

Scope of Audit

The audit of Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Foreign Affairs for the year ended 31 December 2013, was carried out in pursuance of provisions in 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 17 October 2014. 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 Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions 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.

1.3 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (g) and other major audit findings appearing in paragraph 1.4 to 1.11 herein the Appropriation Account and the Reconciliation Statement of the Ministry of the Foreign Affairs had been prepared satisfactorily.

(a) Non - maintenance of Books and Records

It was observed during audit test checks that the following Registers had not been maintained by the Ministry.

Type of Register	Relevant Regulation
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Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Register of Losses	Financial Regulation 110
Inventory Register of Houses	Section 8 of Chapter XIX of the Establishments Code.
Waiting List Register of Houses	Section 4.3.4 of Chapter XIX of the Establishments Code.

(b) Lack of Evidence for Audit

Due to non – submission of related files pertaining to constructions amounting to Rs.328,668,393, losses amounting to Rs.3,777,948 in respect of 09 vehicles shown in the Appropriation Account of Foreign Missions and compensation paid to 05 employees amounting to Rs.24,494,445 could not be satisfactorily vouched in audit.

(c) Replies to Audit Queries

Replies to 02 audit queries issued to the Ministry in the year under review had not been furnished even by 31 December 2014 and the value of the quantifiable transactions relating to those audit queries amounted to Rs.58,765,372.

(d) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry for the year under review amounted to Rs.10,140,337,250 and out of that a sum of Rs.10,005,451,601 had been utilized by the end of the year. Accordingly

the net savings amounted to Rs.134,885,649 and it represented 1.33 per cent of the total net provision. Particulars are given below.

Expenditure	As at 31 December 2013			Savings as a Percentage of the Net Provision
	Net Provision	Utilisation	Savings	
	Rs.	Rs.	Rs.	
Recurrent	7,718,370,950	7,702,141,747	16,229,203	0.2
Capital	2,421,966,300	2,303,309,854	118,656,446	4.9
Total	10,140,337,250	10,005,451,601	134,885,649	1.3

(ii) Budgetary Variance

* The entire net provision amounting to Rs.3,350,000 made under 03 Objects had been saved.

* Excess provisions had been obtained for 03 Objects and as such the savings there under after the utilisation of provisions ranged between 61 per cent to 85 per cent of the net provisions of the respective Objects.

(e) Advances to Public Officers Account

Limits Authorized by Parliament

Limits Authorized by Parliament in respect of Advances to Public Officers Account of the Ministry, and the actual values are given below.

Item No.	<u>Expenditure</u>		<u>Receipt</u>		<u>Debit Balance</u>	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
112011	30,000,000	16,863,247	18,000,000	24,333,895	125,000,000	92,199,198

The following observation is made in this regard.

According to the Reconciliation Statement of the Advances to Public Officers Account, Item No.112011 as at 31 December 2013, the balances that remained outstanding as at that date totalled Rs.3,411,683 and the follow up action on the recovery of those outstanding balances had been at a weak level.

(f) Imprest Accounts

The imprest balance of the Ministry as at 31 December 2013 totalled Rs.905,745,224. Details are given below.

Imprest Account Number	Balance as at 31 December 2013
	Rs.
35/08	63,350,921
35/09	32,271,945
35/10	675,170,151
35/11	(463,557,480)
35/12	101,950,473
35/13	496,559,214
Total	905,745,224

The following observations are made in this connection.

- (i) The total unsettled imprest balances as at 30 April 2014 by the Ministry had been Rs.891,116,748.

- (ii) A difference of Rs.177,766,484 including the imprest account balances as at 31 December 2013, the unsettled advance balances as at that date and the cash balances of the Foreign Missions was observed in the Ministry. Details are given below.

	Value

	Rs.
Imprest balance shown in the Ministry books	905,745,224
Unsettled advances	345,013,347
Closing cash balances of the Foreign Missions	382,965,393

Balance should be remained in the Ministry	727,978,740

Difference	177,766,484
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- (iii) Unsettled advance balance in the Foreign Missions as at 31 December 2013 amounted to Rs.333,055,195 and the unsettled balance for over 05 years out of that, amounted to Rs.61,855,517.
- (iv) Eventhough the adhoc sub - imprests should be settled immediately after completing the purpose in terms of the Financial Regulation 371, the adhoc sub - imprests obtained in 3 instances by the High Commissioners Office, Chennai had been settled with a delay of 81 days after completing the work.

(g) **General Deposit Account**

The total of the balances of General Deposit Accounts of the Ministry as at 31 December 2013 amounted to Rs.1,441,991,311. Particulars thereon are given below.

Deposit Account Number	Balance as at 31 December 2013
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	Rs.
6000/0000/00/006/0071/000	35,857,444
6000/0000/00/0015/0025/000	1,406,133,867

Total	1,441,991,311
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The following observations are made in this regard.

- (i) Action in terms of Financial Regulation 571 had not been taken in respect of 09 deposits totalling Rs.17,688,403 remained for over 2 years.
- (ii) The transactions relating to the Foreign Employment Bureau also had been included in the General Deposits Account No.6000/0000/00/006/0071/000 of the Ministry. That account had not been operated since the year 2011 while action had not been taken to settle that account balance amounting to Rs.35,857,443 at the end of the year under review.
- (iii) Even though the balance of the General Deposits Account No.6000/0000/00/0015/0025/000 of the Ministry and Foreign Missions amounted to Rs.631,080,693, that balance had been shown as Rs.873,869,504 in the Appropriation Account 2013. Thus it was observed a difference of Rs.242,788,911.

1.4 Good Governance and Accountability

1.4.1 Annual Action Plan

Even though an Annual Action Plan should have been prepared by the Ministry in terms of the letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of Director General of Public Finance, Action plan for the year under review had not been prepared even by 31 December 2013.

1.5 Assets Management

1.5.1 Conduct of Annual Boards of Survey

The following observations are made.

(a) The Boards of Survey Reports as at 31 December 2013 in respect of the Secretariat of Work Task Force for the Commonwealth Heads of Government Meeting (CHOGM) had not been furnished to audit even by 24 October 2014.

(b) Purchases made for Commonwealth Heads of Government Meeting

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- (i) Furniture purchased at a value of Rs.10,976,000 in the year 2013 had been issued as for “ CHOGM ” but the evidence that they were returned back to the Ministry was not made available up to January 2014.
 - (ii) Eventhough sums of Rs.2,741,600 and Rs.187,155 had been paid for purchasing of flags and furniture respectively, these goods had not been included in the Stock Registers.

1.6 Non - compliances

(a) Non – compliances with Laws, Rules , Regulations etc.

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

Reference to Laws, Rules and Regulations	Value	Non – compliance
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(i) Establishments Code ----- Chapter XIX Section 5.2.1	Rs.	Even though 12 ½ per cent of the salary of a married officer should be recovered as rent for the occupation of Government quaters, no recoveries had been made from the officers occupied in the Government houses 40 A and 40 C according to the pay sheets.
Chapter XIX Section 5.4		Where husband and wife both public officers are in occupation of Government quarters 12 ½ per cent of the salary of the higher paid officer plus 5 per cent of the salary of the lower paid officer should be recovered. Nevertheless the evidence not made available in the relevant files that the recoveries had been made as above from

the officers who occupied in 40 B, 03 D, 05 C of Summit Houses and C/3/2, D4/1 and A/3/2 houses of “ 117 watta” Housing Scheme though spouses of the officers were employed in state service.

Chapter XIX Section 6

When a Government house allocated for occupation for an officer it should be allocated on an agreement including the conditions of the tenancy lease. However such lease agreements were not made available for audit.

(ii) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

Financial Regulations 104 326,852
(4), 109(1), 113 (4)

Six losses had been eliminated in the Appropriation Account for the year 2013 without being furnished the completed reports with the signature of the Secretary to the Ministry and without orders to write off from the books and without orders to waive or abandon a claim in terms of the relevant Regulations in respect of the losses continuously shown in the Appropriation Accounts up to the year 2012.

Financial Regulations 104 23,996,293
and 109

Action in terms of the Financial Regulations had not been taken on losses relating to 22 incidents occurred in Sri Lankan Embassies Abroad and remained brought forward.

Financial Regulation 106 1,091,828

Where recoveries are not possible in the case of misappropriated money shown under losses and damage in the Appropriation Account, such losses had continuously brought forward in the accounts without filling the losses by obtaining an advance from the Treasury.

Financial Regulation 109(1) 898,842
and 113 (4)

The files relating to write off from the books and recoveries made during the year in respect of 07 losses shown in the Appropriation Account had not been furnished to audit.

(iii) Public Administration Circulars

Circular No 11/2009 of 04
May 2009

Even though except a house allocated for a designated post, the allocated period should be 05 years for all other houses, an officer had occupied the house No.B/1/1 for over

06 years from 14 February 2008. But action had not been taken according to the above provisions.

1.7 Deficiencies in Operation of Bank Accounts

The following observations are made.

- (a) The Bank Reconciliations had not been prepared as per the cash book in preparing Bank Reconciliation Statements of the Sri Lanka Embassy of Warsaw in Poland.

- (b) A sum of USD 1,583 robbed from the Sri Lanka Consulate Generals Office of Los Angeles had been adjusted to the Bank Reconciliation without considering as losses and damage and Unidentified credit balance of the office of the Sri Lanka Embassy of Bangkok amounted to THB 3,568.
- (c) A sum of Euro 795 collected on 06 August 2013 in the Sri Lanka Consulate General Office of Frankfurt, Germany had not realized even by 31 December 2013.
- (d) Unidentified Direct Credits of the year 2006 in respect of Paris Mission of France amounted to Euro 49,373.
- (e) Unpresented cheques in respect of 03 Missions of Sri Lanka from the year 2004 amounted to CAD 2,086 and Euro 11,525,
- (f) Differences between the bank balance and the cash book balance in 06 Missions from the year 2003 had been RUB 27,128 , USD 4,228 ,PLN 2,341 ,THB 300,445 ,EURO 1,527, UND 7,209,311 and GBP 10,880.
- (g) Unidentified Direct Debits of 02 Missions of Sri Lanka from the year 2006 amounted to EURO 21,648.
- (h) Unrealised Deposit balance of 04 Missions of Sri Lanka from the year 2002 amounted to USD 1,201 INR 3,936 and EURO 34,210.

1.8 Losses and Damage

The observations on losses and damage revealed during audit test checks are given below.

- (a) Non – reporting Vehicle Accidents
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The loss caused to 08 motor vehicles belonging to the Ministry of Foreign Affairs, had not been disclosed in the Appropriation Account, and action had not been taken to fix the responsibility and to recover the loss in terms of the Financial

Regulation 104. The value of the loss computed in respect of 06 motor vehicles out of these vehicles amounted to Rs.2,401,451 and only action had been taken to cover the part of the repair cost from insurance and the balance incurred by the Government funds.

(b) Non – completion of Investigations on Losses

As revealed during test checks the losses computed relating to 08 files of vehicle accidents of Foreign Missions amounted to Rs.4,085,892 while action taken to fix the responsibility and to recover the losses according to the investigation reports in terms of the Financial Regulation 104 had remained at a weak level.

1.9 Uneconomic Transactions

The particulars relating to transactions entered into devoid of economy revealed during the test checks are given below.

- (a) Despite an estimate for Rs.2,997,340 submitted by the Ceylon Electricity Board to purchase a Generator with a capacity of KDA 75 to install in the Government house No. B 20 belonging to the Ministry, the Ministry had selected a supplier through tender procedure and purchased the Generator at Rs.3,481,632 and as such a loss of Rs.537,816 had been incurred by the Ministry. Three conditions of the tender agreement had been breached and the warranty period of 03 years mentioned for the machine had been reduced to 01 year by the supplier.
- (b) The following matters were observed in respect of releasing the baggage of the officers returned to Sri Lanka after completing the service of the Foreign Mission.
 - (i) The regular long term delays were observed in releasing the baggages and a substantial amount had been paid as penalties thereon by the Ministry. During the course of audit test check carried out, in respect of 13 baggages released a sum of Rs.305,140 had been paid as delay charges during the year under review. Action had not been taken to recover the delay charges from the officers on their delays and to recover delay charges from the clearing agent on their inefficiency when making payments to them.
 - (ii) A sum of Rs.58,460,233 had been paid to Sri Lanka Shipping Corporation for transporting baggages in the year 2013. A circular had not been issued for including the limits in respect of the quantity of the travelling baggages when departing officers for the service of the Foreign Missions .

(iii) A formal methodology relating to the limits and fees in releasing baggages of the officers who had completed the service abroad and returned to Sri Lanka had not been followed by the Ministry. They had replied for the query issued in 2011 that action will be taken to issue a new circular with clear instructions instead of the Ministry Circular No.X333Y dated 16 June 1968, as it was an outdated circular. But a new circular had not been issued even by 31 March 2014.

1.10 Management Weaknesses

The following weaknesses were observed during the course of audit test checks.

- (a) Title deeds to establish the ownership of the 20 houses constructed under the Housing Scheme of 117 Watta, IV stage purchased at Rs. 70 Million since the year 2006 to 2012 from the National Housing Development Authority to facilitate the residential facilities of officers of foreign services by the Ministry of Foreign Affairs had not been obtained from the National Housing Development Authority.
- (b) The Ministry of Foreign Affairs had released a sum of Rs.3,825,000 in the year 2013 to the Institute of Association of Oceanic Activities of Indian Ocean which was not in operational level.

1.11 Human Resources Management

The position of the cadre as at 31 December 2013 is as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
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(i) Senior Level	255	231	24	-
(ii) Tertiary Level	07	05	02	-
(iii) Secondary Level	359	279	80	-
(iv) Primary Level	134	131	03	-
(v) Others (Casual/ Temporary / Contract basis)	-	22	-	22
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Total	755	668	109	22
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The following observation is made.

- The Ministry had not taken action to fill 109 vacancies by the end of the year under review.