

Report of the Auditor General on Head 112 – Ministry of Foreign Affairs -2014

While paragraphs 1 to 2 of this report contain the general information on the Accounts of the Ministry and audit observations relevant to the Head are shown in the paragraph 3.

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records and Reconciliation Statements of the Ministry of Foreign Affairs for the year ended 31 December 2014 were carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review was issued to the Chief Accounting Officer of the to that Ministry on 24 July 2015. 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 Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial 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 Accounts

Total Provision and Expenditure

While the total net provision made for the Ministry amounted to Rs. 10,063 million, a sum of Rs. 9,769 million had been utilized as at the end of the year under review. Accordingly, savings of the Ministry out of the net provision had been Rs. 294 million or 3 per cent of the net provision. Details are shown below.

Expenditure	<u>As at 31 December 2014</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
-----	-----	-----	-----	-----
	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	8,827	8,813	14	0.16
Capital	1,236	956	280	23.00
	-----	-----	-----	
Total	10,063	9,769	294	3.00
	=====	=====	=====	

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 of the Ministry and actual amounts are given below.

Item Number	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
11201	33	22	20	23	130	93

2.3 Imprest Accounts

The total of Un-settled Imprest Balances of the Ministry as at 31 December 2014 amounted to Rs. 746 million. Details are given below.

Imprest Account Number	Balance as at 31 December 2014
	Rs.Million
7002/0000/000/0035/0008/000	61
7002/0000/000/0035/0009/000	27
7002/0000/000/0035/0010/000	649
7002/0000/000/0035/0011/000	(480)
7002/0000/000/0035/0012/000	87
7002/0000/000/0035/0013/000	31
7002/0000/000/0035/0014/000	370
Total	746

2.4 General Deposits Accounts

The total of the balances of Deposit Accounts of the Ministry as at 31 December 2014 was Rs. 1,186 million. Details are given below.

Deposit Account Number	Balance as at 31 December 2013
-----	-----
	Rs.Million
6000/0000/00/0006/0071/000	32
6000/0000/00/0015/0025/000	1,154

Total	1,186
	=====

2.4 Audit Observation

According to the Financial Records and books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the management audit report referred in the Paragraph 1.1, the Appropriation Account and the reconciliation statement of the Ministry of Foreign Affairs had been prepared satisfactorily. Out of those observations included in the management report, material and important observations appear in paragraphs 3.1 to 3.16 herein.

3. Head 112 - Ministry of Foreign Affairs

3.1 Non -maintenance of Registers and Books

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

Type of Registers -----	Relevant Regulation -----	Observation -----
Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.	Not maintained (Except Motor Vehicles)
Register of Fixed Assets relating to Computer Accessories and Software	Treasury Circular No. IAI/2002/02 dated 28 November 2002.	Not maintained.
Register of Securities	Financial Regulation 891 (1)	Not maintained.
Register relating to Electric Equipment	Financial Regulation 454 (2)	Not maintained.
Register of Losses	Financial Regulation 110	Not maintained.

3.2 Replies to Audit Queries -----

Replies had not been furnished to 09 audit queries issued to the Ministry during the year under review and 02 audit queries issued during the previous years even up to 30 June 2015. Value of transactions which could be computed relevant to those audit queries amounted to Rs.106,112,313.

3.3 Appropriation Account -----

Budgetary Variance -----

Following observations are made.

- (a) The entire net provision of Rs.6,125,700 made available for 02 Objects had been saved.
- (b) Saving after utilization of the net provision were in a range from 65 per cent to 96 percent due to excessive provision made for 03 Objects.

- (c) Savings of provisions amounting to Rs.707,500 out of Capital Provision made available for a one Programme of the Head had been transferred to the capital provision of the other Programme, contrary to Section 5(2) of the Appropriation Act No. 36 Of 2013.

3.4 Imprest Accounts

Following observations are made.

- (a) The balances of 07 Imprest Accounts not settled by the Ministry as at 30 April 2015 totalled to Rs.739,446,730.
- (b) A Non-reconciliation of balances in the Imprest Accounts of the Ministry as at 31 December 2014 with advance not settled as at that date including cash balances in Foreign Missions a sum of Rs.75,018,218 were observed. Details are show below.

	Value	

	Rs.	Rs.
The imprest Balance shown in the Books of the Ministry		745,575,420
Non-settled Advances	364,906,835	
Closing Cash Balance in Foreign Missions	305,650,367	

The imprest Balance that should be available in the Ministry		670,557,202

Difference		75,018,218
		=====

- (c) Any value had not been shown as total of Un-settled Sub-Imprest (Advances) in the Note (iii) to Appropriation Account of Summary Report relating to Imprest Accounts. However, un-settled advances amounting to Rs.364,906,835 (including Foreign Missions) and closing cash balances of Rs.305,650,367 in Foreign Missions, totalling to Rs.670,557,202 had not been disclosed.
- (d) Un-settled balance of advances of the Ministry and Offices of the Foreign Missions as at 31 December was Rs.364,906,835. Details are shown below.

Particulars -----	Value -----	Age Analysis -----		
		Between 01 to 03 years -----	Between 04 to 06 years -----	Over 06 year -----
		Rs.	Rs.	Rs.
Ministry of Foreign Affairs	5,147,944	38,171	309,773	4,800,000
Foreign Missions	359,758,891			
Make up of the Foreign Missions was as follows				
Un-settled Travelling Advances	4,820,047	3,232,888	1,049,867	537,292
Pensions	12,387,247	-	12,387,247	-
Bank Guarantees	20,061,453	14,006,886	3,623,054	2,431,513
Salary Advances	398,969	75,790	172,831	150,348
Security Deposits	208,106,609	107,574,169	47,509,030	53,023,410
Un-identified Deposits	113,984,566	44,036,263	34,793,292	35,155,011

While a balance of Rs.309,773 provided to the Sri Lanka Navy on 31 December 2010 was included in the balance of the Ministry, it remained un-settled, although more than 05 years had elapsed.

3.5 General Deposits Account

Following observations are made.

- (a) A sum of Rs.448,000,000 received for the Common Wealth Head of States Conference during the year 2013, had been kept in the General Deposits Account without being settled even as the end of the year.
- (b) While the balance of the General Deposits Account according to the Departmental Books was Rs.1,153,581,743, according to the List of Individual Balances it had been 1,161,011,502. Accordingly there was a difference of Rs.7,429,759.

3.6 Reconciliation Statement relating to Advances to Public Officers Account

According to the Reconciliation Statement relating to Advances to Public Officers Account Item No. 11201 as at 31 December 2014, the total of outstanding balances to be recovered in arrears as at that date amounted to Rs.3,221,212. Followup action for the recovery of those balances in arrears was in a weak level.

3.7 Good Governance and Accountability

3.7.1 Annual Action Plan

Although an Annual Action Plan should be prepared in terms of Public Finance Circular No. 01/2014 dated 17 February 2014, Annual Action Plan for the year under review had not been prepared even as at 31 December 2014.

3.7.2 Annual Procurement Plan

Annual Procurement Plan in terms of National Budget Circular No. 128 dated 24 March 2006, had not been prepared even as at 31 December 2014.

3.7.3 Audit and Management Committee

Two meetings of the Audit and Management Committee had been held during the year 2014.

3.8 Assets Management

The following lapses were observed in audit test checks carried out in respect of the assets of the Ministry.

(a) Idle and Underutilized Assets.

Following observations are made.

- (i) Sixteen Mobile Phones had been purchased having paid a sum of Rs.50,840 indicating that it is a requirement for the Coordinating Section. While those phones had been returned back to the stores after the relevant work, those phones had been kept idle in the stores without being used for any purpose, even up to 10 September 2014, date of audit.

- (ii) Two buildings valued at Australian Dollar 2,589,000, belong to the Melbourne Mission situated in Australia, remained idle over a period from 1 to 6 years.

(b) Conducting Annual Boards of Survey

Although the Annual Board of Survey for the year 2014 should be carried out and those Reports should be forwarded to the Auditor General before 17 March 2015 in terms of Public Finance Circular No. 02/2014 dated 17 October 2014, those reports had not been forwarded to the audit even up to 31 May 2015 by the Ministry.

(c) Un-settled Liabilities

While the un-settled Liabilities by the Ministry as at 31 December 2014 was Rs.662,056,694, the relevant periods had not been included in the register of Liabilities furnished to audit.

3.9 Non-compliance

Non-compliance with Laws, Rules, Regulations Etc.

Instances of Non-compliance with the Provisions of Laws, Rules and Regulations observed in audit sample checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 751	746,422	Toners purchased had not been recorded in the relevant Stock Book.
(ii) Financial Regulation 754	1,688,273	(i) When taking the closing stock balances of toners of the year 2013 as opening balances to the new Stock Book for the year 2014, certain balances had been understated. The value of stocks so understated was Rs. 1,688,273.

861,535 (ii) When it was examined whether the closing stock balances of toners as at the end of the year 2013 amounting to Rs.861,535 had been brought forward as opening balances for the year 2014, although it had been referred as the balance was carried forward in the old stock book, such balance had not been recorded as opening balance of toners in the stock book for the year 2014.

(b) Public Administration Circulars

(i) Circular No. 02/99 dated 26 February 1999.

Mobile Phones had been purchased and distributed among 11 officers by the Ministry of Foreign Affairs without approval of the Secretary to Ministry. Eight Mobile Phones out of those had not been recorded in the Register of Inventor as well.

(ii) Circular No. 26/90 dated 18 May 1990

341,627 Although it had been stated that liquor should not be served at functions and that this rule should be strictly adhered to, a sum of Rs.341,627 had been spent by the Ministry to entertain with liquor, contrary to the provisions in the Circular referred to in.

(c) Treasury Circulars

Circular No. MF/TR/1/2003 dated 28
March 2003

From 40,000 to
90,000

Fourteen vehicles had been obtained on monthly hire basis by the Ministry as at October 2014, contrary to the circular instructions.

(d) Ministry Circulars

(i) Ministerial Series of Instructions
166

5,126,638

Although prior approval and financial provisions should be obtained when making payments for the purchase of air travel tickets, such approval had not been obtained for the payments made by 06 Mission Offices for air tickets.

(ii) Ministerial Series of Instructions
178 dated 25 October 2001

12,649,723

When selecting the service supplier for the purchase of Air Tickets, quotations should be called for considering the facility available for travel in the most profitable route to Sri Lanka. However, information were not available to support that quotations were called for air tickets purchased by 08 Missions.

(iii) Circular No. FA/OMA/E4/2009 dated 04 September 2009 as amended by Circular No. 261 dated 28 September 2009	146,503	Although only the salary of three officers in Yangon Embassy Office should be converted to US Dollars when making payment of the salaries, 15 per cent allowances paid together with salary too had been converted and paid.
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3.10 Lapses in Operating Bank accounts

Following observations are made.

(a) Validity Period Lapsed Cheques

Action had not been taken in terms of Financial Regulation 396 (d) with regard to 11 cheques valued at Rs. 888,390, issued from a Bank Account of the Ministry of which validity period had lapsed for more than 06 months , but not presented to the bank for payment even up to 30 April 2015. Further, action too had not been taken in terms of the above mentioned Financial Regulation with regard to validity period lapsed cheques for more than 06 months, in 12 bank accounts relevant to 09 Missions.

(b) Un-reconciled Balances

Although Bank Reconciliations had been prepared up to December 2014 relevant to 12 bank accounts by 09 Missions, necessary course of action had not been taken with regard to the un-reconciled matters revealed through those and therefore, the financial control expected through preparation of bank reconciliation statements had not taken place.

(c) Bank Debits

Action had not been taken to identify and account for the payments made by the banks in 11 bank accounts of 09 Missions and direct receipts in 18 bank accounts of 09 Missions.

(d) Lack of Evidence

Schedules in support of the values shown 03 Bank Reconciliation Statements in 03 Foreign Mission Offices were not furnished to audit.

(e) Washington Embassy Office

It was observed that, un-realized deposits valued at USD 1,035 deposited during the year 2006 and un-identified payments of USD 20,212 are shown in the Bank Reconciliation Statement prepared for December 2014. Schedules too had not been submitted for un-identified deposit balance of USD 2,583.

(f) Consular Office Los-Angeles

Without taking action in respect of a theft amounting to US \$ 1,583 taken place on 03 October 2011 as a loss and damage it had been shown continuously in the bank reconciliation statement.

(g) Brazil Embassy Office

Information relating to following adjustments made for BRL Account shown in the Bank Reconciliation Statement was not furnished to audit.

	Brazil Reel
Erroneous Calculations in the Cash Book	2,297
Over Withdrawals	2,003
Receipts in November Banked, but not Realized	418

(h) Non-preparation of Bank Reconciliations

While there was a balance of US \$ 1,040 as at 31 December 2014 according to the Cash Book of the Embassy Office of Iran, a Bank Reconciliation Statement had not been furnished. The Ministry had informed that, according to Iranian Law, US \$ transactions are not made by the banks in that country.

(h) Dormant Bank Accounts

While there was a balance of Rs.488,439 (US \$ 4,386) in the Bank Account No. 15- A maintained through the New York Embassy Office, it had been informed that the Bank account is not operated by the Ministry.

3.11 Transactions of Contentious Nature

Certain transactions entered into by the Ministry had been of contentious nature. Details relating to some of such transactions revealed in sample audit tests are given below.

(a) Cash Misappropriated

A sum of Rs.25,836,766 had been shown continuously under Losses and Waivers in Form D.G.S. A. 7 of the Appropriation Accounts of the Ministry without being settled. A sum of Rs.16,141,919 being misappropriation of cash took place in the

Rome Embassy Office during the year 2009 too had been included under those losses and waivers.

(b) Payment of Hotel Charges

Twenty seven Officers of the Ministry had participated in a Programme held on 10 July 2012 in Pasikuda and had obtained the breakfast on that day from a restaurant in Pasikuda. A bill for Rs. 18,000 on 10 July 2012 and another bill for Rs. 27,000 for the same had been sent on 27 September 2013. Sending two bill for the same matter and making payment of the bill showing the higher amount on 13 January 2014 after a time delay of more than one year by the Ministry was a transaction of contentious nature.

(c) Payments for Deyata Kirula Exhibition Stall

Following matters were revealed in audit sample checks carried out with regard to Payments for Deyata Kirula Stall.

- (i) While bids had been called for to fulfill the requirements of the Exhibition Stall, bids submitted by the bidders were not available in the file furnished to audit. Due to that, it was not possible to ensure in audit that the quotations were included to the comparison document.
- (ii) While a price of Rs. 846,000 had been included and approved in the first payment for carpets, by the Project Consultant, it had been shown as Rs.1,307,957 increasing by a sum of Rs.461,957 in the final bill.
- (iii) Although it had been mentioned that the difference of the agreed value should not exceed one million according to clause 39.2 of the agreement entered into, when making payment after finalizing works, a sum of Rs. 2,108,822 had been overpaid. Although increase in the amount had been

justified and payment of balance amount including increased amount had been recommended through the reports of the Technical Evaluation committee, that recommendation had not been signed by two members of the Committee out of the three members, and it had been signed by only one officer. It was not possible to satisfy in audit with regard to the validity of this recommendation. Further a sum of Rs.2,108,822 had been paid extra for items obtained on hire basis indicating that it was due to extension of the exhibition period for two days by the Government.

3.12 Improper Transactions

Certain transactions entered into by the Ministry were improper. Few such instances observed are given below.

- (a) While 08 Hiring Vehicles had been obtained as at 30 September 2014, by this Ministry deviating from the Procurement Procedure, it was observed that certain vehicles were owned by the officers serving in the Department.

- (b) Although a maximum of 20 per cent of the contract value could be paid as an advance, only on furnishing an acceptable security bond in terms of Guideline 5.4.4.(1) of the Code of Government Procurement Guidelines, the Ministry had paid 50 per cent of the agreed value or Rs. 826,250 for the purchase of flags. It was not possible to ensure that the true number of flags purchased was received to the Ministry as it was not confirmed that the flags were received to the Stores of the Ministry and issues were made through the stores.

3.13 Un-economic Transactions

Details relating to Un-economic Transactions entered into by the Ministry revealed in sample audit checks are given below.

(a) Obtaining Technical Consultancy Services

Action had not been taken to recruit an officer for obtaining technical consultancy service for carrying out repairs of 98 vehicles of the Ministry during the period from January 2009 to August 2015. A sum of Rs.5,000 per month totalling Rs.290,000 had been paid from January 2009 to December 2013 for obtaining the service of a Transport Officer of a Government Corporation. That service had been obtained from the Foreman of the Ministry of Education from January 2014 to August 2015.

(b) Purchase of Two Super Luxury Buses

Two Buses of which the spot selling price was Rs.35,900,000 had been purchased for a sum of Rs.55,005,120 under leasing system on the promise of making payment in monthly instalment of Rs.916,752 for 60 months from 01 November 2013. Accordingly, an excess sum of Rs.19,105,120 had to be paid over and above the spot cash price by the Ministry. The two buses remained idle in the Ministry premises without being any covering and without being used for any purpose.

(c) Release of Baggage from the Harbor of Officers Arriving Back after Completion of Foreign Service

Following observations are made in this connection.

- (i) While the total payment for Release of Baggage from the Harbour of Officers arriving back after Completion of Foreign Service during the year 2014 was Rs. 12,784,674, out of that 29 per cent or Rs. 3,735,164 had to be paid as demurrage. This overall surcharge value had been paid as Rs.1,660,520 to a Domestic State Entity handling packages, Rs.1,839,093 to two foreign companies and Rs.235,551 to two private entities.

- (ii) A methodology to ensure that the payments are truly relevant to those respective Baggage, had not been introduced by the Ministry when making payment for the Baggage to be released.
- (iii) Bill of Loading, receipts or bills reimbursed relating to the sum of Rs. 137,182 reimbursed had not been attached to any payment voucher in support of relevancy of each payment which are the primary documents to support the genuineness of each transaction.
- (iv) It was not possible ensure whether bills amounting to Rs.104,876 are truly the bills relevant to the Ministry or amount paid is correct, in the absence of invoices.
- (v) The refunds of deposits placed for the containers hired in bringing the baggage by the officers, should be obtained or deducted when making payments to the clearing agent. However, deposits amounting to Rs. 49,000 connected with 07 containers had not been so recovered.
- (vi) Payments amounting to Rs. 335,015 reimbursed for the release of baggages could not be examined in the absence of relevant particulars.

3.14 Non-implementation of the Decisions of the Audit Management Committee

Although the Ministry published three advertisements in public newspapers for recruitment to Transport Officer including Technical Consultancy Service, it had not been able to recruit an Officer for that post even as at the commencement of the year 2015. At discussions of the Audit Management Committee held on 25 July 2013 and 16 January 2014, recruitment to be made to this post had been pointed out and the Director (Administration) had informed that suitable action will be taken with regard to this matter. However, such action had not been taken.

3.15 Audit Paragraphs not Resolved

Reference to paragraphs with regard to deficiencies pointed out in the Auditor General's Reports relevant to the Ministry and not rectified by the Ministry is given below.

Reference to Auditor General's Report		Subject Referred to
Year	Paragraph Number	
2013	1.9	Non-disclosure of particulars relating to losses and damages occurred to 08 vehicles and failure to take action in terms of Financial Regulation 104.
2013	1.10	Non-issue of circulars relating to payment of fines in the release of baggages of officers returning back to Sri Lanka after termination of service in Foreign Missions.
2013	1.11	Deeds of Lands had not been obtained from the Housing Development Authority to substantiate the ownership of 20 houses purchased having paid Rs. 20 million during the period from the year 2006 to 2012 for providing residential facilities of Foreign Service Offices, by Ministry of Foreign Affairs.

3.10 Human Resources Management

(a) Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	406	354	52
(ii)	Tertiary Level	148	123	25
(iii)	Secondary Level	918	839	79
(iv)	Preliminary Level	1,301	1,197	104
(v)	Others (Casual/ Temporary/ Contract Basis)	15	12	03
	Total	2,788	2,525	263

The Ministry had failed to fill 263 vacancies as at the end of the year under review.

(b) Scrutiny of Annual Transfers

While a list of officers who have continuously served in the same Institution for more than 05 years as at 31 December 2014 is required to be furnished to the Director General of Combined Services according to Paragraph (c) of the Combined Services Circular No. 02/2014 dated 26 June 014, information relating to 36 officers who had served in Combined Services for 06 to 19 years had not been reported in the list of names submitted from the Ministry to the Director General of Combined Services, contrary to paragraph 8.2 of the Circular.

(c) Human Resources obtained from Other Parties

While an Officer who had been engaged in a post of General Assistant in the Foreign Employments Bureau had been engaged in service for media works of the Minister from 18 January 2011 to March 2014, a sum of Rs.1,107,021 had been paid to the Foreign Employments Bureau on behalf of that.