

Appropriation Head 112 – Ministry of External Affairs

Report of the Auditor General – 2011

1:1 Scope of Audit

The Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of External Affairs for the year ended 31 December 2011 were audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 21 December 2012. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of 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.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2:1 Appropriation Account

Total Provisions and Expenditure

The total net provision made for the Ministry amounted to Rs.7,037,873,230 and a sum of Rs.6,983,943,491 out of that had been utilized as at the end of the year review. Accordingly, the net savings amounted to Rs.53,929,739 and that represented one per cent of the total net provision. Details appear below.

Particulars of Expenditure	Estimated Provision	Net Provision	Savings	Savings as a Percentage of the net provision
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	Rs.	Rs.	Rs.	%
Recurrent	5,541,227,000	6,060,648,480	6,788,081	0.11
Capital	831,550,000	977,224,750	47,141,658	4.82
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Total	6,372,777,000	7,037,873,230	53,929,739	0.77
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2:2 Advances to Public Officers Account

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No. 11201 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
-----	-----	-----	-----	-----	-----
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
27,475,000	21,094,180	17,000,000	21,807,126	110,000,000	102,407,229

2:3 Imprest and General Deposit Accounts

(a) Imprest Accounts

The debit balance of the Imprest Account of the Ministry as at 31 December 2011 amounted to Rs.1,553,548,264.

(b) General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry as at 31 December 2011 totalled Rs.505,566,685 and the details thereon are given below.

Account Number	Balance as at 31 December 2011
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	Rs.
6000/0000/00/0006/0071/000	35,857,443
6000/0000/00/0015/0025/000	436,554,242
6000/0000/00/0011/0559/000	33,155,000
Total	----- 505,566,685 =====

2:4 Audit Observations on Accounts and Reconciliation Statements

According to the Financial Records and Books for the year ended 31 December 2011, it was observed that except for the effects of the general observations appearing at (a) to (i) and other major observations appearing in paragraphs 2.5 to 2.8 herein the Appropriation Account and the Reconciliation Statement of the Ministry of External Affairs had been prepared satisfactorily.

(a) Presentation of Accounts

Even though the Ministry should have presented the Reconciliation Statement of the Advances to Public Officers Account Item No. 11201 for the year under review before 31 March 2012, it had been presented for audit only on 18 May 2012.

(b) Non-maintenance of Registers and Books

(i) The Control Account relating to the Advances to Public Officers had not been maintained in terms of paragraph 9 (IV) of the Public Enterprises Circular No. 96 of 10 August 1994.

(ii) Replies to two audit queries issued to the Ministry in the year under review had not been furnished even up to 31 October 2012 and the computable value of transactions relating to those transactions amounted to Rs.13,166,650.

(c) Budgetary Variance

(i) An estimate of Rs.4,550,000 had been made under 112-02-02-2502 (3)(17) for other capital expenditure for the implementation of the declaration of the outer edge of the Sri Lanka Continental Shelf. Out of that a sum of Rs.3,435,000 had been transferred to other Capital Objects and the balance of Rs.1,113,246 had been paid for the printing expenses

of the year 2009. As such the work of that Project had not been executed during the year 2011. Out of the allocation of Rs.83,000,000 made for this Project in the year 2010, a sum of Rs.23,000,000 had been transferred under Financial Regulation 66 and Rs. 60,000,000 had been saved.

- (ii) Even though an allocation for trade promotion activities amounting to Rs.10,000,000 had been made under 112-02-03-2502(1) other capital expenditure, a sum of Rs.9,900,000 had been transferred under Financial Regulation 66 while the expenditure relating to the year amounted to Rs.14,829. Accordingly it was not possible to be satisfied with regard to the progress of this development work.

(d) Corporate Plan

Even though the Ministry should have prepared a Corporate Plan at least for a period of 03 ensuring years from the year 2010 at the beginning of the year in terms of the Letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, the Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that plan had not been prepared even by 31 December 2011.

(e) Annual Action Plan

Even though the Ministry should have prepared an Annual Action Plan for the year 2010 and thereafter in accordance with the Corporate Plan prepared in terms of the letter of the Director General of Public Finance referred to in paragraph (d) above, an Action Plan for the year 2011 had not been prepared even by 31 December 2011.

(f) Imprest Account

 The imprest debit balances of the Ministry as at 31 December 2011 amounted to Rs.1,553,548,264 and an age analysis thereon is given below.

Less than 01 year	Over 01 year less than 02 years	Over 02 years less than 03 years	Over 03 years	Debit Balance as at 31 December 2011
----- Rs.	----- Rs.	----- Rs.	----- Rs.	----- Rs.
194,726,622	783,146,800	208,481,472	367,193,370	1,553,548,264

The following observations are made.

- (i) The balances not settled even by 30 April 2012 totalled Rs.1,299,382,810.
- (ii) Imprests of Rs.498,770,000 had been received from the Treasury during the year 2010 for the payment of pensions through Missions Abroad. That receipt had been erroneously considered as a deposit received and credited to the Deposit Account and debited to the Imprest Account again and as such that had been posted twice in the Imprest Account. As such the payments to the Missions Abroad for the payment of pensions had been made from the Deposit Account instead of being brought to account under the Object of Pensions. As such a sum of Rs.498,270,000 had not been brought to account as pensions in the year 2010. Even though a sum of Rs.121,391,367 out of that error had been rectified by 30 December 2011, pensions amounting to Rs.377,378,633 had not been brought to account even by the end of the year under review.
- (iii) The Ministry had spent a sum of Rs.14,573,967 in respect of the year under review on behalf of an Office and 02 Departments. In order to prevent an excess on the provisions made under 04 Objects of the related Office and the

Departments that had been surcharged to those Objects in the year under review and debited to the Imprest Account of the Ministry.

- (iv) A balance of Rs.1,553,548,264 appeared as at 31 December 2011 in the Imprest Accounts of the Ministry and that balance had not been settled as at 31 December 2012 to the Treasury. That balance included unsettled advances amounting to Rs.688,775,103 and the total of the year end cash balances of the Missions Abroad amounting to Rs.361,839,917. As such the reasons for non-settlement the imprest balance of Rs.502,933,244 to the Treasury were not made available to audit.
- (v) The information relating to the submission of the Bank certificate showing the balance remaining in the Bank Account on the settlement of transactions on 31 December from the balances available as at 31 December out of the imprests of the Missions Abroad and a reconciliation of that balance with the balance appearing in the cash book of Director General of the Department of State Accounts in terms of Financial Regulation 373(4) had not been made available to audit.

In addition, according to the above Financial Regulation, the paid vouchers from the petty cash imprest should be settled before closing of accounts on 31 December and the certificate on the Bank balance, Bank Reconciliation and a certificate under the signature of the Head of the Mission that the balance of the petty cash imprest was checked should be furnished to the Director General of the Department of State Accounts to the Treasury. But the information that it had been so done had not been made available to audit.

- (vi) The imprests and sub-imprests had not been examined at periods of not less than one month in terms of Financial Regulation 372.
- (vii) The balances of advances granted for the rent of houses of Embassy Officers as at 31 December 2011 totalled Rs.132,735,617 and that included balances carried forward from the year 1981. There were unsettled advances totaling Rs.9,662,154 relating to 71 houses without occupants at present. Those

advances had not been settled even by the end of the year under review. Travelling advances amounting to Rs.5,874,998 granted in 34 instances of which any information is not made available with the Ministry and the Mission Offices and unsettled house rent advance balances amounting to Rs.20,124,538 granted in 145 instances existed. Action for the recovery or write off of those balances had not been taken over long periods.

(g) General Deposit Account

Five Deposit Accounts had been in operation in the year under review and the balances as at 31 December 2011 amounted to Rs.505,566,685. The following observations are also made.

- (i) Age analysis and the lists of individual balances had not been made available to audit while the registers had not been properly maintained.
- (ii) Even though a sum of Rs.158,999 had been credited in the year under review to the Deposit Account No. 6000/0000/00/0003/0180/000 particulars of credited had not been furnished.
- (iii) The balance of the General Deposit Account No. 15/25/01 which is a sub-account of the Account No. 6000/0000/00/0015/0025/000 as at 31 December 2011 amounted to Rs.33,679,456 and a list of individual balances had been furnished only for that account. According to the Deposit Register, the unsettled balance out of the opening balance for the year remaining as at 31 December 2011 amounting to Rs.18,681,279 had not been included in the balance as at 31 December 2011. According to the Deposit Register for the year 2011, the unsettled balance as at the end of the year amounting to Rs.505.421 had also not been included in the balance as at 31 December 2011.

(h) Unsettled Balances

The following observations are made in connection with the unsettled balances as at 31 December 2011.

- (i) A sum of Rs.5,696,170 had been received by 08 August 2011 from the Missions Abroad for the Uthuru MithuruYal Devi Programme. Out of that, a sum of Rs.3,862,793 received in the year 2010 had been transferred to the General Deposit Account without being handed over to that programme. The information on the balance of Rs.1,833,377 had not been made available to audit.

- (ii) An examination of the Registers of General Deposits of the Ministry of External Affairs for the year 2011 revealed that the unsettled retirement gratuities, unpaid salaries and compensation payable to deceased persons totaling Rs.1,081,052 had not been settled to the individuals concerned even by August 2012.

(i) Reconciliation Statement of the Advances to Public Officers Account

- (i) According to the Reconciliation Statement as at 31 December 2011 of the Advances to Public Officers Account Item No. 11201, the balances that remained outstanding as at that date totalled Rs.8,844,809 and the follow up action on the recovery of the outstanding balances had been at a weak level. The balances outstanding for more than 03 years included in that balance totalled Rs.2,875,674.

- (ii) Action had not been taken even by 28 February 2013 for the identification of the unidentified balances totalling Rs.2,372,275, for the recovery of balances totalling Rs.201,177 from the officers who had obtained no-pay leave and for the rectification of rectifiable balances totalling Rs.72,712.

- (iii) According to the accounts submitted for the year under review, 59 officers had credit balances amounting to Rs.344,628. Even though the opening balances and the money received should be correctly adjusted and the final balances carried forward, it was observed that instead of taking such action, those had been brought to account as over-recoveries.
- (iv) The loan installments of 87 members of the staff of Missions Abroad amounting to Rs.619,425 and a sum of Rs.849,161 said to be over-recoveries made from 111 members of the Ministry staff had been retained in the General Deposit Account of the Ministry as the accounting errors of the General Deposit Account without being settled.

2:5 Non-compliances

- (a) Non-compliance with Laws, Rules, Regulations, etc.

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
(i) Establishments Code	Rs.	
Chapter XIV Section 27.6	22,700,567	Travelling advances granted by the Ministry to the officers relating to periods ranging from 01 year to 16 years had not been settled.
Section 27.8	467,474	According to a test check, despite the non - settlement of travelling advances amounting to Rs.182,946 and Rs.79,273 paid to two officers in the year 1997, further advances

amounting to Rs.179,557 and Rs.25,698 respectively had been paid to the two officers in the year 1998 as well. Even though a period of 15 years had elapsed after the payment of the advances, action had not been taken for the recovery of total amounting to Rs. 467,474.

(ii) Financial Regulations

Financial Regulation 212(2)(v)	323,178	Salary advances amounting to Rs.323,178 granted to 6 officers from the year 2007 to 2011 had not been settled.
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2:6 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment.

According to the Bank Reconciliation Statements prepared by the Ministry of External Affairs for December 2011, action in terms of Financial Regulation 396(c) had not been taken even by 31 December 2011 on cheques issued but lapsed without being presented to the Banks.

Mission	Foreign Currency	Value of Cheques older than 06 months not presented to Banks
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Canberra	Australian Dollars	202
Canberra	Australian Dollars	404
Frankfurt	EURO	62
New Delhi	Indian Rupees	341,801
New York	United States Dollars	1,057
Ottawa	Canadian Dollars	46,416
Qatar	Riyal	51,365

Seoul	Won	180,000
Toronto	Canadian Dollars	1,079
Washington	United States Dollars	12,746

2:7 Losses and Damage

Action in terms of Financial Regulations' 104 and 109 had not been taken on losses amounting to Rs.21,039,376 relating to the Missions Abroad shown in the Appropriation Account.

2:8 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2011 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	255	209	46
(ii) Tertiary Level	03	02	01
(iii) Secondary Level	503	422	81
(iv) Primary Level	623	606	17
(v) Other (Casual./Temporary /Contract Basis)	06	05	01
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Total	1,390	1,244	146
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The following observation is made.

Action had not been taken up to the end of the year under review to fill 146 vacancies.