

## **Report of the Auditor General on Head 296 – Department of Import and Export Control - Year 2016**

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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 2016 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 22 September 2017. 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**

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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**

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### **2.1 Appropriation Account**

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#### **Total Provision and Expenditure**

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The total net provision made for the Department amounted to Rs.65.87 million and out of that Rs.59.66 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision of the Department amounted to Rs.6.21 million or 9.43 per cent. Details are given below.

Expenditure	<u>As at 31 December 2016</u>			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	59.83	56.32	3.51	5.87
Capital	6.04	3.34	2.70	44.70
Total	65.87	59.66	6.21	9.43

## 2:2 Revenue Account

### Estimated and Actual Revenue

The Department had prepared Revenue Estimates totalling Rs.1,200.00 million in respect of the Revenue Code No.10.01.03.00 for the year 2016 and Revenue totalling Rs. 1,370.45 million had been collected during the year under review. Revenue amounting to 114.20 per cent of the estimated Revenue had been collected. Details appear below.

Revenue Code	As at 31 December 2016			Excess as a Percentage of Estimate
	Estimated Revenue	Actual Revenue	Excess	
	Rs. Millions	Rs. Millions	Rs. Millions	
10.01.03.00	1200.00	1,370.45	170.45	14.20

## 2.3 Advances to Public Officers Account

### Limits Authorized by Parliament

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

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5.13	5.13	2.40	2.76	20.00	12.85

#### **2.4 Imprest Account**

The balance of the Imprest Account No.7002/0000/00/0048/0016/000 of the Department as at 31 December 2016 amounted to Rs.59.41 million.

#### **2.5 General Deposit Account**

The balance of the Imprest Account No.6000/0000/00/0018/0127/000 of the Department as at 31 December 2016 amounted to Rs.14.09 million.

#### **2.4 Audit Observation**

The Appropriation Account, Revenue Account and the Reconciliation Statements of the Department of Import and Export Control for the year ended 31 December 2016, had been prepared satisfactorily 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 maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observations
(i) Security Register	Financial Regulation 891 (1)	Not maintained
(ii) Inventory of Electrical Fittings	Financial Regulation 454 (2)	Not maintained

(iii) Register of Fixed Assets      Treasury Circular No.842 of 19    Not updated.  
December 1978

(iv) Register of Fixed Assets of    Treasury      Circular      No.    Not updated.  
Computer, Accessories and    IAI/2002/02 of 28 November  
Software                            2002

### **3.2    Misplaced Vouchers**

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A voucher relating to the payment of salaries amounting to Rs.53,938 and a voucher pertaining to a sum of Rs.337 paid for internet connections in the year under review had been missing.

### **3.3    Appropriation Account**

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#### **Budgetary Variance**

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Excess provisions had been made for 07 Objects and as such the savings, after the utilization of provisions, ranged from 19 per cent to 54 per cent of the net provisions relating to the respective Objects.

### **3.4    Revenue Account**

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The duties relating to the preparation of Revenue Estimates, collection of Revenue, Accounting and the presentation of Accounts relating to the Revenue Code No.10.01.03.00 had been assigned to the Head of Department as the Revenue Accounting Officer. The following deficiency was observed during the course of the test audit of that Revenue Code.

(a) Even though the collection of revenue amounting to Rs. 1,200.00 million had been estimated for the year under review, the actual revenue collected amounted to Rs. 1,370.45 million. Even though it was identified that more revenue could be collected during the year, action had not been taken to revise the Revenue Estimate accordingly.

(b) In terms of the Paragraph 9 of the Circular No.01/2015 of 20 July 2015 on Fiscal Policy and Economic Affairs, the Annual Revenue Estimate should be forwarded to the Director General of Fiscal Policy and Economic Affairs before 31 July of each year. Nevertheless, the Revenue Estimate of the year 2016 had been presented on 07 October 2015.

(c) In terms of the Paragraph 7 of the said Circular, Half Yearly Revenue Reports should be forwarded to the Director General of the Department of Fiscal Policy within 15 days from the end of due period, action had not been taken accordingly.

### **3.5 Reconciliation Statement on Advances to Public Officers Account**

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The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account Item No. 29601.

- (a) Instances where the balances of Loan Register (CC 10) were not properly balanced and brought forward were observed.
- (b) Instances where the notes were made in the Loan Register so as not to find the dates of transfers of the officers transferred out and the relevant amounts and the instances of altering the entries by using correction fluids (Tipex) were observed. Further, instances not recording the dates of transfers of the officers were observed.

### **3.6 Good Governance and Accountability**

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#### **3.6.1 Annual Action Plan**

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In terms of Paragraph 3 of the Public Finance Circular No.01/2014 dated 17 February 2014, all Ministries and Departments should prepare the Annual Action Plan relating to the due financial year within the budget frame. Nevertheless, the Department had not taken action accordingly. Even though the estimated expenditure relating to three Objects had been Rs.9.95 million according to the Action Plan presented to the audit, the provision made in respect of those Objects had been Rs.5.25 million according to the Annual Budget Estimate. As such, it was observed that the Action Plan had been prepared without considering the provisions of the Annual Budget Estimate.

#### **3.6.2 Internal Audit**

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Even though the importance of functioning of an Internal Audit Unit had been emphasized at the meeting of the Committee on Public Accounts held on 10 February 2016, the Department had not established an Internal Audit Unit even by 22 September 2017.

#### **3.6.3 Audit and Management Committee**

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Meetings of the Audit and Management Committee had not been held for the year under review.

### **3.7 Assets Management**

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#### **Conduct of Annual Boards of Survey**

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In terms of the Public Finance Circular No.05/2016 of 31 March 2016, Annual Boards of Survey should be appointed before 15 December of each financial year. Nevertheless, the Board of Survey for the year 2016 had been appointed on 07 February 2017. Further, the Board of Survey

Reports had not been submitted to the Auditor General on due date in terms of the said Circular.

### 3.8 Management Weaknesses

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The following observations are made.

- (a) A computer network facilitating a better coordination between the data of the Department of Import and Export Control and the data of Sri Lanka Customs relating to issuing import licenses, had not been created. As such, certain goods which should be imported under import licenses had been imported under erroneous Harmonized System Code without obtaining licenses. Consequently, it was observed that revenue to be received by the Government on import license fees is deprived of and certain goods of which the import should be limited are imported to Sri Lanka without a limit. As such, 13 instances of imports without obtaining import licenses were observed during the audit test checks.
- (b) The normal procedure of the Department in issuing import licenses, had been charging the license fees solely based on the documents submitted by the importer without verifying the value of goods. Significant differences between the values submitted in obtaining licenses by the importers and the values stated in documents on import were observed during the course of audit. Mostly, the values stated in the documents on import were higher than the values submitted in obtaining licenses. Nevertheless, the license fees are determined based on the values stated at the time of obtaining import licenses, thus a significant amount of revenue receivable as license fees by the Government is deprived of. A sum of Rs.1.30 million had been undercharged as license fees in respect of 02 Concrete Mixers imported in 02 instances.

### 3.9 Human Resources Management

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#### Approved Cadre and Actual Cadre

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The position on the cadre as at 31 December 2016 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	11	8	03
(ii)	Tertiary Level	71	62	09
(iii)	Secondary Level	01	01	-
(iv)	Primary Level	20	12	08
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	Total	103	83	20
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