

Head 112 – Ministry of Foreign Affairs – 2022

1. Financial Statements

1.1 Qualified Opinion

Head 112 - The audit of the financial statements of the Ministry of Foreign Affairs for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Foreign Affairs was issued to the Accounting Officer on 19 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 25 May 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Ministry of Foreign Affairs as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are consistent with the previous year,
- (b) The recommendations which I had made with regard to the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following deficiencies were revealed.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) A vehicle valued at Rs. 16,000,000 assigned to the Ministry of Power and Energy in the year 2019 and 05 vehicles valued at Rs. 21,250,000 that were disposed in the year 2020 had been mentioned in the statement of financial position of the year under review and a vehicle valued at Rs.4,200,000 had been recorded twice in the statement of financial position.	Actions will be taken to remove the values of vehicles transferred, disposed and recorded twice.	Value of vehicles should be accurately recorded in the statement of financial position.
(ii) Ten vehicles had not been entered in the statement of financial position and a sum of Rs.252,730 had been entered for a van without a vehicle number.	Actions will be taken to revalue the value of the vehicles and enter them in the Cigas Vehicle List and to remove the value of Rs. 252,730 from the Cigas Vehicle List.	Value of vehicles should be accurately recorded in the statement of financial position.

(b) Lack of Evidence for Audit

The audit evidences had not been submitted in respect of the following transactions .

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The vouchers for the recurrent expenditure amounting to Rs.12,302,725,029 and the capital expenditure amounting Rs.39,229,873 in the year under review in 66 foreign Missions were not submitted to audit.	Actions will be taken to submit the payment vouchers relating to Missions for audit.	All payment vouchers should be submitted to Auditor General.
(ii) Documents related to writing off/settlement of security deposits/ad hoc sub-impressts for a total amount of Rs.3,736,755 had not been submitted for audit.	The documents mentioned herein have already been submitted for audit.	Although it was stated that the documents have been submitted for audit, as the documents have not been submitted, the relevant documents should be submitted
(iii) Schedules for a sum of Rs. 11,508,887,742 for advance receipts from Treasury and for a sum of Rs.7,264,782,498 for imprest receipts from other sources were not submitted for audit.	The documents mentioned herein have already been submitted for audit.	-do-

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Imprest Account No. 7002-0-0-035-13		
(i) Although the imprest account balance consists of the unsettled advances pertaining to the year 2013 and preceding years and out of the imprest balance of Rs. 89,919,237 of the preceding year, only a minor percentage such as Rs. 3,958,719 equal to 4.4 per cent had been settled during the year.	Investigations activities are being done by appointing a Committee to look into all the balances related to the imprest accounts and to take prompt actions.	Actions should be taken to recover outstanding advances promptly.
(ii) A number of 242 deposits amounting to Rs. 55,619,842 out of the security deposits made for the houses provided to the staff who went abroad for foreign Mission service had entitled to unused houses. Out of which, a sum of Rs.12,296,875 were for more than 20 years and a sum of Rs.39,482,801 were in between 10 to 20 years and the remaining amount of Rs.3,840,166 had been for more than over 9 years. Even though the Director	The available information is being reviewed and the settlement of balances is in progress. Also, most of the security deposits made recently have been recovered as per internal circulars. Similarly, actions have been taken to recover the most of the security deposits made recently as per internal circulars.	A system should be prepared to recover the security deposits kept for unused houses and outstanding advances should be settled promptly.

General of the Foreign Missions Control Division of the Foreign Ministry had given instructions in internal circular No. 250 dated 01 September 2009 regarding the recovery of those deposits, steps had not been taken to recover the deposits.

- (iii) Although the ad hoc sub-impresst should be settled as soon as the task is completed, a number of 127 ad hoc sub-impressts amounting to Rs. 29,861,398 had included in the unsettled impresst balance. Out of that, a sum of Rs. 699,358 had exceeded 20 years and a sum of Rs.12,834,946 was in the range of 10 to 20 years and the balance of Rs.16,327,094 had exceeded 08 years.
- It was recognized that the value of Rs.3,736,756.00 related to 03 items mentioned here has arisen on accounting errors and actions will be taken to be accounted for and corrected by the respective Mission.
- Actions had not been taken to identify the responsible officers and to settle outstanding advances and take necessary rectification without delay.

(b) 7002-0-0-35-22 Imprest Account

- (i) The outstanding advances in this impresst account balance was Rs.364,525,410 as at 31 December of the year under review. Out of the security deposits amounting to Rs. 62,637,985 made for the houses provided to the personnel who went abroad for Foreign Mission Service, the number of deposits for the houses
- Information has already been found to settle the security deposits placed for the houses and actions will be taken to the balances.
- A mechanism should be formulated to collect the security deposits placed for housing of foreign Mission officers at the time of completion of their service period.

where the Mission Personnel have not settled were 108. Out of which Rs. 2,237,738 had exceeded 20 years and Rs. 14,338,555 had exceeded 10 years. Further, advances amounting to Rs.22,712,529 had ranged from 05 years to 10 years.

- (ii) The deposit placed and unsettled for the houses where the Mission Staffs were not resided relating to 04 closed Missions had been Rs. 19,573,769 .
- The settlement of balances will be continuously done based on the information received as per legal and administrative requirements. Actions should be taken to settle the deposits promptly.
- (iii) Within the outstanding advances, a sum of Rs.17,486,532 was ad hoc sub-imprests and of which there were a sum of Rs.2,526,120 for more than 20 years, a sum of Rs.2,227,286 for more than 10 years and Rs.5,458,192 for more than 05 years.
- The activities on gathering and settlement of information regarding ad hoc sub-imprests are being done. Actions should be taken to identify responsible officers and settle outstanding advances.
- (c) Although, a sub imprest should be settled immediately after the completion of the task in terms of Financial Regulation 371, a period of time ranging from 09 to 18 years had elapsed for the unsettled advances of Rs.548, 054 in respect of 02 Foreign Missions mentioned under damages.
- A committee has been appointed to review and to take actions and the arrangements have been made to settle on the recommendations of the Committee. Actions should be taken to identify responsible officers and settle outstanding advances.

2.2 Non- compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of laws, rules and regulations are analyzed below.

Reference to the Laws, Rules, Regulations etc.	Audit Observation		Comments of the Chief Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 571	699,419	Although the unclaimed deposits for 2 years from the date of deposit should be credited to government revenue, arrangements had not been made accordingly in respect of 06 deposits totalling to Rs.699,419 .	Arrangements will be made to settle in future.	Actions should be taken in terms of Financial Regulations.
(ii) Paragraph 142 of the Procedural Rules published in the Special Gazette No. 1589/30 dated 20 February 2009	12,917,591	Although the temporary or permanent release of a government officer from government service should be done with the approval of the relevant appointing authority, the Ministry had assigned officers to the Lakshman	As arrangements are being made to approve formal staff for the Lakshman Kadirgamar Institute of International Relations and Strategic Studies in the future, arrangements will be made to formally appoint officers as soon	Arrangements should be made to act in accordance with the relevant provisions.

			<p>Kadrgamar as the work is Institute of completed International Relations and Strategic Studies without being formally released them and sum of Rs.12,917,591 had been paid by the Ministry during the year under review as their salaries.</p>		
(iii)	<p>Public Finance Circular No. 01/ 2016 dated 08 January 2016 and Circular No. 01/ 2016 (i) dated 22 July 2019</p>	3,796,550	<p>A Strategic Communication Unit with 05 officers had been established with effect from 01 August 2021 to provide emergency services to the government. Although payments for such work should be limited to contracts not exceeding 90 days as per the instructions in the circulars, these officers had been recruited for a period of one year. Although the maximum allowance that can be given for a complete contract work is</p>	<p>As the allowances paid to these professionals are inadequate when comparing with their qualifications, they have agreed to serve on salaries. The guidance and assistance of the Secretary to the President has been sought in this regard.</p>	<p>Actions should be taken in terms of the circulars.</p>

Rs.150,000 as per the circular instructions, a sum of Rs.3,796,550 had been spent for the entire contract.

(iv)	Paragraph 08 vii of Pension Circular No. 07/2015 dated 23 July 2015	716,784	Although each month's contribution should be made available to the Public Employees' Provident Fund before the 10th day of the following month, the contributions of Rs. 716,784 deposited in the general deposit account on 30 June 2022 had not been sent to the Public Employees' Provident Fund.	There was a difficulty to send the monthly contributions to the Employees' Provident Fund on the due date, and arrangements are currently being made to send the arrears amount.	Actions should be taken in terms of the circulars.
------	---	---------	--	--	--

2.3 Operating Bank Accounts

The deficiencies revealed at the audit test check carried out in respect of Operating Bank Accounts are shown below.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Actions had not been taken in respect of 120 cheques issued but not presented for payment as at 31 December of the	It has been noted to make arrangements in terms of Financial Regulation 396 (d).	Actions should be taken in terms of Financial Regulation 396 (d).

year under review amounting to Rs.6,509,030 in the Ministry and held by the Ministry of State and a cheque valued at USD 2500 of a Foreign Mission in terms of Financial Regulation 396 (d) .

- | | | |
|---|--|---|
| <p>(b) Fourteen cheques amounting to Rs. 1,003,884 of the Ministry during the period from April to November of the year under review and 05 cheques deposited in Canberra and Berlin Missions between 2010 and 2017 had not been realized received till the end of the year under review.</p> | <p>The necessary arrangements are being made to identify the information and to correct.</p> | <p>Actions should be taken to settle the cheques deposited but not realized</p> |
| <p>(c) There were an amount Rs.3,185,169 from September of the year 2021 to November of the year under review as unidentified debits of the Ministry and 12 cheques as unidentified debits of two Foreign Missions from the year 2000 to the year 2021.</p> | <p>The arrangements are being made to identify and to settle the unrecognized debit balance of the Ministry and instructions have been given to identify and account for cheques of the embassy offices.</p> | <p>Actions should be taken to settle unidentified debits promptly.</p> |
| <p>(d) Actions had not been taken to identify and settle receipts of Rs.5,620,093 made directly to the bank account during the period from December 2021 to November of the year under review.</p> | <p>Arrangements are being made to identify and settle unrecognized credits.</p> | <p>Actions should be taken to settle unidentified debits promptly.</p> |

- | | | | |
|-----|---|--|--|
| (e) | Necessary actions had not been taken in connection with the theft of USD 1,583 in 2011 at the Los Angeles Mission. | As the money has not been recovered from the person who stole it, the Mission has been informed to submit applications for writing off the losses. | Actions should be taken to settle the stolen money promptly. |
| (f) | Bank reconciliation statements for 07 accounts of 05 Missions had not been submitted to the Auditor General in terms of Financial Regulations 395 (b) . | The bank reconciliation statements will be submitted for audit after they are received . | Actions should be taken in terms of Financial Regulation. |

3. Operating Review

3.1 Assets Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Title deeds had not been obtained for 17 housing units in the 117 Watta Apartment Complex, Elvitigala Mawatha, Colombo 08, purchased by the Ministry.	Requests have been made to give the deeds for the 17 houses that have been purchased and the related activities are in the final stage.	The ownership of the property should be transferred to the Ministry.

3.2 Losses and Damages

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Out of the losses to be further recovered or written off or waived in relation to Sri Lankan Missions abroad, a sum of Rs. 19,640,441 had exceeded 10 years and out of which, the legal	A Committee has been appointed to review and to take actions on these values reported as losses and damages and the settlement activities are being done	Arrangements should be made to settle the losses promptly.

- | | | |
|---|--|---|
| <p>actions taken in respect of the damages amounting to Rs. 16,141,919 had not been completed. The value of outstanding damages for a period ranging from 05 years to 10 years was Rs.1, 275,303.</p> | <p>continuously continue on the recommendations of the Committee.</p> | |
| <p>(b) Actions had not been taken to release 12 home security deposits totaling to Rs.2, 469,849 and a time period ranging from 08 to 20 years had elapsed for that.</p> | <p>Arrangements have been made for prompt settlement.</p> | <p>Actions should be taken to be released the home security deposits on time.</p> |
| <p>(c) Actions had not been taken in respect of 02 vehicle accidents totaling to Rs. 606,827 occurred in Pitoria Foreign Mission in the years 2014 and 2015 and losses of Rs.259,800 related to 04 incidents in 03 Foreign Missions in terms of Financial Regulations 104(i).</p> | <p>A sum of Rs. 606,827 has been submitted for the recommendations of the Committee regarding the write offs of damages and it has been submitted for approval for the write off of losses of Rs. 259,800.</p> | <p>Actions should be taken in terms of Financial Regulations.</p> |
| <p>(d) In case of loss of money, stamps, tickets etc. due to shortage, misuse or any other matter, the lost amount should be recovered immediately in terms of Financial Regulations 106; actions had not been taken so in connection with the theft of Rs.1, 014,295 from the London Foreign Mission.</p> | <p>The loss writing off committee has re-reviewed and submitted for approval of writing off of the losses.</p> | <p>The relevant amount should be recovered as per the Financial Regulations.</p> |

3.3 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although there are buildings belonging to the Sri Lankan government in Sweden and Kenya where there are Foreign Missions, a sum of Rs.55, 583,113 had been paid in the year under review as rent for the quarters due to non-maintenance of them.	The answer will be presented later.	The assets should be managed effectively.
(b) Even though it had been stipulated by the Committee on Public Accounts Directive No. 07 held on 07 August 2018 to analyze the formal criteria applied by each country and submit a report in appointing staff to Foreign Embassies, the report had not been submitted even by the end of the year under review.	The criteria for the officers employed by the Department of Commerce, Department of Labour and Ministry of Defense have been called and the criteria for the officers of this Ministry is being prepared.	Actions should be taken in terms of the Directives of the Committee on Public Accounts.
(c) If an officer dies or retires before recovering of the full amount of debt, although all the money due from him to the Government should be recovered in accordance with Section 04 of Chapter xxiv of the Establishments Code, the debt balance of Rs.472, 532 from 07 deceased officers and a balance of Rs.962, 265 to be recovered from 08 retired officers amounting to Rs.273,560 for more than 5 years had not been settled.	Actions are being taken to recover the balances receivable from deceased and retired officers.	Actions should be taken in accordance with the provisions of the Establishments Code.

- (d) A debt balance of Rs. 1,317,101 has to be collected from 15 officers who have left the service and the balance in that loan balance over 05 years was Rs.662,946 .
- Actions are being taken to recover the loan balances of 11 officers and information about debt recovery of other officers will be presented later.
- Actions should be taken to recover the outstanding loan balances of retired officers.
- (e) A debt balance of Rs. 347,495 to be received from 10 officers who have completed their service and the loan balance for more than 5 years within that was Rs. 299,955 .
- Actions will be taken to settle the debt balance of the officers who have resigned from their service, according to the circular No. 01/2020
- Actions should be taken to expeditiously settle the outstanding loan balances of retired officers.
- (f) Actions had not been taken to identify and settle an unidentifiable loan balance of Rs. 1,499,176 of 14 officers that had remained for more than 05 years
- Answers have not been given.
- Actions should be taken to identify and settle unrecognized outstanding loan balances.
- (g) A person who had left for work in Saudi Arabia met with an accident on 24 October 2012 and became totally disabled. Even though 10 years had elapsed since the accident, no compensation whatsoever had been received. The matters such as the file was not found in the Traffic Department of that country for almost 03 years, the embassy did not appear in the court for the scheduled cases and although it was stated that the case will be handed over to a private legal service provider in the year 2019, non-fulfillment of those works up to the year 2022 had mainly attributed to this delay.
- A Committee headed by the Additional Secretary (Pradutha) has been formed to study the cases of compensation claims of people who have been injured or dead while working abroad and the files related to the compensation cases are being studied from the beginning and arrangements are being made to take necessary future steps.
- The responsibility of the Embassy Officials should be fulfilled efficiently.

- (h) A woman who went abroad for work as a domestic worker in the State of Kuwait on 19 December 2009 died on 29 January 2012 and it was stated that the organs of the deceased had been removed and there were a lot of scratch marks on the body according to the postmortem conducted on the dead body brought to Sri Lanka. Even though 10 years had elapsed, the Embassy had failed to obtain the Forensic Medical Report related to this death and the Embassy Officers had not efficiently attended on this case in investigating the possibility of getting any compensation for this woman. - do - - do -
- (i) A woman who had been working as a domestic worker in the State of Kuwait for about 17 years had died in the Shelter on 17 October 2011. As it was alleged that the employer had removed a kidney while the deceased was alive, although the Director General (Consular) had directed to carry out relevant investigations and get a report and arrange to get a Postmortem Report and Forensic Medical Report, the Embassy had failed to get the records even after 11 years since the death. - do - - do -
- (j) It had been impossible to obtain police reports to confirm whether the cause of death of a person who died in Jeddah in 2011 was a suicide or an - do - - do -

accident even by the end of the year under review and the Embassy had not taken actions efficiently in respect of getting insurance coverage and getting compensation.

- (k) It was observed in the audit test check carried out that the compensation claim files of the year 2012 of the Riyadh Foreign Mission have not been updated after 2018 and although 10 years had elapsed by the year under review, the officers had not acted responsibly in respect of verifying the existence of compensation claims. - do - - do -
- (l) Even though it had been planned to merge electronic document certificates system (e - DAS) to facilitate make efficient the verification of G.C.E (O/L), G.C.E (A/L) examination certificates and birth, marriage, death certificates which were the services provided by the Foreign Ministry to the public, together with the Registrar General's Department and Examination Department, the activities had not been completed. An agreement has been prepared with the assistance of the Legal Department to implement the system and discussions are being carried out with the Examinations and Registrar General's Departments to complete the merger. Planned activities should be completed on time

4. Human Resources Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although the approved staff of the Ministry was 611 as at 31 December of the year under review, the actual staff was 620 and 21 vacant posts and 30 excess posts. Although the approved number of Mission Staff was 528, thus the actual cadre was 370, the vacant posts were 158 . Further, thus the non-local staff was 582 and the actual staff was 403 in the Missions, the number of vacancies were 179.	Agree with the staff information presented.	Arrangements should be made to revise the approved staff as required.
(b) Although the number of approved Development Officers and Management Service Officers belonging to the Secondary Level of the Ministry were 74 and 169 respectively, the actual number was 100 and 194 respectively, the excess had been 26 and 25 .	There was an excess due to the arrival of management service officers by the completion of Foreign Missions and arrangements are being made to manage excess staff through annual transfers 2024. There are 20 development officers appointed as graduate trainees under the program of employment of unemployed graduate trainees in the year 2020 and 2022 and assigned to this Ministry by the Director General of Combined Services.	Approval for the excess staff should be obtained and recruitment should not be done in outside the approved number of staff.

- (c) Although the number of approved posts of Director General was 09, the actual number had been 19 including 10 Directors General appointed on acting basis without obtaining a formal approval.
- There are 09 posts of Director General in the approved staff and as the amount is not sufficient for the increasing workload, the Ministry has made arrangements to appoint Acting Director Generals and that a request has been made to the Department of Management Services to increase the number of posts.
- Appointments should be made on acting basis only for the approved posts.