

Report of the Auditor General on Head 112 – Ministry of Foreign Affairs – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 112 - Ministry of Foreign Affairs for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) 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 07 June 2016. 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 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 Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.10,106 million, and out of that Rs.8,544 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry amounted to Rs.1,562 million or 15 per cent of the Provisions. Details appear below.

| Expenditure | As at 31 December 2015 | | | Savings as a Percentage of Net Provision |
|-------------|------------------------|--------------|--------------|--|
| | Net Provision | Utilization | Savings | |
| ----- | ----- | ----- | ----- | ----- |
| | Rs.Millions | Rs. Millions | Rs. Millions | |
| Recurrent | 9,025 | 8,010 | 1,015 | 11 |
| Capital | 1,081 | 534 | 547 | 51 |
| | ----- | ----- | ----- | |
| Total | 10,106 | 8,544 | 1,562 | 15 |
| | ===== | ===== | ===== | |

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorised by Parliament

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

| Expenditure | | Receipts | | Debit Balance | |
|---------------|-------------|---------------|-------------|---------------|-------------|
| Maximum Limit | Actual | Minimum Limit | Actual | Maximum Limit | Actual |
| Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions |
| 38.19 | 25.50 | 23.19 | 29.11 | 133.50 | 93.79 |

2.3 Imprest Accounts

The balances of 05 imprest accounts the Ministry as at 31 December 2015 totalled Rs.737 million. Details appear below.

| Imprest Account Number | Balance as at 31 December 2015 |
|----------------------------|--------------------------------|
| | Rs.Millions |
| 7002/0000/00/0035/0010/000 | 97 |
| 7002/0000/00/0035/0011/000 | 14 |
| 7002/0000/00/0035/0012/000 | 73 |
| 7002/0000/00/0035/0013/000 | 84 |
| 7002/0000/00/0035/0015/000 | 469 |
| Total | 737 |

2.4 General Deposits Accounts

The balances of 02 Deposit Accounts the Ministry as at 31 December 2015 totalled Rs.706 million. Details appear below.

| Deposit Account Number | Balance as at 31 December 2015 |
|----------------------------|--------------------------------|
| | Rs.Millions |
| 6000/0000/00/0006/0071/000 | 32 |
| 6000/0000/00/0015/0025/000 | 674 |
| Total | 706 |

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Foreign Affairs had been satisfactorily prepared subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and important audit observations out of the observations included in the Management Audit Report appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non -maintenance of Registers and Books

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

| Type of Registers | Relevant Regulation |
|---|---|
| ----- | ----- |
| (a) Register of Fixed Assets | Treasury Circular No. 842 dated 19 December 1978. |
| (b) Register of Fixed Assets on Computers, Accessories and Software | Treasury Circular No. IAI/2002/02 dated 28 November 2002. |
| (c) Register of Losses | Financial Regulation 110 |
| (d) Register of Security | Financial Regulation 891 (1) |

3.2 Replies to Audit Queries

Replies to 03 audit queries issued to the Ministry during the year under review had not been furnished even up to 30 May 2016.

3.3 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.172.82 million made for 09 Objects had been saved.
- (b) Excess provisions had been made for 06 Objects and as such, the savings after the utilization of provisions ranged from 69 per cent to 89 per cent of the net provisions of the respective Objects.

3.4 Imprest Accounts

The following observations are made.

- (a) The balances of 05 Imprest Accounts not settled by the Ministry as at 30 April 2016 totalled Rs.365.37 million.
- (b) Even though the balance of the Imprest Account according to the Treasury Books as at 31 December 2015 amounted to Rs.737.22 million, the unsettled advance balances of the Ministry and the Offices of Foreign Missions, cash balances of Foreign Missions, balances of cash-in-transit and other adjustments as at that date totalled Rs.687.99 million. Thus the un-reconciled balance of the Imprest Account had been Rs.49.23 million.
- (c) The value of the unsettled advances of the Offices of the Foreign Missions by 30 April 2016 had been Rs.273.93 million. Out of those receivable balances, a sum of Rs.178.78 million, Rs.58.80 million and Rs.36.35 million had remained outstanding for a period of 1 to 5 years, 5 to 10 years and over 10 years respectively.

3.5 General Deposit Account

The following observations are made.

- (a) Even though a balance of the General Deposit Account totalling Rs.144.84 million had remained over a period of 2 years, action in terms of the Financial Regulation 571 had not been taken on those balances even by 31 December 2015.
- (b) The Monthly Abstract Statements of Deposits had not been prepared and furnished to the Auditor General before the end of the following month in terms of Financial Regulation 565 (5).
- (c) Even though a balance of Rs.32.07 million relating to Foreign Employment Bureau had been brought forward in the General Deposit Account since the year 2012, action had not been taken to settle that balance even by 31 December 2015.
- (d) Even though a sum of Rs.2.07 million was received for the “Uthuru Mithuru Railway Project, action had not been taken to settle that amount even by 31 December 2015.
- (e) The General Deposits Ledger had not been updated in terms of the Financial Regulation 565 (2).

- (f) As Sri Lankans employed in foreign countries suffered from various disasters and deaths, the institutions in which they served had sent a sum of Rs.7.38 million to the Ministry as compensations ordered by the courts of those countries. Those compensations had been retained in the Deposit Accounts of Foreign Missions without being paid to the beneficiaries.

3.6 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account, Item No.11201.

- (a) According to the Reconciliation Statement presented to audit the balances that remained outstanding as at that date totalled Rs.6.69 million. Even though those outstanding balances remained over periods ranging from 1 year to 5 years, the Ministry had failed to recover those outstanding balances.
- (b) A loan balance amounting to Rs.104,286 included in the CC – 10 Register had not been included in the Debtors Schedule of the Reconciliation Statement.
- (c) The loan balance of Rs.94,868 remained as at 01 January 2015 of an employee in the Embassy of Brazil who vacated the post had not been included in the Debtors Register but included in the reconciliation statement as an employee of the staff instead.

3.7 Good Governance and Accountability

3.7.1 Annual Action Plan

No particulars whatsoever relating to 12 Divisions including the Finance Division and the General Administration Division had been included in the Action Plan prepared and approved by the Ministry out of the 14 operating divisions of the Ministry.

3.7.2 Audit and Management Committee

Even though Audit and Management Committee meetings should be held at least once in a quarter, only 02 meetings had been held in the year under review.

3.8 Assets Management

Two Super Luxury buses, the lease value of which amounted to Rs.55 million had been obtained by the Ministry of Foreign Affairs on lease basis on 01 November 2013 in respect of the Commonwealth Heads of States Conference. They were obtained on the agreement of repayment by 60 installments at a monthly payment of Rs.916,752 as installment and interest. A sum of Rs.11.92 million comprising Rs.6.47 million and Rs.5.45 million had been paid as installments and interest respectively for these 2 buses in the year 2015. It was observed that these 2 buses had remained idle in the vehicle park of the Ministry from the year 2014 without being usefully utilised.

3.9 Non – compliance

In terms of the Public Administration Circular No.26/90 of 18 May 1990, it should not be entertained with liquor in Government functions and this rule should be strictly adhered. Nevertheless, a sum of Rs.2.69 million had been incurred for liquor contrary to the above provisions.

3.10 Transactions of Contentious Nature

Appointments of Officers of the Management Assistant Service to the Foreign Missions

The following observations are made in this connection.

- (a) The general practice of filling vacancies for the Posts in the Management Assistant Service existed in Foreign Missions was based on a results of an examination conducted by the Commissioner of Examinations. Nevertheless, 14 officers had been appointed by the Ministry for the services of the Foreign Missions, extraneous to the results of the examinations of the year 2014/ 2015. Five officers out of 14 officers did not belong to the Government Management Assistants Service.
- (b) Eight officers had been appointed for the Sri Lanka Missions Abroad in the year 2015 as Personal Assistants without the examination procedure.

3.11 Irregular Transactions

Bids had been invited from the registered suppliers of the Ministry for purchasing 5975 Vatican Flags (3x6). In calling for bids the Ministry had not presented specifications such as required standards, the quality of the output and the type of raw material etc. The lowest bids were rejected as the lowest bidder had not complied with the above requirements. The contract had been awarded to the highest bidder and 5975 Flags had been purchased for Rs.8.96 million. The Ministry had failed to effect this transaction more competitively and advantageously to the Government.

3.12 Uneconomic Transactions

Release of Baggage from the Harbour

The following deficiencies observed that the Ministry had not followed a proper methodology in releasing baggage from the Harbour.

- (a) A sum of Rs.578,335 had been paid as demurrage charges in releasing the baggage from 01 January 2015 to 30 June 2015.

- (b) Even though action should be taken to recover the deposits made for containers taken on hire when bringing the baggage of the officers or to deduct such deposits in making payments to the clearing agent, the deposits amounting to Rs.15,000 made for containers in the year 2015 had not been recovered or deducted from the payments.

3.13 Human Resources Management (Except Foreign Missions)

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

| | Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies | Excess |
|-------|-----------------------|----------------|--------------|---------------------|--------|
| (i) | Senior Level | 16 | 15 | 01 | - |
| (ii) | Tertiary Level | 07 | 03 | 04 | - |
| (iii) | Secondary Level | 359 | 281 | 78 | - |
| (iv) | Preliminary Level | 134 | 135 | - | 01 |
| | Total | 516 | 434 | 83 | 01 |