

Report of the Auditor General on Head 239 – Department of External Resources Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 239 – Department of External Resources for the year ended 31 December 2015 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 Director General of the Department on 12 October 2016. The audit observations, comments and findings on the accounts and 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 and the Accounting Officer for the Accounts and the Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are 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 the Public Finance and Administrative Regulations. The 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 Provision and Expenditure

The total net provision made for the Department amounted to Rs.3,007.85 million and out of that Rs.874.82 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs. 2,133.03 million or 70.92 per cent. Details are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	333.24	196.97	136.27	40.89
Capital	2,674.61	677.85	1,996.76	74.66
Total	3,007.85	874.82	2,133.03	70.92

2.2 Advance Accounts

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.23901 of the Department and the actual values 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
4.50	4.49	2.50	3.72	27.00	16.88

2.3 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Department of External Resources have been prepared satisfactorily subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1. The material and significant audit observations out of the observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Even though Rs. 2,000 million of provision had been made for supplying rice for the World Fund Programme, due to the bad weather condition in the country it could not be supplied as expected.

As a result, the saving after utilization of provision had been 99 per cent from the net provision relating to the respective Object Code.

3.2 Performance

Although it had been expected to receive a sum of US \$ 3,658 million as loan and grants, it had been received only US \$ 1,336.6 million. It had been 36 per cent compared to the expected amount. Further, financial facilities expected for 8 projects from the Government of China during the year 2015 and financial facilities expected from South Asia for 5 Projects out of the 6 had not been received.

3.3 Management Weaknesses

3.3.1 Foreign Training Opportunities

Following deficiencies were observed during the audit test check of Foreign Trainings.

- (a) All applications applied for the 90 training courses received to the Department during the year 2015 had been rejected. It was revealed while forwarding the applications, the details such as the education qualifications, age limit and the closing date of the applications etc. that should be available had not been included in the files submitted to test check.
- (b) It had been revealed while analysing the details submitted by the Department to audit that the Sri Lanka had lost the opportunities due to non-receipt of applications for 85 training courses received to Sri Lanka in the year 2015 from foreign countries/ Institutions.

3.3.2 Examination of Foreign Aids

Following deficiencies were revealed during the course of audit test check of receipt of Foreign Aids.

- (a) A total loan amounts of US \$ 300 million and US \$ 100 million respectively for Loan Numbers 2014001 and 2014034 had been deposited at the Central Bank of Sri Lanka at 2 stages by the China Development Bank for the Improvement of Rehabilitation of Priority Roads Project – 3. Even though the Stage II of loan should be utilized after the utilization of the total loan amount of the Stage I, without utilization of the Stage II of the loan an interest of Rs.121,452,142 and Rs.401,600,000 as other payments had been paid as at 31 December 2015 under the loan agreement. Accordingly, it had been unable to obtained foreign aids at the lowest costs and less conditions.
- (b) The agreement of the Loan No.2014037 of the Green Power Development and Energy Efficiency Improvement Project had been activated as at 02 February 2015 and according to the same an amount of Rs.22,845,863 had been paid as promissory charges of the

agreement during the year 2015. There was no loan disbursement had been happened for the project.

- (c) Even though according to the agreement of the Hambantota Port Development Project Phase II of Loan No.2012032 the Sri Lanka Ports Authority had made payments of Rs.106,104,500 as management fees on which should be paid within one month of the activation of the project and the promissory charges, the money had not been utilized during the year 2015.
- (d) Even though under the Loan No.2014023 of the Digitalization of Terrestrial Television Broad Casting Project signing of the agreement and according to the same an amount of Rs.29,768,633 had been paid as Front End Fee in the year 2015, the project had been delayed until the issuing of the Committee Report of the study on the necessary technical methodology to implement the agreement.
- (e) Although it had been entered into loan agreements in the year 2015, due to delays in the acquisition of lands and line Ministries those loans could not utilized even by September 2016. The activities of the projects financed through foreign loans/grants are being observed by the External Resources Department and it is the responsibility of the Department of External Resources to look into this types of activity that should be done before the signing of agreement.

3.4 Human Resources Management

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
(i)	Senior Level	54	43	11
(ii)	Tertiary Level	05	01	04
(iii)	Secondary Level	62	35	27
(iv)	Primary Level	29	25	04
	Total	150	104	46