

**Report of the Auditor General on Head 296 – Department of Import and Export Control
- Year 2015**

The audit of the Appropriation Account, Revenue Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 296 – Department of Import and Export Control for the year ended 31 December 2015 was carried out in pursuance of provisions in 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 Import and Export Controller General on 29 August 2016. 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 and the Accounting Officer for the Accounts and the Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance 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.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.63.19 million and out of that Rs.57.05 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provisions of the Department amounted to Rs.6.14 million or 9.72 per cent. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	58.29	54.39	3.90	6.69
Capital	4.90	2.66	2.24	45.71
Total	63.19	57.05	6.14	9.72

2.2 Revenue Account

2.2.1 Estimated and Actual Revenue

The Department had estimated the Revenue of Rs.800 million under the Revenue Code 10.01.03.00 for the year 2015 and the Revenue Estimate had been revised up to Rs.900 million. A Revenue of 1,089 million had been collected by the end of the year under review. It represented 121 per cent of the revised estimated Revenue. Details appear below.

As at 31 December 2015			Excess/Shortfall as a Percentage of Estimate
Estimated Revenue	Actual Revenue	Excess	
Rs.Millions	Rs.Millions	Rs.Millions	
900	1,089	189	21

2.3

Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account of the Department under Item No.29601 and the actual amounts are given below.

<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
4.42	2.12	2.20	3.12	18.00	12.22

2.4 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0048/0015/000 of the Department as at 31 December 2015 amounted to Rs.98.86 million.

2.5 Audit Observation

The Appropriation Account, Revenue Account and the Reconciliation Statements for the year ended 31 December 2015 of the Department had been satisfactorily prepared subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the audit observations included in the Management Audit Report appear in Paragraph 3.

3. Material and Significant Audit Observations

3.1 Non – maintenance of Registers and Books

It was observed during audit test checks that the Department had not been maintained the following registers in an updated manner.

Type of Register	Relevant Regulation
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(i) Appropriations (Votes) Ledger	Financial Regulation 447
(ii) Register of Fixed Assets for Computers Accessories and Software.	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
(iii) Inventory Register	Financial Regulation 454(1)

3.2 Revenue Account

The role of the preparation of Revenue Estimates, Collection of Revenue, Accounting and Presentation of Accounts had been assigned to the Head of the Department as a Revenue Accounting Officer of the Revenue Code 10.01.03.00. The following deficiency was observed during the course of audit test checks relating to that Revenue Code.

Only the license fees and other receipts total had been entered to the Cash Book as receipts, a classified Ledger of Revenue Received relating thereto had not been maintained.

3.3 Advances to Public Officers Account

According to the Reconciliation Statement on the Advances to Public Officers Account, Item No.29601 as at 31 December 2015, the balances that remained outstanding as at that date totalled Rs.544,122. Even though those outstanding balances remained over periods ranging from 01 year to 02 years, the follow-up action on the recovery of the outstanding balances had been at a weak level.

3.4 Good Governance and Accountability

3.4.1 Annual Action Plan

According to the Public Finance Circular No.01/2014 dated 17 February 2015, the Annual Action Plan had been prepared by the Import and Export Control Department on 23 February 2015, it had not been provided budget provisions while preparing the Budget Estimates for the following activities which included in the Action Plan.

- (a) Field checking of quality, standard and specification would be done on the import and export of consumer products.
- (b) Conducting of awareness programmes and workshops.

3.4.2 Internal Audit

Although there had not been an Internal Audit Unit, the Management Audit Department had been conducted audits up to June 2015 and had issued 2 audit reports. But for the remaining period an internal audit had not been conducted.

3.4.3 Audit and Management Committee

Even though the Audit and Management Committee should conduct its meetings once in a quarter, only 2 meetings had been conducted for the year 2015.

3.5 Assets Management

Conduct of Annual Boards of Survey

In terms of the Public Finance Circular No. 2/2014 dated 17 October 2014, the Annual Board of Survey should be conducted and the report thereon should be submitted to the Auditor General before 17 March 2016. Nevertheless, it had been forwarded only on 27 July 2016.

3.6 Performance

Activities Contrary to Key Functions

While import ethanol and methanol, the applications which should be submitted with the recommendations of the Excise Department on import of ethanol and methanol, import license had been issued to the entire quantity of the total 41,535,866 litres applied for.

3.7 Human Resources Management

Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	10	05	05
(ii)	Tertiary Level	01	01	-
(iii)	Secondary Level	58	52	06
(iv)	Primary Level	19	17	02
	Total	88	75	13