

Head 239- Report of the Auditor General of the Department of External Resources- Year 2017

The Appropriation Account and the Reconciliation Statement under the Head and the Item Number mentioned in the First Schedule and the Third Schedule of the Appropriation Act No.24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 was furnished to audit by the National Education Commission. The financial and physical performance indicated by those Accounts and Reconciliation Statements is audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer on Financial

Management and Accountability

Earning state money and collecting money receivable to the Government and also, the general supervision on monitoring all financial activities of the Government is entrusted to the Minister of Finance in terms of the Financial Regulation 124 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers are appointed in terms of the Financial Regulation 124(2) to fulfill that responsibility by the Minister of Finance. The Head of the Department is the Accounting Officer on all monetary transactions of his Department and the Income Accounting Officer is appointed by the Treasury. The responsibility also includes planning, implementation and the maintenance of the internal control relevant to the maintenance, preparation and fair presentation of the Accounts and Reconciliation Statements furnished by fulfilling its functions within the scope determined by the Parliament in compliance with Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and with Administrative Regulations.

1.3 Scope of Audit

The audit of Head 239 Department of Law External Resources for the year ended 31 December 2017 carried out on planning relating to the financial and physical performance, management of state expenditure, state revenue, human and physical resources, deployment of internal control provisions, compliance with laws, rules and regulations and maintaining and updating books, registers, records and reconciliation statements, preparing and furnishing Accounts timely, issuing Performance Reports to the relevant parties based on the Performance Index 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 31 August 2018. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the 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

Audit observations revealed in the audit carried out in the Department of External Resources for the year ended 31 December 2017 are mentioned in details in the Management Audit Report mentioned in the Paragraph 1.3 above. The material and significant audit observations out of those observations are mentioned from paragraph 2.1 to paragraph 2.9 of this Report. It was observed that he has fulfilled his accountability as the Accounting Officer under the audit observations summarized and stated in the Note given below revealed in fulfilling the provisions stated in the Financial Regulation 128 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, confirming the sufficiency of financial administration

Accountability of the Accounting Officer in terms of the Financial Regulation 128(1)	Non- compliance to those provisions by the Accounting Officer	Reference to the paragraph in the Report in which the Observation is included
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Financial
Regulation

128(1)(a)	That the activities of the Department are implemented by planning with discretion by considering the challenges of the Department in making available financial provisions for the policy prescribed and stated by the Government and the authorized activities and stating the effort to complete the prescribed programme for the relevant year and/or to achieve the prescribed target.	<ol style="list-style-type: none"> 1. Deficiencies in planning for the Sustainable Development Goals. 2. Not preparing the Budget Estimates in a realistic manner. 3. Deficiencies in preparing Imprest Estimates. 4. Non- maintenance of Registers and Books. 	<p>2.1</p> <p>2.4</p> <p>2.6</p> <p>2.7</p>
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128(1)(c)	That Financial Regulations and other Supplementary Guidelines are being followed in his Department and Departmental Orders are being issued in addition, in necessary instances.	Non- compliances.	2.9
128(1)(h)	That, special provisions are being made to recover the outstanding fees and that it is reported to him at least once in three months or in any other manner on the outstanding money and on the steps taken to expedite the recovery of that money by the Officers who are entrusted with that function.	Recovery of Outstanding Loan Balances in the Advances to Public Officers' Account.	2.5
128(1)(i)	That, activities of his Department are being carried out by giving a proper attention on being economical, efficient and honest in executing the functions of the Government.	Management weaknesses	2.3

2. Material and Important Audit Observations

2.1 Planning

Even though the Sustainable Development Goals of empowering the opportunities of the implementation of Global Corporation and prosperity had been identified as the objectives that should be achieved as per their scope by the Department on being aware of the Sustainable Development Goals, Agenda 2030,

action had not been taken to identify the targets, base data, goals that the targets should be achieved and also the index for the evaluation of the progress relating thereto.

2.2 Assets Management

(a) Documentation of Assets

Thirteen types of Goods received to the Department as per the Annual Board of Survey Report of the year 2017 had not been included into the Inventory.

(b) Utilization of Vehicles

Eleven motor vehicles remained belonging to the Department by the end of the year under review. One motor vehicle out of them had run 118,058 kilometers and a total sum of Rs.8,657,102 had been spent as a sum of Rs.3,624,491 for fuel and lubricant, a sum of Rs.495,915 for the service of the motor vehicles and a sum of Rs.3,885,323 for the insurance of the motor vehicles. As such, a sum of Rs.73 had been spent for a kilometer excluding the salaries and allowances of drivers for the running of the motor vehicles of the Department, in calculating as per the information provided by the Department.

2.3 Management Weaknesses

2.3.1 Financing of Foreign Projects

The following observations are made.

- (a) Weaknesses in achieving the function of inquiring on the operation of the projects financed by Foreign Loans/ Grants appear below.
 - (i) The first Loan Agreement, for a sum of Saudi Riyal 75 million relating to the Epilepsy Hospital and Medical Centres Project and the second Loan Agreement for supplementary loans amounting to Saudi Riyal 45 million had been entered into, on 26 March 2008 and on 30 October 2015 respectively. Even though it had lapsed about 10 years after entering into the agreement by the year 2017, this project had not fully completed and the need for Supplementary Provisions amounting to Rs.600 million had arisen on the budget provision not being sufficient for this project in the year 2017. The application for the reimbursement of the expenses being valued at Rs.205,667,230 as sums of Rs.45,978,900 and Rs.159,688,330 respectively furnished in the years 2016 and 2017 had not been reimbursed even up to 31 December 2017. However, a sum of Saudi Riyal 13.12 million or, approximately 20 per cent of the total loan amount had been refunded under the Loan No.4/477.

- (ii) A Loan Agreement had been entered into by the Government of Sri Lanka for a sum of Japanese Yen 14,495 million with the Japanese Bank for International Cooperation on 28 March 2006 for the Galle Harbour Development Project. This project which had been identified as a project of priority among the development projects had been scheduled to be completed on 19 May 2016. However, the period of the project had extended from one year up to 19 May 2017 for obtaining the approval of the UNESCO World Heritage Centre, for the project. This project of which Japanese Yen 458 million being released stating that the amount saved after obtaining the UNESCO approval is not sufficient to successfully complete the project, had been cancelled by the Government on 11 July 2017. However, Japanese Yen 10,782,000 had been paid as loan interests and Japanese Yen 351,000 had been paid as other payments from 31 December 2006 to 2016, relating to this Loan Agreement.
- (iii) Even though a loan not exceeding US\$450 million receivable from the Export Development Bank of Iran to Sri Lanka in terms of the agreements under the Project No.2008027, the amount which had been received by the year 2017 had been only a sum of US\$50,619,304. A total sum of US\$12,549,959 had been paid as sums of US\$10,123,861, US\$692,613 and US\$1,733,455 respectively as installment payments, interest payments and other payments in the year 2017.

(b) Delays in the Implementation of Foreign Funded Projects

- (i) Even though it had lapsed approximately 3 years after entering into the loan agreement relating to the Project on Digital Broadcasting Transition Roadmap in Asia- Pacific, that project had not reached its Implementation Stage. A sum of Japanese Yen 27,434,000 had been paid to the Foreign Implementation Agency relating to that project and it was observed that it had only been a payment of money without development benefits.
- (ii) An agreement had been entered into on 20 December 2011 with the Kuwait Fund for Arab Economic Development for the Development of the South Eastern University Stage 1- 'B' Project. It had been scheduled to complete the activities of the Project by the end of the year 2013 as per the agreement. However, the period that this project should be completed had been extended to 30 June 2018 in 03 instances due to the project not being able to be completed as per the plans. However, the concessional period for the repayment of loans had been expired by December 2017.
- (iii) A sum of US\$727.3 million had been the total of 03 projects implemented under the Asian Development Bank, one project under the World Bank and one project of which funds being supplied by the Government of Japan. The period of these projects of which a considerable period had lapsed after its initialization had remained in their final stage. However, the utilization of funds for that project as at 31 December 2017 remained at a low level from 5 per cent to 61 per cent.

(c) A sum of US\$6,559,020 had been received in the year under No.2016041 Project for importing 20,000 milch cows valued at US\$73,954,054 from Australia. Sums of US\$77,434 and US\$65,410 respectively had been paid as interest and as other payments relating thereto. Even though a sum of Rs.2, 638,324,149 has been spent for importing 5,000 cows as the First Phase in the year 2017, the benefits intended from the imported milsh cows had not been received. However, an Advance amounting to US\$11,093,108 (a sum of Rs.1,719,431,776) without budgetary provisions had been paid to the Australian supplier for the project as the Second Phase on 08 May 2018.

2.3.2 A total sum of Rs.2,288,323 had been paid in December 2017 as a sum of Rs.1,057,500 for three Officers as air fare for their departure to Germany for entrant into agreements for making available supplementary provisions to the Mahamodara Maternity Hospital Project which was scheduled to be entered into in Sri Lanka before 06 December 2017 and to Hungary to conduct discussions relating to 04 projects that had not been entered into even by August 2018 and, a sum of Rs.1,230,823 as combined and casual allowances for three Officers.

2.4 Utilization of provisions made available by the Parliament for the execution of Functions

Details on the provisions made available to the Department, utilization and savings within 05 years from the year ended 31 December 2017 and the audit observations in this connection appear below.

Year	Type of Expenditure	Net Provision	Utilization	Saving	Saving as a percentage of the Net Provision
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		Rs.Millions	Rs.Millions	Rs.Millions	
2013	Recurrent	316.15	182.99	133.16	42.00
	Capital	1420.27	1388.25	32.02	2.25
	Total	1736.42	1572.25	165.17	9.51
2014	Recurrent	264.90	184.88	80.02	30.20
	Capital	1272.25	890.31	381.94	30.02
	Total	1537.15	1075.19	461.96	30.00
2015	Recurrent	333.24	196.97	136.27	41.00
	Capital	2674.61	677.86	1996.76	75.00
	Total	3007.85	874.82	2133.03	71.00

2016	Recurrent	351.39	218.52	132.86	38.00
	Capital	2434.46	2344.14	90.32	4.00
	Total	2785.84	2562.66	223.18	8.00
2017	Recurrent	598.53	585.16	13.37	2.00
	Capital	2687.35	2684.57	2.78	0.11
	Total	3285.88	3269.73	16.15	0.50

The following observations are made for the year under review.

- (i) Provisions amounting to 219 per cent had been obtained as compared with the initial estimate by Supplementary Estimates for foreign tours in the year under review.
- (ii) Savings totalling Rs.1,758,921 of the Net Provision totalling Rs.3,189,000 remained in 03 Capital Objects and it was ranging from 50 per cent to 91 per cent.

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.23901 of the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
7.00	6.99	3.50	4.44	30.00	22.13

According to the Reconciliation Statement furnished to audit, the balance which remained recoverable as at 31 December 2017 had been a sum of Rs.75,166 and it remained from periods of one year and of 08 months respectively.

2.6 Imprest Accounts

Details on the Imprests intended to obtain monthly as per the Imprest Estimate prepared by the Department for the year under review, Imprests applied monthly and the Imprests received, appear below.

Month	Imprest that should be applied as planned	Applied Imprest	Imprest Received	Difference between the Applied Imprest as planned	Difference between the Applied Imprest and the Imprest Received
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	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
January	8.15	1625.06	1623.43	(1616.91)	(1.63)
February	8.10	9.66	8.76	(1.56)	(0.90)
March	93.82	16.16	13.40	77.66	(2.76)
April	8.70	19.29	14.18	(10.60)	(5.12)
May	8.45	15.76	9.90	(7.31)	(5.86)
June	93.72	181.53	176.24	(87.81)	(5.29)
July	8.70	16.94	12.80	(8.24)	(4.14)
August	8.70	190.15	109.45	(181.45)	(80.70)
September	93.97	203.79	203.40	(109.81)	(0.39)
October	8.45	9.59	7.89	(1.14)	(1.70)
November	96.02	13.85	9.19	82.17	(4.66)
December	1624.25	37.80	23.50	1586.45	(14.30)
Total	2061.03	2339.58	2212.14	278.55	(127.45)

Even though the Imprest that should be applied had been a sum of Rs.2061.03 million as planned for the year under review, a sum of Rs.278.55 million had been over- applied on a sum of Rs.2339.58 million being applied. Moreover, a sum of Rs.151.11 million had been obtained exceeding the Imprest that should be applied, as planned.

2.7 Non- maintenance of Registers and Books

The Register of Fixed Assets had not been maintained and updated in terms of the Treasury Circular No.842 of 19 December 1978/Appendix 11 of the Financial Regulation 502(2).

2.8 Non- compliances

Non- compliance with Laws, Rules and Regulations

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

Reference to Laws, Rule and Regulations	Value	Non- compliances
Paragraph 4(b) of the Circular of the Ministry of Finance No.01/2015/01 of 15 May 2015	2,603,967	Making payments to 13 Officers who participated from the Department of External Resources for the Project Management and Notification Skills Training Programme held in Australia.

2.9 Human Resources Management

2.9.1 Attached Cadre, Actual Cadre and the Expenditure for Personnel Emoluments

Details on the Attached Cadre, the Actual Cadre and the Number of Vacancies as at 31 December 2017 for the execution of functions of the Department appear below. A sum of Rs.78.14 million had been spent for the Personnel Emoluments Expenditure Code by the Department in the year under review. As such, the Per Capita Expenditure had been a sum of Rs.630,133, annually

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	57	46	11
(ii) Tertiary Level	04	03	01
(iii) Secondary Level	63	51	12
(iv) Primary Level	31	24	07
Total	155	124	31

The following observations are made.

- (i) The period of service in the Department of External Resources of 20 employees of the employees who are employed in the actual cadre was ranging from 5 years to 17 years. As such, it was observed as an instance where the opportunities to obtain fresh knowledge, comments and experience to the Department and the opportunities which external officers could be attached being dispossessed.
- (ii) Even though the approved cadre had been 155, there were 31 vacancies and it consisted of 11 vacancies in the Senior Level and of 12 vacancies of the Secondary level on the actual cadre being 124.