

Report of the Auditor General on Head 244- Department of Trade and Investment Policy- Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records on the Head 244 Department of Trade and Investment Policy for the year ended 31 December 2016 was carried out in pursuance of provisions in Article 154(1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 22 September 2017. The audit observations, comments and findings on the accounts and 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 on the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Article 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. The responsibility includes, designing, implementing, 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.55.03 million and out of that Rs.50.15 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision made for the Department had been Rs.4.88 million or 8.87 million. Details appear below.

Expenditure	As at 31 December 2016			Savings as a percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	49.93	47.07	2.86	5.73
Capital	5.10	3.08	2.02	39.61
Total	55.03	50.15	4.88	8.87

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No.24401 of the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
2.00	1.99	1.30	1.88	12.00	8.07

2.3 General Deposit Account

The balance of the General Deposit Account No.6000/0000/00/0018/0044/000 of the Department as at 31 December 2016 amounted to Rs.25,200.

2.4 Imprest Account

The balance of the Imprest Account No.7002/0000/00/0395/0016/000 of the Department as at 31 December 2016 amounted to Rs.492,510.

2.5 Audit Observation

The Appropriation Account and Reconciliation Statements of the Department of Trade and Investment Policy 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 that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) Even though a compulsory saving of 15 per cent and 10 per cent respectively should be made out of the provisions for fuel and transport in terms of Paragraph 2 of the National Budget Circular No.07/2015, action had not been taken by the Department accordingly.
- (b) The entire net provision amounting to Rs.200,000 made for an Object had been saved.
- (c) Excess provision had been made for 06 Objects and as such the savings after the utilization of provisions ranged from 25 per cent to 68 per cent of the net provisions relating to the respective Objects.

3.2 Financial and Operating Review

Budget Estimate, Procurement Plan and Actual Expenditure

The differences of Rs.2,600,000 remained between the amount allocated for procurement activities in the Budget Estimate 2016 and the amount stated by the Procurement Plan.

3.3 Assets Management

Unsettled Liabilities

There was a difference of Rs.97,904 between the liabilities stated in the Appropriation Account and the Register of Liabilities.

3.4 Performance

The observations on the progress of the Department in terms of the Annual Budget Estimate 2016 and the Action Plan are given below.

- (a) Any other action whatsoever had been taken than sending letters to the Department of Customs Sri Lanka requesting reports relating to the appeals on customs lawsuits even by the date of audit of 12 September 2017.
- (b) The drafted policies relating to the Policy on Importing Motor Vehicles and to the Policy on Assembling in the Motor Vehicle Industry had not been prepared and completed even by 12 September 2017. However, it had been informed by the Department to the audit on 29 September 2017 that the remaining policies had been amended instead of preparing new policies.
- (c) Even though enlisting 50 main import and export products in the Action Plan should be carried out under the proposed trade agreements, it had not been carried out accordingly even by 29 September 2017.
- (d) Activities relating to the publication in the Gazette from the year 2010 to 12 September 2017 the details on the Exemption of Customs Duties and tabling in Parliament in terms of Section 19(A)(1) and (2) of the Customs Ordinance had not been carried out.
- (e) According to the Performance Report, the number of licenses released for duty exemptions under Section 19(A)(2) of the Customs Ordinance in the year 2016 had been 2129 and the details on the duty concession values issued under those licenses had not been included in that Report.
- (f) Action had not been taken by the Department to obtain more information in a manner that action could be taken on these exemptions with greater supervision by the Department in the Customs Duties Exemption Process in terms of Section 19(A) of the Customs Ordinance.
- (g) A function of the Department is to give approvals to goods imported for Special Development Projects for re-exporting as mentioned in Section 22 of the Customs Ordinance. However, a procedure to examine whether this function is executed had not been prepared and it had not been mentioned on the action that should be taken on the instance where the goods which had not been re-exported remain.

(h) Approvals had been given to exempt goods on the agreement that the customs duties payable for the exemption of the relevant goods without a delay on the occasion that the provisions of those Institutions are insufficient to pay customs duties for the goods imported for Government Institutions, would be paid by the provisions saved in the end of the year. The following observations are made in the examination carried out in this connection.

(i) According to the information relating to the period from the year 2007 to the year 2016 of Sri Lanka Customs, the outstanding duty amounting to Rs.21,648.55 million mentioned above had not been settled even by the end of the year under review. Moreover, outstanding money amounting to Rs.185.44 million from the year 2009 to the year 2014 for the licenses issued for the clearance of goods to the Ministry of Fiscal Policy remained in that outstanding amount.

(ii) According to the information furnished to audit, the outstanding duty balance as at 31 December 2015 had been a sum of Rs.19,497.55 million and provision of concessions in the year had been a sum of Rs.5,707.65 million. The outstanding balance as at 31 December 2016 had been a sum of Rs.21,648.55 million on the recoveries in the year being a sum of Rs.3,556.65 million remained as at that date. It was observed that the balance of Rs.9,996.77 million which remained as at 31 December 2015 in 15 outstanding institutions as at that date remained unchanged even in the year 2016 and there was an increase of 18 per cent in percentage of recovering outstanding balance as compared with the balance remained as at 31 December 2016. Follow-up action had not been taken relating to those outstanding amounts.

(iii) However, a register relating to giving approvals for the payment of duties under the future methods of payment had not been maintained by the Department. It was further observed that the Department had not been aware whether the goods had been cleared relating to those approvals.

3.5 Human Resources Management

Approved Cadre and Actual Cadre

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

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	14	11	03
(ii) Tertiary Level	03	03	-
(iii) Secondary Level	28	23	05
(iv) Primary Level	13	13	-
Total	58	50	08

