

Head 112 – Ministry of Foreign Affairs

Report of the Auditor General – Year 2012

The audit of appropriation account of the Ministry of Foreign Affairs for the year ended 31 December 2012, comprising the financial reports reconciliation statements book and other records 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 23 December 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of 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 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 Observations

According to the financial records and books for the year ended 31 December 2012, it was observed that except for the effect of the general observations appearing at (a) to (e) and other major audit findings appearing in paragraph 1.4 to 1.9 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

The Ministry had not maintained the following books and records and it was observed in audit test check that certain books had not been updated and not properly maintained.

Type of Register -----	Relevant Regulation -----	Observations -----
Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978	Not updated.
Register of Losses	Financial Regulation 110	Not maintained.

(b) Appropriation Account

(i) Total Provision and Expenditure

The total net provision made for the Ministry for the year under review amounted to Rs.8,534,620,050 and out of that a sum of Rs.8,300,821,166 had been utilized by the end of the year. Accordingly the net savings amounted to Rs.233,798,884, and it represented 03 per cent of the total net provision. Particulars are given below.

Type of Expenditure -----	Estimated Provision as at 31 December 2012 ----- Rs.	Net Provision as at 31 December 2012 ----- Rs.	Savings as at 31 December 2012 ----- Rs.	Savings as a Percentage of the Net Provision -----
Recurrent	5,700,400,000	7,330,094,950	24,694,828	0.34
Capital	939,700,000	1,204,525,100	209,104,056	17.36
Total	6,640,100,000	8,534,620,050	233,798,884	2.74
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(ii) Budget Variance

A provision of Rs. 17 million had been obtained for a capital object under the supplementary estimate but it was not utilized as expected and as a result that a sum of Rs. 6 million of the provision had been saved out of that provision. Out of the provision made for another two capital expenditure items sum of Rs. 28 million and Rs. 139 million had been saved.

(c) Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament in respect of Advances to Public Officers Accounts bearing Item No. 11201 and actuals 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.
21,000,000	17,878,927	18,000,000	24,715,933	110,000,000	94,760,576

The following observations are made.

- (i) According to the reconciliation statement of the Advances to Public Officers Account bearing item No. 11201, the total outstanding balances as at 31 December 2012 amounted to Rs.3,075,677 and out of which a sum of Rs.1,621,277 had been recovered by 12 February 2014.
- (ii) The difference of Rs.99,202 between the individual balances classification summary and the control account balance of the Department had not been reconciled according to the provision in Financial Regulation 427.

- (iii) A total sum of Rs.436,551 had been paid as distress loan in 05 instances during the year under review. In recovering the loan installment from these officers, loan had been paid in excess of 40 per cent limit of their salaries contrary to Section 3:5 of Chapter xxiv of the Establishments Code.
- (iv) In terms of Paragraph 4 of the National Budget Circular No. 155 dated 30 December 2011 and the Public Administration Circular No. 30/2008 dated 31 December 2008 the maximum distress loan entitlement should be Rs.250,000 but contrary those circulars, an overpayment of , distress loans amounting to Rs.1,175,120 had been made in 8 instances during the year 2012.

(d) Imprest Accounts

There were debit balances amounting to Rs.1,587,129,924 and credit balances amounting to Rs.457,464,517 as at 31 December 2012 in the imprest account of the Ministry. The following observations are made in this connection.

- (i) The imprest balances unsettled by the Ministry by 30 April 2013 totalled Rs.663,474,619.
- (ii) The balances of imprest accounts of Ministry as at 31 December 2012 including the unsettled advance balances as at that and cash balances of foreign mission amounting to Rs.103,322,295 had not been reconciled.
- (iii) Advances totalling Rs.472,238,076 in the Ministry and foreign mission had not been settled within the periods ranging from 1 to 34 years. This balance included advance balances which had been deposited as rent advances for houses where officers are residing at present. Follow up action to recover the outstanding balance was at a weak level.
- (iv) Unsettled advance balance from advances given to a same officer in several instances contrary to section 27.8 of Chapter XIV of the Establishments Code amounted to Rs.9,527,236. Action had not been taken in terms of Section 27.7 of this chapter in respect of unsettled advance balances remaining for a long time

- (v) A sum of Rs.323,179 given as salary advances since the year 2007 in terms of Financial Regulation 212(2)(v) had not been recovered from their pay sheets.
- (vi) Bank guarantees amounting to Rs.17,101,592 had been given through Embassies during the period 2007 to 2011. Action had not been taken to recover the balances totalling Rs.7,689,687 included therein remaining for more than 3 years.

(e) General Deposit Account

The total of the balance of general deposit accounts of the Ministry as at 31 December 2012 amounted to Rs.926,572,601. Particulars thereof are given below.

Account Number -----	Balance as at 31 December 2012 -----
	Rs.
6000/0000/00/0006/0071/000	35,857,444
6000/0000/00/0011/0559/000	16,845,552
6000/0000/00/0015/0625/000	873,869,605

Total	926,572,601 =====

The following observations are made in this regard.

- (i) Action in terms of Financial Regulation 571 had not been taken in respect of 46 deposits totalling Rs.25,537,532 remained for more than 2 years.
- (ii) There was a balance of Rs.35,857,443 as at 31 December 2012 in the general deposit account No. 6000/0000/00/0006/0071/000 relating to the Foreign Employment Bureau and it had been inoperative since 2011.

- (iii) Out of the deposit made by the relatives of persons who had proceeded to Jordan for employment and to bring them back to Sri Lanka due to various reasons a sum of Rs.537,277 had remained unrefunded after spending the value of air tickets. This balance money had not been settled to the persons concern even by 31 December 2012.

1:4 Good Governance and Accountability

1:4:1 Corporate Plan

According to the letter No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Ministry Secretaries, Provincial Council Chief Secretaries, Heads of Departments, District Secretaries and Heads of Local Authorities, a Corporate Plan at least for 3 years from 2010 should be prepared by the Ministry at the beginning of the year. It had not been prepared even as at 31 December 2012.

1:4:2 Annual Action Plan

An annual action plan in conformity with the Corporate Plan prepared in terms of paragraph 1.4.1 of the letter of the Director General of Public Finance should be prepared for the year 2010 and onwards. Nevertheless, an action plan for the year under review had not been prepared even up to 31 December 2012.

1:4:3 Annual Procurement Plan

The annual procurement plan relating to the year under review had not been prepared even by 27 April 2012 in terms of National budget Circular No .128 of 24 March 2006.

1:5 Non-compliance

 Non-compliance with Laws, Rules, Regulations etc.

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

Reference to Laws, Rules, and Regulations	Value	Non-compliance
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Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Rs.	
Financial Regulation 102	916,650	Security deposit of houses not recovered in 7 instances shown as unsettled advances which did not comes under losses and damages had been shown in the appropriation account as losses.
Financial Regulation 106	16,190,207	In the case of a loss due to a shortage, misappropriation or other course the amount should be filled immediately by recovering from the officer responsible. If it is not possible, such a loss should be filled by obtaining an advance from the Treasury. Nevertheless, 5 instances of misappropriations had been reported during the period 2008 to 2012 and this amount had been brought forward as losses continuously in the appropriation account.

1:6 Weaknesses in the implementation of projects

A project for the purchase of 20 houses for the Ministry was approved by the Cabinet memorandum No. 60/1848/23/19 dated 27 September 2000. After a long delay 16 houses out of 20 houses had been taken over on 01 November 2006 and an overpayment of Rs.5,065,000 had been paid therefore in excess of the agreed amount. To construct the balance 4 houses all inclusive charges of Rs.30,550,820 had been agreed upon without initial plans, estimates and without signing agreements. As there was a long delay from 2000 to 2012 in purchasing these 20 houses Rs. 15 million had to be paid more than the allocated amount. Acceptable evidence was not made available to ensure the ownership of these houses, and these houses are allowed to occupy without entering into any agreement.

1:7 Weaknesses in Operating Bank Accounts

(a) Balance for adjustment

Out of the cheques remained for more than 6 months as at 31 December 2012 1640 Canadian dollars, 1400 Dubai Diram 6069 Brazil Rial had not been settled even by 03 December 2013.

(b) Canbara Mission

(i) According to the Note IV(C), bank account reconciliation position report in the appropriation account, the balance of the New Zealand Dollar account as per the bank statement amounted to New Zealand Dollars 866 whereas it was New Zealand Dollars 1466 as per bank statement in the bank reconciliation. Further, the balance of that account as per the cash book in the bank balance amounted to New Zealand Dollars 884 but it was shown in the appropriation account as New Zealand Dollars 457, These balances had not been reconciled.

(ii) According to the Note (iv) C bank account reconciliation position report in the appropriation account Australian Dollars 78,972 had been shown as the balance of Australian dollar account as per the bank statement it was Australian Dollars 26,994 in the bank reconciliation. Further, according to the cash book of that account the balance was Australian Dollars 19,063

whereas it was shown as Australian Dollars 49,994 in the Appropriation Account.

- (c) Weaknesses in the Bank Reconciliations Statement of Foreign Missions as at 31 December 2012.
- (i) The following differences were shown between the cash book balances and the bank reconciliation balances in the foreign missions. It was EURO 30,046 in Burline, US\$ 304,016 in Bangkok relating to account No. 070987, £ 4309 in London Account No. 1701 as at 26 February 2014. US\$ 339 in Hanoi, Indian Rs.10,109 in Chennai relating to 2 accounts as at 26 February 2014, total bank guarantees amounting to Euro 26,825 in Vienna as at 26 February 2014, Brazil Dollar Rial 2026 and US\$ 313 in Brazil relating to 2 bank accounts.
 - (ii) Unidentified debits in Burline Mission amounting to Euro 18,785, US\$ 1047 in Washinton and £ 15,453 in Paris Mission as at 26 February 2014 had not been cleared.
 - (iii) There were direct credits viz: Euro 21,292 in Burline Mission, £ 4328 under London bank Account No. 1701, £ 49,374 in Paris Mission and Vietnam, Dong 3,274 in Hanoi Mission. Further, there were direct debits of £ 15,453 and Vietnam Dong 7209 in Paris and Hanoi Missions respectively.
 - (iv) Although the balance of the bank account No. 1701 in London Mission as per cash book amounted to £ 750, when the bank reconciliation statement was prepared it was taken as a bank overdraft of £ 4463. According to the cash book for the bank account No. 6800 the balance was £ 4520 whereas it was £ 1,233 when the bank reconciliation was prepared.

1:8 Transactions of Contentious Nature

Certain transactions carried out by the Ministry had been of contentious nature, Particulars of certain such transactions observed are given below.

- (a) In recruiting officers to the Embassy of Rome in Italy, insufficient attention on the Labour Laws and other legal matters in Italy had not been paid, and due to non-making appeals against the decisions within the specific period, cases had been filed in the court of Law by asking for compensation of Euro 91,422 (SLR 15,541,740) in respect of ceasing of services of 5 officers recruited to the Italy Embassy.
- (b) As a result of making a complaint against the Italy Embassy by several officers who left the Embassy's Service in the Labour Tribunal the official bank account of the Embassy had been stopped by Italy authorities. Non-paying the attention to the Labour laws of Italy by the officers of the Italy Embassy and non-submission of explanations thereon by the Embassy in the Labour Tribunal had been the reasons for closing the official bank account. This had discredited the prestige of Sri Lanka.

1:9 Irregular Transactions

Certain transactions carried out by the Ministry had been informed and, certain such instances observed are given below.

Deviation from Government Procurement Procedure

The following weaknesses were observed in the procurement plan prepared for the year 2012.

- (a) Without preparing an action plan, the procurement plan had been prepared by the Ministry and it had not been updated within the period not less than 06 months.
- (b) Procurements of Embassies had not been included in the Ministry procurement plan.

1:10 Losses and Damages

Action had not been taken in terms of Financial Regulations 104 and 109 for Losses valued at Rs.23,003,084 in respect of 19 events remained for periods ranging from 5-10 years relating to Foreign Embassies.

1:11 Management Inefficiencies

A large amount of rent had been paid for obtaining buildings on rent basis for the use of official quarters of Ambassadors/ High Commissioners and officers in the Foreign Missions. Japanese yen 56,883,300 had been paid as rent for the period 2007 to 2012 for the Japanese Embassy. Certain rent agreements had not been regularly renewed. The Ministry had not paid attention to minimize the payment of rent on a long term plan in ascertaining buildings.

1:12 Human Resources Management

Approved Cadre and Actual Cadre (Exclusive Foreign Missions)

The cadre position as at 31 December 2012 is given below.

Employee Category	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
-----	-----	-----	-----	-----
Senior Level	92	75	17	--
Tertiary Level	07	06	01	--
Secondary Level	330	244	86	--
Primary Level	134	137	--	03
Others (Casual/ Temporary/ Contract basis)	--	22	--	22
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Total	563	484	104	25
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The following observations are made.

- (a) Staff for 14 unapproved posts had been recruited to 14 Foreign Missions as at 31 December 2012 and the excess cadre in 16 Missions amounted to 32.
- (b) Action had not been taken to fill 104 vacancies by the end of the year under review.
- (c) Action had not been taken to obtain a formal approval for the excess cadre recruited.