

Report of the Auditor General of the Department of Commerce - Head 295 – Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 295 – Department of Commerce 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 Director General of the Department on 25 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 for 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 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. The 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.120.79 million and out of that, Rs.119.24 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Department amounted to Rs.1.55 million or 1.28 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of the Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	110.29	109.12	1.17	1.06
Capital	10.50	10.12	0.38	3.62
Total	120.79	119.24	1.55	1.28

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.29501 of the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
4.00	4.00	2.00	4.14	20.00	11.85

2.3 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Department of Commerce have 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 said Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Budgetary Variance

Excess provisions had been made for 07 Objects and as such the savings, after the utilization of provisions by the end of the year under review, ranged between 08 per cent and 42 per cent of the net provisions relating to the respective Objects.

3.2 Reconciliation Statement of Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks carried out in respect of the Reconciliation Statement as at 31 December 2016 relating to the Advances to Public Officers Account, Item No. 29501.

- (a) A difference of Rs.121,426 was observed between the total of the Individual Balances Classification Summary of the Reconciliation Statement of Advances to Public Officers Account of the preceding year and the balance according to the Departmental Books and that

difference had increased to Rs.416,550 in the year under review. The Department had failed to reveal the reason therefor.

- (b) It had been identified that the loan balances of the Officers who engaged in Foreign Missions had been overstated and adjustments had been made for those balances. As such, the total of the Register of Individual Balances had further decreased and accordingly, the difference with the Departmental Books had decreased. Further, it was observed that such a situation had arisen due to failure in preparation of a reconciliation statement as at the end of every month by comparing the balance of the Control Account with the Balance of the Register of C.C.10 in terms of paragraph 6 of the Budget Circular No.118 of 11 October 2004.

3.3 Good Governance and Accountability

Internal Audit

An Internal Audit Unit had not been established in the Department and those activities had been assigned to the Internal Audit Unit of the Ministry of Industry and Commerce. However, an adequate internal audit had not been carried out by that Unit.

3.4 Performance

The following observations are made in respect of the achievement of key activities of the Department.

- (a) The information on overall import, overall export, overall trade and trade balance of Sri Lanka as compared with the preceding year, is given below.

Activity	2016	2015	Increase/(Decrease) of the year under review	Percentage of the Increase/(Decrease)
	US\$ Millions	US\$ Millions	US\$ Millions	
Exports	10,217	10,212	5	0.05
Imports	19,515	18,989	526	2.77
Overall Trade	29,732	29,201	531	1.82
Trade Balance	(9,298)	(8,777)	(521)	(5.94)

According to the above data, in the comparison of the overall export and the overall import of Sri Lanka in the year 2016 with the year 2015, the export value had increased by approximately US\$ 5 million representing 0.05 per cent while the expenditure on import as well had increased by US\$ 526 million representing 2.77 per cent. As such, the outstanding trade balance had been US\$ 9,298 million. That is, the outstanding trade balance had increased by US\$ 521 million than the year 2015. Further, it was observed that as the expansion of Export Market of Sri Lanka should be continued, the direct

intervention of commercial officers is further required for the development of foreign trade relations at bilateral, regional and multilateral levels to increase the export income during ensuing years.

- (b) A summary of the activities carried out by the Commercial Officers relating to representation of foreign commerce is given below.

Activity	Year 2016	Year 2015	Increase/(Decrease) in the year under review)	Percentage of Increase/ (Decrease)
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Participation of the host country to Sri Lanka for the promotion of trade.	485	247	238	96.36
Conduct of publicity programmes in host countries of specific to Sri Lanka (individual country)	49	63	(14)	(22.22)
Arrival of missions to Sri Lanka	770	575	195	33.91
Missions on tour to the host county	1005	888	117	13.18
Individual tours to the host country	224	141	83	58.87
Individual tours to Sri Lanka	253	153	100	65.36

According to the above data, conduct of publicity programmes specific to Sri Lanka (individual country) in host countries had decreased by 14 programmes or 22 per cent than the preceding year. As such, it was observed that the necessity of advertising publicity opportunities on the direct intervention of the Commercial Officers for the promotion of local and foreign investments existed in Sri Lanka.

- (c) The stocks of printed certificates of the store, are recorded in the inventory and issued to the Policy Division after taking the signature of an officer in that Division by an officer in charge of the store at the request of the Deputy Director - Commercial. Moreover, the stock of blank certificates issued by the store, is taken in hand by an Office Aide after placing his signature. However, no action whatsoever had been taken on the safety of the stock of certificates.

- (d) Even though an Action Plan for the year 2016 had been prepared by the Department, the progress of the achievement of each activity mentioned in the Action Plan, had not been indicated in the Performance Report presented by the Department.

3.5 Management Inefficiencies

The Departmental copy of the Certificate of Origin issued to the exporter had been piled here and there in the premises of the Department and as such, it had severely affected the safety of those copies and the appearance of the Department. Moreover, it was further observed that it had been a major hindrance to the officers of the Department to carry out their duties with concentration. Attention had not been paid on regular designing of the internal environment of this Department which is a Regulatory Centre for establishing inter-relations with local and foreign trade agents.

3.6 Human Resources Management

(a) 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
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(i)	Senior Level	65	49	16
(ii)	Tertiary Level	02	02	0
(iii)	Secondary Level	61	46	15
(iv)	Primary Level	21	16	05
	Total	149	113	36
		=====	=====	=====

- (a) The posts of Systems Analyst and the Librarian which are important in carrying out the activities of this Department which facilitates the international commercial affairs in Sri Lanka, had been vacant from the date of creation of the post and since the year 1999 respectively.
- (b) Even though the approved cadre of the Post of Driver of the Department stood at 06, only 04 Drivers are employed. However, 08 motor vehicles are available in the Department and as a result, 04 motor vehicles had remained underutilized due to vacancies of the Post of Driver.
- (c) It was further observed that 19 officers of the staff belonging to the Combined Service, who were attached to the Department, had been deployed in this Department without getting transfers over a period ranging from 05 years to 32 years.