

Head 112 –Ministry of Foreign Affairs - 2023

1. Financial Statements

1.1 Opinion

Head 112 - The audit of the financial statements of the Ministry of Foreign Affairs for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended including material accounting policy information 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 30 May 2024 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 31 May 2024 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, the financial statements prepared give a true and fair view of the financial position of the Ministry of Foreign Affairs as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

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 and 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.

2. Comments on Financial Statements

2.1 Imprest Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Imprest Account No. 7002-0-0-35-13		
(i) The balance of imprest account as at 31 December of the year under review was Rs. 50,970,216 and it consisted of unsettled advances relating to 2013 and years prior to that. Within that balance, there were a sum of Rs.32, 474,452 and a sub imprest of Rs.18,495,764 related to 103 security deposits kept for unused houses which were given to staff who went abroad for foreign mission service.	After discussing in Audit Management Committee meetings, Committees were appointed internally by the Ministry to make recommendations related to settlement of these balances. Accordingly, actions will be taken to settle the indicated balances.	Unsettled advances should be cleared promptly.
(ii) From the security deposits kept for unused houses, a sum of Rs. 3,602,632 had exceeded 20 years and a sum of Rs.28, 871,820 had belonged to a period between 10 and 20 years. Even though the Internal Circular No. 250 dated 01 September 2009 of the Ministry had given instructions regarding the	-do-	Actions should be taken to recover security deposits held for the houses remained in idle.

recovery of those deposits, actions had not been taken to get refunded those deposits accordingly.

(iii) Even though the Frankfurt Mission had been closed, security deposits of Rs.2, 234,933 kept for the houses had not been settled. -do- Actions should be taken to settle promptly.

(iv) Even though, the ad hoc sub imprests should be settled immediately after the completion of the task in terms of F.R. 371 of Financial Regulation of the Democratic Socialist Republic of Sri Lanka, due to failure to act accordingly, a balance of Rs.18, 495,764 of unsettled ad hoc sub imprests which had been given in 69 cases had remained in the imprest account. A sum of Rs.1, 585,560 in this ad hoc sub imprest balance had exceeded 20 years and a sum of Rs 16,910,769 had belonged to a period ranging from 10 years to 20 years. -do- Actions should be taken to settle ad hoc sub imprests.

**(b) Imprest Account -35-0-0-7002
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(i) Within the imprest account balance of Rs.959,519,202 as at 31 December of the year under review a sum of Rs. 56,629,614 had applicable to 134 deposits kept for unoccupied houses of mission staff. Out of that value, a sum of Rs. 2,486,516 for 20 years and a sum of Rs. 10,177,716 for more than 10 years had been deposit values Arrangements are continuously being made in relating to recovery of security deposits kept on unoccupied houses and a sum of Rs.3, 460,277 have been collected in the year 2023. The settlement of balance of Rs. 56,629,614 is being done Arrangements should be made to settle the unsettled imprests and security deposits kept for houses should be recovered at the time of end of service of foreign mission officers.

and an amount of Rs.27,754,083 continuously.
had belonged to a period
between 05 years to 10 years .

- (ii) Security deposit of Rs. 9,199,873 kept for houses belonging to three closed missions had not been settled. With the decision to close these missions being made quickly, having to vacate before the expiry of the relevant tenancy agreement was something that happened beyond the control of the officers was something that happened beyond the control of the officers and also difficulties in directly intervening to recover these balances as there is no physical operation in the respective country had arisen. However, it has also been sent to the appointed committee to give recommendations about this balance. Actions should be taken to settle the deposits promptly.
- (iii) As per the provisions of Ministry Circular No. X – 301 dated 26 February 1967 relating to House Rent Payments, it had been stated that the respective officer should be personally responsible for the security deposits / rental advances given to the staff who have gone abroad to serve on foreign missions. Nevertheless, due to the damage caused to houses, a sum of Rs.6, 009,786 had been written off as government expenditure without taking formal steps to recover the advances unpaid by the house owners, from the responsible officers. Instead of having new houses on rent, the same houses used by previous officers are used in practice. Because of this, since it is not possible to determine a specific person to make a charge, taking of actions has been done based on the recommendations made by studying the balances difficult to find information remaining for a long period of time by the appointed committee. A methodology should be prepared to identify and recover the responsible officers.

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| <p>(iv) Even though the ad hoc sub imprests should be settled immediately after the completion of the task in terms Paragraph 371 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, due to failure of acting accordingly, there was an ad hoc sub imprest of Rs.5,619,509 in the outstanding advances of Missions. There were ad hoc sub imprests exceeding 10 years amounted to Rs 446,388 and ad hoc sub imprests exceeding 5 years amounted to Rs 1,724,058 within this value.</p> | <p>A schedule has been submitted in respect of ad hoc sub imprest amounting to Rs.5, 619,509 related to foreign missions.</p> | <p>Arrangements should be made to settle the ad hoc sub imprests.</p> |
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2.2 Expenditure Management

Audit Observation

Even though it is the responsibility of the Chief Accounting Officer to prepare the estimates as completely and accurately as possible, in terms of Financial Regulation 50 (II) of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka, the provisions of Rs.153,106,068 in 08 capital expenditure objects and Rs.45,575,069 in 04 recurrent expenditure objects had not been utilized ranging from 58 per cent to 99 per cent.

Comments of the Chief Accounting Officer

Even though estimates and provisions had been made available as notified by Budget Circular No. 01/2023 and 02/2023, savings in provisions have been reported due to the favorable situation in the exchange rate during the period in which expenditure was reduced to the maximum extent and the expenditure incurred in 2023 was higher than when preparing the estimates for 2022.

Recommendation

Estimates should be prepared as completely and accurately as possible.

2.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of Laws, Rules and Regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation to Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Section 1.2 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	(i) According to the Establishments Code, appointment or promotion can be made only to a post in the approved cadre. Nevertheless, although the approved number of posts of Director General of Foreign Service is 09, the actual number was 17 including 08 Director Generals appointed for acting basis. Further, the approval of the appointing authority had not been not obtained for the appointment of 05 Acting Additional Secretaries.	The activities on establishing of the relevant appointments are currently being carried out. The Secretary of Foreign Affairs took actions to appoint the most senior officers of Foreign Service Grade I with the covering approval of the Public Service Commission on the acting basis of work to carry out the affairs of the Ministry without interruption.	When making appointments for acting basis Establishments Code and Procedural Rules should be followed.

(ii) Although official allowances and privileges of any post can be entertained by the acting officers in that position or performing the duties during the time of acting or performing the duties in terms of Section 136 of the Procedural Rules, official vehicles had been reserved for 08 Acting Director Generals who were appointed without obtaining the approval for the approved post and appointment authority and a sum of Rs.3,650,191 had been paid as fuel allowance in the year under review for that.

As these appointments are in senior level and entitled for official vehicle and fuel allowances, it is mentioned that the official vehicles and fuel allowance payments should be made for those officers.

The allowances not officially entitled shall not be paid and actions should be taken to recover the money so paid.

(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka

(i) Financial Regulation 156 (i)

Actions had to reimburse the overpayment of Rs. 558,471 made to an officer who had left the service, as salaries

Since all administrative measures have been taken in this regard, the documents required to be forwarded to the Attorney General's Department for legal proceedings have been forwarded to the Legal Division.

Actions should be taken to reimburse the overpayments.

(ii) Financial Regulation 880	The officers who were required to keep securities had not kept securities as per the Security Ordinance.	Requests have been made for membership of the Security Society run by the Treasury to fulfill the security requirement of officers who had to keep securities.	The security requirement should be completed by the officers who are required to keep securities as per the Finance Regulations.
(b) Paragraph 08 vii of Pension Circular No. 07/2015 dated 23 July 2015	Although the contributions of each month should be made available to the Public Service Provident Fund before the 10th day of the following month, the contribution of Rs. 874,014 had not been sent from February to November 2023 to the Public Service Provident Fund so.	The answer will be submitted later.	Arrangements should be made to send the contributions each month in terms of the circular provisions.

2.4 Operating of Bank Accounts

The deficiencies revealed during the audit test checks conducted in relation to the operating of bank accounts are shown below.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A deposit of 8,786 pounds in respect of the London Mission had not been realized and 10 cheques related to the period from 2016 to 2023 of 05 foreign missions had remained as unrecognized debits.	Arrangements are being made to settle the amounts not realized.	Actions should be taken to settle cash deposited but not realized and unrecognized debits.

<p>(b) Forty seven cheques directly credited to the bank account from the year 2021 to the year under review and 17 cheques amounting to Rs.501,006 credited to the bank account of the Ministry from September to November of the year under review in 16 Foreign Missions had not been identified and accounted for.</p>	<p>Actions are being taken to correct.</p>	<p>Actions should be taken to recognize direct debits and to account for.</p>
<p>(c) Eight bank accounts of 06 closed foreign missions had remained inactive.</p>	<p>Arrangements are being made to close dormant bank accounts.</p>	<p>Actions should be taken to close dormant bank accounts promptly.</p>

3. Operational Review

3.1 Failure to Perform Duties

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The Labor Court had decided to close the compensation files of 06 Sri Lankans who were employed in Qatar in 2010 and earlier and died due to accidents because of time delays. In this, despite the applicants had properly submitted the documents on time, the Qatar Embassy officers had lost the opportunity to receive compensation and allowances due to the fact that they did not take responsible measures to receive compensation on time.</p>	<p>The answer will be given later.</p>	<p>The responsibility of the officers should be done efficiently.</p>

- (b) A person who went abroad for employment in Qatar died in an accident on 10 September 2012 and the Consular Division had submitted the information regarding the compensation claim related to this incident to the Embassy on 06 February 2013. Even though the Primary Court of Qatar had ordered to pay 200,000 Qatari Riyals to the Next of Kin (NOK) as compensation (Blood money) and also legal documents had been submitted to the Embassy on 25 November 2013 authorizing the case to continue due to failure of paying of said amount, any document related to the case had not been included in the file until 04 years had elapsed from that date. Even though legal documents had again been submitted to the Embassy on 18 February 2019 authorizing for continuing of the case, recovery of compensation had not been made even by the date of audit.
- The answer will be given later.
- The responsibility of the officers should be done efficiently.
- (c) A person who went abroad for employment in Qatar died in an accident on 21 October 2012 and the relevant compensation request had been made on 06 November 2012. Although the legal documents required to file the case related to the compensation request were submitted to the Embassy on 22 August 2013, the approval of the Ministry had been requested to select Asma Ali Advocates & Legal Consultants as the law firm after lapse of 04 years that
- The answer will be given later.
- do-

is on 20 November 2017. Nevertheless, Fahid Al Dosary Law Firm had been appointed on 26 September 2018, to take actions legally with these compensations and the documents relating to the authorization of this law firm to seek compensation were completed by the Next of Kin (NOK) and submitted to the Embassy of Qatar on 19 November 2018. The information about the transfer of this case to the law firm and the current status of the case was not revealed to audit.

(d) Although the facts regarding the following compensation claims included in the Report of the Auditor General for the previous year were observed, further actions had not been taken even by 30 May 2024 in respect of those observations.

(i) A person who had gone for work in Saudi Arabia met with an accident on 24 October 2012 and became totally disabled.

(ii) A person who went abroad on 19 December 2009 to work as a house maid in the State of Kuwait died on 29 January 2012.

(iii) A woman who had been working as a house maid in the State of Kuwait for about 17 years fell ill and came to the shelter and died there.

The answer will be given later.

The recommendations of the Report of the Auditor General should be implemented.

- (iv) Confirming whether a person who died in Jeddah 2011 was a suicide or death and getting compensation.
- (e) Even though the Electronic Document Attestation System (e-DAS) had been planned to be integrated with the Department of Registrar General's and the Department of Examinations to facilitate efficient verification of G.C.E (O/L), G.C.E (AL) examination certificates and birth, marriage, death certificates among the services provided to the public by the Ministry of External Affairs, the task had not been performed.
- The answer will be given later.
- Planned activities should be completed on time.

3.2 Assets Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Title deeds had not been obtained for 17 housing units at 117 Watta Apartment Complex, Elvitigala Mawatha, and Colombo 08, purchased by the Ministry.	The folios related to obtaining the deeds have been received from the Land Registrar's Office and have been forwarded to the National Housing Development Authority.	The ownership of the property should be transferred to the Ministry.
(b) The ownership of 08 vehicles, which had been obtained under the Financial Lease System through the Treasury, had not been taken over at the end of the lease period.	Arrangements will be made to obtain the registration certificates held by the bank from the Ministry and send them to the Department of Motor Traffic.	The ownership of vehicles should be taken over.

(c)	According to Board of Survey Report of High Commission Canberra 2022, although the actual balance of mobile phones purchased in the year 2011 was 86 thus the balance as per the ledger was 117, there was a shortage of 31 telephones and the existing 86 telephones were also inactive.	Answer will be given later.	It should act in accordance with Financial Regulation 104 for the shortage of 31 telephones and disposal of telephones remained in idle.
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3.3 Losses and Damages

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A loss of Rs.16, 176,674 in relation to the misuse of funds and non-deposit of funds and 02 cases related to the years 2002 and 2009 in two Foreign Missions had been shown in the financial statements. Although the lost amount should be reimbursed immediately in terms of Financial Regulations 106, in this, actions had not been taken accordingly.	Answer will be given later.	Actions should be taken to carry out the examinations and reimburse the relevant amount.

3.4 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A sum of Rs.56,919,349 received from abroad as compensation, insurance, pay for termination of works etc. to pay to the respective parties due to death, loss of employment, partial or total disability of Sri Lankans in	Answer will be given later.	Actions should be taken to pay the amount received as compensation promptly.

abroad had been retained in the general deposit account of the Ministry without taking actions to pay to respective persons from 01 to 03 years .

- (b) Although there were buildings belonging to the Government of Sri Lanka where foreign missions are located in Australia, Sweden and Kenya, a sum of Rs.173, 537,875 had been paid as house rent for the apartments in the year under review without maintaining them. Answer will be given later. Officers are responsible in respect of failure of maintenance of assets optimally.
- (c) Making a classification according to the Ministries at present regarding the agreements signed by Sri Lanka with foreign countries and a report stating how these agreements are implemented in practice and the current situation, and the reasons for violations of the agreement if there have been any should be submitted to the Committee on Public Accounts as per Directive No. 14 of the Committee on Public Accounts dated 06 March 2019, the task had not been carried out. Answer will be given later. The directives of the Committee on Public Accounts should be implemented.
- (d) A debt balance of Rs. 472,532 from 07 deceased officers for more than 05 years, a balance over 5 years amounted to Rs. 662,946 out of a debt balance of Rs 1,367,830 receivable from 15 officers who had left the service, a balance over 05 years amounted to Rs.299, 955 out of a loan balance of Rs.339, 955 from 9 officers who have been Arrangements are being made to settle the outstanding balances of the officers who have left the service, deceased, terminated of duties and unidentified debt balances. Actions should be taken to recover outstanding loan balances.

terminated of duties had remained outstanding. Further, an unidentifiable debt balance of Rs. 1,499,176 of 14 officials which had existed for more than 05 years had not been identified and settled and no premium whatsoever on loan balances of Rs.1,117,255 from 21 officers employed in foreign missions had not been recovered in the year under review.

4. Human Resources Management

Audit Observation

Although the approved staff of the Ministry for the year under review was 690 thus the actual staff was 613, there were 97 vacant posts and 20 excess posts. Although the approved staff in home base of the missions was 500, thus the actual staff was 356 there were 144 vacant posts . Further, thus the 548 local base staff and 446 actual staff in Missions, there were 102 vacancies.

Comments of the Chief Accounting Officer

Staff information has been submitted.

Recommendation

Actions should be taken to revise the approved staff as required and to recruit essential staff.