

Head 112 - Report of the Auditor General of the Ministry of Foreign Affairs – Year 2017

The Appropriation Account and a Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to audit by the Ministry of Foreign Affairs. The financial and physical performance reflected from those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility on the Financial Management and Accountability of the Chief Accounting Officer and the Revenue Accounting Officer

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124. The Minister of Finance appoints the Chief Accounting Officers to discharge above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Ministry of Foreign Affairs – Head 112 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources applying of internal control systems, compliance with laws, rules and regulations and maintenance of updated books, registers, records and reconciliation statements, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 05 June 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Ministry of Foreign Affairs for the year ended 31 December 2017 revealed in audit appear in Management Audit Report mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.10 of this report. It was observed that the accountability as the Accounting Officer has been executed, to ensure the

adequacy of the financial control satisfactorily subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 128 of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph included Observation
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Financial Regulation -----		
127(1)(a) All financial works are planned to ensure that the business is transacted with correctness and financial propriety.	Non-preparation of Action Plan properly.	2.1
127 (3) An arrangement is made that all cases of doubt or problems aroused are referred to him so that he may bring his own administrative experience and judgement to bear on them.	Existence of Idle and Underutilized Assets.	2.3 (a)
127(4) Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them and that important differences in the	2. Lapses in Imprest Account. 3. Lapses in General Deposit Accounts. 4. Lapses in operating Bank Accounts.	2.6 2.7 2.8

	Estimates and the actual expenditure are critically investigated by him.		
127(5)	Important variations between departmental Estimates and expenditure receive critical examination at the Ministry.	Made excess provisions.	2.4
127(6)	The collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	Lapses appear in Advances to Public Officers Account.	2.5

2. Material and Significant Audit Observations

2.1 Performance

Planning

In terms of Public Finance Circular No.01/2014 of 17 February 2014, Action Plans had been prepared separately for the Ministry and the Mission for the year 2017.

Time line of activities prepared according to the priorities based on the annual budget and anticipated output/outcome of those activities for the year under review had not been estimated and mentioned in the Action Plan prepared in relation to foreign missions.

2.2 Obtaining Supplies and Services through Procurement Procedure

Provisions had been made for the Ministry amounted to Rs. 1,211.8 million to be used for obtaining Supplies and Services as per the Government Procurement Guidelines and out of that a sum of Rs. 338.2 million had been utilized. Details appear below.

Objects Code	Description of objects Code	Net provision made	Utilization	Savings
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		Rs. Millions	Rs. Millions	Rs. Millions
Supplies				
1201	- Stationary and Office Requisites	80.2	80.2	-
1203	- Diets and Uniforms	2.6	2.6	-
1205	- Other	7.5	7.5	-
Acquisitions of Capital Assets				
2101	- Vehicles	83.0	78.2	4.8
2102	- Furniture and Office equipment	84.9	69.9	15.0
2103	- Plant, Machinery and Equipment	19.7	15.8	3.9
2104	- Building and Structures	923.9	79.0	844.9
2105	- Land and Land Improvements	10.0	5.0	5.0
	Total	1211.8	338.2	873.6
		=====	=====	=====

2.2.1 Implementing Procurement Procedure

The Following observations are made.

- The following deficiencies were observed in the procurement of fabricating and fixing of timber ceiling of Ministry Secretariat Office and State Minister's Office costing Rs. 3.26 million.

- (i) When calling prices under the shopping procedure, prices are not invited from Construction Industry Development Authority registered contractors.
 - (ii) Bid Opening Committee had not been appointed by Procurement Committee and Bid Opening Procedures had not been followed.
- (b) The following deficiencies were observed during the test of the procurement amounted to Rs. 7.62 million in relation to supply of, Laptops, Laser Printers and Ultra-Power Supplies.
- (i) Actions had not been taken to enter in to a contract agreement with supplier in purchasing Computers, Laser Printers and Ultra Power Supplies.
 - (ii) Validity period of those instruments of bid securities given by the supply institutions selected in the procurement had been expired as at 21 March 2017.
 - (iii) Even though as per Procurement Plan of 2017, 31 Computers and 11 Printers had been planned to purchase, contrary to the plan 27 Printers and 42 Ultra-Power Supplies had been purchased.

2.3 Assets Management

(a) Idle Assets

It was observed during the course of audit test checks that certain assets categorized below had been either idle or underutilized.

Category of Assets	Number of Units	Value	Idle Period
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			Year
(i) Land of Puthrajaya owned by Kuala Lumpur High Commission Office in Malaysia	1.681 acres	U.S.D 1.2 millions	2007 - 2018

	Total	10,140	10,005	135	1.3
2014	Recurrent	8,827	8,813	14	0.2
	Capital	1,236	956	280	22.6
	Total	10,063	9,770	293	2.9
2015	Recurrent	9,025	8,011	1,014	11.2
	Capital	1,081	533	548	50.6
	Total	10,106	8,544	1,562	15.4
2016	Recurrent	9,450	8,941	509	5.4
	Capital	520	420	100	19.2
	Total	9,970	9,361	609	6.1
2017	Recurrent	9,677.23	9,622.99	54.24	0.6
	Capital	1,334.64	326.19	1,008.45	75.6
	Total	11,011.87	9,949.18	1,062.69	9.6

The following observations are made in relation to the year under review.

- (i) The entire provision made available for 2 objects had been saved.
- (ii) Excess provisions had been made for 15 objects and as such during the year under review, the savings after the utilization ranged 22 per cent to 90 per cent of the provision of the respective objects.

2.5 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.11201 of the Ministry, and the 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
35	33.23	28	29.12	130	110.10

The following observations are made in this connection.

- According to the Reconciliation Statement presented to audit, the total of outstanding balance to be recovered in arrears as at that date amounted to Rs. 4.14 million and those arrears ranged from 01 year to 23 years. The Ministry had failed to recover those outstanding loan balances.
- Any action had not been taken by the Ministry with regard to unidentified loan balances totalling Rs. 1.51 million remained more than 05 years even at the date of 28 August 2018.

2.6 Imprest Accounts

The following observations are made.

- An advance given by the Ministry in 2016 amounted to Rs. 100,000 had not been settled even at the end of the year under review.
- Unsettled advances of the foreign missions offices as at 30 June 2018 totalled Rs. 318.08 million. Out of those balances, a balance of Rs. 99.88 million less than 2 years, a balance of Rs. 110.70 million older than 2 to 5 years, a balance of Rs. 107.49 million older than 5 years was existed.

2.7 General Deposit Accounts

The balances of General Deposit Account pertaining to the Ministry totalled Rs. 174.23 million. The following observations are made in this connection.

- As at 30 June 2018, balances of General Deposit Account of the foreign missions offices totalling Rs. 5.56 million, which validity period had lapsed of 02 years had been existed and actions in terms of the Financial Regulation 571 had not been taken in that connection.

- (b) Even though the Monthly Abstract Statements of Deposits prepared for each month had to be furnished to Auditor General before the end of the following month in terms of Financial Regulation 565(5), actions had not been taken accordingly.

2.8 Operating Bank Accounts

The following observations are made.

- (a) A sum of Rs. 1.3 million had been adjusted as unidentified payments to the bank reconciliation statement in relation to years 2016 and 2017 of one of the 02 bank accounts maintained by the Ministry as at 30 June 2018.
- (b) Actions in terms of Financial Regulation 396 had not been taken in respect of 12 cheques amounted to Rs. 1.39 million which had lapsed of 06 months in a bank account of the Ministry as at 30 June 2018.
- (c) Without taking actions in terms of Financial Regulation 104 with regard to a theft amounting to USD 1,583 taken place in Los-Angeles Consular General Office in the year 2011 as a loss and damage, actions had been taken only to disclose continuously through bank reconciliation statement.

2.9 Non – Compliance

Non – Compliance with Laws, Rules and Regulations

The following observation is made.

Even though special allowance for officers of the foreign missions had to be paid as per the Circular No.OM/E7/6/2013 of the Ministry of Foreign Affairs dated 01 April 2013, a sum of Rs. 163,780 as overpayment of special allowance had been paid to 02 officers. That overpayment had not been recovered even by the date of 28 August 2018.

2.10 Human Resources Management

Deploying Staff, Actual Staff, and expenditure for Personal Emoluments

To perform the course of actions referred in paragraph 2.1 above, the particulars relating to the Approved Cadre, Actual Cadre and the Vacancies as at 31 December 2017 are given below. The Ministry had incurred a sum of Rs. 1,486.20 million for the personal emoluments for the year under review.

(a) **Staff of the Ministry**

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
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(i) Senior Level	95	92	03
(ii) Tertiary Level	07	06	01
(iii) Secondary Level	361	337	24
(iv) Primary Level	125	124	01
(v) Other (casual / temporary/contract basis	55	12	43
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Total	<u>643</u>	<u>571</u>	<u>72</u>

(b) **Staff of the Mission**

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
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Home Based			

(i) Senior / Tertiary *	262	232	30
(ii) Secondary **	254	254	-
(iii) Primary ***	07	04	03
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Total	<u>523</u>	<u>490</u>	<u>33</u>

Locally recruited

(i) Secondary **	311	292	19
(ii) Primary ***	360	360	-
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Total	<u>671</u>	<u>652</u>	<u>19</u>

* Senior/Tertiary - Head of the Mission, Minister, Minister Counsellor, Counsellor, First Secretary, Second Secretary, Third Secretary

** Secondary - Officers of the Management Assistant Service including the Protocol Assistant and Information Technology Officers

Locally recruited Secondary - Officers including Clerk, Receptionists, Stenographer, Translator and Information Technology Officers

*** Primary - Officers including Drivers, Office Assistants and cleaning staff