

Head 112 – Foreign Ministry

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Foreign Ministry for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Foreign Ministry was issued to the Accounting Officer on 07 May 2021 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 23 June 2021 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 Foreign Ministry as at 31 December 2020 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 the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- 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 in consistent with those of the preceding year.
- (b) The Recommendations made by me regarding the financial statements of the preceding year had been implemented .

1.6 Comments on Financial Statements

1.6.1 Imprest Adjustment Account

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Even though the expenditure incurred on other expenditure Heads was Rs. 220,670,748 as per the consolidated trial balance, as a result of it was adjusted to the imprest adjustment account as Rs. 223,313,053 , a sum of Rs. 2,642,305 had been over adjusted to that account.	The audit report stated that the expenditure incurred on other expenditure accounts amounted to Rs.220,670,748. However, in addition to that, since it can be paid through the cash account of this Ministry for the expenditure made under the Advance B Account related to the newly established State Ministry as well, the advance payment of Rs.2,607,081 made by the Ministry and the advance payment of Rs. 35,223.18 made under expenditure account No.155 are also included. Accordingly, it is pointed out that the amount of Rs. 223,313,053 which was taken into imprest adjustment	Expenditure incurred on new expenditure objects should be debited to the new expenditure object through journal entries in terms of Budget Circular No. 06/2020 dated 20 November 2020 .

account is the expenditure made for other expenditure accounts.

- (b) Even though the difference in between the value of receipts for the year under review as per the Treasury computer printouts pertaining to Advance B Account and value of receipts as per the consolidated trial balance was Rs. 20,151,655, only a sum of Rs. 10,211,026 had been adjusted to the imprest adjustment account.
- The amount of Rs.10,211,026 mentioned in the Treasury computer printouts relating to the advance B account is accurate and the advance B account has been prepared by accounting for that purpose. This amount was not included in the CIGAS programme and has been removed from the Debtors' Register (CC10) .
- Financial statements should be prepared in accordance with Guideline No. 06 issued by the Department of State Accounts.
- (c) Even though the difference between the payment value pertaining to the Advance B Account for the year under review as per the Treasury computer printouts and the payment value according to the consolidated trial balance was Rs 2,701,974, it had been adjusted as Rs. 24,061,814 to the imprest adjustment account.
- The amount of Rs. 24,061,814 mentioned in the Treasury computer printout relating to the Advance B Account is correct and the final accounts have been prepared by accounting for that amount and entering it in the Debtors' Register (CC10).
- do-
- (d) Although there was a difference of deposit receipts of Rs. 35,164, as per the consolidated trial balance and the Treasury computer printouts, this difference had not been adjusted to the imprest adjustment account.
- The imprest adjustment account has been prepared in accordance with Guidelines 06/07 (VI) which was in relation with the preparation of accounts. Instructions have not been given that there would be a necessity of making adjustment to a difference in trial balance and the Treasury computer printouts as mentioned above.
- do-

1.6.2 Statement of Financial Position

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>As a result of not removing the cost of 07 vehicles from the balance of vehicles shown as at 31 December for the year under review amounting to Rs. 42,025,801 out of the 13 vehicles that were disposed in the year 2020, the cost of the vehicles had been overstated by that amount in the statement of non-financial asset.</p>	<p>Since the cost of 07 disposed vehicles amounted to Rs. 42,025,801 were not removed from the accounts for the year 2020 by a mistake, the value of Rs. 42,025,801 has been overstated in the statement of non-financial asset for the year under review. Actions will be taken to remove those disposed vehicles when submitting accounts in the year 2021.</p>	<p>Actions should be taken to remove disposed assets from the statement of non-financial assets.</p>

1.6.3 Statement of Financial Performance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Even though the other receipts in the statement of financial performance for the year under review was Rs.3,060,448,277, the value was Rs. 3,059,530,503 as per the schedules submitted for audit. Accordingly, other receipts in the statement of financial performance had been overstated by Rs. 917,774.</p>	<p>Comments have been made as 'Agree'.</p>	<p>The other receipts included in the statement of financial performance should be accurately recorded.</p>

1.6.4 Cash Flow Statement

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Cash Flow Generated from Operational Activities -----		
(i) Even though the cash flow of non-revenue receipts as per the consolidated trial balance was 2,389,880,478, it had been stated in the cash flow statement as Rs. 115,868,505. Further, the revenue collected for other Heads that had not included in the consolidated trial balance amounted to Rs. 2,168,408,321 had been stated as a cash flows in the cash flow statement.	It is stated under 1.6.2.1 of the Auditor General's Summary Report submitted by you on 12/06/2020 that we had not prepared the financial statements on cash basis in the preceding year. Therefore, I would like to draw your attention to the fact that we have prepared the cash flow statement for this year on a cash basis by correcting the shortcoming pointed out by your Department.	As a result it has been emphasized that the cash flow statement should be prepared on a gross basis as per the Guideline No. 06 issued by the Department of State Accounts for the year 2020 , that basis should be followed.
(ii) Even though the value of personal emoluments and operating expenses as per the consolidated trial balance was Rs. 10,061,370,232, thus it was recorded as Rs. 9,422,254,088 in the cash flow statement a sum of Rs. 639,116,144 had been understated.	-do-	-do-

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| <p>(iii) Even though it had been stated that the expenditure incurred on other Expenditure Heads in the cash flow statement amounted to Rs. 183,126,849, thus the value was Rs. 220,670,748, as per the consolidated trial balance, the difference was Rs. 37,543,899.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(b) Cash Flow Generated from Investment Activities
-----</p> | | |
| <p>(i) Even though the recovery of advances was Rs. 63,627,057 according to the consolidated trial balance, since the value was stated as Rs. 2,040,238 in the cash flow statement, a sum of Rs. 61,586,819 had been understated to the cash flow statement.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(ii) Even though the value of the advance payment was Rs. 49,605,057 as per the consolidated trial balance, thus that value was stated as Rs. 65,309,682 in the cash flow statement, the advance payments had been overstated by Rs. 15,704,625 .</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(iii) Even though it had been stated that a sum of Rs. 185,502,310 as assets purchases and acquisition of other investments under the cash flow generated from the investment activities, the acquisition of assets during the year under review was Rs. 70,399,077 as per the consolidated trial balance.</p> | <p>-do-</p> | <p>-do-</p> |

(c) Cash Flow Generated from Financial Activities

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- (i) Even though a sum of Rs. 1,330,409,586 had been stated as deposit receipts under the cash flow generated from financial activities, thus that value was Rs. 1,452,471,015 as per the consolidated trial balance, the difference was Rs. 122,061,429 . -do- -do-
- (ii) Even though it had been stated that a sum of Rs. 1,304,509,579 as deposit payments under cash flows generated from financial activities, that value as per the consolidated trial balance was Rs.1,595,777,211. Accordingly, a difference of Rs. 291,267,632 was observed. -do- -do-

1.6.5 Imprest Balance

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Even though the balance in the two imprest accounts of the Ministry was Rs. 825,645,104 as per the financial statements for the year under review, since the balance was Rs. 879,242,556 as per the Treasury computer printouts, a difference of Rs. 53,597,452 was observed. Further, unsettled advances	The reason for the difference of Rs. 53,597,452 is the delay of imprest of Rs. 50 million sent to the foreign missions by the Ministry during December was in transit due to delays of banks to receive to the foreign missions and the profit and loss adjustment occurred on the release of imprest balance of Rs. 3,639,319.79 and the	Actions should be taken to reconcile and correct the imprest balance as per the Treasury computer printouts and the Ministry Books.

amounted to adjustment of advances Rs. 91,530,099 had been made by the foreign included in the imprest missions at the end of account balance relating December. to the year 2013 and the period before that.

1.6.6 Failure to Maintain Registers and Books

The certain registers mentioned below had not been maintained by the Ministry and it was observed at the audit test checks that the certain registers had not been properly maintained in an updated manner .

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>(a) Register of Securities</p> <p>A Register of Securities containing the details of the officers and the employees who had to keep securities had not been prepared in accordance with Money Regulation 891 (1) .</p>	<p>It has already been prepared by now.</p>	<p>A Register of Securities about the officers who had to keep securities should be maintained in a manner of containing the information mentioned in Financial Regulation 891 (1) .</p>
<p>(b) Register of Damages</p> <p>The Register of Damages had not been updated in accordance with Financial Regulations 110 .</p>	<p>The Register of Damages and Losses is currently being maintained and actions will be taken to update it in terms of F.R 110 .</p>	<p>A Register of Damages should be maintained in accordance with the provisions of Financial Regulations 110 and the Format under it.</p>

1.6.7 Lack of Evidence for Audit

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

Audit Observations -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) The payment vouchers related to the checking of recurrent expenditure amounting to Rs. 9,135,600,970 and capital expenditure amounting to Rs.158,312,300 with regard to 09 Missions out of 67 Missions in the year under review, had not submitted for audit.	Steps have been taken to inform all Missions about the delay in sending payment vouchers on time.	Arrangements should be made to send all payment vouchers to the Auditor General.
(b) The schedules ascertain the value of 04 cheques which were deposited but not realized amounting to 2,101,250 Taka in the Bank Reconciliation Statement submitted for Bank Account No. 1804000073 of Dhaka Mission Office, had not been submitted for audit.	Steps have been taken to make aware of the Mission to submit a schedule with regard to the 4 unrealized cheques mentioned in the Bank Reconciliation Statement.	Actions should be taken to submit the schedules for confirmation of value to audit.
(c) It had not been identified that the purpose for which the advances amounting to Rs.39,550,728 made by the Ministry on 179 occasions under the Imprest Account No. 7002-0-0-035/13 were given.	Actions are being taken to properly identify all the balances mentioned in the Imprest account 7002-0-2-35/13 by now inquiring from the Foreign Missions.	Actions should be taken to identify the purpose of issuing advances exactly.

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) 7002-0-0-035/13 Imprest Account		
(i) The balance of the Imprest Account was Rs. 91,530,099 as at the end of the year under review and it had consisted of unsettled advances for the year 2013 and before that. A sum of Rs. 51,979,371 out of those advances had consisted of 173 security deposits kept for the houses provided to staff who had gone abroad for Foreign Mission Service. Of that amount a sum of Rs. 4,285,061 had exceeded 20 years and a sum of Rs. 44,284,956 had ranged a period of 10 to 20 years and the remaining deposit balance of Rs. 3,409,354 had exceeded 07 years.	Although the advances mentioned in the Imprest Account 7002-0-055 / 13 had exceeded Rs. 100 million in previous years, our Ministry had taken action to recover those advances and as a result, a sum of Rs. 91,530,099 had saved currently in the Imprest Account 7002-0-2-35 / 13. Further, The Ministry will make arrangements to take appropriate actions to recover these unsettled advances existing in previous years or to write off according to a proper methodology in future	Actions should be taken to recover these unsettled advances or to write off them with a proper approval in future.
(ii) Out of 173 Home Guarantees / Security Deposits 165 deposits amounting to Rs. 47,954,750 had been	The Ministry has issued internal circulars to foreign missions to recover security deposits kept for homes from time	It should act to prepare a methodology to recover security deposits placed on houses not used by

the security deposits kept for homes which were not being used by the Mission Staff by now. Even though the Director General of the Diplomatic Administration Division of the Foreign Ministry had issued instructions in Circular No. 250 dated 01 September 2009 regarding the recovery of such deposits, arrangements had not been made to act accordingly and withdraw the deposits.

to time. Further inquiries were made to the foreign missions to recover the required information. Accordingly, the Ministry will take appropriate action to recover those deposits in the future.

foreign staff.

(b) 7002-0-0-035/20 Imprest Account

(i) There was the unsettled advance of Rs. 355,085,724 in the Imprest Account Balance as at the end of the year under review and the security deposits kept for the houses provided to Mission Staff included in that value amounting to Rs. 20,464,959 had exceeded 10 years and a sum of Rs. 49,112,123 had been the values ranging from 05 to 10 years. Further, the value of the 56 deposits which had kept for non-occupied houses of the staff of the Missions out of these security deposits was Rs. 21,275,938.

The Ministry sent internal circulars to the Missions for the recovery of deposits for non-occupied houses from time to time and made inquiries regarding the existing difficulties in the recovery of those security deposits. Since the proper information needed is being collected for this purpose, it is planned to take appropriate actions in future.

Action should be taken to prepare a methodology to recover the security deposits kept for the houses at the end of the service of the Diplomatic Officers.

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| <p>(ii) Out of the unsettled advances in Missions a sum of Rs. 23,293,715 was the ad hoc sub imprest and within that advances, there was a Rs. 9,168,655 relating to the period before 2018, Rs. 813,741 relating to the year 2018 and Rs. 3,912,255 relevant to the year 2019. Accordingly, although the ad hoc sub imprests should be settled as soon as the completion of the task in terms of the Financial Regulation 371, actions had not been done in accordance with that regulation.</p> | <p>Actions have been taken to make aware the relevant Missions to settle the unsettled advances as soon as possible. The Ministry has already taken actions to instruct the relevant Missions by the circulars to make arrangements to get settled such ad hoc sub imprests properly as soon as the tasks are completed.</p> | <p>Actions should be taken to settle the advances as soon as the task is completed.</p> |
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2.2 Expenditure Management

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Although it was the responsibility of the Accounting Officer to prepare the estimates as completely and accurately as possible in accordance with Financial Regulation 50 (II), as a result of not so done, the total value of provision made available for 18 expenditure objects amounted to Rs. 141,180,009 had been underutilized ranging from 51 per cent to 100 per cent .

Although the preparation of Estimates has been done completely and accurately in accordance with F.R 50 (ii) , it is agreed that the underutilization of total provisions amounted to Rs. 141,180,009 has occurred in 18 expenditure objects shown in the audit query ranging from Rs. 51% to 100% of the provisions of each expenditure object.

Estimates should be prepared as completely and accurately as possible.

2.3 Entered into Liabilities and Commitments

Audit Observation

Details of liabilities paid as the expenditure of the year 2020 amounting to Rs. 1,553,856 had not been disclosed in the financial statements at the audit test check carried out on payment vouchers of the year 2021.

Comments of the Chief Accounting Officer

In preparing the financial statement, obtaining of information related to liabilities and commitments from the Ministry and the Missions is done as per the relevant format of liabilities and commitments . Liabilities are included in the financial statement based on that information. However, due to delays in providing information, some details of liabilities are not included in the financial statements. It is kindly informed that it was noted to make aware all relevant officials of the Ministry and the Missions in this regard and necessary steps will be taken to prevent such delays in future.

Recommendation

Details of all liabilities relevant to the year under review should be disclosed in the financial statements.

2.4 **Certifications to be made by the Chief Accounting Officer**

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer was required to certify the following matters, but had not acted accordingly.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
The Chief Accounting Officer should ensure that an effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out and even though such reviews should be made in writing and submitted a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.	It was noted to take actions in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018 in future. Accordingly, it is informed that the review of the Chief Accounting Officer will be submitted in writing to the Auditor General stating that an effective internal control system will be formulated and maintained for the financial control of the Ministry in future.	It should act in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

2.5 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions in the laws, rules, and regulations observed during the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations ----- -----	Observation ----- Non-compliance ----- -----	Comments of the Chief Accounting Officer ----- -----	Recommendation ----- -----
<p>(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka Sections 4.4, 4.5 and 4.6 of Chapter xxiv</p>	<p>Although actions should have been taken to recover all the money receivable to the government in the event of the death of an officer before the loans were fully recovered in accordance with the provisions, the balance of Rs. 465,050 receivable from the 06 deceased officers had not been recovered and out of that balance a sum of Rs. 408,750 had remained unresolved for more than 5 years.</p>	<p>In connection with the recovery of these debt balances, the Director of Pensions has been informed to collect from the committed pension through the pension files. Nevertheless, as the retirement files have not been approved yet, the debt balances remain unresolved. However, further actions are being taken in this regard.</p>	<p>It should act in accordance with the circular provisions.</p>
<p>(b) Financial Regulation</p>			

**of the Democratic
Socialist Republic of
Sri Lanka**

**i. Financial
Regulation 104**

Actions had not been taken in respect of 13 vehicle accidents which had ranged a period of one year to 09 years amounting to Rs. 3,990,669 and stealing of vehicles occurred in 2010 amounting to Rs. 1,991,695 in accordance with the regulations.

A necessary methodology is being prepared formulating a stipulated system in respect of the damages and losses occur in the Foreign Embassies and accordingly to recover / write off the damages and losses occurred by the vehicle accidents from the books in future.

Actions should be taken in accordance with Financial Regulations 104 .

**ii. Financial
Regulation
106**

Although in case of lost of money due to shortcoming, misusing or any other reason, the lost amount should be paid immediately, it had not been acted accordingly in respect of Rs. 1,017,626 with relevant to 3 Missions.

Two court cases have been filed in the Colombo High Court in respect of the staling of money amounting to Rs. 16,141,919 in the Roman Embassy and they are currently under hearing. It is noted to obtain relevant information regarding other damages from foreign missions and expedite the necessary actions.

Actions should be taken to settle the lost money immediately . in terms of Financial Regulations 106 .

<p>iii. Financial Regulation 565(5)</p>	<p>Although a prepared statement of monthly deposit summary for each month should be sent to the Auditor General before the end of the following month, it had not been so done.</p>	<p>Necessary steps will be taken correct it in future.</p>	<p>A statement of monthly deposit summary should be prepared for each month and send it to the Auditor General in terms of Financial Regulations.</p>
<p>iv. Financial Regulation 571</p>	<p>Although the unclaimed deposits for more than 2 years from the date of deposited had to be taken into government revenue, the Ministry had not taken actions accordingly in respect of deposits amounting to Rs.16,787,484.</p>	<p>It is noted to check regarding this and to correct it.</p>	<p>Actions should be taken to settle deposit balances for more than 2 years.</p>
<p>(c) In the Public Finance Circular No. PFD / RED / 2015/08 General (i) dated 09th October 2015 4.3 (e) (i) and (ii)</p>	<p>Although the action should be taken to recover the overdue advances as per the circular, the outstanding loan balance of Rs. 1,098,606 had not been recovered as such from the officers who had left the service and out of which a sum of Rs. 666,963 had been in unrecovered for more than 5 years.</p>	<p>Actions were taken to obtain information from the Ministry of Public Administration and the Department of Elections and to take action to recover in accordance with the circulars mentioned herein and it was impossible to find the relevant persons by that. Actions are being taken in this regard furthermore.</p>	<p>Actions should be taken to recover the overdue advances of public officers in terms of the Circular.</p>

- (d) **Guidelines 4.2.1 and 4.2.2 of the Government Procurement Guidelines 2006**
- A Master Procurement Plan listing the expected procurement activities for at least 3 years period and a Procurement Time Table that describes the steps in each procurement process chronologically from the beginning to the end of each procurement had not been prepared.
- It is informed that the Annual Procurement Plan will be prepared and submitted for audit as soon as it is completed.
- A Master Procurement Plan and a Procurement Time Table should be prepared.

2.6 **Issuance and Settlement of Advances**

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Out of the loan amount issued under the Advances to public officers B account of the, there was an unidentified total debt balance totaled to Rs. 1,499,175 remaining for more than 05 years.	These debt balances has been carried forward for long and although the actions were taken t to find identities by informing the Ministry of Public Administration and the Department of Elections to find out the details of the officials relating to the arrears, adequate information was not revealed. Accordingly, it is informed the Treasury that further actions will be taken since it is difficult to find information.	Action should be taken to settle the outstanding loan balances.

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| <p>(b) Even though a sum of Rs. 200,129 had been overcharged over a period of 1 to 3 years from 16 officers as per the Advance B Account, actions had not been taken to settle those balances by 20 March 2021 .</p> | <p>The amount of Rs. 200,019 shown as overcharged to the Advance “B” account of the Ministry was an amount received in excess on exchange rate changes and actions have already been taken to settle the money of several officers through that. Arrangements have been made to return the money to the other officers from time to time after verifying the accuracy upon their return to the country.</p> | <p>Actions should be taken to settle overcharged debts.</p> |
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2.7 Deposit Balances

Audit Observations

There was a difference of Rs. 4,521,094 in between the opening balances as per Treasury Books and the Ministry Books under each deposit account number according to the Statement of deposit Accounts as at 31 December 2020 furnished along with the Financial Statements.

Comments of the Chief Accounting Officer

Actions will be taken to correct it.

Recommendation

There should not be a difference in between the balances as per the Treasury Books and the Ministry Books.

2.8 Operating Bank Accounts

The deficiencies revealed in the audit test check carried out regarding the operating of bank accounts are as follows.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) The 40 cheques valued at Rs. 1,132,582 of the Ministry and 89 cheques of 07 Missions issued as at 31 December 2020 had not been presented for payment and actions had not been taken in terms of Financial Regulation 396 (d) .	Proper measures have been taken to inform the respective Missions to take necessary action to rectify the deficiencies pointed out in Paragraphs (a) to (e) relating to the maintenance of bank accounts of the Missions.	It should act in accordance with Financial Regulation 396 (c).
(b) Two cheques amounting to 612,729 of the Ministry and 12 cheques of 03 Missions had remained as unidentified debits and 04 cheques had remained as unidentified credits of the Kuala Lumpur Mission.	-do-	Actions should be taken to recognize unidentified debit and credit balances.
(c) Even though the 1583 US\$ stolen from Los Angeles Mission in the year 2011 and an amount of 155 US\$ as non-deposited in the years 2002 and 2003 in the Mosow Mission in had remained in the bank reconciliation statements, actions had not been taken in this regard.	-do-	Actions should be taken to settle the balances remained in bank reconciliation statements as stolen and non-deposited money.

3. Operating Review

3.1 Action Plan

Audit Observation

Due to non-submission of progress of activities included in the action plan for the year under review to audit, it was impossible to check on unaccomplished activities, activities that were inconsistent with the core functions, non-achievement of expected outcome and benefit levels, abandonment of projects without completion and delays in execution of projects.

Comments of the Chief Accounting Officer

The Annual Action Plan for the year under review has already been presented. Steps will be taken

Recommendation

Arrangements should be made to submit the Progress Reports of the activities of the year under review to the audit.

3.2 Annual Performance Report

Audit Observation

Even though the Annual Performance Report should be prepared and submitted with the Annual Accounts which were submitted to the Auditor General in accordance with Paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020, the Annual Performance Report relating to the year under review had not been submitted.

Comments of the Chief Accounting Officer

The Performance Report for the year under review has been prepared in English and arrangements are being made to translate it into Sinhala and Tamil.

Accordingly, it is further informed that those necessary arrangements will be made to submit to the Auditor General as soon as it is completed.

Recommendation

Actions should be taken in accordance with the circular provisions.

3.3 Assets Management

Audit Observation

Although the Ministry had paid a sum of Rs. 70,638,545 for the purchase of 20 housing units at, 117 Watta Apartment Complex, Elvitigala Mawatha, Colombo 08 to the National Housing Development Authority, actions had not been taken to obtain title deeds for 17 housing units out of that, even by the date of audit.

Comments of the Chief Accounting Officer

The National Housing Development Authority has informed that the actions would be taken to issue deeds in future.

Recommendation

Action should be taken to obtain title deeds.

3.4 Losses and Damages

Audit Observation

According to the age analysis submitted by Sri Lankan Missions in respect of the loss amounting to Rs. 27,545,100 which had to be further recovered, write off or waive off furthermore regarding the 50 cases under Programme No. 02 of the statement of losses and waive offs submitted to the Audit along with the financial

Comments of the Chief Accounting Officer

The values mentioned in the audit report are correct.

Although the Diplomatic Administration Division has made arrangements to take actions in accordance with F.R 106 and 113 by identifying the relevant values individually and calling information from the relevant Embassy Offices as shown, the completion of these

Recommendation

Actions should be taken to examine and settle in accordance with Financial Regulations 104.

statements for the year 2020 and of that value, a sum of Rs. 1,334,669 had remained for more than 10 years and it was observed that a sum of Rs. 21,626,285 had remained a period ranging from 05 to 10 years.

activities has delayed due to a number of problems encountered in completing and collecting accurate information from Missions. It has been noted to inform the relevant sections for expeditious completion of these activities on priority basis as per the age analysis given.

3.5 Uneconomic Transactions

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The post of High Commissioner of the Sri Lankan Embassy in Seychelles was in vacant from 15 January 2020 until 08 April 2021, the date of audit. However, a sum of Rs. 3,816,805 had been paid for the unused official quarters as rent for the period from January 2020 to May 2020.</p>	<p>Actions have been taken to call the former Sri Lankan High Commissioner to Seychelles back to his country on 14 January 2020 before the end of the contract term expires. As the hope of appointing a High Commissioner again soon and the contract period for the official residence is valid till 30 September 2020, arrangements have been made to pay the rent for that official residence. Nevertheless, the Embassy has taken steps to terminate the Agreement with effect from 01 May</p>	<p>House rent should not be spent on unused official quarters.</p>

2020 with a notice prior to a month in accordance with the terms of the agreement as per the instructions given by this Ministry on 20 April 2020 .

However, a sum of Rs. 3,816,805 had to be paid as rent for the official residence from 15 January 2020 to 31 May 2020 .

- (b) A lease agreement had been entered into the maintenance of the Embassy in Palestine, the official quarters and the escort residence for 3 units in the same building for a period of 30 August 2017 to 31 August 2022. Only one officer of this Mission has been occupying since 18 April 2019 and a sum of Rs. 1,428,887 for premises not used by the Mission from May 2019 to February 2021 and Rs. 45,500 for electricity and water from May 2019 to February 2021 had been spent. Accordingly, a futile expense totalled to Rs. 1,474,387 had been made for the unused premises.

The trinity of Permanent Representative Office in Palestine, Permanent Agent Official Residence and the escorts Official residence are established in the same building. The lease agreement has been signed for the entire building.

Due to the political and security reasons in Palestine, the premises had to be maintained continuously and as a result it is noted that the amount to be paid relating to the agreements valued at Rs. 1,474,387.00 had to be paid for the entire building.

Public money should be spent prudently.

3.6 Management weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The building which was purchased for the Sri Lankan Embassy in Sweden in the year 1972, was removed from use in 2011. Since the actions were not taken to renovate or construction of a new building, a sum of Rs. 20,826,523 had been paid as building rent in the year 2020.</p>	<p>After obtaining the approval of the Cabinet, the renovation process commenced in the year 2019 and a Swedish engineering consulting firm was selected. After the evaluation of recommendations of the consultancy company by the Technical Evaluation Committee on Procurement Consultancy of the Ministry (CPCM) had recommended that the construction of a new official residence on the same premises be beneficial to the Government in the long run. A drafted Cabinet Memorandum had been submitted to obtain the necessary Cabinet approval.</p>	<p>Assets should be utilized optimally.</p>
<p>(b) Two buildings belonging to the Sri Lankan High Commission in Canberra, Australia have been removed from use since 2007 and 2012. A sum of Rs. 6,609,300 had been paid as building rent due to the arrangements were not made to renovate those buildings.</p>	<p>Steps have been taken to commence the renovation process in 2019 with the approval of the Cabinet of Ministers and accordingly, the Sri Lankan High Commission in Canberra has been directed to call for bids from qualified engineering consulting companies. Meanwhile, action has been taken to obtain the services of a Professor of the Faculty of Engineering, University of</p>	<p>Assets should be utilized optimally.</p>

Moratuwa for the engineering consultancy services of this project on the instructions of the Hon. Minister of Foreign Affairs.

(c) The building which was purchased in 1976 and used as the official residence of the Sri Lankan High Commissioner to Kenya, had been removed from the use since 2014. Due to the arrangements were not made to renovate that buildings, a sum of Rs. 3,361,960 had to be paid as building rent in the year 2020.

Although the approval of Cabinet of Ministers has been obtained in 2018, as the proposed construction plan exceeds the actual requirement, it has been decided to redesign the construction of a suitable official residence to suit the approved amount. It has been decided to delay the construction process of the relevant buildings in Canberra and Stockholm until the completion of the initial phase of renovation and / or construction considering of the current financial situation.

Assets should be utilized optimally.

(d) Although it had been directed by the Directive No. 7 of the Committee on Public Accounts which was held on 07 August 2018 to submit a report analyzing the formal criteria apply to each country in appointing staff to Embassies, arrangements had not been made upon by the end of the year under review.

Criteria which are applied in appointing staff to Embassies has already been prepared.

Actions should be taken in accordance with the Directives of the Committee on Public Accounts.