence further actions will be preceded after receiving the verdict of

necessary activities for development and rehabilitation of the tank complex had not been fulfilled even up to 31 December 2018.

the said suit.

d) 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 31 December 2018 in this regard.

Policies, programmes and projects relating to achieve the objectives of the Ministry should be fulfilled without delay

Bids were called for preparing cost estimate for the renovation activities and the feasibility study and nowadays bids are being evaluated.

e) 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. 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 31 December 2018 because the outstanding rent of Rs. 123.3 Million which should be paid to the Cement Corporation by the Ceylon Petroleum Storage Terminal Ltd had not been paid.

As mentioned above

A Gazette Notification was published by the Ministry of Lands on 08.02.2019 submitting proposal for leasing out the land of which the stores were located to the Corporation. Accordingly further actions should be taken by the Ceylon Petroleum Corporation.

3.4 Procurement

 The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
-----	-----	-----
A. Ministry of Petroleum Resources Development -----	Actions should be taken as per the provisions of the Government Procurement Guideline.	Instructions were given to prepare the procurement plan for 3 years in future.
B. Office for Petroleum Resources Development Secretariat -----	As mentioned above.	Procurement plan for the year 2019 was prepared by the Office for Petroleum Resources Development Secretariat
(i) According to the guideline 4.2.1 of the Government Procurement Guideline 2006, the procurement plan and detailed procurement plan for the coming year should be prepared by the procuring entity. However actions had not been taken by the Secretariat Office accordingly in the year 2018.	As mentioned above	A supplier was selected in the year 2013 for the cleaning service as per the provisions of the Government
(ii) An institute had been selected for obtaining cleaning service in the year 2013 and service had been obtained up to the year 2018 continuously from the same institute under the previous service agreement. Accordingly, actions had not been taken in accordance with		

the Government Procurement Guidelines for selecting the said institute for obtaining cleaning service for the year 2018.

Procurement Guideline on the basis of paying Rs. 36,500 per month. However considering the inflation during the period from the year 2013 to the year 2018 and it could be satisfied about the quality of their service, thus their service was obtained on the basis of Rs. 50,000 per month on the recommendation of the former Director Administration and Finance.

3.5 Asset Management

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
a) Improper use of assets belong to other Institutes	Two vehicles belonged to external parties had been utilized by the Ministry since the years 2015 and 2017 without being transferred properly.	Actions should be taken to transfer the assets belong to external parties properly. It was verbally informed to the Institutes of which vehicles were owned by, to hand over vehicles to them properly.
b) Assets released to external parties	Three vehicles had been released by the Ministry to external parties in the years 2016 and 2017 without transferring properly.	Instructions were given to officers to follow proper procedures to hand over and take over the vehicles.

c) Carrying out Board of surveys

<p>According to the paragraph 3.1.6 of the Public Finance Circular No. 2016/05 dated 31 March 2016; the board of survey report for the year 2018 should be submitted to the Auditor General before 17 March 2019. However board of survey reports of the Ministry and the Secretary Office had not been furnished to audit accordingly.</p>	<p>Actions should be taken as per the relevant Circulars.</p>	<p>Agreed. It was noted to do within the due period of time.</p>
---	---	--

3.6 Securities of Public Officers

The following observations are made

Audit Issue -----	Recommendation -----	Comments of Chief Accounting Officer -----
<p>According to the Financial Regulation 880 (i) and the Securities Act , actions had not been taken to keep securities for officers of the Ministry and the Secretariat Office who should keep securities.</p>	<p>Actions should be taken as per the Financial Regulations.</p>	<p>Instructions were given to take necessary steps to obtain securities from the officers who should keep securities as per the Securities Act.</p>

3.7 Losses and Damages

The following observations are made

Audit Issue -----	Recommendation -----	Comments of Chief Accounting Officer -----
<p>According to the financial statements presented to audit, a sum of Rs. 1,064,226 had been shown as losses and damages relating to 18 vehicle</p>	<p>Actions should be taken as per the Financial Regulations</p>	<p>Agreed. It was noted to check the matter.</p>

accidents which had not been written off as at 31 December 2018. Out of those accidents, dates of which the accidents were taken place had not been submitted to audit in connection with losses and damages relating to 16 accidents amounting to Rs. 1,040,874. Even though the said losses and damages had been brought forward since a period more than 3 years, actions had not been taken to write off from the books as per the Financial Regulations even up to the end of the year under review.

3.8 Uneconomic Transactions

The following observations are made in connection with the office of Petroleum Resources Development Secretariat.

Audit Issue	Recommendation	Comments of Chief Accounting Officer
<p>a) A house had been rented out for storing goods remained in the previous office when transferring the office of Petroleum Resources Development Secretariat from the old office to the new office and those goods had been remained idle since April 2013. Even though instructions had been issued by the Public Finance Circular No.438 dated 13 November 2009 for disposal of goods of Government Institutions, an uneconomic expense of Rs. 744,000 had been paid by the Secretariat office for house rent as Rs. 12000 per month for the period from April 2013 to May 2018 without complying with the Circular instructions.</p>	<p>Actions should be taken as per the Circulars</p>	<p>It can be seen as a weakness that inventories which should be disposed not being identified and disposed within due periods of time, because the disposable inventories of Government Institutions should be disposed properly. However equipment and material which are needed to be used in future are stored in this store house , hence instructions had been given to identify the disposable items in the survey of the 2018 and to be taken immediate actions.</p>

- | | | |
|--|---|--|
| <p>b) According to the paragraph 11.1 of the Chapter XV of the Establishment Code, economy class should be used by the Government Officers when traveling abroad for duty. However 4 instances of using business class by officers of the Secretariat Office were observed and an additional expense of Rs.755, 556 had been incurred by the Secretariat Office.</p> | <p>Actions should be taken as per the Establishment Code.</p> | <p>Two former Directors were used business class tickets when traveling abroad and following the same method the present Director General was also used business class tickets when travelling abroad. Instructions were given to use economy class tickets in future.</p> |
|--|---|--|

3.9 Documentary Evidence not made available for Audit

The following observations are made

Audit Issue	Recommendation	Comments of Chief Accounting Officer
<p>Replies for 10 audit queries which had been sent to the Ministry during the year 2018 had been submitted exceeding the specific period of time by 15 days to 48 days as at 31 March 2019. Even though period of 8 months had lapsed for the Management Audit Report for the year 2017 which had been issued on 17 July 2018, replies had not been submitted even up to 31 March 2019.</p>	<p>Actions should be taken as per the Sub Section 38 (1)(e) of the National Audit Act No. 19 of 2018.</p>	<p>Replies for audit queries issued to the Ministry are collected from each section and a combined reply is submitted to the Auditor General. If there is a delay of any section may affected to the delay of the entire reply. Hence actions will be taken to submit even an interim reply in the future.</p>

3.10 Transactions in Contentious Nature

The following observations are made.

Audit Issue	Recommendation	Comments of Chief Accounting Officer
<p>a) An over payment of (USD 440) Rs. 76,209 had been made to the subject Minister for an Indian tour for the period from 18 October to 20 October 2018.</p>	<p>Actions should be taken as per the Section 04 (c) of the Ministry of Finance Circular No. 01/2015/01 dated 15 May 2015.</p>	<p>Actions will be taken to recover the said amount.</p>

- | | | |
|---|---|---|
| <p>b) Contrary to the paragraph 03 of the Public Administration Circular No.13/2008 dated 26 June 2018; a sum of Rs. 250,724 had been paid by the Ministry as over time allowances and combine allowances to drivers for private tours of the 3 officers who had assigned vehicles.</p> | <p>Actions should be taken as per the Public Administration Circular No. 13/2008 dated 26 June 2018.</p> | <p>Although the cost incurred for deploying drivers for private tours of officers should not be a burden to the Government, there were on possibility to confirm that overtime and combined allowances amounting to Rs. 250,724 were paid for private tours.</p> |
| <p>c) A sum of Rs. 96,104 had been paid for accommodation and food allowances of 4 officers for participating to the Enterprises Sri Lanka Exhibition held on 29,30,31 August 2018 instead of maximum combine allowance of Rs. 18,000 for 3 days as Rs.1,500 per day.</p> | <p>Actions should be taken as per the provisions of relevant Circulars of the Department of Management Services and the Establishment Code.</p> | <p>In such situations, all food and accommodations could not get provided from the combined allowance given to them and as all Government Institutions does, accommodations and food are provided by the Institute. Providing fullest safe guard for the service delivered by them representing a Government Institution is a responsibility of the Institute and actions were taken to provide accommodations in a resident approved by the Sri Lanka Tourist Board.</p> |
| <p>d) A health insurance cover had been obtained by the Office of the Petroleum Resources Development as covering as 24 officers deployed in it. A sum of Rs. 89,300 had been incurred per officer for the year 2018 for the said insurance cover by the Secretariat Office</p> | <p>Actions to be taken to provide an insurance cover to officers as minimizing expenses to the Government and making reasonable benefits under the proper approval.</p> | <p>As pointed out by you in order to minimize the cost, instructions were given to provide the insurance cover at a less cost reducing benefits.</p> |

4. Achievement of Sustainable Development Goals

The following observations are made in this regard.

Audit Issue	Recommendation	Comments of Chief Accounting Officer
-----	-----	-----
<p>a) 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 there purview and indicators to measure the achievements.</p>	<p>Actions should be taken to identify sustainable development targets, and milestones to be achieved those targets with respect of activities under there purview and indicators to measure the achievements.</p>	<p>Mentioned that the National Gas Policy drafted by the Ministry had been identified as a one indicator for achieving targets.</p>
<p>b) Any internal Circular or Guideline had not been issued by the Ministry for monitoring the staff of the Ministry in order to achieve sustainable Development Goals even up to 31 December 2018. Further any training programme had not been implemented for the parties who concerned about it.</p>	<p>In order to fulfil sustainable development goals, issuing of internal Circular or Guidelines, conducting awareness programmes for parties who concerned about should be implemented.</p>	<p>It was noted to take necessary actions after informing relevant programmes in writing to the Ministry.</p>

- c) A methodology for collecting data in achieving Sustainable Development Goals had not been established and an officer had not been deployed in this regard. A methodology for collecting data in achieving Sustainable Development Goals should be established and an officer should be deployed in this regard. It was noted to take necessary actions after informing about the data collection methodology in writing to the Ministry.
- d) Required financial provisions for achieving Sustainable Development Goals had not been identified by the Ministry of Petroleum Resources Development Goals and methodology for utilization of the prevailing physical resources and the staff thereon had not been identified whilst a methodology for monitoring the activities relating to achievement of Sustainable Development Goals had not been identified. Provisions and human and physical resources required for achieving Sustainable Developments Goals should be identified and a methodology for utilization of those resources should be established. A sum of Rs. 3 million had been requested at the point of preparing estimates for the year 2019 from the Ministry of Finance for the activities relating to prepare the National gas Policy and to introduce the EURO 4 fuel those which were identified by the Ministry as Sustainable Development Goals