

Confidential

**Management Audit Report on affairs of Financial Management -
Permanent Mission of Sri Lanka to the UN, Geneva**

1. Background

A team consisting of following officers visited the Sri Lanka Mission in Geneva and conducted an audit on 13th and 14th February 2012, having required to carry out an audit, pursuant to instructions given by the Secretary to the Treasury by his memo dated 08th February 2012.

- 1. Mr. D. Widanagamachchi - Deputy Secretary to the Treasury
- 2. Mr. K.M. Jayathilake - Addl. DG, Dept. of Management Audit
- 3. Ms. Anula Harasgama - Addl. DG, Dept. Public Finance
- 4. Mr. Mahinda Saliya - Addl. DG, Dept. of State Accounts

The Terms of Reference of the Audit was to look in to all financial transactions of the Mission, utilization of budgetary provisions, procurement process followed in relation to procurement of goods, works and services and other related aspects (Annex I).

Accordingly, the team examined the ledgers, files, registers and other relevant records maintained by the Mission to ascertain as to whether systems and procedures as per Government requirements are in place in relation to internal controls, budget management, financial management, office management, procurement and assets management.

It is pertinent to note that despite repeated requests to permit the Audit to be carried out independently and without disturbances, either Minister (Mr. Jauher) or staff member (Ms. Thamsila) were throughout present, disturbing the continuance of discussions with those who were interviewed during the audit.

2. Functions and Objectives of the Mission

Sri Lanka Mission in Geneva is functionally a multilateral Mission, while also being the Mission serving the United Nations Office. The Mission in Geneva deals with 37 institutions coming under the United Nations Organization and other international organizations based in Geneva as listed in Annex I1. However, bilateral relations between the Governments of Sri Lanka and Switzerland are handled by the Sri Lankan Embassy in Bern.

3. Organization Structure/Staffing of the Mission

Office of the Mission is situated in a hired premises with 324 square meters at a monthly rental of CHF 15,835/- (current exchange rate CHF 1=LKR 130.00). Home based staff of the Mission are as follows. Details are in Annex III.

#	Designation	Approved Cadre	Current Status
1	Ambassador/Permanent Resident Representative to the United Nations (PRUN)	01	01
2	Ambassador/PR to the WTO	01	Vacant
3	Minister/ Deputy Head of the Mission (SLFS II)	01	01
4	Minister (SLFS II)	01	01
5	SLFS III	01	Vacant
6	Counselor (Commercial)	01	01
7	Second Secretary Non SLFS	01	01
8	Attaché (Chief Clerk)	01	01
9	PMAS 1 (Public Management Assistant Service)	04	04
10	Personal Assistant/Stenographer	02	02
11	IT Officer	01	01
12	Home based Staff Assistants	02	02

In addition to the above, there are 10 staff members recruited from Switzerland, out of which 05 are Sri Lankans, to assist Mission activities. (Annex IV)

4. Observations on Managerial Functions

4.1 Office Management

The team analyzed the Organization structure of the Mission and observed the following:

- I. Delegation of Authority - Ministry of External Affairs has delegated functions under the FR 135 - Delegation of Functions for Financial Control, which is common to all foreign missions coming under the Ministry (Annex V).
- II. Organization Chart - No Organization Chart was found, supporting allocation of duties and responsibilities.

- III. Job Descriptions - There were no document denoting job descriptions/duty lists.
- IV. Segregation of Duties - There was no proper segregation of duties among staff members of the mission ensuring internal controls, Although many staff members are there, it was obvious one Public Management Assistant (PMA) carries out virtually all activities in relation to the payment process - disregarding the need to ensure checks and balances. This included single hand - checking vouchers, posting of transactions in vote ledgers, maintaining the cash book, preparing bank advices, withdrawal of cash from the bank, computerizing of accounts, preparing bank reconciliations and reporting to the line ministry. This is certainly a matter for concern as accountability is hence compromised.
- V. Book Keeping - vote ledgers are being maintained manually and there were evidence that vote ledgers submitted for the audit has been updated recently- in the wake of the Audit, and were incomplete. What was noted is that certain transactions have been entered twice, on different dates. Cash Book entries were not available pertaining to the period from October to December 2011.

4.2 Procurement & Asset Management

It was evident that there is no system in place to ensure accountability and transparency in carrying out procurement activities in line with Government Procurement Guidelines. Examination and verification of documents in relation to following procurement activities that have been carried out recently, revealed that there is no internal control system in place with regard to procurement management.

a. Renovations to the Residence of the Permanent Resident Representative of the Sri Lanka to the United Nations in Geneva

Residence address: No. 18, Avenue D1' Evantage 1224,
Chene- Bougeries

Cost of the Renovation : CHF 119,250/- November 2009
(Payment voucher no 91235 -Annex VI)

Contractor : Mr. P.T.Thureiraja, Shelva Sug,. GMBH
of Zurich

It is evident that, here again Mr. Jauher (Minister) and Mr. Ranjan (Admin Attaché) have personally handled these procurement activities and the following irregularities were noted.

- I. Scope of work and technical specifications have not been determined prior to granting the contract and no BOQ has been prepared/ issued - keeping the scope of work open-ended.
- II. Quotations have been called from four parties - reasons for restrictions have been explained in the internal memo to S/FA dated 02/11/2009.
- III. Only three parties have submitted quotations - and all three were based on different formats - as there was no pre determined scope of work. This has lead to a situation where evaluating and selecting the best tender - was not possible.
- IV. Despite the same, a Letter of Award has been issued to the Contractor P.T. Thureiraja on 19/11/2009 and the first payment (advance) has been made to him on 22/12/2009 without obtaining a proper security. It is evident that this tender has been awarded to a LTTE activist Mr. P.T. Thureiraja. Mr. Thueiraja had in fact been taken into custody by the Swiss authorities in connection with his LTTE involvements.
- V. Full payments have been made to the Contractor - having certified by Mr. Jauher, Minister, who was the Deputy Head of the Mission at that time (from 17th January 2009 to 24th August 2011) and based on an inspection report submitted by the Mr. Ranjan, Admin Attaché.
- VI. Entries were found to the effect that there have been omitted items of work and that certain defects are yet to be rectified- despite which payments have been made.
- VII. It is pertinent to note that the security system of the Ambassador's Residence is not functioning, while there is unmonitored movements around the Ambassador's Residence. H.E the Ambassador has already reported to the Swiss Police in this regard and the residence is on security watch by the Swiss Mobile Police. This situation deserves immediate attention.

b. Procurement of Furniture

It was noted that the Mission had spent a substantial amount of funds to furnish employees residences, from time to time. It was noted that each time a new member is posted the apartments are furnished. There is no proper inventory control system/disposal system in the Mission. There were no records to verify as to what happened to the furniture used by the outgoing staff members.

Documentary evidence was available that shows that S/EA approves procurement of furniture items based on the requests made by the mission but the items actually procured are different - as decided by Mr. Ranjan, Attache' . (Relevant documents are in Annex VII).

c. Air Tickets

In several instances, Mission had obtained quotations from a single source to purchase air tickets, which is 'Siva Travels' without comparing the prices with other travel agents. No valid reason was given for the practice of obtaining a single quotation from same travel agent.

d. Vehicle

The Mission currently owns two cars and a van and has three drivers. In the year 2009, the Mission has procured a vehicle to replace an old car which was used by H.E the Ambassador. Disposal of the old car has not been done as planned and instead the mission has recruited a driver cum messenger, to run this car - resulting in additional costs such as vehicle repairs, fuel, driver's salary, overtime etc.

e. Inventory Control

There is no proper inventory control system in place in the Mission. Inventory records submitted for the audit had been recently updated and it was observed that records are not maintained as per the requirements stipulated in financial regulations - at all. Inventory items are not corded, and no code numbers are entered in the book. The Mission staff was unable to provide a list of items owned by the Mission, the official residence and staff quarters. Some items taken over by the officers have not been entered in inventory registers. The inventory management system, the method of distributing the

equipments to staff member's residences and the disposal system in the Mission are unacceptable. This is clearly a malpractice.

4.3 Budget & Finance Management

The budget & financial management in the Mission was not effective due to the absence of an action plan and due to incurring expenses without giving serious consideration to allocation limits. Annual budgetary allocations are made twice a year by the Ministry and additional allocations for special events are made as and when required and the Mission tends to incur expenditure exceeding allocations. Total budgetary allocation and the expenditure for 2010 and 2011 are as follows:

Year	Annual Allocation		Total Expenditure		Balance/Excess	
	Capital	Recurrent	Capital	Recurrent	Capital	Recurrent
2010	12,126	160,536	11,831	177,746	295	(17,210)
2011 (Jan-Oct)	2,047	220,756	812	257,739	1,530	(36,983)

Comparison of last two years financial transactions indicates that expenditure on account of Home Based Staff Salaries, Local Staff Salaries, Overtime & Holiday Pay, Overseas Service Allowance, House Rent, Educational Allowance, Millage, Combined & Incidental Allowance, Building Maintenance, Telecommunications, Electricity and Household Equipment have clearly exceeded the amounts budgeted / allocated. It was also noted that the Mission has not finalized the accounts for the months of November and December 2011, as yet. Detailed expenditure statements are in Annex VIII.

The Mission continue to use the cash inflow (receipts from consular activities) to incur expenditure in addition to the imprest released by the ministry, consequent to which expenditure exceeds the budgetary allocations.

The existing accounting treatment requirements for payment of advances need to be revisited since outstanding advance balances are

remaining unsettled in their imprest accounts due to continuous occupation of houses.

4.4 Logistics arrangements for newly posted staff

Mission has paid hotel charges to provide short term accommodation for the following officers, due to weak logistics arrangements that have to be put in place, in advance.

Name of the officer	Date	Amount (CHF)
Mrs. Amara	27 th Sept.2011	12,355.69
Mrs. Nilmini	- do-	8,325.91
Ms. Manisha	04 th Oct. 2011	1,285.40

It may be noted that, leasing of furnished apartment for staff members would be more economical than furnishing such apartments. Hence it is desirable that a housing plan be put in place for Embassy Staff, ensuring cost effectiveness.

4.5 Revenue Management

a. Collection & Accounting for Revenue

Mission acts as an accounting officer for collection of revenue in terms of FR 182(1) for the following revenue classified under Revenue Code 2003.02.07 - Fees of Passports, Visas and Dual Citizenship and the Revenue Code 2003.02.99 - Sundries;

- Fees for issuance of normal passports
- Fees for amendments to passports
- Fees for issuance of lost passports
- Fees for passport renewals
- Fees for birth registration and certification
- Police clearance

According to available records pertaining to the above, which were perused, the following are observed in relation to revenue and monthly returns submitted to the Controller of Immigration and Emigration.

(Data for a period for five years are at Annex X).

- I. Five officers including the Attaché Mr. Ranjan - apparently in clerical level, are authorized to sign, attest and authenticate documents of the Mission (Annex XI).
- II. Fees collected under Consular activities have not been classified separately and hence are credited to Revenue Code 2003.02.99 - Sundries.
- III. Revenue so collected monthly for the above services are relatively high and it appears that the Mission tends to incur expenditure exceeding the allocation limits using such revenue collected, which is not permissible and hence should be stopped.
- IV. It is noted that revenue of Consular Affairs is quite high. Hence a system needs to be introduced urgently the proper collection and accounting of revenue by a set of officials duly authorized in that regard.

4.7 Human Resource Management

- I. It is noted that there is disharmony among staff. Certain staff members clearly expressed their displeasure on how official affairs are handled by Mr. Jauher and Mr. Ranjan. It was also noted that certain officers do not work together harmoniously with H.E. the Ambassador and instead continue to deal directly with the ministry/other parties, on important official matters. What was evident is that personal agendas take priority over national interest. .
- II. A temporary staff member (Ms. Thamsila) had been recruited without following a proper recruitment procedure to fill a vacancy of a home based staff. It is understood the steps are underway to make this lady permanent.
- III. It was revealed that Mr. K. Ravikumaran who was attached to the Mission as a Public Management Assistant from 2006-2009 is reported missing/ hasn't returned to Sri Lanka.

- IV. Majority of daily visitors to the Mission are said to be from the Tamil community but what is noted is that there is no Tamils presence, other than the Ambassador.
- V. It is noted that education related expenses in Geneva are very high. Average education cost per child at any age (up to 18 year) is over Rs. 2,000,000/- per annum, even though 25% of the cost is born by the employee.

4.8 Performance Management

Performance of the Embassy is measured under the categories of multilateral relations, economic relations, cultural relations, labour welfare etc. The data required to be disseminated to the Ministry of External Affairs for 2009, 2010, and 2011 - have been given after substantial delay. This has caused difficulties to the External Affairs Ministry to report same to Parliament, which is required to be done within 150 days at the end of each financial year.

4.9 Lack of proper Guidance

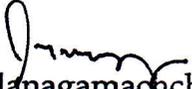
Although the Ministry of External Affairs has issued circular instructions in relation to administration and financial affairs, examinations revealed that the Mission members do not adhere with such instructions, which is a matter that needs serious consideration.

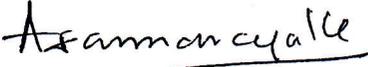
5 Conclusion

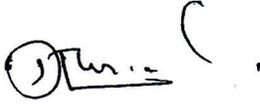
In view of the above observations, the team strongly recommends the External Affairs Ministry;

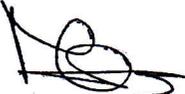
- I. to require that the Mission will submit an organization structure, job descriptions and delegation of authority - within a short period of time ie. 1 month.
- II. to have an approved cadre/ minimum qualifications for stipulated positions, in line with Government Guidelines applicable.

- III. to require that the Mission to comply with allocations, budgeting, reconciliation etc. to ensure accountability.
- IV. to require that the Mission to carry out procurements according to Government Procurement Guidelines as applicable.
- V. to ensure a proper inventory management system in order to strengthen the financial and asset management of the mission.
- VI. to take appropriate policy decisions and closely monitor the above to ensure governance and accountability.
- VII. to undertake an investigation in relation to the lapses referred to above and take disciplinary actions as may be necessary, against those who have breached or deliberately disregarded government procedures.


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