

## **Report of the Auditor General on the Ministry of External Affairs - Year 2010**

### 1:1 Appropriation Head 112 – Ministry of External Affairs

The Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of External Affairs for the year ended 31 December 2010 were audited in pursuance of provisions of 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 Secretary to the Ministry on 08 August 2011. 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 Account and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

### 1:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and the Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations at (a) to (g) and other major audit observations appearing in paragraphs 1:4 to 1:13 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of External Affairs have been prepared satisfactorily.













- Motor Vehicles hired in 53 instances in the year under review.
- (iv) Section 2 of the Ministry Manual of Instructions No. 82 of 02 February 1982. 125,077 An officer attached to the office of the Ambassador for Sri Lanka to Myanmar had obtained the Representation Allowance amounting to Rs. 125,077 without submitting the particulars of expenses incurred.
- (v) Ministry Manual of Instructions No. 166 of 131,043 A former Ambassador of the Sri Lankan Embassy in Myanmar had obtained a sum of Rs. 131,043 from Government Funds as the cost of air travel contrary to the above instructions for returning to Sri Lanka on approved medical leave.
- (vi) Ministry Manual of Instructions No. 165 and No. F/DM/1/28 dated 07 April 2004 of the Secretary to the Ministry of External Affairs. of A former Ambassador of the Sri Lanka Embassy in Myanmar who had relinquished his post without completing the assigned period of 02 years and returned to Sri Lanka had been granted the privilege of importing a duty free Motor Vehicle.
- (vii) Paragraph 3(c) of the Ministry Circular No. 01 of 1999 on Accounting Instructions. The collection of money for Celebrating the Sri Lankan Day in the year 2009 had been done by the Sri Lankan Embassy Office in Kuwait through the Seva Vanitha Unit by using receipts with Embassy Office seal without



serial number control in place of the use of General 172 receipts in terms of Financial Regulation 168. Such money collected had neither been credited to the Official Bank Account nor recorded in the Official Cash Book of the Embassy Office.

(viii)	Paragraph 14 of the Ministry Circular No. X 333 Y	175,640	Action had not been taken for the recovery of the proportional amount of the expenditure on the excess baggage of officers returning on the completion of their service in the Foreign Missions. A test check of the year under review revealed that the proportional charge not recovered from 08 officers amounted to Rs.175,640.
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1:6 Performance

According to the Annual Estimates for the year 2010, the observations on the progress of the Ministry are given below.

(a) Key Functions not carried out Adequately

No expenditure whatsoever had been incurred from the provisions totalling Rs. 25,016,550 made under 13 Capital Objects in the Programme for Development Works of the Budget Estimates of the year 2010 for the Ministry of Foreign Employment Promotion and Welfare brought under the purview of this Ministry in terms of the Notification Published in the Gazette Extraordinary No. 1651/20 of 30 April 2010. The sum of Rs. 15,000,000 provided under the same Programme for the establishment of Foreign Training Centres had been transferred under Financial Regulation 66 for other purpose of the Ministry. Such underutilization of the capital provision made for the Foreign Employment Promotion and Welfare reflects the weaknesses in the performance of the

activities planned for implementation by that Division. In this connection, the Secretary to the Ministry had commented as follows.

" The entire provision made for expenditure under the Capital Objects had been saved as there was no Minister for the implementation of the capital projects thereunder and the non - incurring of expenditure for the purchase of capital items included in the estimates, intended for the use of the office established in the World Trade Center before the amalgamation with the Ministry of External Affairs."

1.7 Deficiencies in the Operation of Bank Accounts

(a) Balances for Adjustment

The information revealed at an analysis of the adjustments shown in 27 Bank Reconciliation Statements prepared for December 2010 is given below.

Particulars of Adjustments	Age Analysis			Total
	Over 06 Months less than 01 year	Over 01 year less than 03 years	Over 03 years	
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	Rs.	Rs.	Rs.	Rs.
Unrealised Deposits	2,664,172	62,457	154,095	2,880,724
Cheques issued but not presented for payment	39,716,146	780,027	311,555	40,807,728
Unidentified Debits	142,759	873,313	-	1,016,072
Unidentified Credits	1,981,546	338,135	-	2,319,681
Other Adjustments	355,206	4,248,413	-	4,603,619

The following observation is also made in this connection

The identified differences in the Bank Reconciliation Statements of 03 Sri Lanka Foreign Missions totaled Rs. 4,603,619.

1:8 Transactions of Contentious Nature

Certain transactions carried out by the Ministry were of contentious nature. Particulars of several such transactions revealed at audit test checks are given below.

- (a) Even though the Ministry had released a sum of Rs. 2,542,124 to the Institution of Indian Ocean Maritime Co-operation in the year 2010, the responsibility of the activities of that Institute had not been assigned to a particular Division or an officer. As such the activities of that Institute had not been subjected to a progress review.
- (b) The Counsellor of the Sri Lankan Embassy Office in Myanmar who had participated in a Course held in Geneva from 07 April to 30 June 2010 had been informed by the sponsor institution that a sum of 7,500 Swiss Francs could be made available to her to cover the cost of living during that period. The officer had not disclosed that offer and she had been paid US \$ 6,177(Rs.708,811) as overseas allowances for April , May and June 2010.
- (c) Even though books valued at Rs. 124,435 had been purchased from the money received from 04 Foreign Missions in the year 2010 for the purchase of books for the Jaffna Library , there was no evidence in the registers of the Ministry in support of the receipt of those books by the Jaffna Library.

1.9 Irregular Transactions

Certain transactions entered into by the Ministry were devoid of regularity. Several such instances observed are given below.

- (a) Deviation from the Procurement Guidelines  
Action had not been taken by the Ministry for the preparation of the Procurement Plan for the hire of Motor Vehicles during the year under review from various institutions and entering into agreements.
- (b) Others
  - (i) The payment of Rs. 4,473,520 for 40 computers purchased by the Ministry in the year 2010 had been made without obtaining information as to whether the goods conforming to the specifications laid down had been received by the stores.

- (ii) A sum of Rs. 1,851,296 had been paid in the year under review for the procurement of Motor Vehicles on hire basis from a Private Institution. That payment included an additional sum of Rs. 311,427 paid without any evidence of traveling done and another sum of Rs. 1,107,121 paid in 15 instances on 04 Motor Vehicles in respect of the year 2009 without a request from the institution and without the Daily Running Charts.

#### 1.10 Losses and Damage

Instances of the following losses and damage were observed at the audit test checks.

- (a) Action in terms of Financial Regulations 102,104 and 109 had not been taken on 20 losses totaling Rs. 21,022,801.
- (b) Even though a Register of Losses and Damage had been maintained in terms of Financial Regulation 110 in the year under review, it had not been updated.
- (c) Even though the Committee on Public Accounts had directed the recovery of the sum of Euro 28,739 paid without authority as incentive allowances to 23 officers of the Embassy Office in Italy, the amounts due from 13 members of the local based staff and one home based officer could not be recovered. The total loss caused to the Government in this connection amounted to Rs. 1,628,712.

#### 1:11 Uneconomic Transactions

Test checks revealed that transactions had been entered into uneconomically without accruing any benefit to the institution and the following instances can be cited as examples.

- (a) According to the Public Finance Circular No. 353 (5) of 31 August 2004, uneconomical motor vehicles which need heavy expenditure for carrying out repairs should be disposed of. Nevertheless, test checks revealed that there are motor vehicles with the Ministry that need regular repairs annually. Under such circumstances in addition to the sum of Rs.51,740,000 provided in the original estimates of the year under review for repairs to motor vehicles, provisions for repairs to motor vehicles amounting to Rs.31,788,910 had been obtained from transfers under Financial Regulation 66 and from additional provisions.
- (b) The Ministry had not followed the proper procurement procedure for the selection of a supplier for the constructions and designing of the exhibition stalls of the

Deyata Kirula Exhibition for the year 2010 held at Pallekele, Kandy. In addition to the payment of a sum of Rs.5,000,000 in full settlement of the final invoice of the supplier on the recommendation of the Central Engineering Consultancy Bureau a further sum of Rs.2,922,663 had been paid on the decisions of the Procurement Committee without adducing reasons. As compared with the expenditure incurred on the Deyata Kirula Exhibition for the year 2011 such additional payment was observed as an uneconomic expenditure.

- (c) An inordinate delay exists frequency in the clearance of the baggage of the officers returning to Sri Lanka on the completion of their service in the Missions abroad and as such the port and other charges had increased. Action had not been taken in terms of paragraph 14 and 15 of the Ministry Manual of Instructions No. x333y for the recovery of demurrage charges due to the fault of the officers from such officers and to deduct the demurrage charges arising due to the fault of the Clearing Agent, from the payments made to such agents. The test checks revealed that in December 2010, the Ministry had paid demurrage charges amounting to Rs.82,895 for 53 days of delay in 04 instances.

#### 1.12 Human Resources Management

##### (a) Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

Category of Employees	Ministry Staff			Foreign Missions Staff		
	Approved Cadre	Actual Cadre	Number of Vacancies	Approved Cadre	Actual Cadre	Number of Vacancies
i. Senior Level	93	73	20	162	136	26
ii. Tertiary Level	03	02	01	-	-	-
iii. Secondary Level	285	248	37	218	174	44
iv. Primary Level	116	114	02	507	492	15
v. Others (Casual, Temporary and Contract Basis)	06	05	01	-	-	-
<b>Total</b>	<b>503</b>	<b>442</b>	<b>61</b>	<b>887</b>	<b>802</b>	<b>85</b>

The following observations are made.

- (i) The approval for the cadre of the Sri Lanka Missions Abroad as arising from the discussions held at the Office of the National Salaries and Cadre Commission for deciding on the cadre requirement in consideration of the functions and responsibilities of the Ministry had not been received up to date.
  
- (ii) It was observed that in the recent past appointments of local based staff had been made without assessing the local based staff requirements of the Missions abroad and such situation had caused constraints in the management of funds allocated to the Missions.

#### 1.13 Internal Control

The following observations are made.

(a) Banking of Cash

Even though the daily cash collections should be recorded and banked as early as possible, certain Missions had incurred expenditure from such collections while certain other Missions had banked cash collections after delays.

(b) Purchase of Stationery and Office Requisites

Instances of failure to update the stock register by the Ministry in respect of the purchase of stationery and office requisites to enable a verification at any given time in terms of Financial Regulation 715 (2) (h) were observed.